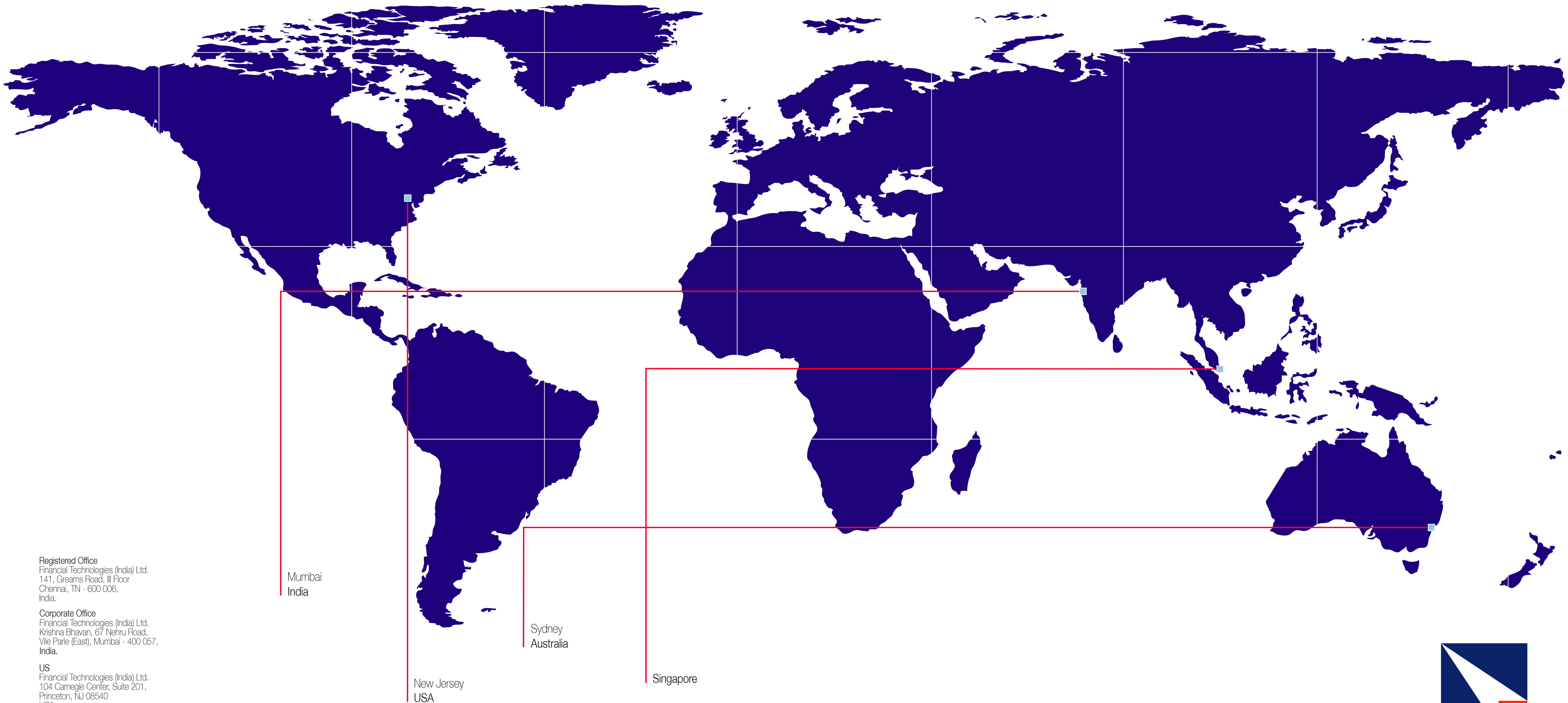
Annual Report 2001-2002

www.ftindia.com

Financial Technologies (India) Ltd.



Registered Office
Financial Technologies (India) Ltd.
141, Greams Road, III Floor
Chennai, TN - 600 006,
India.

Corporate Office
Financial Technologies (India) Ltd.
Krishna Bhavan, 67 Nehru Road,
Vile Parle (East), Mumbai - 400 057,
India.

US
Financial Technologies (India) Ltd.
104 Carnegie Center, Suite 201,
Princeton, NJ 08540
USA.

Singapore
Financial Technologies (India) Ltd.
101, Cecil Street #20-01A,
Tong Eng Bldg., Singapore 069533

Financial Technologies
Powering e-Xchange Markets

American Blue Background

White Ray

Red Square

Financial Technologies

Financial Technologies' (FTIL) logo is unique, in the sense that it captures the spirit and the corporate philosophy of the Company.

The insignia is a square with the "sharp, perpendicular corners" signifying equality (sides of equal size) and reflecting clarity and the Company's endeavor for perfection (90-degree corners).

The representation of the elements in the logo is as follows:

White Ray: FTIL's clear focus and vision for its objectives.

Red Square: The niche that FTIL operates in (mission critical / STP technology for the financial services industry) and its aggression and perseverance.

American Blue Background: The professional conduct, our sense of responsibility and the opportunity space for FTIL.

ABOUT FINANCIAL TECHNOLOGIES (INDIA) LTD:

Financial Technologies (India) Ltd (FTIL), a company listed on the Bombay Stock Exchange, is India's **leading IPR enterprise**, delivering **Straight Through Processing** (STP) technologies comprising Products, Components and Productised Services for the global Financial Services Industry.

Headquartered in India, with operations in US, Singapore and Australia, FTIL has emerged as a Vertical Specialist and technology leader and has deployed cutting edge STP technologies for various markets;

- Equities
- Derivatives
- Forex
- Commodity
- Treasury

This covers all the stages of a Trade Life Cycle: - Pre-Trade, Trade and Post-Trade operations to deliver single point transaction fulfillment.

FTIL's technology excellence, combined with its deep domain expertise, has consistently delivered mission-critical technologies to market intermediaries across the Financial Services Industry. This addresses some of the most challenging demands of the financial services industry –

- End-to-end Straight Through Processing
- Exchange matching system
- Real-time transaction systems
- Dynamic risk management
- Trade processing and Settlement operations
- Instant Messaging platform
- Asset Management

FTIL's flagship product ODIN™ is a new generation integrated securities trading platform and has been successfully deployed at over 50 cities in India representing close to 70% market share for customised front-office trading systems. FTIL's dynamic team of 200 people comprise the best of techno-domain specialists, operating from a state-of-art Global Product Development Center that uses world-class infrastructure facilities.

FTIL enables enterprises to offer exchange market based products and services to their clients, supporting high transaction density by delivering performance, scalability, open architecture and deployment flexibility.

MISSION STATEMENT

"To become a global leader in developing mission critical OLTP / electronic Straight Through Processing applications for the financial services sector. In the process, FTIL's applications would become 'proxy' to the Digital Exchange Economy, supporting transaction intensive marketplaces"

Organisation Overview

BOARD OF DIRECTORS

Executive

Jignesh P. Shah, *Chairman & Managing Director*
Dewang S. Neralla
Sajit Dayanandan
Mahesh R. Joshi
Ajay Narasimhan

Non-Executive

P. G. Kakodkar
C. Subramaniam
Ravi K. Sheth
Ashish S. Dalal
V. Venkateswara Rao

COMPANY SECRETARY

P. Venkitasubramani

ADVISORY BOARD

Nilesh Vira
Kanu Doshi
C. Kamdar

MANAGEMENT COMMITTEE

Jignesh P. Shah, *Chairman & Managing Director*
Dewang S. Neralla, *Chief Technology Architect*
Sajit Dayanandan, *Chief Information Officer*
Mahesh R. Joshi, *Chief Financial Officer*
Ajay Narasimhan, *Director-Corporate Strategy & Communication*
V. Hariharan, *Chief Technology Officer*

AUDITORS

Deloitte Haskins & Sells

LEGAL ADVISORS

Crawford Bayley & Co.

BANKERS

Union Bank of India
The Bank of Punjab Ltd.
HSBC Ltd.

SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
2nd Flr, Shanti Industrial Estate,
Sarojini Naidu Road, Tambe Nagar,
Mulund (W), Mumbai 400 080.

REGISTERED OFFICE

A-3, Gajel, 152, Greams Road, Chennai 600 006

CORPORATE OFFICE

Krishna Bhavan, 67, Nehru Road, Vile Parle (E), Mumbai 400 057

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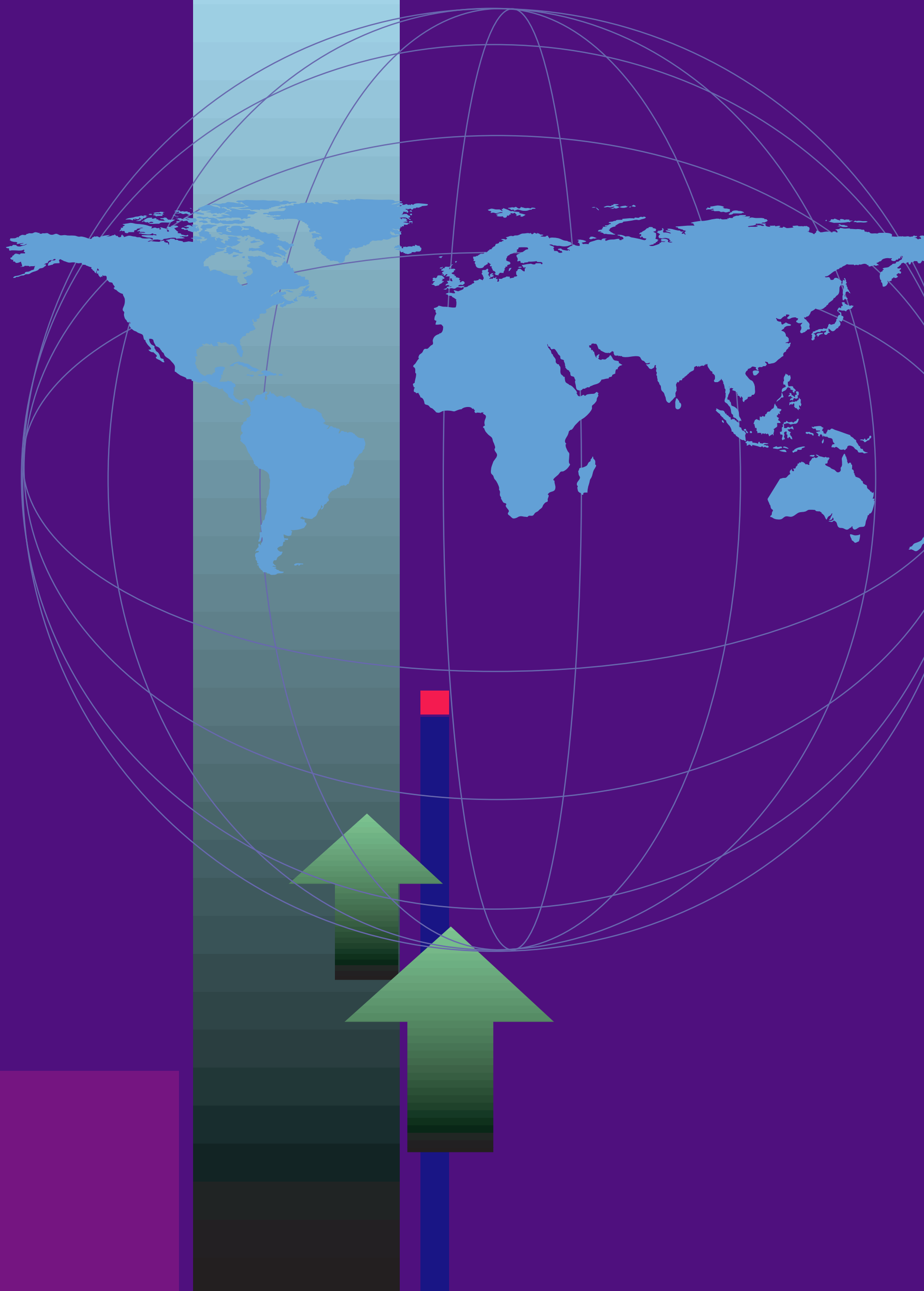


Chairman's Statement

Chairman's Statement

"We are commited to pursue our growth and global expansion through sound measures based on our fundamental strengths".

-Jignesh Shah

Dear Shareholder,

Preface

Financial year 2001-2002 was extremely challenging for industry as a whole across the world. There was a general, global economic slow down in the first two quarters, which was further aggravated by the unanticipated and tragic September 11 events. The financial services industry, to which your Company provides its solutions, was one of the worst affected. These unfortunate developments had a direct impact on the performance of your Company, Financial Technologies (India) Ltd. (FTIL) as well, and for the first time in its history, your Company recorded a financial loss.

Performance overview -

In the first three quarters, your Company recorded marginal sales, largely due to reduction in IT spending by the Indian financial services industry. This was partially overcome by a strong performance in the fourth quarter, signaling a slow but steady recovery. I am hopeful of this recovery getting stronger as we move into financial year 2002-03.

Despite difficult times, we remained focused on strengthening our long-term plans and successfully formulated a comprehensive business strategy to fulfill them. We also successfully added new products; expanded our customer base by signing-up prestigious clients; invested in our people who are our sacred knowledge managers as well as most valuable assets; and initiated implementation of plans to penetrate new geographic markets and business segments.

"Tough times never last, but tough people do". Your Company has withstood and faced the challenges this year with grit and confidence. And this has been possible only with complete cooperation and total commitment from each and every member of the FTIL team. On behalf of yourself and the Management, I wish to express my respect and appreciation to the entire Team for its extraordinary dedication and commitment during these demanding times.

Recognition of our work has also come from global institutions, demonstrating the depth of our business model. We continue to focus on building new technologies and solutions for existing markets and expanding our market base to cover wider geographies. Our association with 'KEYSTONE', a strategic alliance between Compaq, Intel and Microsoft delivers us a strong competitive edge in the A-PAC region. Moreover FTIL, in association with Intel, has prepared a solution blueprint for Straight Through Processing (STP) operations of the global securities market. With this, FTIL became one of the first two companies globally to have successfully developed this blueprint.

New markets and products –

We laid a lot of emphasis on ensuring that key accounts continue to be serviced with new and expanded offerings. This has resulted in building sustainable revenues through repeat business from existing customers. We successfully introduced our Derivatives trading platform 'DerivativesConnect', that has established its leadership position in a very short time.

We successfully added new clients to our already exhaustive list that now covers the entire customer spectrum – Exchanges, Intermediaries and End Users. With this we have now completed technology offering to the complete user community.

The other significant development is the impending launch of our Foreign Exchange Marketplace platform, which is all set to revolutionize the inter-bank trading market in the country. This is the only indigenously developed exchange-trading platform for the FX community in India. In line with our decision to expand the revenue model for FTIL, we would be introducing this service in a combination of subscription / transaction based revenue model. Along with our license-based revenues, this model would go a long way in further enhancing our revenue visibility in the coming years.

Towards a growth model –

At FTIL we are careful about the fact that we do not measure our performance in financial terms alone. From a revenue expansion perspective, we have put in place a model that would assist us in introducing our solutions to the global market. The global expansion of FTIL is built around the proven model of partnership and alliances that ensures quick penetration and revenue opportunities.

Towards this, we have initiated a series of steps for setting up alliances with leading business and technology giants. Following our successful positioning as a preferred partner and a member of KEYSTONE, in the A-PAC region, we seek to market our entire suite of IPRs through the channel support of these organizations.

You will be happy to know that the Management is constantly evaluating emerging models for maximizing revenue opportunities in the global securities market. These measures are being undertaken to create a higher-level of revenue visibility in our operations.

Universal technology

Technologies that have been developed at FTIL are built keeping in mind the global deployment opportunities that engineer growth and acceleration in our operations. Resource investment for technology development at FTIL continues to be in platforms that are based on industry accepted open standards, aimed towards protecting the technology investments made by our customers and at the same time offering them wider choices.

As part of this initiative, we are working closely with Microsoft for establishing a .NET Center of Excellence (COE) for developing securities industry technologies that would form part of our next generation offering. FTIL is also closely working with Intel to optimize its applications for the next generation Intel processors to deliver superior performance and most optimal cost of ownership.

We are confident that these measures would enable FTIL to successfully deploy its technologies in the global markets.

The Outlook -

FTIL is an industry leader and specialist in delivering mission-critical transaction technologies to the financial services industry and we have continued to maintain our market leadership.

The IPR model represents the next best exponential growth opportunities for Indian firms. I am happy to say that your Company has chartered a strong course for itself as producer of high-grade, mission-critical IPRs and is moving into the new-year with tremendous optimism and confidence. FTIL continues to invest resources prudently in development of new generation transaction technologies that have universal deployment opportunities.

For global organizations looking at sourcing high-performance but cost efficient technologies, FTIL offers the twin benefits of global performance standards and low development cost that India offers. We are committed to pursue our growth and global expansion through sound measures based on our fundamental strengths. In addition to US, we have recently commissioned our Singapore operations and are on the verge of establishing a presence in Australia too.

At FTIL, efforts are constantly on to establish strong business alliances to monetize our IPRs in all the markets that FTIL is operating in. With the implementation of its global strategy, your Company is well positioned to generate strong revenue flows from its multiple technology offerings from each territory, including overseas operations.

On behalf of the Management and staff, I would like to thank you all for your continuing support to which we all look forward to, as always, for all our future endeavors.

- Jignesh Shah
CMD, Financial Technologies (India) Ltd.

Significant Milestones

FTIL Goes Global

- Opening of US operations
- Opening of Singapore operations
- Formalised plans for Australia operations

Pioneering Initiatives

- DerivativesConnect - launch of India's first Derivatives Trading Platform
- .NET Center Of Excellence - for securities industry technologies
- Internet Trading on BSE - ICICI Web Trade Ltd.
- DerivativesConnect Roadshows - in association with Microsoft / Intel / Compaq
- CSA Partner for Securities Industry - Compaq Solutions Alliance

Global Recognition

- Member of KEYSTONE - Strategic alliance of Compaq/Intel/Microsoft
- STP Solution Blueprint - in association with Intel Corporation
- Strategic Architect Forum - organised by Mircosoft
- CXO Roundtable - organised by Intel for Malaysian Securities Industry
- Corporate Presentation at NASDAQ Marketsite - NASDAQ Stock Market

FTIL–
Indian Footprint
Global Design

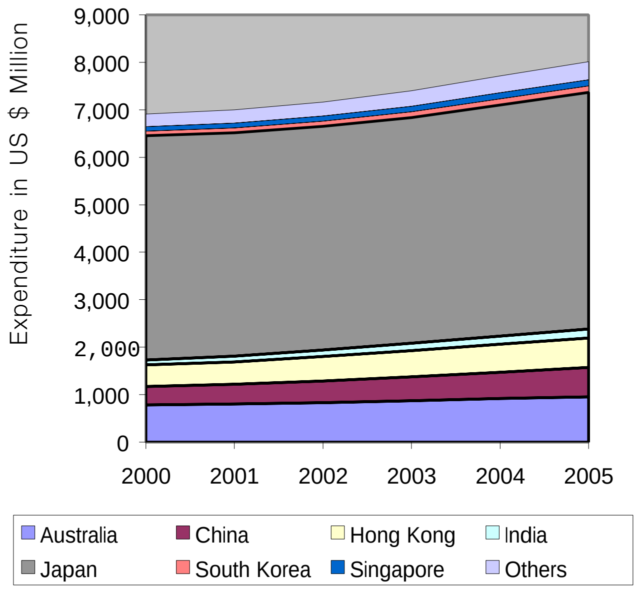
Expected Macro Growth in Industry

Straight Through Processing (STP), as a technology framework, is now fast getting accepted as an industry standard for getting operational efficiencies and also to expand business scope. We see this as a significant growth driver for FTIL for the next few years and are confident of deploying our multi-purpose IPRs for the same.

STP essentially treats the entire trade cycle as a single unit instead of a series of loosely related messages. There is seamless integration among the systems and processes involved with the complete lifecycle of a trade – from execution to settlement to transaction reporting. The benefits of STP solutions are shorter cycles, lower costs, lower risk and stronger business growth.

Any firm's ability to handle larger number of transactions would start with a robust and an efficient back-office solution, because of processing challenges. Further a strong back-office system ensures that the firm can automate its order routing capabilities in a manner to handle larger volumes, resulting in revenue expansion. Increase in transaction volumes also brings with it the additional component of 'risk' that needs to be monitored and managed on real-time basis.

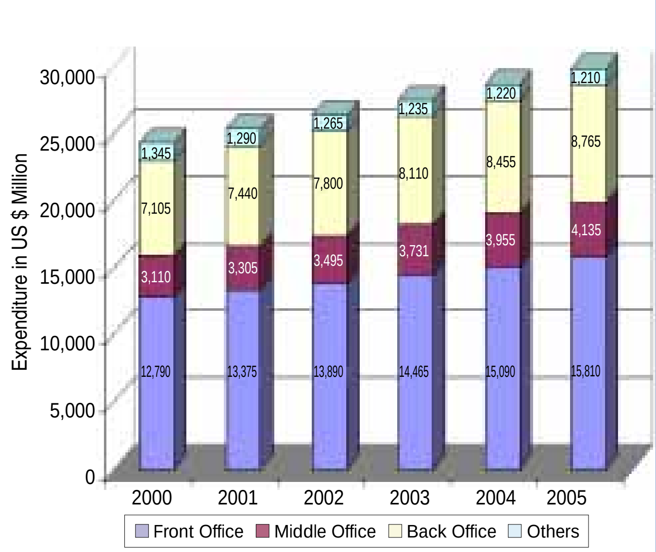
Growth in A-PAC Financial Markets IT Spend - by Country



Source - Datamonitor

A study on the growth in the A-PAC Financial Markets IT spend reveals that the overall Financial Services Technology Market will be worth $35.5 billion by 2005, growing at a CAGR of 3.3% from 2000-2005. It is estimated that countries like India and China with CAGR of 9.8% and 7.4% respectively will grow fastest and Japan, the largest market, will grow very slowly at 0.7% CAGR. The study also extrapolates that external IT spending will grow at 6.6% CAGR driven by strong growth in licensed applications and outsourcing. Developed markets like Hong Kong will spearhead the Financial Market IT spending along with Singapore, followed by Australia and South Korea.

Growth in US Financial Markets IT Spend – by Location



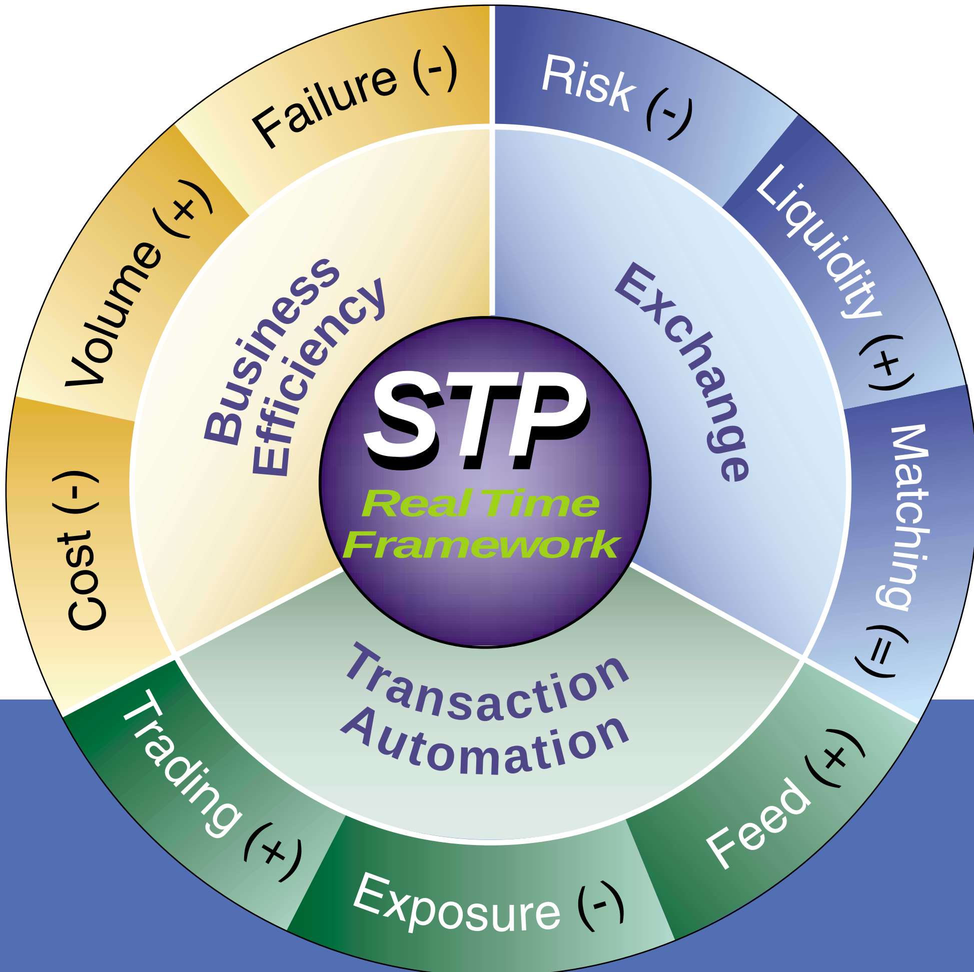
Source - Datamonitor

IT spending in the US Financial Services Sector is expected to record 4.2% CAGR for the next five years with an increasing trend in favor of sourcing this spend to external suppliers. Financial market firms across all sectors will continue to undertake projects involving STP, CRM, Internet delivery and Legacy system upgrades. Middle office is expected to experience the highest growth rate due to expenditure in risk management and CRM. And finally, the study predicts that the Front office will grow at the same pace as the Back office due to an increase in distribution channels like the Internet and increase in spend towards portfolio analysis.

So what does it mean for FTIL?

FTIL's technology excellence, combined with its deep domain expertise, has successfully delivered mission-critical technologies to market intermediaries, across the Financial Services Industry. It is amongst the few companies that has an integrated suite of products / solutions for multiple markets, enabling end-to-end Straight Through Processing capability for real-time transaction and business processing. This covers all the stages of a trade life cycle:- Pre-Trade, Trade and Post-Trade operations to deliver single point transaction fulfillment.

This technology excellence combined with its low-cost development base would be a strong value-add for participants looking at reliable but cost - efficient performance.



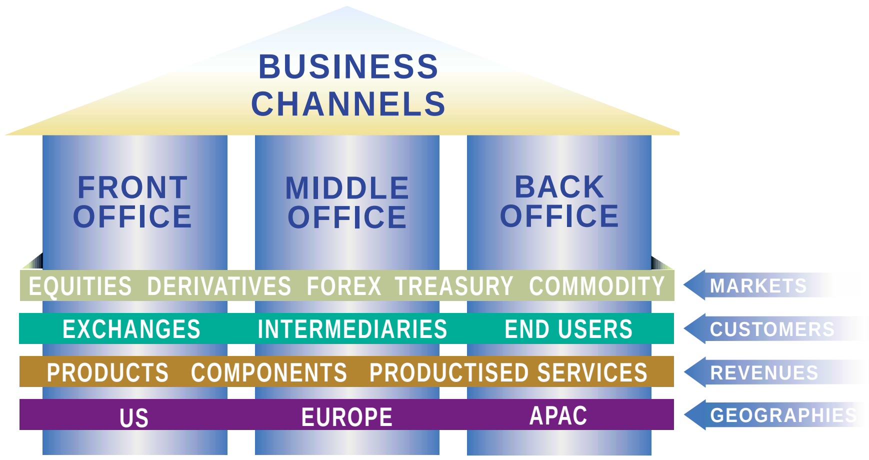
Source FTIL

FTIL – Moving the IPR Way…

Intellectual Property (IP) is a manifestation of the Intellectual Capital (IC) of any organization. World over, organizations are increasingly looking at harnessing the most critical of their IC Assets – Human Capital that effectively looks at defining the process of converting knowledge into end product and successfully monetising it.

A successful IP strategy not only involves the creation of an IPR, but also a creative way to monetise the same to engineer growth. This would have a direct impact on profitability growth and also control costs successfully.

The footprint of any successful IPR company is determined by three key factors - **1) Innovation 2) Leadership 3) Product Range**. Any Product company having the right combination of these three factors would not only establish its credibility but also ensure its growth. FTIL has constantly followed this approach that serves to establish its leadership position in all product categories that it operates in. It is this spirit of innovation that drives the constant IP development at FTIL.



FTIL's Business Model –

FTIL is amongst very few companies globally that have an exhaustive listing of IPR libraries addressing the complex technological requirements of Straight Through Processing. Today, FTIL has acquired an unrivalled global dimension with the most comprehensive technology offering. These address the complete *transaction life cycle – Pre Trade, Trade and Post Trade* operations across 5 markets –

- **Equities**
- **Derivatives**
- **Forex**
- **Treasury**
- **Commodity**

The significant aspect of FTIL's offering is that its technologies are in production mode across the complete customer spectrum – be it *Exchanges, Intermediaries* or the *end-user* segments. FTIL technologies today power exchange operations including central matching, transaction technologies supporting advanced risk management functionalities for the intermediaries and trading stations for end users over multiple access channels (offline and Internet).

New avenues of growth -

As a growing enterprise, FTIL has put in place a structure to ensure, business obtains necessary traction, growth and scalability going forward. Adequate steps have been taken so that the organization is able to grow faster without compromising on its core objectives.

With the rapid changes in technology, protection of technology investment has taken priority in selection of new generation applications. FTIL is mindful of this critical need and offers products on established platforms that service the needs of a demanding customer base. Its technologies are developed on open interfaces using standard messaging protocol.

The success of these measures lies in the fact that today FTIL technologies have become standards for dealing room operations in India. With the global initiatives currently under execution, FTIL proposes to leverage its business alliances and low cost development base in India to penetrate the overseas markets.

In this period, FTIL became a formal member of the Compaq Solutions Alliance (CSA) program in India. This program entitles FTIL access to latest technology offerings from Compaq and also a facility to showcase its technologies in the global solutions directory of Compaq. We propose to leverage this relationship extensively to bring better technologies and products to our customers.

The strategic partnership with global technology giants secures FTIL access to latest working technologies. This not only keeps FTIL at the cutting edge of technology but also provides it with first mover advantage through time-to-market, which it would leverage through its international operations.

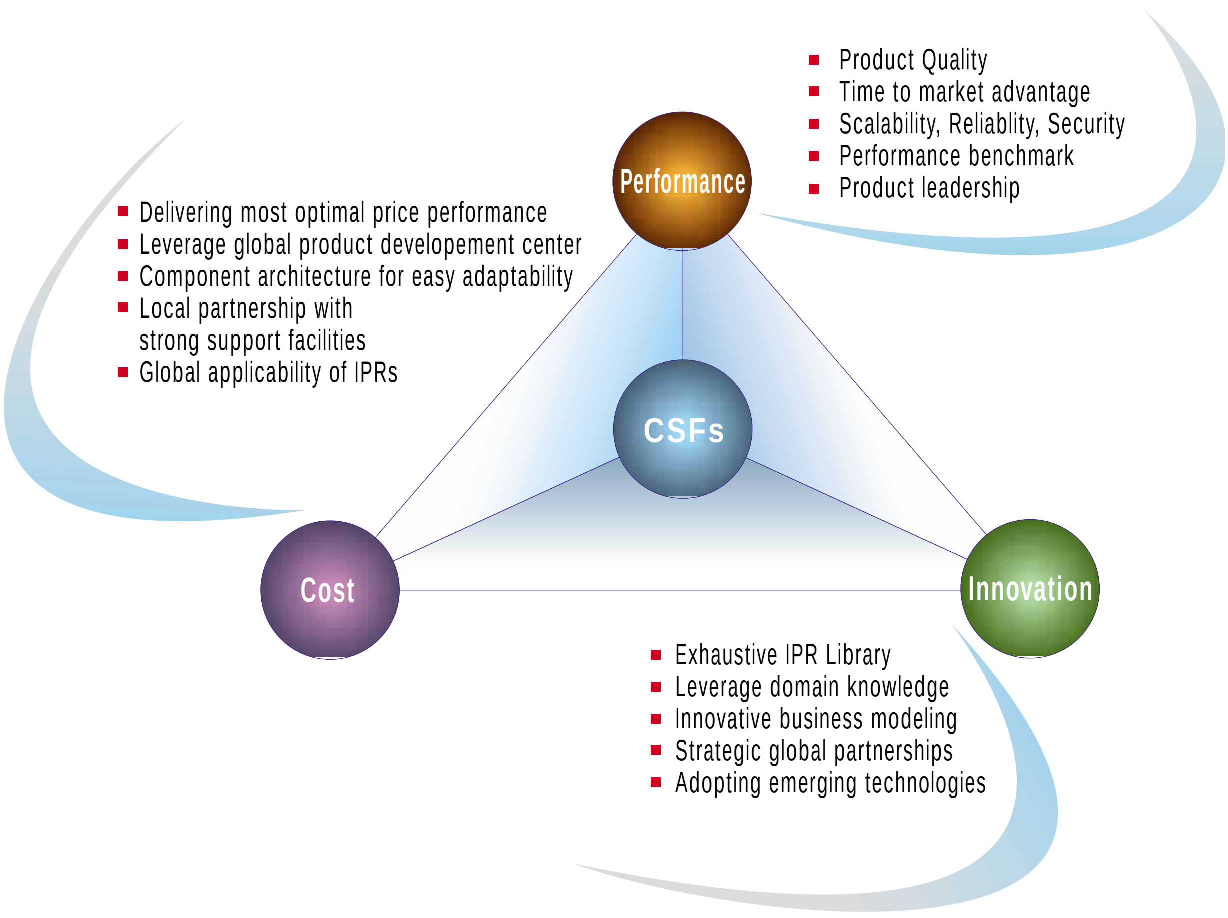
FTIL's Global USP and Advantage -

FTIL recognizes that its greatest strength and value differentiator lies in its IPR and domain knowledge. In addition to its transaction technologies, FTIL has also undertaken customization and project work around its base technologies in the Indian market. FTIL proposes to leverage that experience to establish its offerings to the global market, by positioning its ***Global Development Center*** as a preferred outsourcing center for domain intensive projects. This competency is now being offered as a special value proposition to create complete solutions for global clients.

Today the Company has created three compelling value drivers for its offerings in the international markets -

- **Performance** – FTIL has always been recognized for its excellence in its product performance, quality, and product leadership.This translates into a winning advantage for its customers.
- **Innovation** – FTIL's leadership in delivering transaction technologies to the market is testimony of the constant innovation that it has carried out. FTIL's exhaustive IPR library set, delivers a crucial time-to-market advantage to its customers. Moreover, FTIL has also adopted innovative business modeling for some of its technology offerings in the market.
- **Cost** – FTIL's Global Development Center delivers the twin advantage of access to FTIL's IPR resource set, and at the same time cost advantage on development. Its modular component architecture ensures easy interface with third party system thereby reducing the overall integration cost for the customer.

We are confident that with the above value proposition, FTIL would present an unbeatable value offering to its customers worldwide.



International Operations –

International expansion is the next big push that FTIL is making and the Management is committed to globalize its operation. FTIL's global expansion is based on introducing its transaction technologies for implementing Straight Through Processing framework for global financial companies. FTIL would offer its technologies in components or IP form and secure domain intensive projects based on its IPR offering.

In line with this approach, FTIL has commissioned its operations in US, from New Jersey. This is aimed at developing a strong penetration for its technology offerings to Wall Street. Already FTIL has succeeded in undertaking a domain-intensive assignment for a Tier I category firm in US. Looking at the strong global potential for its technologies, FTIL has started its Singapore operations and has finalized plans to establish a presence in Australia too, to exploit strong demands for its solutions.

At FTIL we recognize that our core competence lies in technology innovation and cost advantage. Accordingly, the Management has decided to expand its global operations through the tested mechanism of establishing partner alliances. Strategic partnerships help FTIL in building credibility and recognition for its technology offerings in various markets. In order to maximize benefits from each alliance, FTIL is looking at partnering with global leaders in three distinct disciplines – Technology, Business and Systems Integrators.

In line with this objective, FTIL has now put in place a set of strategic alliances to take its IPRs to the global financial services industry. In A-PAC, FTIL has become an official member of the KEYSTONE program, a strategic alliance between Compaq, Intel and Microsoft for the Financial Services Industry. This alliance is looking at delivering ***Total Cost of Ownership*** (TCO) advantage for customers in A-PAC region. FTIL's technologies for Brokerage Front Office, Back Office, Forex and Asset Management have been chosen as solution offerings under this program.

KEYSTONE program, which officially commenced in the beginning of 2002, has so far conducted industry workshops and sales trainings in 5-6 major markets. These efforts have already resulted in some serious initiatives / opportunities for FTIL that we are currently pursuing.

In addition to this, FTIL along with Intel has jointly created a solution blueprint for its Straight Through Processing technology that details the back-office offering MATCH™ for the global Financial Services Industry. The solutions blueprint is amongst the first two that have been developed globally by Intel.

Efforts are currently on to explore the options of setting up alliances with suitable partners for US market.

Expanding Revenue Model

Companies today are refocusing their attention in adopting new revenue models, which give them flexibility and reflect visible revenue streams to project growth patterns. This shift has been well motivated from changing business environment and emerging industry trends. At FTIL, we have recognized the winds of change and are accordingly fine tuning our revenue model to reflect this change.

Revenue maximization has always remained the principal growth objective at FTIL. In fact, adequate focus has been put on monetising IPRs in the form of Products, Components and Productised services. This ensures technologies developed by FTIL are deployed in a manner best suited for target markets across geographies.

Over a period, three models have gained increased focus of attention of software companies globally:

- **License model with an Annual Maintenance Contract (AMC) being charged on future dates** – In this model a one time fee and an AMC is charged in subsequent years.
- **Subscription based model** – A uniform subscription rate is normally charged on the usage of the software, which might be monthly or annual, depending on client agreement and company policy.
- **Transaction based model or Volume based model** - The charges for usage of the software is clubbed with the transaction volumes or the transaction value.

Unlike the Indian markets, A-PAC, Europe & US markets are characterised by different traits, justifying opting for different strategies when choosing to adopt revenue models. A subscription based model ensures long term revenue visibility for the company and establishes strong growth path for the coming years. Transaction based model helps in adapting to changing consolidation levels in these markets and linking client's revenue with company's growth.

With global plans well under progress, FTIL proposes to capture various markets with an appropriate mix of different models that adds strength to the Company as an international player and simultaneously increases shareholder value. FTIL proposes to use its revenue mix judiciously to meet customer demands and create differentiator for client's service offerings. FTIL will ensure a revenue model mix aimed at future growth and establish itself as a corporate player with international presence.

FTIL's Solution Offerings – An Overview

FT e.Cosystem™

- End-to-end "e-brokerage solution" suite for e-broking & net trading
- Holistic system integrating front-end and back-end of e-architecture
- Integration with Exchange, Clearing House, Depository & Banks

EQUITIES SOLUTIONS

ODIN™ - Cash

- Multi-exchange Front Office Trading System
- Real time Mark-to-Market facility
- Online Market Information Broadcast
- Enter, Modify & Execute trades
- Over 64 Pre-Trade Risk Management checks

ODIN™ - Integrated

- Multi-segment Front Office Trading System
- Derivatives & Equities on a single application
- Faster Inter-segment trading
- Consolidated Risk Positions across markets

NeT.net™

- Multi-exchange Internet Trading engine
- Online Alerts for client activities
- Creation of Investors Self-Portfolio
- Utilises highest levels encryption standards
- Open architecture that facilitates interfaces with multiple third party systems

MATCH™ - Cash

- Multi-exchange Equities Back office system
- Shares and Stock Accounting system
- Supports Multi-Settlement Cycle environment (T+3, T+1… T+n)
- Multi-Margin system for advanced Risk Management & Tracking
- Deal-slip module for Institutional Dealing Room

DPM™

- Integrated Multi-Depository Solution
- Real-Time interface with Trading Engine and Back-Office system for DVP trades
- Dematerialization and Re-materialization of securities
- Loan against Pledged Securities
- Supports distributed account management through Branch Module

DERIVATIVES SOLUTIONS

ODIN™ - Derivatives

- Multi-exchange Trading system for Derivatives Segment
- Enter, Modify & Execute trades
- Real time settlement position tracking
- Comprehensive Risk Management

STP-Switch™

- Real-time, message based interface between ODIN™ - Integrated & MATCH™ - Derivatives
- Supporting two-way risk assessment functionality
- Online collateral management

FT - PRIME™

- Portfolio based Risk Analysis and Management tool
- Real Time Margin Computation

MATCH™ - Derivatives

- Multi-exchange Equity Back office system
- Order and Risk Simulation capabilities for Margin Calls, Position Limits and Equity Deficiency
- Valuation and Management of Collaterals
- Extensive MIS reporting structures for Performance and Position Evaluation

TREASURY & FOREX SOLUTIONS

M3™

- Fully automated Dealing Room and Settlement system for Money Market operations
- Advanced Portfolio and Technical Analysis capabilities
- Real-Time monitoring of Funds Position
- Exposure Risk Management system
- Event Driven Accounting System

FXDirect™

- Foreign Exchange marketplace platform for the Inter-Bank FX market
- Real-time Matching system
- Negotiated Dealing system
- Supports multi–currency, multi-lot size, multi-value date instruments

FT-ITS-FX™

- Integrated Treasury Solution
- Comprehensive functionality spanning deal capturing to exposure monitoring
- Authorisation, Settlement, Accounts and Technical Analysis

COMMODITY SOLUTIONS

e-Commex™

- Integrated Commodity Exchange Solution
- Online validation of Exposure Limits for multiple contracts and commodities
- Online Alerts for Member's Exposure / Positions
- Parameterised Audit Trail on all Master information
- Extensive parameterised Queries and Reports.

ASSET MANAGEMENT SOLUTIONS

iTracker™

- Management of funds - Mutual Funds ETF's & Private Funds
- Track & mirror stock market Indices
- Portfolio updations & rebalancing
- Portfolio Valuation

eIPO™

- Online web based Security Issuance market place platform
- Facilitates concurrent issue management
- Online Analysis tools with real time bid-watch
- Risk Management with hierarchical authorisations
- Rapid book building
- Post issue management - allotment and allocation

"Directors' Report"

Directors' Report

To,
The Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report of your Company together with the Audited Statement of Accounts for the year ended March 31, 2002.

The past year has been a difficult period for the world economy as a whole. The growth pace was slowed down considerably due to strong recession. This recessionary trend combined with the stock market downfall had significant impact on overall investments in the infrastructure used by market intermediaries. The Company's performance, being directly related to capital market segment, bore a natural reflection to this impact. The financial results reflect the same.

Financial Results

Rs. in lakhs

Particulars	Current Year 2001-2002	Previous Year 2000-2001
Total Income	***1051.50***	***1875.47***
Operating (Loss)/Profit	(720.47)	828.79
Interest / Finance Charges	3.14	3.84
Depreciation	258.95	189.87
(Loss)/Profit before Tax	(982.56)	635.08
Provision for Taxation	--	35.50
Deferred Tax	42.00	--
(Loss)/Profit after Tax	(940.56)	599.58
Less: Prior Period Adjustment	--	0.52
	(940.56)	599.06
Add: Balance b/f from Previous Year*	403.40	--
Unadjusted accumulated Deferred Tax Liability	(180.88)	--
Balance available for appropriation	**--**	**599.06**
Appropriations:		
General Reserves	--	200.00
Balance c/f to Balance sheet	***(718.04)***	399.06

* includes surplus on amalgamation in previous year of two companies Rs.4.34 lakhs.

Dividend

Due to adverse working results, your Directors do not recommend any dividend.

Performance

Operations

Despite the challenging market conditions, the Company did not deviate from its core activity and continues to be an IPR centric organization. The business and domain knowledge, coupled with its innovations and constant upgrades have resulted in superior and prompt customer service, thereby helping the Company in retaining its market position.

Constant innovation led to development of a state-of-art online trading platform for Derivatives (Futures & Options) segment of capital market. The Company got empanelled with the National Stock Exchange of India as solution provider for the F & O segment. Thus your Company has been awarded empanelment in all segments of capital market by NSE i.e. Equities & Derivatives.

Your Company continues to dominate the brokerage online trading segment. The Derivatives platform also gave a fair amount of revenue boosting to the top-line growth. The F & O segment revenue contribution dominated the overall revenue of the Company.

With the growth objectives in mind, the year also demanded expansion of operations in the global markets with its transaction technologies. In light of our alliances with market leaders, our presence in the major global commercial capitals was felt necessary. Accordingly, the Company opened its first overseas branch office in New Jersey, USA.

Demonstrating the value of its IPRs, the Company could bag the first overseas assignment from a leading Tier I broker in US in the very second month of its operation. Due to the tragic and unfortunate incident in the US, the entire investment in the sector got a back seat and the Company could not create further revenue opportunities. However, the Company continued its effort to create strong penetration for its offerings in the region and the results are expected in near future.

Subsequently, in March the Company commenced its Singapore operations and post balance sheet date, the Company received approval from Reserve Bank of India for opening office in Australia.

New Product Launch

FTIL's greatest strength is its ability to come out with innovative technologies for its customers. FTIL was the first in the country to have launched the first customized front-office trading system for the Equities market. In line with its pioneering efforts, FTIL once again became the first company to launch the customized front-office trading solution for Derivatives trading in India.

Launch of DerivativesConnect™

FTIL has successfully commissioned its Derivatives trading platform DerivativesConnect™, built around its end-to-end Straight Through Processing framework. **DerivativesConnect™** comprises the following key components: **ODIN™; MATCH™; FT-PRIME™** a real-time Portfolio based Risk Analysis and Management tool and **STP-Switch™** a real-time, message based interface between ODIN™ and MATCH™ solutions supporting two-way risk assessment functionality. Already, FTIL has established its leadership position in this market and accounts for over 70% of the sites.

Incidentally, as in the Equities market segment, FTIL has succeeded in bagging the largest mandate in India for an integrated trading platform for both Derivatives and Equities trading, from Inter-connected Stock Exchange (ISE). ISE is a conglomeration of 13 regional stock exchanges in the country and have floated a subsidiary, ISE Securities and Services Ltd. with brokerage operations on the National Stock Exchange for both Cash and Derivatives operations. FTIL has delivered an integrated trading platform that provides the members of ISE, a single window access to both the market segments. This has once again conclusively proved that FTIL technologies can handle exchange level operations and market demands seamlessly.

DerivativesConnect™ has once again successfully established our leadership position in the transaction technologies business. Incidentally, the technology launch was conducted in conjunction with our technology partners Microsoft, Intel and Compaq that underscore our close working association with these global giants.

Today our Derivatives Front-Office Trading Platform is live at over **140 customer sites** spread across 40 cities. Some of the market intermediaries that are already using our Derivatives solution suite (Front-Office / Back-Office) include

- **ISE Securities & Services Ltd.**
- **Kotak Securities**
- **Refco-Sify Securities India P. Ltd.**
- **SSKI Investor Services Pvt. Ltd.**
- **ICICIDirect.com**
- **ICICI Bank**
- **Enam Securities Pvt. Ltd.**
- **Growth Avenues Ltd.**

Impending launch of FXDirect™ - India's first indigenously developed, Foreign Exchange Trading platform for Inter-bank FX trading.

FTIL would soon be launching an Exchange Trading Platform – FXDirect™ - for the Inter-Bank Foreign Exchange Dealing and Matching. FXDirect™ enables Real-time Straight Through Processing (STP) environment to deliver liquidity, efficiency and deep functionality in foreign exchange dealing and matching services. It delivers the banking community with a state-of-art, real-time matching system for anonymous trading and at the same time providing an Instant Messaging (IM) platform for negotiated dealing for one-to-one transactions. This platform establishes FTIL's capabilities to deliver exchange market technologies that require complex matching engines.

Strategic Alliance:

A. KEYSTONE

The major achievement of the Company during the year was its selection as securities industry solution partner by KEYSTONE , an alliance of Compaq, Intel & Microsoft. The KEYSTONE initiative is a collaborative technology & marketing program designed to deliver a range of world-class solutions.

The program will focus on delivering a new range of solutions to leading Banking & Capital market companies in the region of Asia Pacific and further down to Australia, Europe and USA. The solution portfolio would include Brokerage Front-Office, Back-Office, Forex and Asset Management Solutions.

B. Intel Corporation

Post the balance sheet date, the Company entered in to a global marketing arrangement with Intel Semiconductor, a wholly owned subsidiary of Intel Corporation, for marketing FTIL Solutions in Financial Services Industry (FSI) Space. FTIL products would comprise ODIN™, MATCH™, M3™, DPM™, NeT.net™, FXDirect™ and FTIL / Intel would work jointly to migrate FTIL solutions to Itanium Platform.

FTIL – Recognition and Visibility

Recognition from international players and institutions has become a key objective at FTIL for carving a niche position for itself. We are happy to state that FTIL is getting recognized for its capabilities and domain knowledge across geographies, which is a significant achievement. The Company was amongst a select set of knowledge-centric organizations that were invited by NASDAQ Stock Market, as part of an 'India Day' event. The event, which was held at NASDAQ's

MarketSite in New York, was coordinated through NASSCOM and was focused on inviting new-generation companies that have established strong pedigree. FTIL addressed the market participants through a video telecast on the developments and plans of the Company.

NASDAQ Hosts India's Leading IT Companies at MarketSite

Microsoft - Strategic Architect Forum

FTIL has been consistently recognized for the quality and performance of its products and solutions. As solution providers to the mission-critical financial services industry, it is essential that our technologies deliver such critical performance. In recognition of the complex, transaction intensive solutions developed by FTIL, Microsoft Corporation invited the Company to participate in its prestigious “Strategic Architect Forum” (SAF), held at Seattle, US. SAF is a privileged gathering of global technology architects where experts get to interact with each other to exchange ideas on new generation Microsoft technologies.

Intel – ‘C-Level’ Roundtable

Intel organized a C-Level Roundtable Meet at Kuala Lumpur, Malaysia titled “Overcome the New Economic Forces & Remain Competitive”. The Roundtable, organized for the C-Level executives of the top brokerages discussed industry level issues such as STP and Cost Efficiencies, included participation from the Kuala Lumpur Stock Exchange, Brokerage firms, IDC and Intel. FTIL was invited as an STP expert to share its views with this august gathering, wherein the technology framework for implementing a cost-effective STP solution was presented by the Company.

Corporate Image building and awareness

As an IPR Company, it has been FTIL’s endeavor to create and establish a strong brand and visibility for the Company and its solutions. Towards this, FTIL has undertaken series of initiatives for creating awareness about its operations.

Year 2001-2002 was a milestone year for FTIL in terms of the activities that we have undertaken and implemented. These activities included new product launches, opening up of global offices, participation invites in international conferences amongst others.

DerivativesConnect™ - FTIL launched a comprehensive end-to-end solution based on STP technology for the Derivatives Market. This mission-critical solution delivers reliability, scalability and high performance for a complete Trade Life Cycle – Pre-Trade, Trade and Post-Trade.

DerivativesConnect™
Connecting the Digital Divide

The solution suite, launched in alliance with Microsoft, Intel and Compaq targeted brokers, providing them with a customizable interface to enter, monitor, execute and process trades for both Equities and Derivatives over a single platform- *The first of its kind in India.* The launch was carried out through a formal ‘product launch’ that included advertisements, media coverage and product write-up in leading dailies, Roadshows etc.

With an objective of establishing its leadership position in this segment too, FTIL in association with Microsoft, Intel and Compaq organized nationwide Roadshows covering key trading and broking centers of Mumbai, New Delhi, Kolkatta and Chennai. The Roadshows were a resounding success as was evident from the order booking that FTIL was able to secure, post the launch.

Incidentally, FTIL also bagged the mandate for the largest deployment of an integrated end-to-end Derivatives Trading platform from Inter-connected Stock Exchange for its Exchange subsidiary operations. This is the largest single deployment for an integrated solution in the country, which also incidentally is a repeat order from an existing client.

In addition to this, FTIL became an official member of the KEYSTONE program, for which considerable media mileage was accorded, both in the international and the local press. In order to bring this development to the attention of all our stakeholders, FTIL had issued advertisements in leading publications. Market participants and our associates received this development with great interest, which has been seen as a progressive step by FTIL in taking its technologies to the global markets.

FTIL SPONSORED EVENTS -

Sponsored Conference on "Trading & Settlement of Debt Instruments post NDS and CCIL". The event captured the recent changes in trading and settlement of Debt Instruments and what the future beholds in light of the launch of Reserve Bank of India's NDS (Negotiated Dealing System). The conference also focused on the retailing of GOI securities and key operational issues post NDS and CCIL. Distinguished speakers from Clearing Corporation of India Ltd., Securities Trading Corporation of India, Primary Dealers' Association of India, Reserve Bank of India and other industry luminaries shared their views on the changing phase of Debt market.

Sponsored Seminar on "International Trade Finance; The Present & the Future". The Seminar highlighted the WTO impact and the future of trade policy, in light of the changing regulatory framework. It focused on the impact of e-commerce and technology and covered operational issues of export and import finance. The seminar encapsulated views on International Trade payments, Letters of credit and emphasized on Cross Border Trade Finance, which brought forth a global perspective. FTIL presented its views on emerging new technologies and issues on hedging of trade finance and foreign currency loan exposure. Participants included eminent guests and speakers from Foreign Trade, Mumbai, Exim Management Institute, ICICI Bank and Foreign Exchange Dealers Association of India (FEDAI) amongst others.

REDUCTION OF SHARE CAPITAL

The attention of the Members is invited to the resolution approved by them in their Extra-ordinary General Meeting held on 27th September 2001, pertaining to the cancellation of 75,000 equity shares of Rs.10/- each, allotted to Network Oriented Data Systems, Geneva, since the said shares are not represented by the available assets.

The Company has taken appropriate steps and has applied before the High Court of Judicature at Madras for reduction of Share Capital. The matter is in progress and the Company is awaiting the Order of the Honourable High Court.

CORPORATE GOVERNANCE

Your Company is committed to good Corporate Governance practices. The report on Corporate Governance, stipulated by clause 49 of Listing Agreement, is annexed hereto and forms part of this Annual Report.

A Certificate dated 29th June, 2002 by the Auditors of your Company regarding compliance of the requirements of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is enclosed.

DIRECTORS

Mr. C. Subramaniam and Mr. Dewang S. Neralla retire by rotation and being eligible offer themselves for reappointment.

Mr. Ajay Narasimhan was appointed as an Additional Director up to the date of the ensuing Annual General Meeting. The Directors propose to appoint him as a Director and also as a Whole-time Director for a period of 5 years at the ensuing meeting for which proposals have been received from some members along with necessary deposits. Directors commend the resolution for your acceptance.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

a. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with the explanation relating to material departures;
b. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for that period;
c. that they have taken proper and sufficient care 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;
d. that they have prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Deloitte Haskins & Sells, *Chartered Accountants*, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and are available for re-appointment.

STATUTORY INFORMATION:-

1. **Fixed Deposits**

   Your company has not accepted any deposits and as such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

2. **Particulars of Employees**

   During the year 2001-2002 no employee who, if employed throughout the financial year, was in receipt of remuneration for that year which in the aggregate was exceeding Rs. 24 lakhs per annum or if employed for part of the financial year, was in receipt of remuneration at the rate which in the aggregate was exceeding Rs. 2 lakhs per month.

3. **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**

   The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1 956, read with Companies (Disclosure of particulars in report of the Board of Directors) Rules, 1988, are given in Annexure "A" of this Report.

ACKNOWLEDGEMENT

Your Directors thank the customers, vendors, financial institutions, bankers, business associates and various governmental as well as regulatory agencies for their valuable support towards Company's growth. Your Directors also wish to place on record their appreciation of the contribution by the employees, who through their hard work, dedication and commitment have enabled the Company to achieve its objectives.

For and On behalf of the Board of Directors
JIGNESH SHAH

Chairman & Managing Director
Mumbai, 29th June, 2002

Annexure 'A' to the Directors' Report

The information required under 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.

1. Conservation of Energy

The operation of the Company involves low energy consumption. The Company has taken adequate measures in terms of using the equipments, which would entail cost efficiency. There is no major financial impact of the measures considering composition of the power cost out of the total cost.

2. Technology Absorption, Research & Development

Research & Development

The research and development activity of the Company involves the new software products. Since the technology is a fast changing concept, continuous investment in new initiatives is of utmost importance.

Efforts made

Several New Products are being developed considering the domestic and international market requirement.

Benefits

The development would enable the Company to provide state-of-the-art technologies to the users. Increased benefits from Software sales in years to come, with update & latest "first amongst all" technology.

Future

Directed towards creation of new Product Development, creation and enhancement Value of the Company's Software Products with a view to generate revenues from these products in Domestic & International Markets.

Amount Spent

Recurring Expenses	Rs.1,67,67,075/-

3. Foreign Exchange Earnings & Outgo

The details of Foreign Exchange earnings and outgo are mentioned in note 16 of schedule 16 on Significant Accounting Policies and Notes to the Accounts.

Report on Corporate Governance

1. Company's Philosophy on Code of Corporate Governance

Your Company's philosophy on Corporate Governance envisages the attainment of highest levels of operational efficiencies and enhancement of shareholder value and is committed to achieving the highest international standards. Our mission is to become a global leader and develop reliable mission-critical Straight Through Processing (STP) applications in all facets of business transactions.

2. Board of Directors

The Board of Directors consists of 10 Directors. The composition and category of Directors is as follows:

	Director	Category
Promoter Executive Directors		
1	Mr. Jignesh P. Shah	Chairman & Managing Director
2	Mr. Dewang S. Neralla	Whole-time Director
3	Mr. Sajit Dayanandan	Whole-time Director
Non-promoter Executive Directors		
4	Mr. Mahesh R. Joshi	Whole-time Director
5	Mr. Ajay Narasimhan *(w.e.f. 30-10-2001)*	Whole-time Director
Non-executive and Independent Directors		
6	Mr. C. Subramaniam	
7	Mr. Ravi K. Sheth	
8	Mr. P. G. Kakodkar	
9	Mr. Ashish S. Dalal	
10	Mr. V. Venkateswara Rao (w.e.f. 30-07-2001)	IDBI Nominee (as Equity Investor)

Attendance of each Director at the Board meetings, last Annual General Meeting and the Number of other Directorships and Chairmanships/Memberships of Committees of each of Director in various companies as on 31-03-2002.

Name of the Director	Attendance Particulars		No. of other Directorships and Committees Memberships / Chairmanships		
	Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Jignesh P. Shah	5	Yes	2	None	None
Mr. Dewang S. Neralla	3	No	None	None	None
Mr. Sajit Dayanandan	2	No	None	None	None
Mr. Mahesh R. Joshi	5	Yes	None	None	None
Mr. Ajay Narasimhan (appointed on 30-10-2001)	-	N.A.	None	None	None
Mr. C. Subramaniam	5	Yes	1	1	None
Mr. Ravi K. Sheth	4	No	6	None	None
Mr. P. G. Kakodkar	0	No	11	3	2
Mr. Ashish S. Dalal	5	Yes	1	1	None
Mr. V. Venkateswara Rao (appointed on 30-07-2001)	2	No	1	None	None

Number of Board Meetings held and the dates thereof:

The Board of Directors met 5 times during the year on 30th April 2001, 26th June 2001, 31st July 2001, 30th October 2001 and 31st January 2002, as against the minimum statutory requirement of 4 meetings in a year. The maximum time gap between any two meetings was not more than 4 calendar months.

3. Audit Committee

The functioning of the committee included the following:

i) to oversee the Company's financial reporting process and to ensure correct disclosure of financial information in the financial statement;

ii) to recommend the appointment and removal of external auditor, fixation of audit fees and approval for payment of any other services;

iii) to review the quarterly, half-yearly and annual financial statements with the management before submission to the Board;

iv) to review with the management, external and internal auditors, the adequacy of internal control measures;

v) to review the adequacy of internal audit function;

vi) to discuss with the internal auditors any significant finding and follow up thereon;

vii) to review the financial risk management policies of the Company;

viii) to look into the reasons for substantial defaults in the payments to the shareholders and creditors.

The Audit Committee was set up in the year 2001. It comprises three independent Non-executive Directors viz., Mr. Ashish S. Dalal, Mr. C. Subramaniam and Mr. Ravi K. Sheth. The Chairman of the committee is Mr. Ashish S. Dalal, a practising Chartered Accountant. All the committee members are proficient in the field of finance, accounts, costing and company law.

During the year the Committee met 6 times. Mr. Ashish S. Dalal and Mr. C. Subramaniam attended all the meetings whereas Mr. Ravi K. Sheth attended 4 meetings.

4. Remuneration Policy

The Company reviews its Remuneration Policy in line with the industry and trends in the market with a view to attract the right talent. The Remuneration Policy of the Whole time Directors are in similar lines with the other employees of the Company and are revised by the Board of Directors from time to time with the approval of members and regulatory authorities. The Company is in the process of forming a Remuneration Committee.

5. Remuneration of Directors

The aggregate value of salary, perquisites paid for the year ended 31-03-2002 to the Managing Director and Whole-time Directors were as follows:

Name	Remuneration Paid (Rs.)
Mr. Jignesh P. Shah	1,700,413
Mr. Dewang S. Neralla	850,206
Mr. Sajit Dayanandan	850,206
Mr. Mahesh R.Joshi	725,103
Mr. Ajay Narasimhan	250,000

Besides, the Whole-time Directors were also entitled for retirement benefits and encashment of leave, as per the rules of the Company.

The Company pays sitting fees of Rs.3,000/- per meeting to the Non-executive Directors for attending the meetings of the Board of Directors and Audit Committee. The sitting fees paid for the year ended 31st March, 2002 were as follows:

Name	Sitting Fees Paid (Rs)
Mr. C. Subramaniam	33,000
Mr. Ravi K. Sheth	24,000
Mr. Ashish S. Dalal	33,000
Mr. V. Venkateswara Rao *	6,000

* Paid to IDBI

During the year Mr. P. G. Kakodkar, Non-executive Director, has been paid Rs. 63,225/- as Professional fees. The professional fees paid to him are not considered material enough to impinge on the independence on Mr. P. G. Kakodkar.

6. Shareholders' / Investors' Grievance Committee

The Board has constituted Shareholders'/Investor Grievance and Share Transfer Committee comprising of Mr. C. Subramaniam and Mr. Mahesh R. Joshi, Directors and Mr. P. Venkitasubramani, Company Secretary as the Compliance Officer. Mr. C. Subramaniam, non-executive Director, is the Chairman of the committee. During the year under review, the Committee met 24 times.

The Committee, inter alia, approves transfer and transmission of shares, issue of duplicate share certificates and reviews all the matters connected with the securities' transfers. There were in all 32 cases of complaints received by the Registrars during the year, which were resolved at their level.

During the year, there were no complaints on these issues except one written complaint over the delay in listing of the shares issued upon amalgamation and a number of anxious enquiries. However, the issue was resolved soon after the shares were listed. Pending requests for transfers, dematerialisation, issue of duplicate share certificates, etc. as on 31-03-2002 were as follows:

Particulars	Pending (Nos.)
Transfers	1
Dematerialisation	30
Others	None

Since then, these requests have been attended to within the time frame.

7. Annual General Meetings

The date, time and venue for the last 3 Annual General Meetings is mentioned hereunder

Year	Date	Time	Location
1998-99	27-12-1999	11.00 A.M.	Russian Cultural Centre, 27, Kasturi Ranga Road, Chennai 600 018
1999-00	08-09-2000	11.00 A.M.	Balamandir German Hall, 17, Prakasam Street, T. Nagar, Chennai 600 017
2000-01	27-09-2001	11.00 A.M.	Russian Cultural Centre, 27, Kasturi Ranga Road, Chennai 600 018

8. Postal Ballot

No postal ballots were used / invited for voting at these meetings in respect of special resolutions passed as the relevant provisions were not applicable. The provision relating to Postal Ballot will be complied with in respect of matters where applicable.

9. Disclosures

There are no transactions with related parties that may have any potential conflict with the interest of the Company at large. The Company has not entered into any transaction of material nature with the Promoter, Directors or Management, their relatives that may have potential conflict with interests of the Company at large. The Register of Contract containing the transactions in which Directors are interested is placed before the Board regularly for its approval. Transactions with related parties are disclosed in Note no. 18 of Schedule 16 to the Accounts in the Annual Report.

There were no instances of non-compliances of any matter related to the capital markets during the year and the Company has complied with the requirements of regulatory authorities on capital markets.

10. Means of Communication

Half-yearly report :

The half-yearly report will be sent to each household of the shareholders from the half year ending 30th September 2002.

Quarterly Results :

The quarterly results are published in TRINITY MIRROR & BUSINESS STANDARD (March Quarter) in English and MAKKAL KURAL in the regional language.

Auditors' Certificate on Corporate Governance

To the members of
Financial Technologies (India) Limited

We have examined the compliance of conditions of Corporate Governance by Financial Technologies (India) Limited, for the year ended on 31st March 2002, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as certified by the Share Transfer Agents of the Company, based on the records maintained by them.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner
Mumbai, dated: 29th June 2002

General Shareholder Information

1. Annual General Meeting

Date and Time : 30th September, 2002 at 12.30 p.m.
Venue : 3rd floor, 141, Greams Road, Chennai 600 006.

2. Financial Calendar

Financial Year :	1st April to 31st March	
Annual General Meeting :	September	
Results for the quarters :	30th June	End of July
	30th September	End of October
	31st December	End of January
	31st March	End of April or end June (audited figures) as per Stock Exchange guidelines

3. Book-closure date

The Books shall be closed from 13-09-2002 to 30-09-2002 (both days inclusive) for the purpose of ensuing Annual General Meeting.

4. Dividend payment date

Not Applicable

5. Listing

The shares of the Company are presently listed on Stock Exchanges at Chennai, Mumbai and Ahmedabad.

6. Stock Market Codes

Trading Symbol

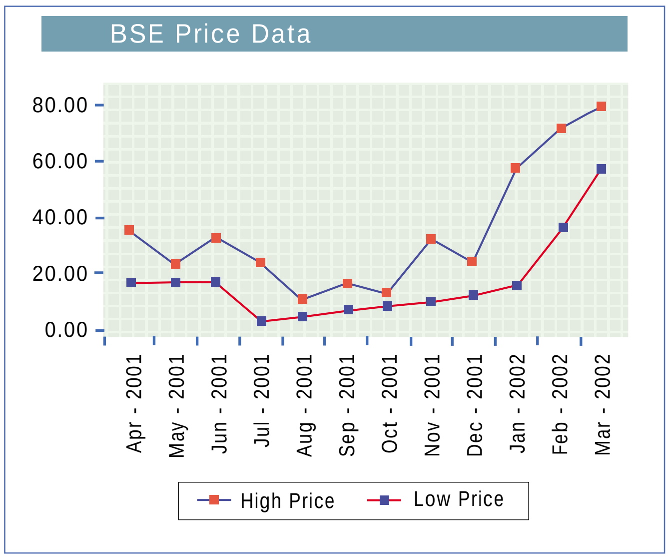
Chennai	Scrip Code	:	WTG
	Abbreviated Name	:	FINANC TECH
Mumbai	Scrip Code	:	26881
	Demat Code	:	526881
	Abbreviated Name on BOLT	:	FINANC TECHN
Ahmedabad	Scrip Code	:	67641
	Abbreviated Name	:	FINTECH

Depository for Equity Shares : NSDL and CDSL

Demat ISIN Number : INE111B01015

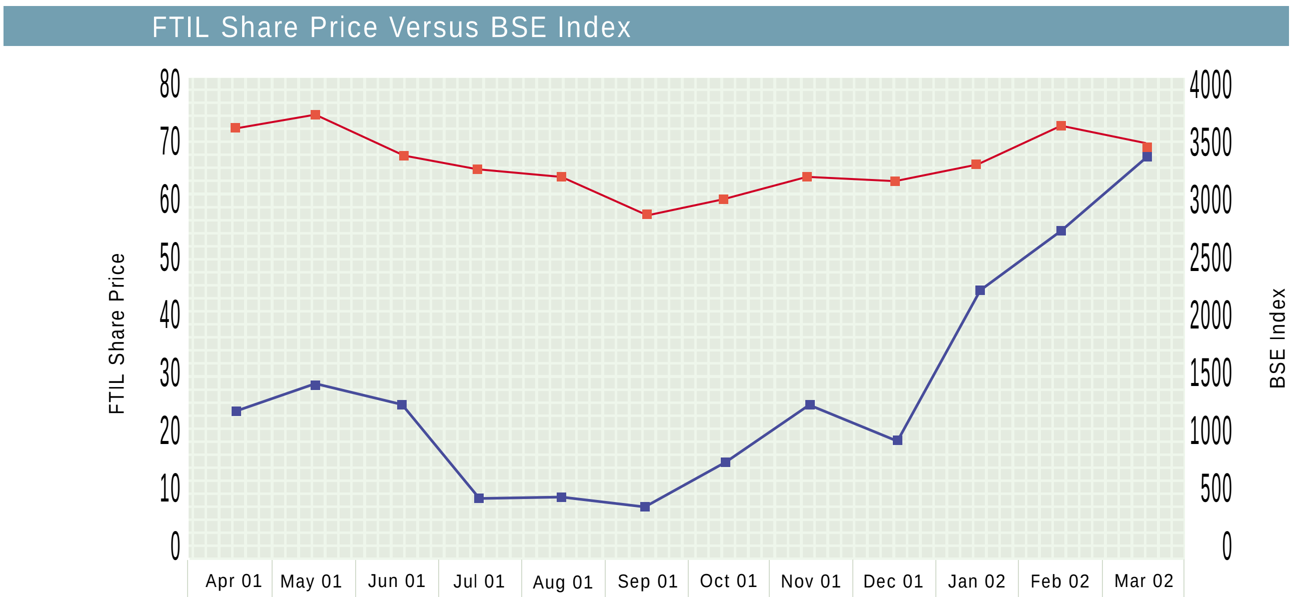
7. Stock Market Data

Month & Year	Bombay Stock Exchange		
	High Price Rs	Low PriceRs	VolumeNos
Apr – 2001	32.90	19.00	28006
May– 2001	25.90	19.10	31848
Jun– 2001	30.40	19.00	40963
Jul – 2001	25.90	8.00	16376
Aug –2001	11.45	8.10	11155
Sep – 2001	13.85	7.50	11238
Oct – 2001	13.20	9.00	21530
Nov – 2001	29.20	10.70	260717
Dec – 2001	24.20	11.50	50770
Jan – 2002	51.70	15.60	2324539
Feb – 2002	72.85	35.00	4091029
Mar – 2002	78.95	50.00	4336052



8. Share Price Performance in broad based indices

The performance of the company's shares in comparison to BSE Index is given in the chart below:



	Apr 01	May 01	Jun 01	Jul 01	Aug 01	Sep 01	Oct 01	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02
FTIL Price	22.5	24.2	22.6	9.5	9.5	8.5	12	20.45	17.1	43.45	54.1	68.6
Sensex	3519.16	3631.91	3456.78	3329.28	3244.95	2811.6	2989.35	3287.56	3262.33	3311.03	3562.31	3469.35

9. Registrars & Transfer Agents

Intime Spectrum Registry Ltd.
260, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West),
Mumbai 400 080.
Tel: 5923864/65.
Fax : 5652757.
Email: isrl@vsnl.com

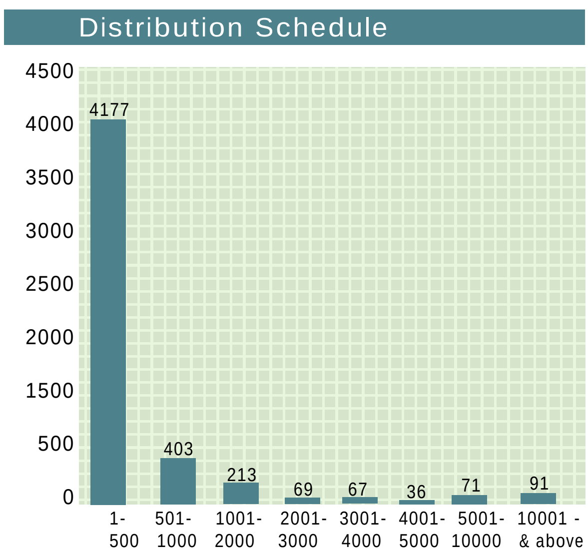
10. Share Transfer System

Presently, the share transfers which are received in physical form are processed within a period of 15 days from the date of receipt, if found in order. As per SEBI Guidelines, the Company has offered the facility of *transfer-cum-demat* with effect from 1st July 2000.

11. Distribution of Shareholding and Shareholding Pattern as on 31st March 2002

Distribution Schedule

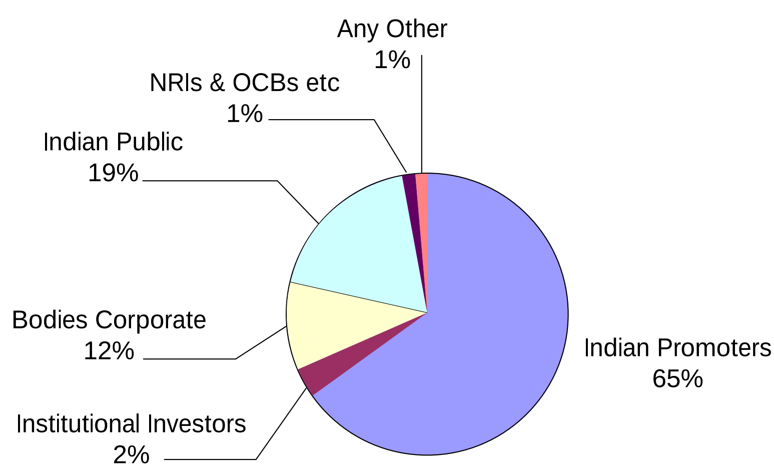
Shareholding Range		Shareholders		Shares held	
From	To	Number	% to total	Number	% to total
1	500	4,177	81.471	7,24,492	2.834
501	1000	403	7.860	3,34,914	1.310
1001	2000	213	4.154	3,35,923	1.314
2001	3000	69	1.346	1,82,075	0.712
3001	4000	67	1.307	2,33,747	0.915
4001	5000	36	0.702	1,70,876	0.669
5001	10000	71	1.385	5,53,395	2.165
10001	And above	91	1.775	2,30,26,361	90.081
Total		**5,127**	**100.000**	**2,55,61,783**	**100.000**



Shareholding Pattern as per Clause 35 of the Listing Agreement (summarised) as on 31st March, 2002

	No. of Shares held	% to total
A. PROMOTERS' SHAREHOLDINGS:		
1) Promoters		
i) Indian Promoters	16531538	64.67
(including relatives and companies under their control)		
ii) Foreign Promoters	-	-
2) Persons acting in concert	-	-
Total Promoters' Shareholding	**16531538**	**64.67**
B. NON-PROMOTERS' SHAREHOLDINGS:		
3) Institutional investors:		
a. Mutual Funds & UTI	45000	0.18
b. Banks, Financial Institutions, Insurance Companies, Central/State Government Institutions, Non- Government Institutions	366766	1.43
c. Foreign Institutional Investors	-	-
	411766	1.61
4) Others		
a. Private Corporate Bodies	3129550	12.24
b. Indian Public	4857760	19.00
c. NRIs / OCBs etc.	328230	1.28
d. Any Other:		
• Foreign Companies	142400	0.56
• Credit Lyonnais	3400	0.01
• Clearing Members	157139	0.61
	8618479	33.72
Total Non-promoters' Shareholding	**9030245**	**35.33**
Total Shareholding Grand Total	**25561783**	**100.00**

Note : a. The company has not issued any GDR / ADR / WARRANTS or any convertible instruments
b. The total Non-resident holding was 4,74,030 shares (1.85%) none holding 1% or more



“IPR Business : Courage of Conviction. Power of Perseverance.”

12. Dematerialisation of shares

The shares of the company have been brought under compulsory demat mode. As on 29th June 2002 96.34% of the shareholding representing 2,46,25,320 shares of the company have been converted into demat form.

13. Location of Offices

1. Krishna Bhavan, 67, Nehru Road, Vile Parle (East), Mumbai 400 057
2. Pressman House, 301/401/402/501/502, Off Nehru Road, Vile Parle (East), Mumbai 400 099.
3. Malkani Chambers, 1st Floor, Off Nehru Road, Vile Parle (East), Mumbai 400 099.

14. Investor Correspondence

All routine correspondence regarding transfer and transmission of shares, split, consolidation and issue of duplicate/renewed share certificates should be addressed to the Company's Registrars and Share Transfer Agents.

Complaints/grievances, if any, should be addressed to

The Company Secretary,
Financial Technologies (India) Ltd.
Malkani Chambers, 1st Floor, Off Nehru Road, Vile Parle (East),
Mumbai 400 099. Tel.: 616 4134/45 Fax: 611 8195
email :info@ftindia.com

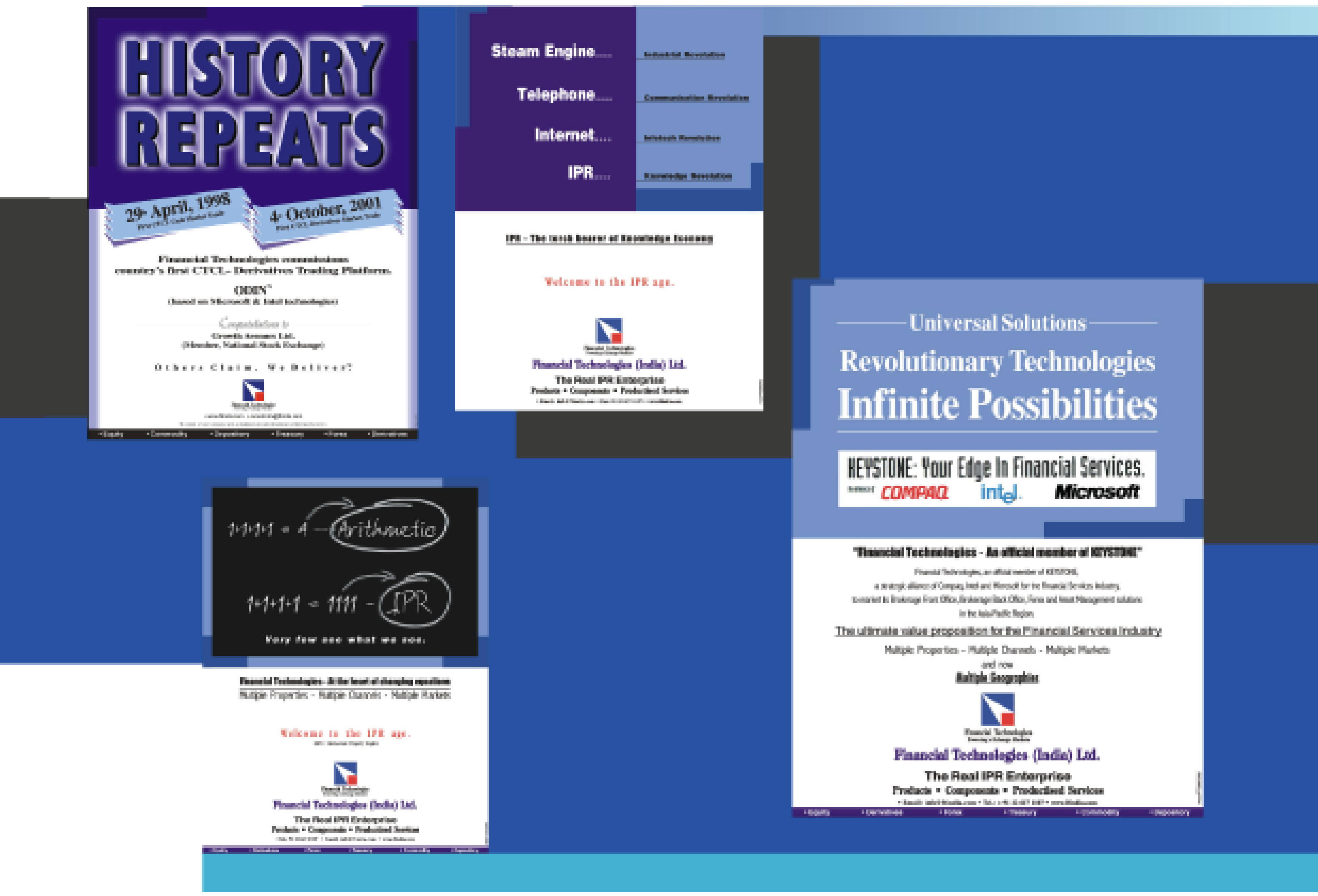
15. Company's website

For any further information on the Company please visit Company's website www.ftindia.com.

FTIL's New Business Initiatives

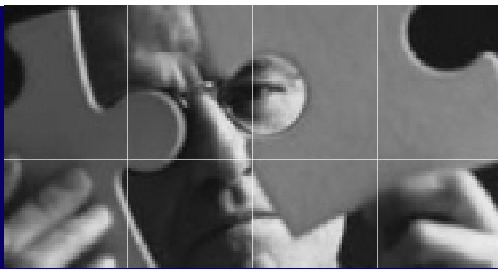
FTIL continues to establish its leadership through multiple initiatives ...

- New Products
- New Markets
- New Geographies



"IPR Business : Courage of Conviction. Power of Perseverance."

Management Discussion & Analysis



Management Discussion and Analysis

Overview

Overall Operational Review of the Company

The year was a very challenging year for the economy as a whole. Without any exception, almost all the industries went through very severe, testing times and corporate earnings fell in all the sectors - manufacturing and service as well. Financial Technologies (India) Ltd. (FTIL) was no exception to these environment challenges, which had a major impact on its performance. However during this difficult period, the Company concentrated on new product development, undertook Product & Process Quality initiatives and has put in place a comprehensive alliance strategy for our global operations.

Segment Analysis

The Company is engaged in a single business segment of providing mission-critical **Straight Through Processing** (STP) technologies. This technology finds its applicability into all high transaction density markets that comprise; **Equities, Forex, Derivatives, Commodity** and **Bond** Markets. In addition to these, FTIL also has technology solutions for Depository operations. The technology offering from FTIL covers the complete Trade Life Cycle: **Pre-trade, Trade and Post-Trade** operations. The Company offers its IPRs in three different modes; **Product Sales** (licensing of product), **Component Sales** (licensing of components) and **Productised Service**, where it achieves revenue through pay per usage mode

Company also provides domain consulting in the same industry vertical as part of its technology offering. In the current year, Company has bagged an overseas mandate from a Tier-I investment bank for a consulting assignment; in the fixed income back office area. The said consultancy involved a data modeling assignment. The Company's main income in the last year has come from licensing its technology in the front office, product license mode for Equities and Derivatives market in India, as this market is completely automated and players have understood the benefit of STP technology deployment.

The Company is providing mainly software solutions and in the opinion of the Management has only one reportable business segment, the results of which are disclosed in the financial statements.

a) Domestic Market

The Company is into a business segment, which is directly related to the stock market activities. Performance of the Company was affected due to considerable slowdown in IT investments by the market intermediaries. However, the Company has shown considerable performance improvement on account of increased technology spending, especially its Derivatives platform.

In line with maintaining consistency of being an Approved Solution Vendor in every segment of the Securities Market, the Company got accreditation of being Empanelled Software Vendor in Derivatives (Futures & Options) segment from National Stock Exchange (NSE). The Company has the privilege of being empanelled in all segments of the two premier Exchanges i.e. NSE & BSE – Equities, Online Trading & Futures & Options. Majority of revenue for the fourth quarter of the year reflects the license sales from this segment that demonstrates the confidence and faith of our existing clients who have purchased our product.

b) International Market

The Company opened its first overseas office in USA. In the very second month of operation, the Company received its first consulting assignment from a Tier-I Investment Bank in the fixed income back office area. This order was considered to be stepping stone to create penetration for Company's solutions in the broking community in US. Due to the unfortunate September 11 event , the Company's plans were also badly affected, as all fresh IT investments were frozen. Since then, the Company is yet to break even in its US Operations and the loss in the US Operation would be a major contributor in the overall operations of the Company. Post the balance sheet date, the company has taken appropriate steps to reduce the fixed cost in the US operations.

The objective of the Company is to secure the long-term future of its IPR business. Hence the Company initiated its global expansion drive with strategic tie-ups and alliances that could expand its market scope and business opportunities.

The Company was selected as an independent solution provider in securities market for the A-PAC region by KEYSTONE, an alliance of Compaq, Intel & Microsoft. This initiative is a collaborative technology & marketing program designed to deliver a range of world-class solutions. The program will focus on delivering a new range of solutions to leading Banking & Capital market companies in the region of Asia Pacific and further down to Australia, Europe and USA. The capital market portfolio would include FTIL's Brokerage Front-Office, Back-Office, Forex and Asset Management Solutions.

Post the balance sheet date, the Company entered into a global marketing program with Intel Semiconductor, a wholly owned subsidiary of Intel Corporation US, for marketing FTIL Solutions in Financial Services Industry (FSI) space. The program includes solutions enabling for the Financial Services Industry and FTIL solutions being offered under this program comprise ODIN™, MATCH™, M3™, NeT.net™ and FXDirect™. As part of the program, FTIL / Intel would work jointly to migrate FTIL solutions to Itanium Platform and would also entitle subsidized rates for access to Intel SCS Labs in India for conducting benchmarking tests.

With these tie-ups and alliances, FTIL is looking at securing its long-term future of the Company's IPR business. Operationally, this alliance translates into creating penetration for FTIL's products and solutions in the global market and seeks access to the main players in the industry.

In line with the above, the Company opened its second overseas office in Singapore in March 2002. Post the balance sheet date, the Company also received the permission from Reserve Bank of India to open office in Australia.

Company's Strengths and Opportunities

FTIL is engaged in the business of developing and monetizing (specializing) IPRs for different markets within the financial services industry vertical. These IPRs are offered to the market participants as Products, Components and Productised Services that are different means of IPR deployment. This business model requires deep domain expertise and technology excellence for developing mission-critical technologies and is completely different from the 'Project' business model.

The Company has achieved repeat business success and has successfully created technology products for different markets in India. It has been FTIL's constant endeavour to maintain market leadership through innovative offerings. Along with the domestic market leadership, the Company has strategic plans to take its products and solutions to the global market. To successfully launch the technologies in the global markets, the Company has followed an alliance route in a manner that strategic partners undertake marketing and project management. Already, multiple engagements have been initiated and Management is quite confident of a very rewarding future.

Risk & Concern

Business Risk

As the Company is engaged in IPR business model and is looking at expanding into the international markets to engineer growth, the major risk, which Management is anticipating, is the time frame in which it can successfully expect a turnaround. The Company has already achieved considerable recognition globally from technology giants such as Intel, Microsoft and Compaq for its technology excellence and domain knowledge. In terms of competition, since the Company has decided to adopt the alliance model, confidence and potential of creating a combined win with the alliance partners is very high.

Financial Risk

Liquidity is the main concern in any technology outfit. The nature of business is such that significant investments need to be made for new Product Development and marketing initiatives. The major risk today, faced by the Company is the drop in cash accruals due to the overall business recession.

The Company has been debt free since last two years. However, the Company is actively exploring the options of tying-up long term fund arrangement with Financial Institutions, for its global expansion plan. Also, with the strategic alliances and tie-ups, the Company is quite confident of global business thereby generating the cash.

Internal Control and their Adequacy

The Company has adopted process and procedures to have adequate controls and operational systems, as well as defined roles for people at various levels to ensure proper information flow. It has a well defined control system ensuring that the assets of the Company are properly safeguarded against loss from unauthorized use or disposition. The Management reviews the internal control systems in order to ensure efficient conduct of business. The regular Internal Audits and the Audit committee formed amongst the Members of the Board, have further strengthened the internal control system within the organisation.

Financial Results

Operational Results

The year 2002 was a difficult year for the economy. However, the Company maintained the consistency of developing and creating new technology and implementing quality processes for product development.

During the year the Company introduced new online product for the Derivatives (Futures & Options) segment of Capital Market. This product was the major revenue earner for the last two Quarters of the year.

Continuing the trend of investing in Manpower, the Company spent Rs. 95,775,052 towards personnel cost of which, Rs. 41,954,274 was towards the personnel cost of US office. The total expenses on this count amounted to 53.95% of total operating expenses of the company.

The summarised results for the year are as follows:

	(In Rs.lakhs)
IPR Based Revenues	488.63
Project Based Revenues	146.79
TOTAL SALES REVENUE	635.43
Other Income	416.07
TOTAL INCOME	1051.50
Operating Expenses	1775.11
PBDIT	(723.61)
Depreciation	258.95
Profit/(Loss) before tax	(982.56)
Tax – Including Deferred Taxation	42.00
Net Profit/(Loss)	(940.56)

Major Financial Events

The Company had adopted the accounting policy for capitalising the Software Development expenses in case of development of new Software Products. The cost that is clearly defined and that are attributable to the new product development were deferred and written off over a period of three years commencing from the year in which the product is sold / launched commercially. Similarly expenditure on branding and market development are deferred and written off over a period of three years. However during the year the Company has changed the accounting policy and has charged entire development expenses incurred during the year to Profit and Loss account. Hence, the Company would be charging entire amount of such expenses to Profit and Loss account in the year of incurring the same.

The unamortised balance in the Miscellaneous Expenditure Account representing the Product & Market Development as on 1st April 2001 amounting to Rs. 2,08,94,383/- is being charged to opening Revenue Reserves. The treatment is considered by pre-adopting the Accounting Standard (AS 26) on "Accounting of Intangible Assets". From the current year (2002-03), all expenses in the nature of deferred revenue would be charged to profit and loss account in the year of incurring the same.

During the year, the Company took a bold decision to provide for all debt & advances, which are considered to be doubtful of recoveries. The exercise of analysing the individual debtor & advances was carried out on more stringent norms and some of the debts/advances outstanding for more than 270 days were classified as doubtful of recovery/bad debts and provided for/written off after considering the repayment capacity, results of follow-up in the earlier years etc. A provision for doubtful debt & advances was made to the extent of Rs. 3,742,999 and the company has taken a hit to the profit and loss account to the extent of Rs. 6,047,870 towards writing off the bad debts & advances.

The accumulated deferred tax liability (net) arising on account of timing differences as on April 1, 2001, aggregating to Rs. 26,193,149 has been accounted for and set off against the opening reserves as a 'Transitional provision' in accordance with the accounting standard on taxation.

Treasury Operations

During the year the Company managed the treasury operation in a systematic manner, keeping in mind the overall intention of maintaining the investments in the long term.

In order to churn out the maximum benefit out of investments, the company periodically reviewed the Investment portfolio. During the year the company earned Rs. 40,457,973 revenues from treasury operations. The timely switching within various Mutual Fund schemes so as to get maximum benefit in terms of dividend and appreciation in Net Asset Value, accounted for the increase in treasury income. However the company intends to hold the investments for long term. The other income constituted 39.57 % of total revenue of the company

HR Relations

As the Company is IPR Centric, our employees are the real assets. In any knowledge-based industry, the end product directly reflects the quality of manpower the Company maintains. The quality of human resources is considered to be its most important asset and Company consistently tries to recruit the best possible talent and to groom the talent to meet its current and future requirement. The Company currently has approximately 190 employees. It places emphasis on training at all levels of organisation. The skill levels of individual employees are periodically monitored and compared with the skill levels required to perform his / her current role. Any gaps that get identified are met through training, which can be on the job or formal classroom training conducted by both internal and external faculties.

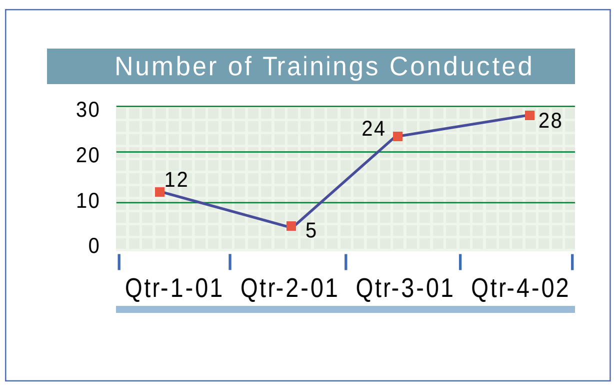
The organisation assists its employees to perform better by providing them with periodic mentoring, performance evaluation and appraisal to serve as a benchmark for performance and to strive towards constant improvement.

The Company also has implemented long term retirement plans for the employees. During the year the Company implemented Group Gratuity Scheme (GGS) of Life Insurance Corporation of India for the benefit of Employees.

Training at FTIL

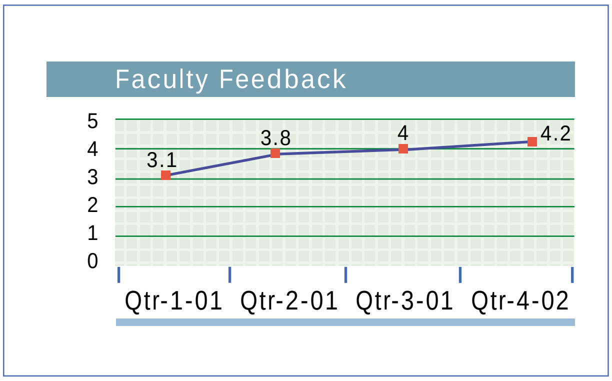
FTIL now has a dedicated Training Group, which has given a fresh impetus to the training activity, which has been formalized in the company.

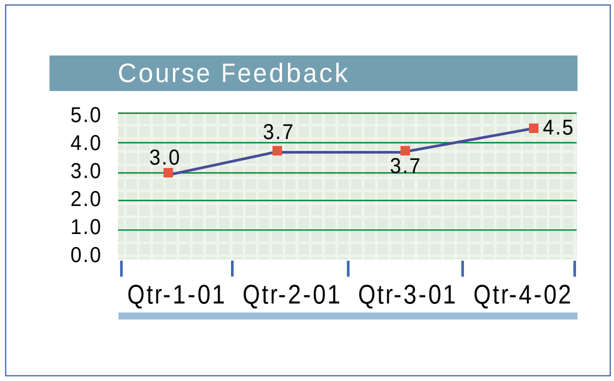
The Training Group maintains detailed information on all the trainings conducted and also gets effectiveness feedback from both, the faculty and the employees attending the training. Today FTIL is in a position for carrying out detailed analyses on the training provided. This has resulted in the creation of a skill-set repository, maintaining the actual skill level of each employee vs. the desired skill level, for effective productivity enhancement. The data maintained also contains information relating to expense incurred on the trainings.



Senior Management receives status reports from the Training Group, every quarter. These reports contain detailed information on all the trainings conducted during previous quarters, through internal and external personnel. It also has statistics on the overall performance of the Training Group, the improvements in the skill-set available in the Company, the effectiveness of the trainings conducted and the cost incurred by the organization on the same, in terms of money and time. The adjoining graphs show the improvements in various aspects of training in the last four quarters.

The above listed accomplishments of the Training Group have been in-line with the plans for the financial year and we are proud to say that all the targets that had been set for the Group have been successfully achieved.





It has now become standard procedure at FTIL to regularly identify training needs on a quarterly basis, which initiates the training cycle for the quarter. The entire training activity, starting with identifying the skills gap (between that available in the skill-set repository and that required for a particular project / product group), to raising of training requisition by the corresponding Project Leader or Project Manager, arranging the training session and intimating all participants, conducting the training, obtaining feedback and documenting all these steps, has become very much process driven. New employee skill-set is recorded directly from the interview evaluation form.

FTQM

विधिवत निरंतर अनंत

Ad Infinitum...as per defined processes

Financial Technologies Quality Initiative - FTQM

FTQM, Financial Technologies' Total Quality Management Program has been designed and developed on the basis of the SEI CMM model. The objective of this model is based on the Organization philosophy - to 'Build high quality and functionally rich solutions to service the FSI space, globally'. FTQM epitomizes continuous (iterative) optimization of the defined processes to ensure improvement on the quality of the deliverables.

High Maturity Areas

For an IPR centric organization such as ours, it was necessary to identify and prioritize on certain aspects of the IPR development life cycle. Considering our business model, FTQM implementation was made to focus on Configuration Management, Change Management, Peer Reviews and Project Management & Tracking.

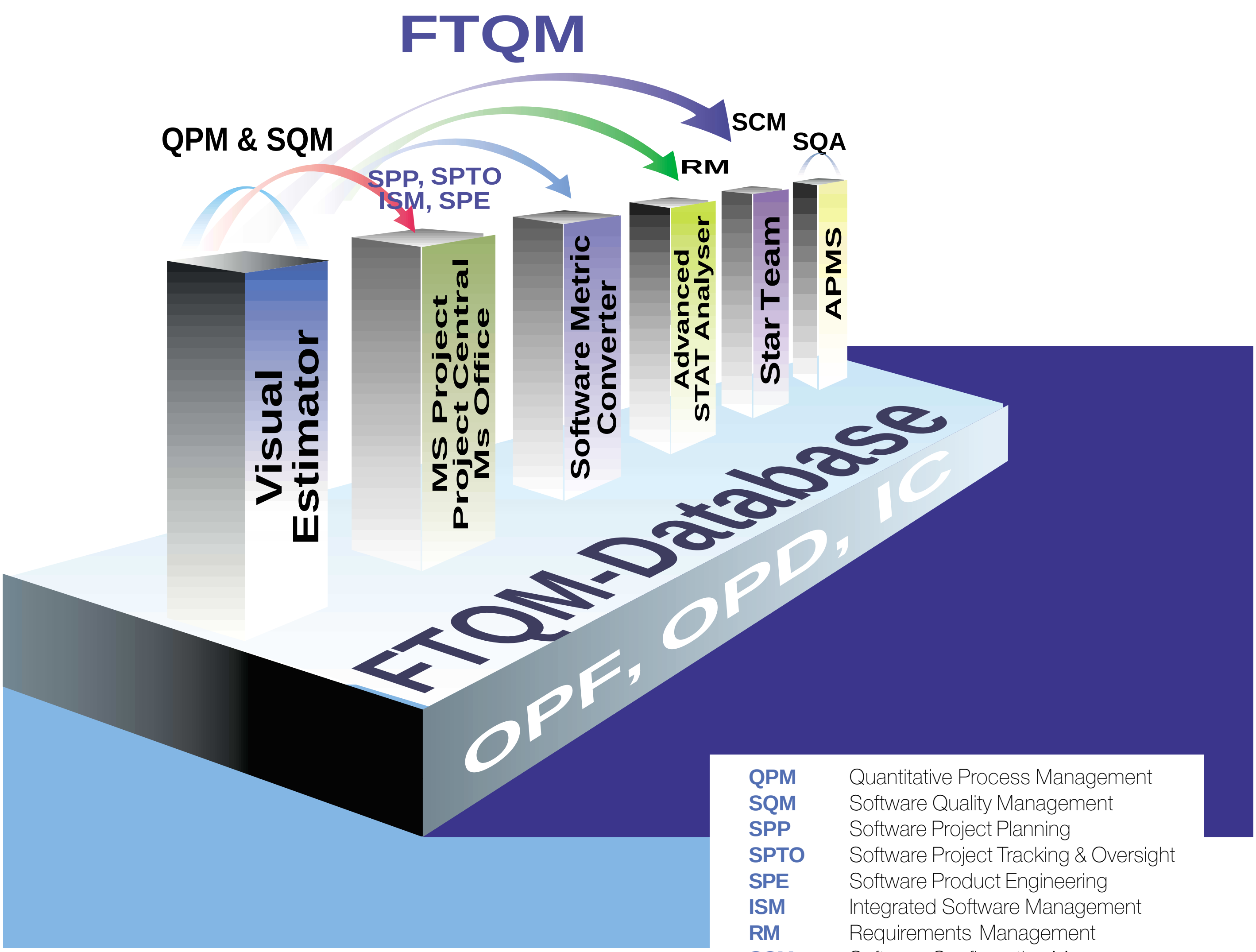
In the initial phase, the processes for these areas were defined on the basis of the inputs from experienced process owners and quality consultants. The processes so defined were then implemented into production and this experience was considered in further maturing each of these areas. To streamline and smoothen its implementation and execution, the management of FTIL extended its commitment (in the form of funding, training and resource allocation) and also permitted the introduction of supporting tools (either readymade or developed in-house).

With the introduction of the said automated tools, it has been our experience that the acceptability and enthusiasm of implementing these was very high among the team members. This in turn has ensured our achievement of high levels of maturity in a very short time. All the above have resulted in motivating the team by realizing improvements through intangibles like high levels of customer satisfaction and also scientific measures, signifying drastic improvement in productivity and performance.

Commitment - thru automation

To provide the right impetus towards successful implementation of the defined processes, automated tools were introduced in key areas of IPR development cycle. Some of the tools that have been introduced are:

- **Microsoft Project & Project Central** – one of the world's leading tools from Microsoft , which is used for effective Planning and Tracking
- **Starteam** – a configuration and change management tool from Starbase Inc., in addition to the configuration (version) management of the IPR source, automates tracking of activities (development / changes / enhancements) from its inception, definition, verification, development and deployment.
- **Visual Estimator** – an internally developed system, automating the process of schedule estimation. Further, it seamlessly integrates with the associated MS Project Plan, avoiding duplication and scope for manual errors. Key aspects of work breakdown methodology and Function Point Estimation techniques are configured into this tool.
- **APMS** (Audit Process Management System) – effectively automates the defect tracking and analysis of the STG (Software Testing Group) function within the development cycle.
- Further, **supporting tools**, such as Software Metric Converter, Advanced STAT Analyzer and FTQM – MIS have been implemented. These provide the FTIL Senior Management with scientific measures and indicators that gives an insight into the relative progress across the implementation calendar.



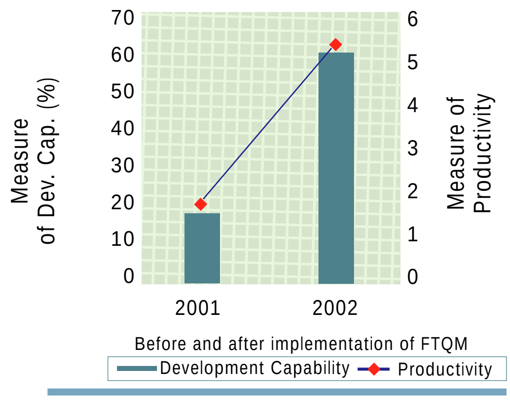
QPM	Quantitative Process Management
SQM	Software Quality Management
SPP	Software Project Planning
SPTO	Software Project Tracking & Oversight
SPE	Software Product Engineering
ISM	Integrated Software Management
RM	Requirements Management
SCM	Software Configuration Manager
SQA	Software Quality Assurance
OPF	Organizational Process Focus
OPD	Organizational Process Definition
IC	Inter-group Co-ordination

"IPR Business : Courage of Conviction. Power of Perseverance."

FTQM- Improvements Achieved

Improvements in Productivity – With the introduction of FTQM and focusing on certain key processes and necessary tools, FTIL has conclusively demonstrated phenomenal improvement in development capability and productivity.

Increased Productivity

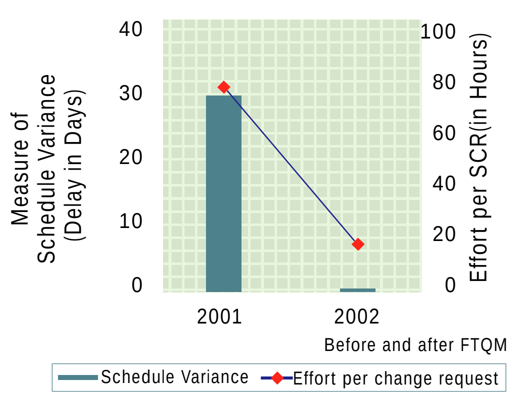


	2001	2002	Units
Development Capability	7	60	Closed SCRs[1] per 100 per month
Productivity	1.25	5.4	Closed SCRs per hour

2001 - Pre implementation of FTQM
2002 - Post implementation of FTQM

Performance improvement measures – indicate a multi-fold increase in the degree of success to the in-time delivery commitments (towards IPR evolution). This is primarily due to improved planning and tracking processes and automated mechanisms. Moreover, due to improved planning and inter-group co-ordinations (with review team, systems audit team), the total cycle time required to complete a single activity has also reduced drastically.

Performance Improvements -I

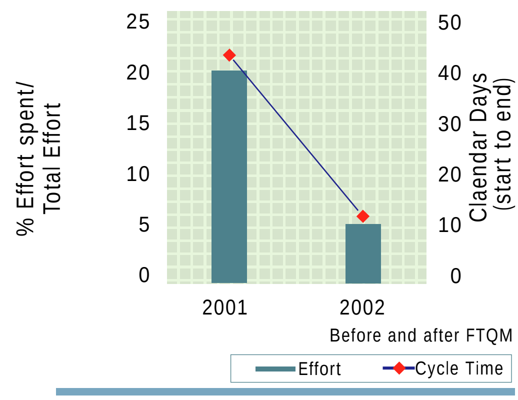


	2001	2002	Units
Schedule Variance	30	0.25	Delay, in days
Effort per change request	80	18.5	Time, in hours

2001 - Pre implementation of FTQM
2002 - Post implementation of FTQM

[1]Software Change Request - An average unit of IPR development activity/task

Performance Improvements -II



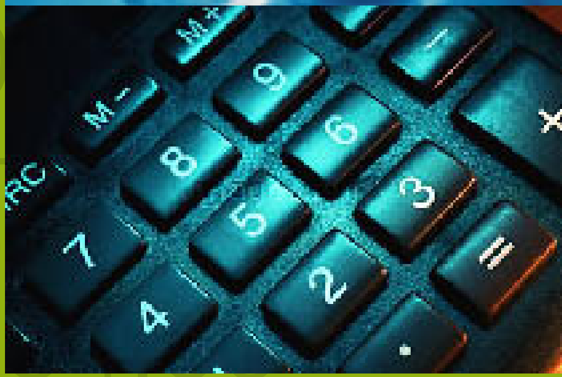
	2001	2002	Units
Planning	20	6	% efforts spent vis-a`-vis the total effort
Cycle Time	45	12	Calendar days, from start date to end date

2001 - Pre implementation of FTQM
2002 - Post implementation of FTQM

Summary

Achievement of a high level of Maturity is truly reflected (in addition to the measurements stated above) by the consistent releases of high quality deliverables, (with minimal defects). This has resulted in improved customer satisfaction (reflected by repeat orders and recommendation received) and more importantly, high employee morale.

At FTIL, FTQM is a process, which will continue forever. Today, this confidence is based not only on the commitment of the management, but backed by the process owners and product-line implementers. This is proof of the spirit of the FTQM movement getting absorbed down to the last level of the organization hierarchy.



Financial Information

Auditors' Report

To the members of Financial Technologies (India) Limited

1 We have audited the attached Balance Sheet of Financial Technologies (India) Limited, as at 31st March, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 As required by the Manufacturing and Other Companies (Auditors Report) Order, 1998, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4 Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

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

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

c the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account.

d in our opinion, the balance sheet and profit and loss account 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 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub- section (1) of section 274 of the Companies Act, 1956.

f In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to note 13 to schedule 16 (II) regarding payment of remuneration aggregating to Rs.167,000 pending approval from Central Government as explained in the note, and read with significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2002; and

ii) in the case of the profit and loss account, of the loss for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner
Mumbai, dated: 29th June 2002

Annexure to the Auditors' Report

Financial Technologies (India) Limited
Referred to in paragraph 3 of our report of even date

1. As the Company does not have any manufacturing activities paragraphs (iii), (iv), (v), (vi), (xii), (xiv), (xvi) and (xx) of clause A of the Order are not applicable to the Company.
2. The Company has maintained proper records showing full particulars and quantitative details of fixed assets. As explained to us, the Company has a procedure to carry out physical verification of assets at periodic intervals, which in our opinion is reasonable. In accordance with the program, we are informed that the Company's fixed assets have been physically verified during the year and no discrepancies were noticed on such verification.
3. None of the fixed assets has been revalued during the year.
4. During the year the Company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. By virtue of the Companies (Amendment) Act, 1998, the provisions of Section 370(1B) of the Companies Act, 1956 are no longer applicable.
5. The Company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. By virtue of the Companies (Amendment) Act, 1998, the provision of Section 370(1B) of the Companies Act, 1956 are no longer applicable.
6. The Company has given interest free loans to employees who are repaying the loans as stipulated except in case of two employees for which steps are being taken to recover the loans. The Company has not given loans to any other parties.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of plant and machinery, equipment and other assets and for services rendered.
8. According to the information and explanations given to us, there are no transactions of purchase of materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party.
9. The Company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956.
10. The Company has an internal audit system during the year, which in our opinion *further needs to be strengthened* to be commensurate with the size of the Company and nature of its business.
11. According to the information and explanations given to us and according to the records of the Company, Provident Fund and Employees' State Insurance dues have been generally regularly deposited during the year with the appropriate authorities.
12. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as on 31st March, 2002, for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
14. The Company's service activities are such that they do not involve consumption of materials and stores and hence the quantification of allocation of materials consumed to relative jobs does not arise.
15. According to information and explanations given to us, the Company has a reasonable system of allocating man-hours utilized to relative jobs commensurate with its size and nature of its business.
16. There is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its service activities for the allocation of labour to jobs.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner
Mumbai, dated: 29th June 2002

BALANCE SHEET AS AT 31.03.2002

	Schedule	31.03.2002 Rupees	31.03.2002 Rupees	31.03.2001 Rupees
I. SOURCES OF FUNDS				
(1) Shareholders' Fund				
(a) Capital	1		255,617,830	255,617,830
(b) Reserves and Surplus	2		149,747,425	219,087,249
(2) Loan Fund				
(a) Secured loan	3		1,548,564	-
	TOTAL		406,913,819	474,705,079
II. APPLICATION OF FUNDS				
(1) Fixed Assets	4			
(a) Gross Block		263,842,296		251,704,283
(b) Less : Depreciation		54,950,506		29,735,985
(c) Net Block		208,891,790		221,968,298
(d) Capital work-in-progress		649,500		156,250
			209,541,290	222,124,548
(2) Investments	5		131,499,328	157,990,687
(3) Current Assets, Loans and Advances				
(a) Sundry Debtors	6	16,161,661		37,351,410
(b) Cash and Bank Balances	7	14,304,741		34,592,487
(c) Other current assets	8	-		3,868,265
(d) Loans and advances	9	34,792,354		35,120,240
		65,258,756		110,932,402
Less: Current Liabilities and Provisions	10	50,966,034		39,006,941
Net Current Assets			14,292,722	71,925,461
Deferred tax (liability) / asset (Refer note 12 to schedule 16)			(21,993,301)	-
(4) (a) Miscellaneous Expenditure (to the extent not written off or adjusted)	11		1,770,000	22,664,383
(b) Capital Reorganisation Account	12		-	-
(5) Profit and Loss Account			71,803,780	-
	TOTAL		406,913,819	474,705,079

Significant Accounting Policies and Notes to Account — 16

The schedules referred to above form an an integral part of the accounts

P. Venkitasubramani
Company Secretary

As per our report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner
Place : Mumbai
Date :29/06/02

For and on behalf of the Board.

Jignesh P. Shah
Chairman and Managing Director

Mahesh R. Joshi
Whole-time Director

Ashish S. Dalal
Director

Date :29/06/02

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Schedule	2001-2002 Rupees 31.03.2002	2001-2002 Rupees 31.03.2002	2000-2001 Rupees 31.03.2001
INCOME				
Sales	13		63,542,590	172,964,916
Other Income	14		41,607,622	14,582,088
			105,150,212	187,547,004
EXPENDITURE				
Operating and Other expenses	15		177,510,658	105,051,716
Depreciation			25,895,474	22,978,701
Less: Writeback of depreciation arising on change of method			-	(3,991,321)
			203,406,132	124,039,096
(Loss)/Profit before tax			(98,255,920)	63,507,908
Provision for taxation:				
Current tax		-		(3,550,000)
Deferred tax		4,199,848		-
			4,199,848	(3,550,000)
			(94,056,072)	59,957,908
Short provision of tax of pervious years			-	51,565
Balance brought forward from pervious year (including surplus on amalgamation in previous year of two companies Rs. 433,481)			40,339,824	-
Unadjusted accumulated deferred tax liability (refer note 12 to schedule 16)			(18,087,532)	-
Balance available for appropriation			-	59,906,343
Transfer to General Reserve			-	20,000,000
Balance carried to Balance Sheet			(71,803,780)	39,906,343
Earning per share (Refer note 19 to schedule 16)				
Basic and diluted			(3.68)	2.34

Significant Accounting Policies and Notes to Account — 16

The schedules referred to above form an an integral part of the accounts

P. Venkitasubramani
Company Secretary

As per our report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner
Place : Mumbai
Date :29/06/02

For and on behalf of the Board.

Jignesh P. Shah
Chairman and Managing Director

Mahesh R. Joshi
Whole-time Director

Ashish S. Dalal
Director

Date :29/06/02

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2002 Rupees	As at 31.03.2002 Rupees	As at 31.03.2001 Rupees
Schedule 1: Share Capital:			
Authorised:			
30,000,000 (Previous Year: 30,000,000) equity shares of Rs.10/- each		300,000,000	300,000,000
Issued, subscribed and paid up:			
25,561,783 (Previous Year: 25,561,783) equity shares of Rs.10/-each fully paid up		255,617,830	255,617,830
Of the above:			
(a) 75,000 (Previous Year: 75,000) shares of Rs.10/- each, fully paid have been allotted pursuant to contract without payment being received in cash (Refer note 6 to schedule 16)			
(b) 18,120,117 (Previous Year: 18,120,117) shares of Rs.10/- each, fully paid have been allotted to the shareholders of the erstwhile Electronic Broking Services Ltd., consequent to a scheme of amalgamation			
(c) 4,366,666 (Previous Year: 4,366,666) shares of Rs.10/- each, fully paid have been allotted to the shareholders of the erstwhile Financial Technologies (India) Pvt. Ltd., consequent to a scheme of amalgamation.			
TOTAL		255,617,830	255,617,830
Schedule 2 : Reserves & Surplus			
Capital Reserve:			
Balance at the commencement of the year	14,759,312		-
On amalgamation of Financial Technologies (India) Pvt. Ltd.	-		21,833,340
Less: Transfer from Capital Reorganisation Account (Refer schedule 12)	-		(7,074,028)
		14,759,312	14,759,312
Share Premium:			
Balance at the commencement of the year (Refer note 6 to schedule 16)	134,988,113		1,020,000
Add: On amalgamation of Electronic Broking Services Ltd.	-		67,508,670
Received during the year	-		67,508,670
Less: Share issue expenses	-		(582,783)
Preliminary expenses	-		(466,444)
		134,988,113	134,988,113
General Reserves:			
Balance at the commencement of the year	29,000,000		-
On amalgamation of Financial Technologies (India) Pvt. Ltd.	-		9,000,000
Add: Transfer from Profit and Loss account	-		20,000,000
	29,000,000		29,000,000
Less: Deferred revenue expenditure writtenoff (Refer note 5 to schedule 16)	(20,894,383)		-
Less : Accumulated deferred tax liability (to the extent of balance available in general reserve) (Refer note 12 to schedule 16)	(8,105,617)		-
		-	29,000,000
Surplus in Profit and Loss Account	-		39,906,343
Add: On amalgamation of Electronic Broking Services Ltd.	-		15,542
Add: On amalgamation of Financial Technologies (India) Pvt. Ltd.	-		417,939
		-	40,339,824
TOTAL		149,747,425	219,087,249
Schedule 3 : Secured Loans:			
Cash credit facility from a bank		1,548,564	-
TOTAL		1,548,564	-

Note: Loan from a bank is secured by hypothecation of book debts and personal guarantees of some of the directors of the Company. The said loan is further to be secured by equitable mortgage by deposit of title deeds of the immovable property(residential flat) located at Kandivli (Mumbai) for which steps have been taken to transfer the same in the Company's name (Refer note 2 to schedule 4)

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule 4 : Fixed Assets

(In Rupees)

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Cost as at 1.04.2001	Cost taken over consequent to amalgamation (See note 1)	Additions	Deletion/ Adjustments	Cost as at 31.03.2002	Upto 1.04.2001	Depreciation taken over consequent to amalgamation (See note 1)	Depreciation for the year ended 31.03.2002	Deletions/ Adjustments	Total Upto 31.03.2002	As at 31.03.2002	As at 31.03.2001
Building (include improvement to lease hold premises)	24,849,890	-	6,571,513	171,735	31,249,668	2,043,103	-	1,303,244	21,059	3,325,288	27,924,380	22,806,787
Office Equipments	33,502,602	-	6,275,420	1,028,475	38,749,547	6,931,425	-	5,274,540	659,894	11,546,071	27,203,476	26,571,178
Furniture and Fittings	10,339,868	-	395,965	-	10,735,833	2,420,665	-	884,158	-	3,304,823	7,431,010	7,919,202
Vehicles	2,249,815	-	-	-	2,249,815	141,874	-	213,733	-	355,607	1,894,208	2,107,941
Intellectual Property Right	180,061,540	-	-	-	180,061,540	18,006,154	-	18,006,154	-	36,012,308	144,049,232	162,055,386
Trade Mark	67,155	-	95,325	-	162,480	24,356	-	65,346	-	89,702	72,778	42,799
Technical Knowhow	633,413	-	-	-	633,413	168,408	-	148,299	-	316,707	316,706	465,005
TOTAL	251,704,283	-	13,338,223	1,200,210	263,842,296	29,735,985	-	25,895,474	680,953	54,950,506	208,891,790	221,968,298
PREVIOUS YEAR	24,412,663	26,802,124	202,956,585	2,467,089	251,704,283	3,402,098	8,071,590	22,978,701	4,716,404	29,735,985	221,968,298	-
Capital Work-in-progress (including capital advances and ongoing improvement to leasehold property in the previous year)											649,500	156,250

Notes:

1) Cost and depreciation taken over consequent to amalgamation in the previous year, comprises of gross value of assets and the accumulated depreciation taken over consequent to amalgamation of Electronic Broking Services Limited w.e.f. April 1, 2000 and of Financial Technologies (India) Private Limited w.e.f. May 31, 2000 in accordance with the scheme of amalgamation.

2) Building includes Rs.1,151,000 in respect of premises purchased during the previous year and also Rs. 250 towards the cost of the shares in the society. The Company is taking steps to transfer the same in its own name.

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2002 Rupees	As at 31.03.2002 Rupees	As at 31.03.2001 Rupees
Schedule 5: Investments (at Cost)			
Long Term:			
Trade:			
A) In equity shares (unquoted)			
180,000 (Previous year: Nil) equity shares of Rs.10/- each fully paid up of IBS Forex Pvt. Ltd (Refer note 10 to schedule 16)		1,800,000	-
Non-trade:			
B) In units of mutual funds			
a. Nil (Previous Year: 2,466,675)Units of Rs.10/- each of Kotak Mahindra Mutual Fund - K-Bond (Wholesale Plan - Dividend)	-		25,000,000
b. Nil (Previous Year: 2,525,653) Units of Rs.10/- each of Kotak Mahindra Mutual Fund - K-Bond (Unit Scheme '1999 Deposit Growth Plan)	-		29,600,000
c. Nil (Previous Year: 453,872) Units of Rs.10/- each of Kotak Mahindra Mutual Fund - K-Gilt (Unit Scheme '1998 Saving Plan Dividend)	-		4,764,719
d. Nil (Previous Year: 465,810) Units of Rs.10/- each of Kotak Mahindra Mutual Fund - K-Gilt (Unit Scheme '1998 Investment Plan Dividend)	-		5,000,000
e. Nil (Previous year 805,063) Units of Rs.10/- each of Kotak Mahindra Mutual Fund - Liquid Scheme Dividend Plan	-		8,057,086
f. Nil (Previous Year: 17,850) Units of Rs.1000/- each of Kothari Pioneer Mutual Fund - Treasury Management Fund-Dividend reinvested on weekly basis.	-		20,568,882
g. 222,209 (Previous Year: 3,398,046) Units of Rs.10/- each of Pioneer ITI (formerly known as Kothari Pioneer) Mutual Fund - Income Builder Fund - Monthly dividend payout plan.	3,101,606		45,000,000
h. Nil (Previous Year 1,848,429) Units of Rs.10/- each of Cholamandalam Mutual Fund - C01 Chola Triple Ace (Regular Income Plan)	-		20,000,000
i. 8,031,694 (Previous Year: Nil) Units of Rs.10/- each of Kotak Mahindra Mutual Fund - K-Bond (Unit Scheme '1999 Deposit Annual Dividend Plan)	109,085,898		-
j. 926,202 (Previous Year: Nil) Units of Rs.10/- each of Pioneer ITI Mutual Fund - Income Builder Fund - Plan A Growth	17,511,824		-
		129,699,328	157,990,687
TOTAL		131,499,328	157,990,687
Notes:			
a) Aggregate of quoted investments			
Cost		129,699,328	157,990,687
Market value*		106,363,783	158,081,264
* Net asset value			
b) Aggregate of unquoted investments (at cost)		1,800,000	-

c) Movements during the year Purchased and sold

Mutual fund units	Face Value Rs.	Nos	Cost Rs.
Kotak Mahindra Mutual Fund	10.00	2,213,681	22,962,513
Pioneer ITI Mutual Fund	10.00	5,001,426	59,314,546
Pioneer ITI Mutual Fund	1000.00	11,471	15,042,747

	As at 31.03.2002 Rupees	As at 31.03.2002 Rupees	As at 31.03.2001 Rupees
Schedule 6 : Sundry Debtors (Unsecured)			
Debts outstanding for a period exceeding six months	5,049,758		6,639,630
Other Debts	13,559,403		31,528,080
		18,609,161	38,167,710
Less: Provision for Doubtful debts		2,447,500	816,300
TOTAL		16,161,661	37,351,410
Notes:			
considered good		16,161,661	37,351,410
considered doubtful		2,447,500	816,300
		18,609,161	38,167,710

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2002 Rupees	As at 31.03.2002 Rupees	As at 31.03.2001 Rupees
Schedule 7 : Cash & Bank Balances			
Cash and cheques on hand		114,888	2,199,866
Bank Balances			
(a) with Scheduled Banks:			
(i) In current accounts		7,562,229	26,604,867
(ii) In deposit accounts*		500,000	5,740,000
(b) with others :			
i) with PNC Bank - New Jersey Branch in current account (Maximum balance during the year Rs.9,626,918 (Previous year:Rs.NIL)		1,476,465	-
ii) with PNC Bank - New Jersey Branch in deposit account (Maximum balance during the year Rs.11,347,497 (Previous year:Rs.NIL)		4,651,159	-
iii) with The Jain Sahakari Bank Limited in current account Maximum balance during the year Rs. 47,754 (Previous year:Rs. 48,092,124)		-	47,754
iii) with The Jain Sahakari Bank Limited in deposit account (Maximum balance during the year Rs Nil (Previous year:Rs. 67,000,000)		-	-
TOTAL		14,304,741	34,592,487
*Deposited with bank against bank guarantees (Previous year: Rs 2,940,000)			
Schedule 8 : Other current assets			
Interest and Dividend accrued on investments		-	3,868,265
TOTAL		-	3,868,265
Schedule 9 : Loans and Advances (Unsecured)			
Advances recoverable in cash or kind or for value to be received	12,520,722		10,723,823
Advance Income tax	15,021,815		14,601,301
Deposits	8,721,868		9,899,168
		36,264,405	35,224,292
Less: Provision for doubtful advances		1,472,051	104,052
TOTAL		34,792,354	35,120,240
Notes: Loans and advances include			
1) a) considered good		34,792,354	35,120,240
b) considered doubtful		1,472,051	104,052
		36,264,405	35,224,292
2) Rs. 8,352,281 (Previous year Rs 9,414,600) paid as deposits towards premises taken on lease			
3) Rs. Nil (Previous year: Rs Nil) due from directors, maximum balance outstanding during the year Rs 82,222 (Previous year: Rs 2,383,000)			
Schedule 10: Current Liabilities and Provisions:			
Current Liabilities:			
Sundry Creditors	34,620,896		24,119,457
Unearned Revenue	5,643,342		4,267,660
Unclaimed Dividend	137,016		137,016
Share application refund money	40,320		40,320
		40,441,574	28,564,453
Provisions:			
For taxation	8,760,000		8,760,000
For gratuity and leave encashment	1,764,460		1,682,488
		10,524,460	10,442,488
TOTAL		50,966,034	39,006,941
Schedule 11: Miscellaneous Expenditure (to the extent not written off)			
i) Deferred revenue expenditure: (Refer note 5 to schedule 16)			
Software development expenses		-	9,197,568
Advertisement expenses		-	8,996,815
Market Development expenses		-	2,700,000
		-	20,894,383
ii) Expenditure not represented by assets(Refer note 6 to schedule 16)		1,770,000	1,770,000
TOTAL		1,770,000	22,664,383
Schedule 12: Capital Reorganisation Account:			
Balance at the commencement of the year		-	7,074,028
Transferred to capital reserve		-	(7,074,028)
TOTAL		-	-

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2002 Rupees	As at 31.03.2002 Rupees	As at 31.03.2001 Rupees
Schedule 13 : Sales			
Products (IPR Based)*		48,863,276	146,781,481
Services (Project Based)		14,679,314	26,183,435
TOTAL		63,542,590	172,964,916
*Net of returns (refer note 11 to schedule 16)			
Schedule 14 : Other Income			
Dividend from long term investments		32,913,890	7,261,599
Interest :			
From Bank on deposit account		379,520	5,209,506
From Others		39,302	1,725,400
(Tax deducted at source Rs.48,360 (Previous year Rs 1,561,193)			
Profit on Sale of Investments		7,544,083	213,735
Brokerage and Commission		47,450	126,000
Bad Debts recovered		376,700	11,000
Miscellaneous income		17,563	34,848
Exchange rate fluctuations (net)		275,546	-
Provision for doubtful debts writtenback		13,568	-
TOTAL		41,607,622	14,582,088
Schedule 15: Operating and other expenses			
Payment to and provisions for employees			
Salaries and bonus*	93,390,351		32,207,555
Contribution to Provident fund and other funds	835,175		605,986
Gratuity	267,772		1,499,340
Staff Welfare Expenses	1,281,754		1,062,706
		95,775,052	35,375,587
Electricity		2,575,979	2,063,732
Advertisement expenses		2,505,382	4,503,569
Sales promotion expenses		1,430,709	1,537,058
Brokerage and Commission charges		7,100,676	12,512,838
Sales Tax Paid including Rs.628,925 in respect of earlier years. (Previous year Rs.Nil)		2,500,787	5,013,397
Seminar Expenses		1,105,755	934,672
Rent		6,920,770	3,999,127
Rates and Taxes		260,008	283,946
Service Charges		5,678,288	3,793,418
Recruitment Charges		1,546,526	1,029,577
Repairs and Maintenance (Others)		2,259,971	593,533
Travelling and Conveyance		4,212,252	3,143,665
Communication expenses		3,934,095	3,315,360
Insurance		1,766,955	250,686
Printing and Stationery		1,309,682	934,781
Legal and Professional Charges		20,071,551	6,623,624
Registration Fees		1,630,085	699,518
Security Charges		1,102,174	749,806
Merger expenses		-	2,612,409
Miscellaneous expenses **		3,886,277	3,465,943
Irrecoverable debts/advances written off (Refer note 15 to schedule 16)		6,047,870	8,947,670
Provision for doubtful debts/advances (Refer note 15 to schedule 16)		3,742,999	920,352
Loss on obsolete assets/assets awaiting disposal		146,815	1,742,006
Exchange rate fluctuations (net)		-	5,442
TOTAL		177,510,658	105,051,716

* Includes an amount of Rs.14,355,000, towards 'Employees Severence' expenses provided by the Company, pursuant to global marketing programme with a foreign corporation and consequently deciding to rationalise the head count at Company's office located in the United States of America.

** Miscellaneous expenses include bank charges, auditors remuneration, bank interest, subscription, etc.

Schedule 16

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies' Act 1956.

B. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles require 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. Differences between actual results and estimates are recognised in the period in which the results are known/materialised.

C. Fixed Assets

Fixed Assets are stated at cost of acquisition or construction. They are stated at historical cost of acquisition of such assets. Advances paid towards acquisition of assets are included under capital work in progress.

D. Assets taken on lease are accounted as under;

Finance Lease

Assets taken on finance lease after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on leases, (AS 19) issued by The Institute of Chartered Accountants of India. Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

Operating Leases

Assets taken on lease under which all the risk and rewards of ownership are effectively retained by the Lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

E. Depreciation

Depreciation is provided on the straight line method in accordance with the Companies Act 1956. Leasehold improvements are written off over the period of lease. Trademark, technical know-how and Intellectual property right are amortised over a period of fourteen, six and ten years respectively considering their related useful lives.

F. Investments

Long term investments are stated at cost, less any diminution in value other than temporary.

G. Revenue Recognition

Revenue from sale of licenses for the use of software applications is recognised on transfer of the title in the user license. Revenue from fixed price contracts is recognised based on milestones achieved as specified in the contracts and in the case of time and material contracts, it is recognised on the basis of hours completed and material used. Revenue from Annual Maintenance Contracts is recognised proportionately over the period in which services are rendered. Revenue is recognized when no significant uncertainty as to determination or realization exists.

H. Foreign currency transactions

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of other transactions are recognised in the profit and loss account.

Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency are restated using the exchange rate prevailing at the date of the balance sheet and the resulting net exchange difference is recognised in the profit and loss account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

Foreign Branches

All revenues and expenses during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Balance in 'head office' account whether debit or credit is reported at the amount of the balance in the 'branch account' in the books of the head office. Net gain/loss on foreign currency translation is recognized in the profit and loss account.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. Retirement Benefits

Company's contribution to provident fund/ ESIC is charged to profit and loss account. The Company's liability towards gratuity is funded through a scheme (Group Gratuity) administered by the Life Insurance Corporation of India except in the case of those who are not covered by the scheme, which liability is provided in accordance with the provisions of the payment of Gratuity Act, 1972. Leave encashment on retirement is provided on actual basis in accordance with the Company's scheme in this respect.

J. Miscellaneous Expenditure

Software development expenses

Software development expenditure till March 31, 2001, in case of new products, which were clearly defined and the costs were attributable to the products, were deferred and written off over a period of three years commencing from the year in which the product was sold. (Refer note 5)

Advertisement and market development expenditure

Expenditure on advertisement and market development till March 31, 2001, where benefit was expected to be derived in future was treated as deferred revenue expenditure and written off to the profit and loss account over a period of three years except for market development, which was charged to revenue from the year of completion of development activities. (Refer note 5)

K. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

L. Income taxes

Income taxes are accounted for in accordance with Accounting Standard 22 on “Accounting For Taxes on Income”, (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid to/ recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at relevant enacted tax rates. At each Balance sheet date the company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be. (Refer note 12)

M. Contingent Liabilities

These are disclosed by way of notes to the balance sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialise after the year end, till the finalisation of accounts and have material effect on the position stated in the balance sheet.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

II. NOTES FORMING PART OF ACCOUNTS:

		Rupees 2001-02	Rupees 2000-01
1.	Estimated amount of contract to be executed on Capital Account and not provided for (net of advances)	650,000	-
2.	Contingent Liability not provided for in respect of:		
	a) Counter guarantee issued against bank guarantee	1,000,000	4,750,000
	b) Income tax demands disputed in appeal and pending decision before higher authorities	438,051	51,503
3.	Payment to Auditors (including service tax)		
	a) For Audit fees	315,000	315,000
	b) For other matters (such as limited review, certification work etc)	110,250	52,500
	c) For reimbursement of out of pocket expenses	2,140	-
	Total	427,390	367,500
4.	Managerial Remuneration under section 198 of the Companies Act, 1956		
	a) Salaries and allowances*	4,498,507	4,111,855
	b) Gratuity**	28,846	57,692

* Computation of net profits in accordance with Section 349 of Companies Act, 1956 has not been given as no commission is payable to directors.

** Excluding gratuity in respect of directors who are covered under Group Gratuity scheme and where the separate amount is not identifiable.

5. Hitherto, the Company considered the expenditure incurred on software development in case of new products, advertisement and market development as deferred revenue expenditure to be amortised over a period of three years. Considering the rapid changes in technology, computer software and many other intangible assets which are susceptible to technological obsolescence, the Company, in line with the requirements of the accounting standard 'Intangible assets' (AS-26) issued by the Institute of Chartered Accountants of India and adopted bythe Company for earlier implementation, has set off such unamortised expenditure as on April 1, 2001 for an amount aggregating to Rs.20,894,383, against the general reserve. Consequent to this change in policy, the loss for the current year is lower by Rs. 4,774,080.

6. The share capital to the extent of Rs. 750,000 and share premium to the extent of Rs. 1,020,000 pertains to allotment of 75,000 equity shares issued in the earlier year for consideration other than cash. This aggregate amount of Rs. 1,770,000 is not represented by any assets since the party to whom the shares were issued physically took away the assets brought in by them and the necessary records in relation to the assets are also not in the possession of the Company. Accordingly, the said amount of Rs. 1,770,000 is classified under miscellaneous expenditure to the extent not written off or adjusted.

   As legally advised, the Company has approached the Hon. High Court at Madras for reduction of the said shares as permitted u/s 100 of the Companies Act 1956 and the matter is pending decision before the High Court. Any adjustments in the books will be made on receipt of the court order.

7. The Company took over the Employee Stock Option Scheme on amalgamation of Financial Technologies (India) Private Ltd., which entitled the employees to the specified number of shares at the option price in accordance with the scheme. The Company is considering the implementation of the scheme including the option price and the vesting period and is still awaiting the final approval of the Board. Accordingly, stock options shall be granted as and when the scheme is approved by the Board.

8. Confirmation letters have been sent to the debtors and creditors of the Company and their balances are subject to reconciliation and consequent adjustments, if any, on receipt of such confirmations

9. There were no dues to small scale industrial units exceeding Rs. 100,000, which were outstanding for more than thirty days as on the date of balance sheet.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

10. The Company holds 180,000 Equity Shares aggregating to Rs 1,800,000 in IBS Forex Pvt. Ltd of which 3,300 Equity Shares are presently held in the name of a director of the Company. The Company has taken steps to transfer such investments in its own name in accordance with the requirements of Section 49 of Companies Act 1956.

11. Sales returns (Schedule 13) include an amount of Rs. 11,733,200 being the product licenses sold by the Company in earlier years to a customer, returned during the year with a request to deinstall the software product from its computer system. Though unusual in the line of business in which the company operates, considering the business demand and future outlook, with the present subdued capital market, the Company has acceded to the request of the said customer for the return of the licenses and has accepted and accounted the sales returns during the year.

12. In accordance with the Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India, Deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard. However, considering the present financial position and the requirement of the accounting standard regarding certainty/ virtual certainty, the same is not provided for as an asset (net). However, the same will be reassessed at subsequent balance sheet dates and will be accounted for in the year of certainty/virtual certainty in accordance with the aforesaid accounting standard.

    The accumulated deferred tax liability (net) arising on account of timing differences as on April 1, 2001, aggregating to Rs. 26,193,149 has been accounted for as a 'Transitional provision' in accordance with the aforementioned accounting standard. Rs. 8,105,617 has been adjusted from the general reserve to the extent of balance available and the remaining amount of Rs.18,087,532 has been adjusted to the Profit and Loss account.

    The tax effect of significant timing differences during the year that have resulted in deferred tax assets and liabilities are given below:

	Rupees
a) Deferred tax liability:	
Depreciation	(24,853,109)
	(24,853,109)
b) Deferred tax asset:	
Provision for doubtful debts, advances etc.	1,818,419
Others	1,041,389
	2,859,808
Net deferred tax liability	(21,993,301)

13. The Company appointed a relative of a director as Vice President of the Company with effect from November 1, 2001 and has charged the remuneration of Rs. 167,000/- for the period 1st November 2001 to 31st March 2002 in the accounts. The Company has made an application to the Central Government in respect of his term of remuneration in accordance with the requirements of section 314 of the Companies Act 1956 and hence the remuneration so charged in the accounts is subject to such approval.

14. The company has entered into operating lease agreement for its development centers ranging 1 to 9 years. The lease rentals charged during the year and the maximum obligations on long term operating lease payable as per the rentals stated in respective agreement are as follows:

	Rupees 2001-02	Rupees 2000-01
Lease rentals (Refer schedule 15)	6,920,770	3,999,127
Obligations on non-cancelable leases		
Not later than one year	5,176,319	
Later than one year and not later than five years	19,036,451	
Later than five years	149,032	

15. The Company, during the year, analysed the debtor party balances on more stringent norms and some of the debts outstanding for more than 270 days were classified as doubtful of recovery/bad debts and provided for/written off after considering the repayment capacity, results of follow-up in the earlier years etc. Consequently, the Company provided/wrote off Rs. 8,152,998 on the basis of such stringent norms as stated above, in addition to debts written off/provided in the normal course of business aggregating Rs.1,68,592. However, the company's efforts to recover such balances are still on.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

16. The company is engaged in development of computer software. The additional information pursuant to the provisions of paragraphs 3, 4C, 4D of Part II of Schedule VI to the Companies Act, 1956 is as under (to the extent applicable)

	Rupees 2001-02	Rupees 2000-01
a C.I.F. value of imports:		
Capital goods	21,638	-
(Excluding capital goods for an amount aggregating to Rs.1,392,616 purchased by foreign branches)		
b Expenditure in foreign currency (including foreign branches):		
Traveling	1,067,920	594,477
Computer hardware	-	8,528
Professional fees	1,346,389	-
Salaries	27,599,276	-
Rent	1,654,120	-
Other matters	1,340,021	-
c Earnings in Foreign currency (including foreign branches):		
a) Consultancy	11,747,198	-
b) Interest on deposits	149,250	-

17. Segment Reporting

a. Primary Segment

The Company considers business segment (business of 'End to End Straight Through Processing (STP) Technologies') as its primary segment considering the risks and rewards of the products and related services offered, nature of services, management structure and system of financial reporting. In the opinion of the management, the company has only one reportable business segment, the results of which are disclosed in the financial statements.

b. Secondary Segment

Revenue attributable to location of customers is as follows:

(Figures in Rupees)

Geographic Location	Revenue from external customers Year ended March 31, 2002
India	51,795,392
USA	11,747,198
Total	63,542,590

Segment assets based on their location are as follows:

(Figures in Rupees)

Geographic Location	Carrying amount of segment assets As at March 31, 2002	Addition to fixed assets Year ended March 31, 2002
India	207,723,417	11,953,562
USA	1,168,373	1,384,661
Total	208,891,790	13,338,223

18. Related Party information

1. Names of related parties and nature of relationship:

a. Company where control exists:

La-Fin Financial Services Ltd.

b. Key Management Personnel :

Mr. Jignesh P. Shah	:	Chairman and Managing Director
Mr. Sajit Dayanandan	:	Whole-time Director
Mr. Dewang S. Neralla	:	Whole-time Director
Mr. Mahesh R. Joshi	:	Whole-time Director
Mr. Ajay Narasimhan	:	Whole-time Director
Mr. V. Hariharan	:	Chief Technology Officer

c. Relatives of the Key Management Personnel where transaction have taken place

Mr. Manjay Shah Vice President

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

2. Transactions with related parties

	Key Management Personnel	Relatives of Key Management Personnel
Remuneration:	Rs. 5,929,430	Rs. 167,000
Car recoveries:	Rs. 105,600	Nil

19. Earnings Per Share is calculated as follows:

	2002 Rupees	2001 Rupees
a. Net Profit/(Loss) after tax	(94,056,072)	59,906,343
b. Weighted average number of Equity Shares Basic and Diluted	25,561,783	25,561,783
c. Nominal value of equity share	10	10

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

20. Balance sheet Abstract and the Company's General Business Profile :

I. Registration Details

Registration Number	:	15586	State Code	:	18
Balance Sheet date	:	31-03-2002			

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	:	Nil	Rights Issue	:	Nil
Bonus Issue	:	Nil	Private Placements	:	Nil

III. Position of Mobilisation and deployment of funds (Amounts in Rs. Thousands)

TOTAL LIABILITIES	:	406914	TOTAL ASSETS	:	406914
PAID-UP CAPITAL	:	255618	RESERVES & SURPLUS	:	149747
SECURED LOANS	:	1549	UNSECURED LOANS	:	Nil
NET FIXED ASSETS	:	209541	INVESTMENTS	:	131499
NET CURRENT ASSETS	:	14293	DEFERRED TAX	:	(21993)
MISC. EXPENDITURE	:	1770	ACCUMULATED LOSSES	:	71804

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

Turnover (Sales and Other Income)	:	105150	Total Expenditure	:	203406
Profit/(Loss) Before Tax	:	(98256)	Profit/(Loss) After Tax	:	(94056)
Earning per Share in Rs. (Refer Note 19 above)	:	(3.68)	Dividend Rate %	:	0.00

V. Generic Names of Three Principal Products/Service of Company (as per monetary terms)

Item Code (ITC Code)	:	85249009.10	Product Description	:	Software Product

21. Previous years figures have been re-grouped/rearranged wherever necessary.

For and on behalf of the Board.

P. Venkitasubramani
Company Secretary

Jignesh P. Shah
Chairman and Managing Director

As per our report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

Mahesh R. Joshi
Whole-time Director

P. R. Barpande
Partner

Ashish S. Dalal
Director

Place : Mumbai
Date :29/06/02

Date :29/06/02

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2002

	Current Year		Previous Year	
	Rupees	Rupees	Rupees	Rupees
A. Cash Flow from operating activities				
Net (loss)/profit before tax and extraordinary items		(98,255,920)		63,507,908
Adjustment for				
Depreciation	25,895,474		18,987,380	
Loss on obsolete assets	146,815		1,742,006	
Profit on sale of investments	(7,544,083)		(213,735)	
Bad debts/advances written off	6,047,870		8,947,670	
Provision for doubtful debts/advances	3,742,999		920,352	
Exchange fluctuation	-		5,442	
Income from investments	(32,913,890)		(7,261,599)	
Interest Expense	83,467		-	
Interest Income	(418,822)		(6,550,629)	
Miscellaneous expenditure w/off	-	(4,960,170)	395,812	16,972,699
Operating (loss)/profit before working capital changes		(103,216,090)		80,480,607
Adjustments for				
Trade and other receivables	15,595,031		(40,744,732)	
Trade payables and provisions	11,959,093	27,554,124	9,977,805	(30,766,927)
Cash (used in)/generated from operations		(75,661,966)		49,713,680
Interest Income	418,822		6,550,629	
Tax Paid	-		(9,596,375)	
Miscellaneous expenditure incurred	-	418,822	(20,894,383)	(23,940,129)
Net cash (used in)/from operating activities		(75,243,144)		25,773,551
B. Cash Flow from Investing Activities				
Additions to Fixed Assets		(13,831,473)		(22,984,980)
Sale of Fixed Assets		372,442		-
Purchase / Sales of Investments (net)		(125,644,900)		(128,758,605)
Proceeds from sale of investments		159,680,342		-
Income from investments		32,913,890		7,261,599
Net cash from/(used in)investing activities		53,490,301		(144,481,986)
C. Cash flow from financing activities				
Secured loan taken		1,548,564		-
Interest Expense		(83,467)		-
Unsecured Loan		-		(650,609)
Share premium received		-		67,508,670
Net cash from financing activities		1,465,097		66,858,061
Net cash flow during the year		(20,287,746)		(51,850,374)
Add: Cash and Bank received on amalgamation		-		84,979,622
Net (decrease)/increase in cash and cash equivalents		(20,287,746)		33,129,248
Cash and cash equivalents (opening balance)		34,592,487		1,463,240
Cash and cash equivalents (closing balance)		14,304,741		34,592,487

Notes to cash flow statement:

1 Cash and cash equivalents include cash and bank balances in current and deposit accounts (refer schedule 7 to accounts)

2 Interest income from deposits is classified as cash flow from operating activities.

3 Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the year and are considered as part of investing activities.

For and on behalf of the Board

Jignesh P. Shah
Chairman and Managing Director

Auditors' Certificate

The Board of Directors,
Financial Technologies (India) Limited

We have examined the attached Cash Flow Statement of Financial Technologies (India) Limited, for the year ended 31st March 2002. The statement has been prepared by the Company in accordance with the requirements of Listing Agreement clause 32, with the Bombay Stock Exchange and is based on and in agreement with corresponding profit and loss account and balance sheet of the Company covered by our report of 29th June 2002 to the members of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner
Mumbai
Dated: 29th June 2002.

Client names are arranged in alphabetical order.

Partial List of Our Clients

ABN-AMRO Bank

equitymaster

GROWTH Avenues
Investment Solution Provider

ICICI

ISE

INVESTSMART
INDIA LIMITED

ICMS

India Infoline .com

Kotak SECURITIES

SALOMONSMITHBARNEY
A member of citigroup

Sharekhan.com

TAIB Securities (India)

WAY2WEALTH

Annual Report Created & Designed by the "Design Team", an internal division of Financial Technologies (India) Ltd.