

Financial Technologies (India) Ltd.

Annual Report 2003-2004

Financial Technologies (India) Ltd.

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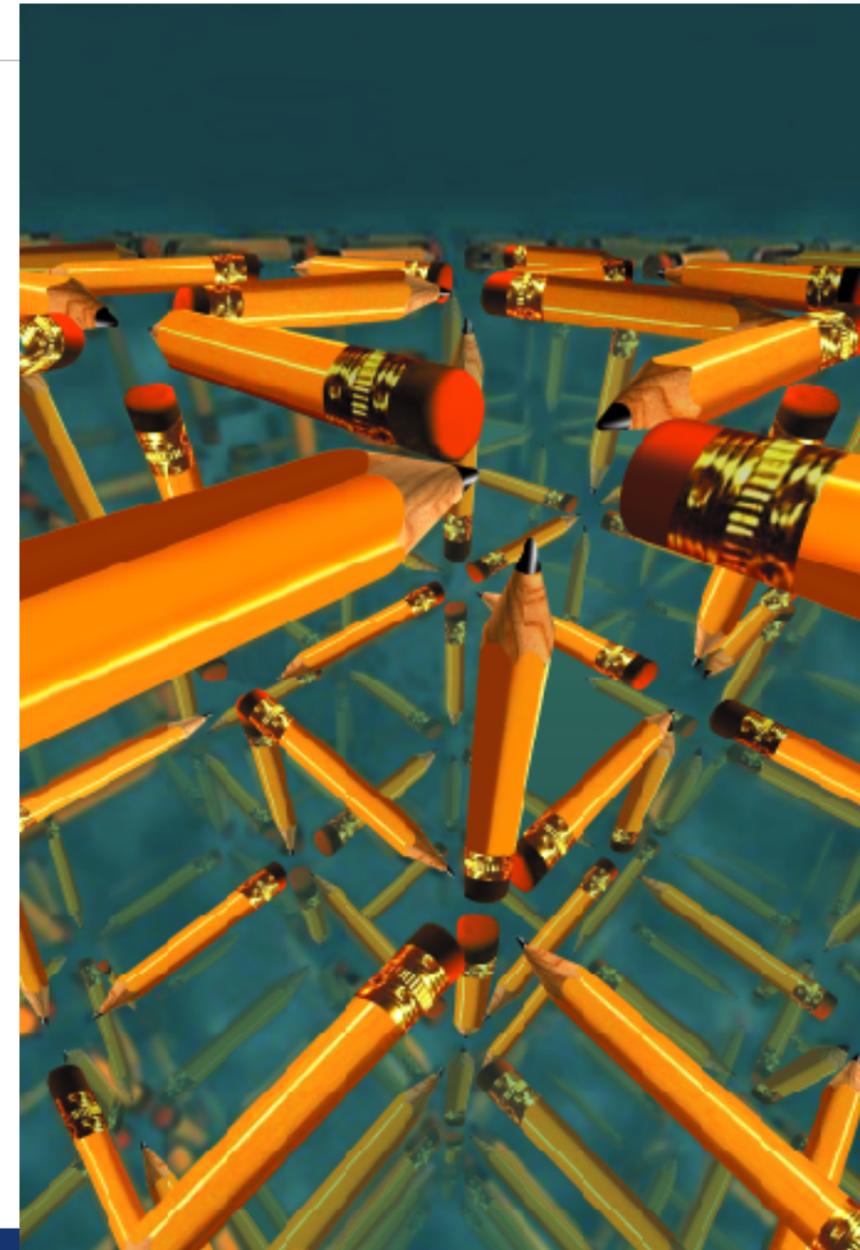
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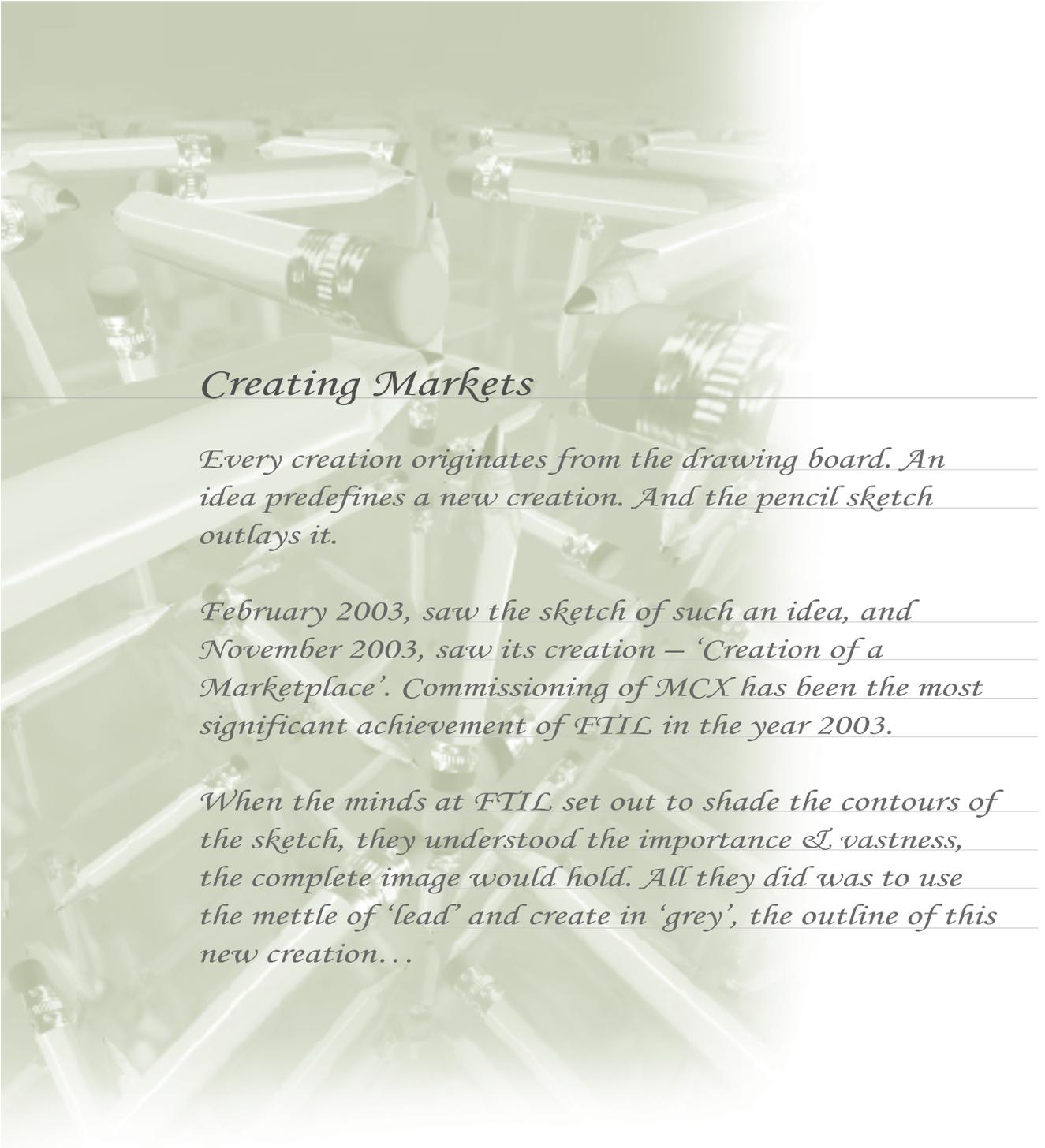
CREATING MARKETS

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Financial Technologies
Powering e-Exchange Markets



Creating Markets

Every creation originates from the drawing board. An idea predefines a new creation. And the pencil sketch outlays it.

February 2003, saw the sketch of such an idea, and November 2003, saw its creation – ‘Creation of a Marketplace’. Commissioning of MCX has been the most significant achievement of FTIL in the year 2003.

When the minds at FTIL set out to shade the contours of the sketch, they understood the importance & vastness, the complete image would hold. All they did was to use the mettle of ‘lead’ and create in ‘grey’, the outline of this new creation...



Achieving Breakthroughs....

2003 - 2004 Significant Achievements

Creating New Paradigm: MCX

- Commissioning and going live with Multi Commodity Exchange of India Ltd. (MCX). MCX under permanent recognition from Government of India facilitates nationwide online trading in commodity futures.

FTIL Solution & Services: Wide Deployment

- Remarkable increase in the deployment of trading system terminals. More than 15000 Licenses operational across 100+ cities in the country. FT-Engines™ powering 700+ Order, Trade and Risk Management Servers.
- Significant number of new clients acquired. At an average rate of 3 clients per week.

Financial Performance

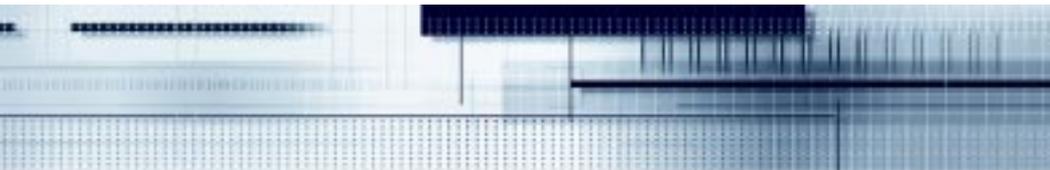
- Exceptional increase in revenues and profits. Total income recorded 88.95% increase. Net profit after tax at an all time high recording 386.09% jump.
-



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Notice

Attendance slip & Proxy Form



CHAIRMAN'S LETTER





From the Chairman's Desk

Dear Shareholders,

The commitment to growth and transformation of the Financial Services Industry has always been the key driver in our relentless pursuit towards evolution, progress, and success. Financial Technologies (India) Ltd. (FTIL) initiatives in the financial year gone by have again been marked with achievements that intensify our pursuit with even more vigor and dynamism.

It makes me proud to say that our performance in the financial year 2003 – 2004 was enormously comprehensive. We had successful strategic expansion, business developments, several innovations and financial triumphs.

The number '9' is considered auspicious by many-an-individual. I am no exception to that consideration. But for me, '9' represents much more today. It represents accomplishments, intensification, & achievements... We are in the 9th year of our operations. The journey to the 9th year was full of challenges, which we faced and converted into opportunities with meticulous efforts and immaculate planning. And today your company stands tall in the line up of achievers.

It gives me great pleasure to acknowledge that Financial Technologies consists of a team where every member puts his heart to fulfill the organization's commitment. I would like to dedicate FTIL success to this devotion and all accolades to the FTIL team, which is the heart of the organization.

Year 2003 - 2004: Key Achievements

Our passion for transforming the financial sectors has inspired us to reach out to the un-ventured areas of the financial services industry - The Commodity Markets. India, primarily an agrarian economy, is the world's leading producer of 17 agricultural commodities and also the world's largest consumer of gold and edible oils. Moreover India has 30 major markets and 7500 mandies and consumes a major portion of its agri production locally. The Indian commodities futures market is sized at USD 600 billion, which forms an un-devoured market, offering unparalleled growth opportunities to its market participants.

Understanding the limitless potential that lies in the commodities market, your company had always been keen to be the key contributor in the commodities market. And nothing better could have been then setting an online commodities exchange. Commissioning and going live with Multi Commodity Exchange of India Ltd. (MCX) is undoubtedly the biggest achievement for us in this year.

Bigger the opportunity and bigger is the challenge. From filing the application to the selection procedure; short listing, formal mandate to permanent recognition and going live, all the stages had there own adversities and intricacies but with our persistence and determination we climbed each step with diligence and courage becoming stronger with each stride.

Today MCX is known for its technology excellence, process robustness, domain expertise, subject specialization, sustainable partnerships and constant product innovations. All this resulted in MCX attaining and maintaining the No 1 position amongst all the online commodity futures exchanges. The brilliance of MCX attracted some of the leading nationalized banks to express their keenness to

participate in equity of MCX. Your company is proud to mention that the country's No.1 Commercial Bank, State Bank of India, is a key shareholder of MCX. Along with FTIL and SBI, MCX parentage also includes Union Bank of India, Bank of India, Corporation Bank and Canara Bank. All these banks are amongst the largest and immensely popular banks of the country.

Technology Licensing

This year has been earmarked for your company in other spheres as well. You will take pride in the fact that the number of ODIN™ trading terminals has crossed a benchmark of 15,000 terminals, being deployed across 100+ cities in the country. MATCH™ is automating back-office clearing and settlement operations of the leading Foreign Brokers of the country. FXDirect™ is witnessing new peaks of turnover with each passing day. STP-Gate™ will again be in limelight, thanks to the utmost priority that SEBI has planned for STP initiatives in this year.

Automation of dealing rooms & settlement systems of foreign brokerages, massive retail expansion by domestic brokers & regional stock exchanges and the return of Internet trading demand, amongst others, were the main revenue generation points for FTIL in this year.

New Technology Initiatives

The year witnessed launch of new technology components out of FTIL's base technology components. This resulted in enhanced revenue flow for your company. Some key technology developments were ODIN™ Institutional - a complete order, risk & trade management application for Institutional dealing rooms, ODIN™ Diet – Internet trading application exe. and Matching, Clearing & Settlement system for commodity exchanges.

Financial Highlights

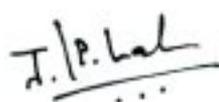
The year 2003 – 2004 saw phenomenal increase in the revenue and profit. The total income increased to Rs. 2765.49 Lakhs during the year as compared to Rs. 1463.62 Lakhs in the previous year, recording 88.95% increase. The year recorded a net profit after tax at an all time high figure of Rs. 1274.15 Lakhs as compared to Rs 262.12 Lakhs in the previous year witnessing a leap of 386.09%.

The Board of Directors is pleased to recommend a special dividend of 10% on par value.

Reliance Capital Limited has invested in building strategic equity partnership and picked up 36,00,000 equity shares at an issue price of Rs. 63 on preferential basis.

Following the unchallenged growth achieved by your company, it has built a foundation, which I trust will help us stand against all the impediments, while on our mission.

The main task of the Board is to work towards achieving the dream that we have all seen together. The entire FTIL team and I commit our efforts to realizing them.



Jignesh Shah

Chairman & Managing Director
Financial Technologies (India) Ltd.

FTIL's Trading System Penetration

- 350+ Trading Members
- 15000+ Connects
- 700+ Order, Trade & Risk Management Servers Deployed
- 100+ Cities Covered





FTIL - AN OVERVIEW



Overview

Financial Technologies (India) Ltd. (FTIL), is India's leading Vertical Specialist enterprise delivering mission-critical, Straight Through Processing (STP) solutions comprising of Domain Expertise, Technology Licensing and Development & Transaction Outsourcing services to the global securities industry.

FTIL is a listed company and its stock is quoted & traded on The Stock Exchange, Mumbai.

FTIL has developed and deployed proven transaction automation technologies for Equities, Forex, Commodities and Derivatives markets. This covers all the stages of a Trade Life Cycle - Pre-Trade, Trade and Post-Trade operations to deliver single point transaction fulfillment. Along with product development & deployment, FTIL also offers market infrastructure based 'shared services' involving sophisticated Exchange operations and technology infrastructure. FTIL, with a permanent recognition from Government of India has set-up Multi Commodity Exchange of India Ltd., (MCX) a nationwide multi commodity exchange that offers online futures trading.

FTIL has partnered with IBS-Forex to set up FXDirect™, country's first indigenously developed electronic forex trading platform set-up under a formal mandate of Reserve Bank of India (Country's Central Bank) & Foreign Exchange Dealers' Association of India (FEDAI).

As part of its partnerships and alliances, FTIL is a Global STP Partner with OMGEO. Under this partnership FTIL has set up a market wide central messaging platform for Straight Through Processing (STP) services – STP-Gate™. FTIL is an official member of Keystone (an alliance of Microsoft, Intel & HP).

FTIL's has 400+ customers, who have leveraged and extensively benefited from FTIL's solutions. The client list includes – Exchanges & Market Places, Brokerages & Intermediaries, Asset Management Companies, Banks, and Custodians amongst others.

Vision & Strategy

FTIL understands that effective business strategies are those that focus on creating and enhancing value for its stakeholders through tangible returns and business gains. At FTIL, we are committed to build long-term value for our customers and we have identified the following as the core value drivers.

- **Product Innovation** - to consistently define and lead emerging market trends
- **Technology and Process Excellence** - to build business edge for our customers
- **Domain Enhancement** - for further improving our competitive edge
- **Market Leadership** - for deepening our customer engagements
- **Sustainable Partnerships** - for enhancing our offerings to our customers
- **Globalization** - as the corner stone of our future growth and competitiveness

We strive to ensure that our customers continue to win and enjoy the strategic advantage that our technologies and services deliver to their business. To make the above happen, FTIL continues to encourage its people to lead a culture of innovation, dedication, customer focus and above all, enjoyment in what they do.

Business Model

FTIL's business model is focused on delivering value to all stakeholders. Revenues come from our core business, which is to develop comprehensive technology solutions for all segments of the financial services industry.

FTIL with the advantage of its IPR library has monetised its key technology engines and has been able to diversify and develop multiple components around these engines. This includes matching engine, order & trade management, surveillance, clearing & settlement applications for online commodity exchanges, institutional dealing room order, trade & risk management components amongst others.

We aspire to serve our expertise globally for the Financial Services Industry, thereby facilitating transformations within the Financial Marketplace across all stages of a trade lifecycle (Pre-trade, Trade and Post-trade technologies). Thus, at FTIL our hard work and excellence is aimed at delivering maximum value at every business level.

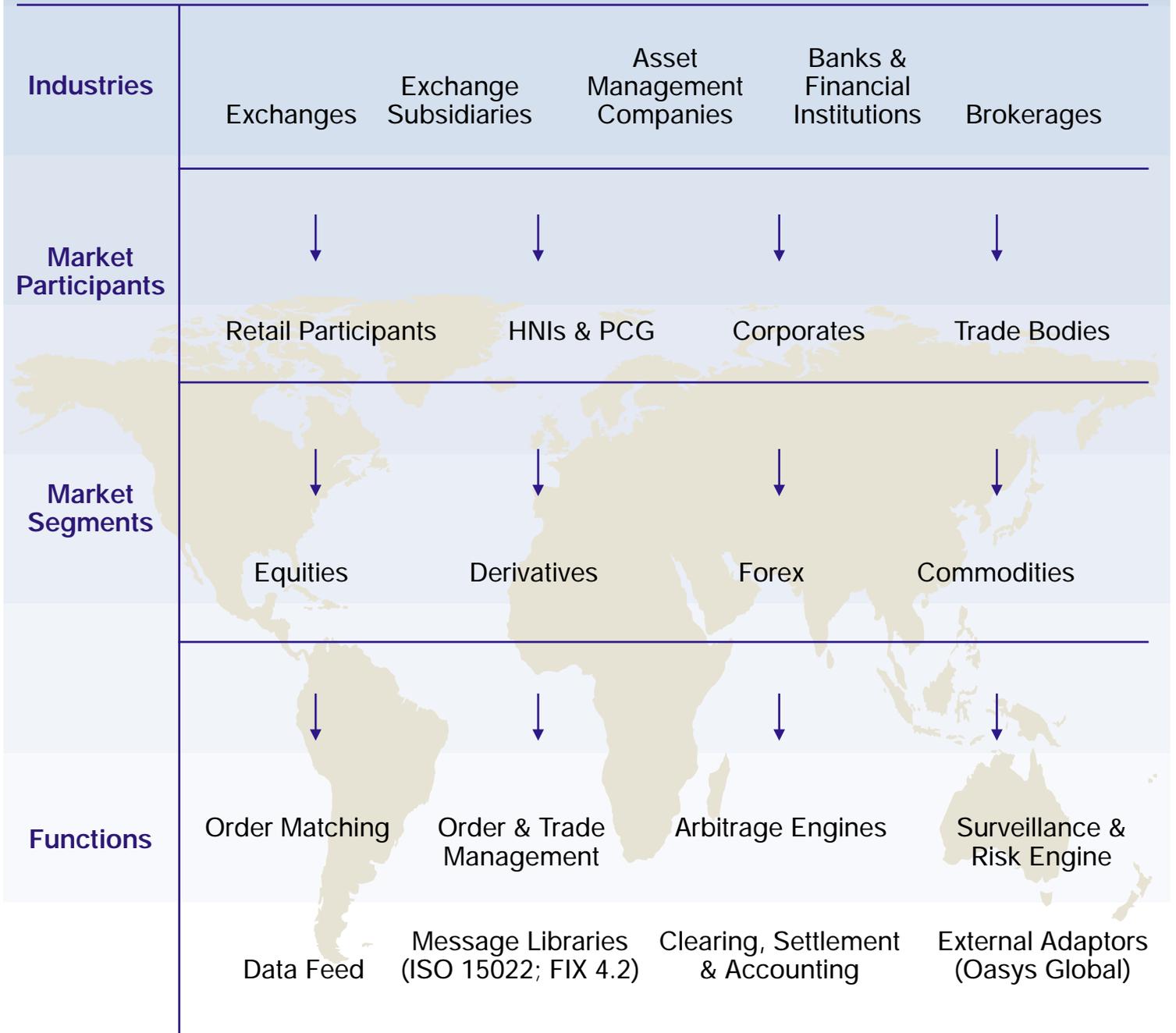
This year FTIL has extended its business model to include 'commodity exchange operations' as well. FTIL has commissioned Multi Commodity Exchange of India Ltd. (MCX) an independent, demutualised, national multi commodity exchange, with a permanent recognition from the Government of India. Our expertise in delivering mission-critical technology solutions coupled with supreme domain knowledge has led us to venture into the commodities industry and deliver value to all market participants.

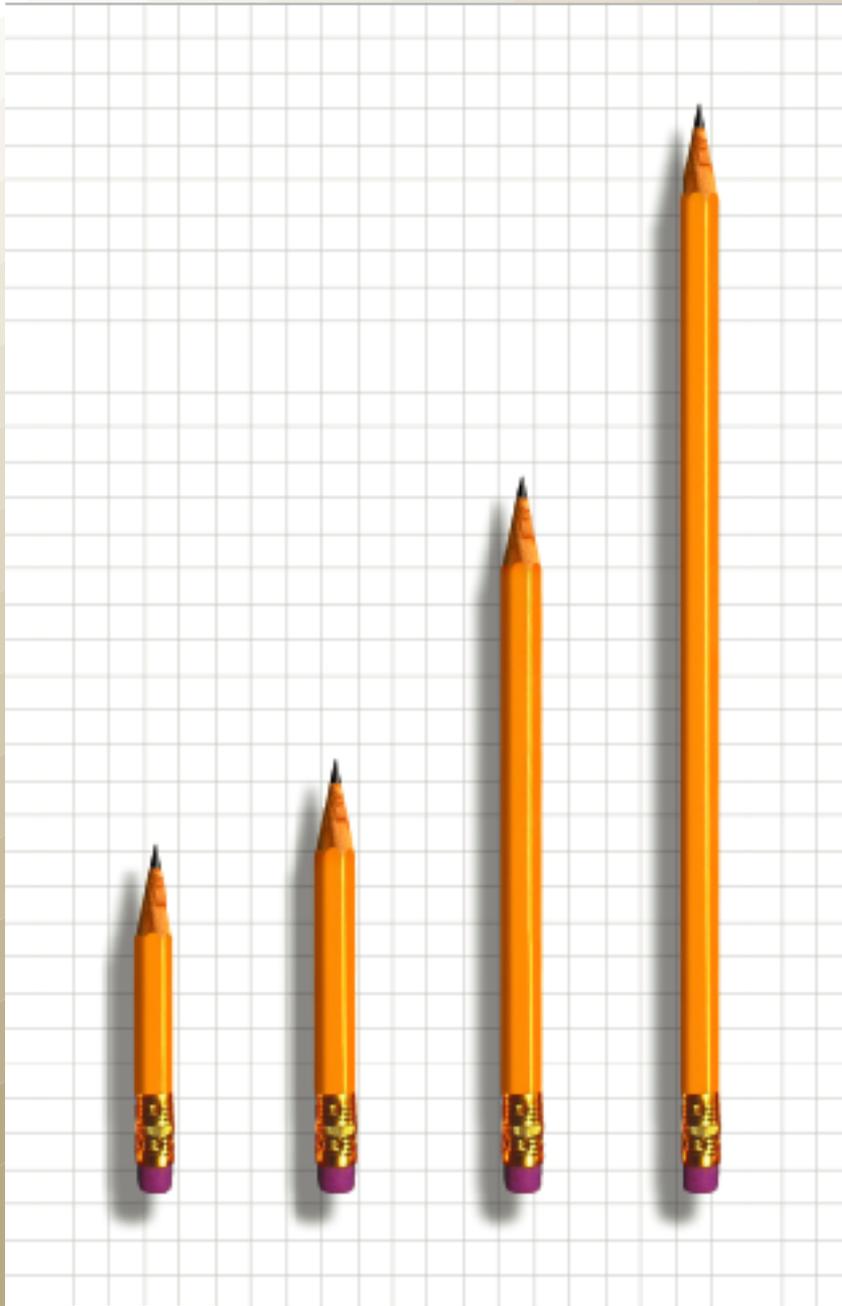


Outgrowing Limitations...

FTIL Advantage - Single Point Transaction Solution Fulfillment

Products & Services





FTIL - PERFORMANCE (2003-04)



Economic Growth and Industry Overview

India is marching forward to become an economic superpower. The economy of the country is on the growth path. After being hit by the global slowdown economy has bounced back with great vigor. The year 2003 – 04 witnessed strong economic growth spread across all sectors. The 8.1% GDP growth was driven by 9.1% rise in agriculture, 8.2% growth in services and manufacturing sector growth of 7.1%.

With sustained growth momentum, the economy is expected to achieve a 6.5 %– 7% growth in 2004 – 05, making India one of the fastest growing economies in the world. The year was also marked by record growth in foreign exchange reserves, exports/ imports and low inflation.

Naturally, this augurs well for the Indian economy. Not surprisingly, the stock market has been on the upswing and foreign investors are looking at India with new enthusiasm and excitement.

Capital Markets

The fiscal end March 2004 would be remembered as a landmark year in the Indian capital markets history.

Foreign Institutional Investors have come to play a predominant role in Indian stock markets. Foreign Institutional Investors invested more than \$7 billion in Indian stocks in 2003, the highest amount since the country allowed foreign portfolio investments 10 years ago. Indian stocks have maintained their allure and are expected to be more profitable than stocks listed on other stock markets in the region. The Indian equity markets outperformed most of the other major global markets in the year 2003-04. The Sensex scaled to a new peak of 6,200 points registering 82 per cent rise in the last fiscal and the Nifty posted an 80 per cent gain.

STP emerged as a change agenda and is the underlying force, which will work as a catalyst to evolve the new dynamics of T+1 settlement era. With these sweeping changes the move to T+1 settlement cycle and implementation of STP is not only imperative but also essential to improve transaction workflow.

The firm trend in prices of key commodities, phenomenal growth of IT sector along with depreciation of the US dollar against key global currencies are the key factors that propelled the equity market into a bull orbit.

IT Software And Services Market

The industry associations such as NASSCOM are projecting a healthy growth for the software sector in the short to medium term, backed by a strong gross domestic product growth. The development of a healthy, vibrant domestic IT industry is a prerequisite. To be a formidable global player, the Indian IT industry must provide leadership to the global market.

Considering the fact that the global economy has only just begun looking up, the positive statistics logged in by the Indian software and services sector during 2003 – 04 have given considerable cause for cheer.

It is estimated that the Indian software and services industry is projected to cross the USD 20 billion mark in 2004-05, with software and services exports growing at 30-32% to reach revenues of over USD 16.3 billion.

Role of IT in Financial Services

The government has an important role to play in sustaining the growth of the Indian software industry, which has advantages like cost leadership, quality, reputation, and the ability to quickly absorb new technologies while ramping up numbers. The Indian financial sector is in a process of rapid transformation. Reforms are continuing as part of the overall structural reforms aimed at improving the productivity and efficiency of the economy. The role of an integrated financial infrastructure is to stimulate and sustain economic growth.

The financial sector has kept pace with the growing needs of corporate and other borrowers. Banks and capital market participants have developed a wide range of products and services to suit varied customer requirements.

Information and Technology has played a pivotal role in the growth of the Indian Financial Services Industry, which have witnessed a transformation over the last decade. India is now placed among the mature markets of the world.

In the recent years, financial markets have taken key progressive initiatives like online multi commodity exchanges, reducing settlement period, Real Time Gross Settlement, Straight Through Processing & Electronic Banking. All this and many more have enhanced the efficiency and transparency of the financial markets leading to vibrancy in the markets and investor safety. Many new instruments have been introduced in the capital markets, including index futures, index options and futures in select stocks.

In Retrospective - FTIL 2003 - 2004

Unconventional Approach to Business

The year saw continued efforts at FTIL to invest not in simple ideas, but in challenging propositions that make a profound difference to the conventional ways of doing business. FTIL is an unconventional technology company that uses technology and creates business enterprises around it. And thus unlocks the highest value that can be derived out of the Intellectual Property which serves as a nerve center to any business enterprise.

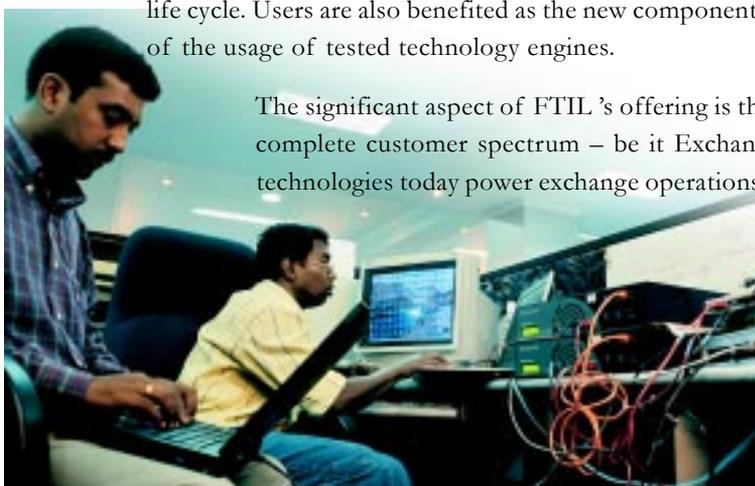
For FTIL, 2003 – 04 has been a year of discovering new horizons and new offerings in its platter. To our circle of life the year added a new element – Multi Commodity Exchange of India Ltd. (MCX), a state-of-the-art, online commodities futures exchange. FTIL initiatives have brought transformation within Indian FSI, establishing leadership by bagging new clients and developing new components augmenting transaction technologies. Year 2003 – 04 saw large number of securities industry players being added to the client list of FTIL taking it to 400+.

Technology Driving Business:

From the very inception of FTIL the firm belief has always been in creating an institution whose business model will be asynchronous and unconventional to the prevalent models of project and body-shopping methodologies. As we sincerely understand, this model results in harvesting of intellectual capital with a much higher value in the product brand recognition that is achieved. Comprehending this, we believe in setting up a Technology Intellectual Property (IP) centric business model with the aim of creating & owning Intellectual Properties which can then be licensed to the users for being used on a license based delivery model, thus ensuring recurring revenues, ownership of intellectual capital and property, creating packaged software products for the transaction intensive market place.

Technology IP centric business also results in creation of multiple additional components that can be built on the base technology engines. New components can be rolled out faster from the production labs as the manufacturing line operates on the existing & tested technology engines forming core of the whole development life cycle. Users are also benefited as the new components are delivered faster and quality is confirmed because of the usage of tested technology engines.

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 matching engine and clearing & settlement system for exchanges, transaction technologies supporting advanced risk management functionalities for the intermediaries and trading stations for end users over multiple access channels



Developments on FXDirect™ front:



Year 2003 - 04, saw significant developments for inter-bank Foreign Exchange trading platform FXDirect™. The platform service is deployed and offered through IBS Forex P. Ltd., a company promoted by FTIL along with, leading market experts in the foreign exchange market.

Already the FXDirect™ platform has witnessed over US\$ 6 Billion worth of cumulative turnover since its introduction in June 2002, with its peak turnover being US\$ 100 Million in a single day. Currently there are over 20 participating banks that are actively trading on this platform.

FXDirect™ has successfully revolutionized the inter-bank FX market resulting in expansion of the participant base through its most optimal offering. With a committed user base and a recurring revenue model on a percentage drawn straight from the topline of FXDirect™ turnover, FTIL has put in place long-term revenue growth and visibility through this offering. With its strong technology and deep business understanding FTIL is confident of further expanding its market share in the coming years.

The platform currently supports an end-to-end automated environment for seamless transaction processing. It provides a state-of-the-art online matching platform, based on the 'shared service' model.

The FXDirect™ platform, built around the high-end STP Technologies of FTIL, has set very high benchmarks for operating such a critical business in a highly sensitive market segment. The platform has shown over 99.99% uptime since trading started with no major disruptions, a testimony to the robustness and integrity of the platform.

The platform has once again underscored FTIL's leadership in delivering mission-critical technologies for the transaction intensive global securities industry. With the success of the Indian initiative, FTIL is now all set for introducing this cutting-edge technology platform in the international markets. Its high-end functionality combined with the optimal deployment cost, would be the key differentiators for introducing this service. Globally, the FX market stands at a staggering US \$1.5+ Trillion worth transaction value on a daily basis.

FXDirect™ supports standard lot sizes of \$1 million deals and also provides a window for deals in \$0.25/0.50/0.75 million lots. It offers complete trade anonymity, three-tier risk monitoring system, advanced decision support tools like Best Five and VWAP and most importantly a PC Based Trading, which does not require high-end servers.

Straight Through Processing (STP): Leaping into the T +1 Era



Snapshot of happenings on STP-Gate[™]

Come July and STP will be the driving force for electronic settlements becoming the order of the day. The regulator's decision is expected to bring the Indian capital market at par with international standards.

Today, the revolution of the T+1 settlement period is raging in countries across the world, and India has caught the fever too. This complex level of trading process will affect all financial markets' participants, including retail and institutional investors, brokers, clearing houses, exchanges, depositories, utilities and vendors. Each will be presented with a unique set of challenges as well as opportunities during this proposed transition. This has significant financial, operational, risk and service implications for all capital market participants. On the other hand, the shortened settlement cycle should lead to reduction in market, credit, operational and systematic risk as well.

Moving in line with the market needs and continuing with its position as an industry leader in mission-critical transaction technologies, FTIL, has set-up a Secure Transaction Processing Gateway: STP-Gate[™], to provide seamless STP infrastructure services for market participants. STP-Gate[™] provides online connectivity to the market participants along with online status and message flow.

FTIL have a significant market share across all market participants. FTIL on its STP-Gate[™] services has more than 200+ market participants, which includes some of the leading investment managers, brokers and custodians. FTIL's large presence in the Indian brokerage houses also ensures the availability of internal STP. Internal STP along with external STP completely automates the full order & trade life cycle. Front office solutions installed by FTIL in the brokerage houses handles the order & risk management at the same time the processing of the trades in the brokers back office is also handled by FTIL solutions.

FTIL's STP is Fully ISO 15022 compliant - all messages are using standard ISO 15022 message formats, which facilitates easy interface with any standardized third party systems.

Accelerating Growth: STP MAG (Market Advisory Group)

Taking a step further, FTIL took the initiative to launch STP Market Advisory Group to bring together various industry participants and create a unified forum to dissipate knowledge, address market impediments and evolve best practices in the field of STP. The STP MAG represents in a sense, "bridge for the market" attending to market intelligence for STP. With a view to further leverage its potential FTIL had also organized two meets of STP MAG (STP MAG I and STP MAG II) that considered at length issues and challenges in implementing Straight Through Processing for the industry participants.

The STP MAG meets are aimed to address core issue like message formats, mandatory subscriptions, archival & retrieval of electronic data and other market relevant issues.

STP in India must grow from operating on the lines of messaging engines and move on to virtual matching considering STP in global markets.

STP Conference 2004 - An FTIL Initiative

Keeping with its commitment to develop the STP space, FTIL hosted 'STP Conference 2004' on March 18, 2004 in Mumbai. Shri G N Bajpai, Chairman of the Securities and Exchange Board of India (SEBI), inaugurated the conference and Dr S Narayan, Economic Advisor to Prime Minister and Secretary, was the Guest of Honour. FTIL's one-day industry conference, deliberated on, 'Trade Life Cycle in T+1 Settlement Era, & the Necessity of Establishing the STP Link'.

The conference dwelled on the challenges that the capital market will face with the implementation of T+1 settlement cycle and the role that STP and RTGS (Real Time Gross Settlement) would need to play to streamline the entire transaction flow, resulting in innumerable benefits to all the industry participants.

STP to be made mandatory by July: Bajpai

Our Bureau
Mumbai, March 17

STRAIGHT Through Processing (STP) would be made mandatory by July and India would be the first country in the world to use this facility, stated Mr G.N. Bajpai, Chairman, Securities and Exchanges Board of India.

Mr Bajpai inaugurated the STP Conference - 2004, organised by Financial Technologies, a company that provides transaction automation technologies in equities, derivatives, forex, treasury and commodity markets.

He said that the Indian securities market had undergone a metamorphosis during the last three years and the exuberance of the Indian market had been recognised not only by investors in India but also by those abroad.

Operational risks have been minimised and safety measures have been put in place to ensure that brokers do not take positions beyond the risk management controls that have been put in place, he added.

Dr S. Narayan, economic advisor to the Prime Minister, was the guest of honour at the seminar. He noted that the most important changes have come about with the introduction of modern methods of transactions such as T+1 and STP in the capital markets. The stockholder would be able to encash his securities within 24 hours and this will change the mindset of the investors, eventually leading bank savings to the capital markets.



(From right) Mr G.N. Bajpai, Chairman, SEBI, with Dr S. Narayan, Economic Advisor to the Prime Minister, and Mr Jignesh Shah, MD & CEO, Financial Technologies, at a conference on 'Trade Life Cycle in T+1 Settlement Era and the Necessity of Establishing the STP Link' held in Mumbai on Wednesday. - Paul Narasimha

Technology Solutions & Services

FTIL offers a gamut of solutions and services to Exchanges, Exchange Members (Trading Members, Professional Clearing Members, Trading & Clearing Members), Broker-Dealers, Investment Managers, Banks, Custodians and Depository Participants/ Agents.

The exhaustive library of IPRs can be represented in the following table:

Brokerage Houses:

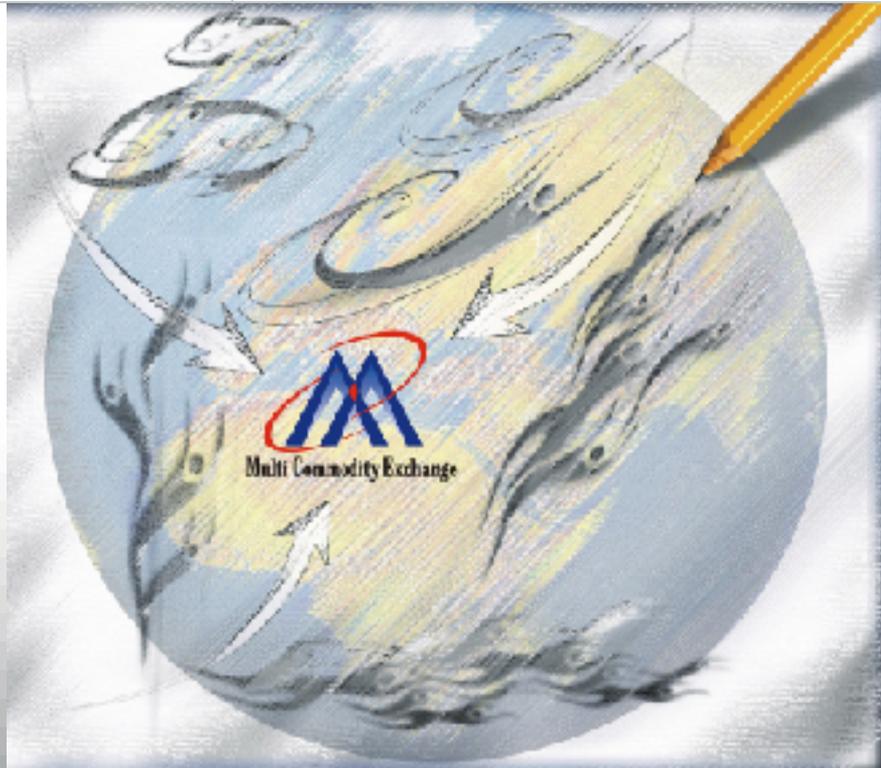
	Products	Components	Solutions/ Services
MARKETS ADDRESSED EQUITIES & DERIVATIVES	iNeT.net™	Browser based multi exchange & multi segment Internet Trading front end Supporting Push & Pull Technology	Solution
	ODIN™	Front Office Dealing Room Solution for Equities, Derivatives & Commodities markets: Order Routing Order & Trade Management System Institutional Order Book Multi Tier Risk Management Engine VWAP Calculator Alert & Arbitrage Engine Multi Layer Broadcast Engine: Market Data Feed Multiple Market Access Gateways Charts & Graph Tools Decision Making Tools ODIN™ Connect: API Bridge, FIX Compatible ODIN™ Diet: Internet Trading Exe	Solution
	MATCH™	Multi exchange & multi segment back office Clearing, Settlement and Accounting system	Solution
	STP-Switch™	Internal STP: Bridge between ODIN™ & Back Office	Solution
	STP-Connect™	External STP: Adaptor between MATCH™ & Omgeo Oasys Global Application	Solution
	STP-Gate™	Straight Through Processing Platform. ISO 15022 Messaging	Service
	e-Hastakshar™	Digital Signature Signing & Emailing Utility	Solution
	iWin™	Wireless Internet Based Mobile Trading Platform	Solution

Exchanges / ECNs:

**MARKETS ADDRESSED
FOREX, COMMODITIES**

Products	Components	Solutions/ Services
Central Trading System	Exchange Matching Engine Order & Trade Management	Solution / Service
eCommex™ System	Exchange Clearing & Settlement	Solution / Service
FXDirect™	Foreign Exchange Matching Engine Negotiated Dealing System (Instant Messaging Platform) Order & Trade Management Risk Management	Solution / Service





CREATING NEW PARADIGM: MCX

CREATING NEW PARADIGM: MCX

Creating New Paradigm

Multi Commodity Exchange of India Ltd. (MCX)



Overview of the Indian commodity markets

The Indian commodity market, by virtue of its sheer size and turnover, offers unparalleled growth opportunities and advantages to a large cross section of the participants including Producers, Consumers, Traders and Processors. These participants can participate in any capacity, be it Corporate, Retail, Regional Trading Centers, Importers, Exporters, Cooperatives or Industry Associations. With such width and depth it clearly forms the lifeline of the national economy.

In value terms, the Indian commodity (agricultural, bullion, metals) physical market is as big as USD 80 Billion. With a conservative multiplier of 10 (versus 20 times as prevalent in developed countries) will make the potential for commodity futures trading in India over 800 Billion USD. With its vastness being a major asset, the Indian Commodity market is all set for a new innings with sweeping change that had been announced for this sector i.e. the approval for setting up nation-wide online multi commodity exchanges that would create a centralized trading environment across India for offering futures trading in all the commodities permitted by the Forward Markets Commission (FMC).

At the forefront of the aforesaid change is Multi Commodity Exchange of India Limited (MCX), a 'new order' exchange - offering 'unparalleled efficiencies', 'unlimited growth' and 'infinite opportunities' to all the market participants.

MCX an independent and de-mutualized multi commodity exchange has permanent recognition from Government of India for facilitating online trading, clearing and settlement operations for commodity futures markets across the country. Promoted by FTIL, MCX is emerging as the leading new-generation commodities futures marketplace. The growth attained by MCX has invited the attention of financial institutions and banks which enabled MCX to strike some highly strategic equity participation deals from country's leading banks. Along with FTIL the other shareholders of MCX include State Bank of India, Union Bank of India, Corporation Bank, Bank of India and Canara Bank.

Headquartered in Mumbai, MCX is led by an expert management team with deep domain knowledge of the commodity futures market. Through the integration of dedicated resources, robust technology and scalable infrastructure, since inception MCX has recorded many firsts to its credit.

The Opportunity

At FTIL the potential of commodities markets was recognized in the initial stages. Key management team of FTIL was tracking this market and following the developments closely. It was envisaged that this market would open up and bring tremendous opportunities for FTIL. With this very fact in mind all the necessary groundwork was completed. From the preliminary requirements of Government of India for applying for the necessary approvals to securing the formal mandate and finally to the time of going live, every step was challenging and critical. 'Bigger The Challenge-Bigger The Opportunity'. With this belief, FTIL cleared and excelled in every arena and was successful in setting up an online multi commodity futures exchange – MCX, which is the leading commodity futures exchange of the country.

Our vision, urge & the tendency of non-contentment has enthused us with motivation & drive to embark on an orbit shift in our existence, which predominantly till now circulated around supplying finished software products to Financial Services Industry.

After success of IBS-Forex, FTIL has reaffirmed that the technology IPRs that it has built will get the best of recognition and reward in any environment where the complete business enterprise is running and centered around it. Backing up on an exhaustive library of IPRs, FTIL has always been a forerunner in the race of excellence. With this advantage under its belt FTIL has been able to establish MCX in a record time of 9 months from start to finish against the global industry benchmark of 18-24 months for executing a project of such size and nature. The Exchange was given 10 months time to apply for recognition. It has not only obtained permanent recognition but also has started full fledged operations in 9 months time thus setting a benchmark for its contemporaries.

FTIL received approval to set up a commodity exchange from Forward Markets Commission on February 14, 2003 and within a record time of 9 months Multi Commodity Exchange of India Ltd. started trading operations on November 10 2003.

These 9 months saw the development & deployment of necessary technology applications along with a strong network backbone. The management team along with board of directors was appointed. Advisory panel formed trading and operations divisions were commissioned.

Today MCX is offering spectacular growth opportunities and advantages to a large cross section of the participants including Producers / Processors, Traders, Corporate, Regional Trading Centers, Importers, Exporters, Cooperatives, Industry Associations, amongst others. MCX being nationwide commodity exchange offers multiple commodities for trading with wide reach and penetration and robust infrastructure and is well placed to tap this vast potential.

MCX's Winning Edge:



MCX's Value Proposition - MCX's single most important differentiator is that it is an independent and a de-mutualized exchange since inception. This is further strengthened by participation from different constituents of the market such as banks, financial institutions, warehousing companies and other stakeholders of the marketplace. Moreover, experienced professionals with deep knowledge of the commodity markets and exchange management, manage MCX.

Neutral Image - MCX has de-mutualized status from inception that allows formation of a broad, collaborative business partnership.

Strategic Equity Partnership - MCX has consolidated its base by entering into strategic equity partnership with leading nationalized banks like State Bank of India, Union Bank of India, Bank of India, Corporation Bank and Canara Bank.

Trade Support - MCX has already tied up exclusively with some of the largest players in this eco-system, namely, Bombay Bullion Association, Bombay Metal Exchange, Solvent Extractors' Association of India, Pulses Importers Association and Shetkari Sanghatana.

FTIL: Technology Partner - It is here that MCX gets the strategic advantage of having Financial Technologies (India) Ltd. as its technology partner for delivering technologically advanced solutions to market participants. FTIL's proven class of end-to-end Exchange Trading technologies addressing Trading / Surveillance / Clearing and Settlement operations will deliver a cutting-edge to the MCX Trade Life Cycle i.e. Pre-Trade, Trade and Post-Trade operations. In addition to its technological capabilities, FTIL also brings to MCX its deep engagements with technology giants such as Microsoft / Intel and HP which would be used to gain the competitive edge in gaining foothold in global markets.

MCX Vision - MCX— is designed to revolutionize the Indian commodity markets by empowering the market participants through innovative product offerings and business rules so that the benefits of futures markets can be fully realized.

MCX Mission - To make MCX the 'Exchange of Choice'.



Formal Inauguration of MCX by **Mr. Mukesh Ambani**, Chairman & Managing Director, Reliance Industries. Also seen is **Mr. Jignesh Shah**, MD, MCX.



Dr. Jamshed J. Irani, Director, Tata Sons Ltd., at the launch of MCX Steel Futures Contract. Also seen **Mr. Jignesh Shah**, MD, MCX, along with **Dr. Kewal Ram**, Chairman, Forward Markets Commission.

FTIL - HEADS TALK





FTIL Buoyancy



Board of Directors

Executive

Jignesh P. Shah
Dewang S Neralla

Non-Executive

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

Company Secretary

Hariraj S. Chouhan

Management Team

Jignesh P. Shah
Dewang S. Neralla
V. Hariharan
Mahesh R. Joshi
Arshad Khan

Manjay Shah

Paras Ajmera

- Chairman & Managing Director
- Director & Chief Technology Architect
- Chief Technology Officer
- Chief Financial Officer
- Sr. Vice President & Head, Corporate Sales, Communications & HR
- Sr. Vice President & Head, Retail Sales & General Administration
- Sr. Vice President & Head, Product Development

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
C-13, Pannalal Silk mills Compound
LBS Marg Bhandup (West)
Mumbai- 400078

Registered Office

IIIrd floor, 16, Surya Flats,
IInd Cross Street, Seethammal Colony Ext.,
Teynampet, Chennai - 600 018

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the Sixteenth Annual Report of your Company together with the Audited Statement of Accounts for the year ended March 31, 2004.

The year saw some new happenings and achievements in the operational aspect. Some of them were significant enough to derive best of the results in the years to come.

Financial Results

Particulars	Rs. In lakhs	
	Current Year 2003-2004	Previous Year 2002-2003
Total Income	2765.49	1463.63
Operating Profit	1414.11	135.53
Interest	14.25	7.13
Depreciation	85.71	86.21
Profit before Tax	1314.15	42.19
Provision for Taxation	40.00	--
Deferred Tax	--	219.93
Profit after Tax	1274.15	262.12
<i>Less: Prior Period Adjustment</i>	--	0.02
	1274.15	262.10
Add: Balance b/f from Previous Year	(95.82)	(718.04)
Adjustment on Reduction of Capital	--	360.12
Balance available for appropriation	1178.32	(95.82)
<i>Appropriations :</i>		
<i>Proposed Dividend</i>	82.15	
<i>Tax on Dividend</i>	10.52	
Balance c/f to Balance sheet	1085.66	(95.82)
Earnings per share (equity shares of par value of Rs 2/- each)		
Basic	3.38	0.70
Diluted	3.37	0.70

Dividend

The Board of Directors are pleased to recommend a dividend of 10% on Equity Shares. This would result in an overall outflow of Rs. 9,267,113 (including tax on dividend). The recommended dividend amounted to a payout ratio of 7.27% of the Net Profit. The dividend, if approved, will be paid to the members within the period stipulated by the Companies Act, 1956.

Performance

Operations

Your Company's focus on licensing of product remained the core activity and that generated major revenue. However during the year the Company developed and deployed a specific software for its Subsidiary, Multi Commodity Exchange of India Limited (MCX) which was established to set up a Nation wide Multi Commodity Exchange, a demutualised form of organization for providing online trading and clearing for commodities across the country. This revenue accounts for almost 45.38% of the total sales revenue for the year.

The Company maintained the lead in product license sale with revenue of Rs. 1208.54 lakhs. This was purely from domestic market, with combination of retail and institutional market.

The total income increased to Rs. 2765.49 lakhs during the year as compared to Rs 1463.62 lakhs in the previous year recording a 88.95% increase. The year recorded a net profit after tax at an all time high figure of Rs 1274.15 lakhs as compared to Rs 262.12 lakhs in the previous year making an impressive growth of 386.09%.

New Product Launch

Additions to the IPR Library:

Additional offerings from FTIL would provide market participants with a highly efficient and streamlined technology capabilities building business scalability, minimizing manual intervention while also reducing trade failures, operational risks and costs. FTIL's STP Solution Framework comprises Integrated Front Office Dealing System, Intelligent Order Management System, Integrated Middle Office Risk Management, Back Office Settlement System, online interfaces between Front Office and Middle Office solutions and external interface to Omgeo's OASYS Global for STP processes.

Commex Trading & Matching System

FTIL's Commodities Exchange Trading & Matching System is a state-of-the-art and highly parameterizable System. Built over a modular architecture, it scales up efficiently (both horizontally as well as vertically). Primarily, efficiency of a trading system is known by its capability to handle hot spots. The matching engine can be partitioned across any combination, which provides this with a unique capability to handle hot spots with ease.

In case of matching, order management and risk management, the solution is entirely memory based to ensure faster processing and response times.

Solution works on a 2-tier model, thereby removing the need for having a server at each member's location. This also ensures ease of maintenance and upgrades to the trader workstations at the same time providing faster response times.

Commex Clearing and Settlement System

Clearing and settlement system is a multi commodity, multi instrument & multi users system. Facilitates online interface with the trading and matching engine along with payment gateways.

ODIN™ Institutional

ODIN™ Institutional consists of suite of components that are crafted to handle specifically activities that take place during order & trade life cycle in an institutional trading framework. It takes into account participation from Domestic/ Cross Border Funds or FIIs and the Domestic Brokers.

With the implementation of complete suite of components of ODIN™ Institutional, the institutional trading member can ensure high degree of operational efficiency by means of a seamless capture of orders, its smooth flow and monitoring of the states of the orders at every step in an institutional trading environment. To extend the advantages broking house can also plug-in the order routing module and can establish a complete straight through processing architecture, which will automate the complete order and trade life cycle.

iNeT.net™

iNeT.net™ is multi-exchange multi-segment browser based trading front-end interface. Using iNeT.net™ orders, trade confirmations, positions, real-time market information amongst others can be provided by the brokers' to their clients through the Internet at very marginal costs.

ODIN™ Diet

ODIN™ Diet is a high-end, integrated trading application for active retail traders. It incorporates appealing features needed by active traders, and works on advanced technology algorithm which facilitates higher accessibility & availability ensuring any where any time trading facility delivering speedy performance on very low bandwidth requirement. As the name suggest ODIN™ Diet works on the very principle of optimising highly hardware & network requirement at the end-trader level. ODIN™ Diet is designed keeping in consideration the mobility of the traders and the ease of access that they can have to the real-time trading facilities.

Strategic Alliance

As a reflection of our global ambitions and adopting 'best-practices', FTIL believes in partnering internationally acclaimed corporations, both on the business and the technology space. Such associations bring in invaluable insights into the latest business and technology trends across the world. The 'FTIL Partner' ecosystem, over the last few years, has been growing continuously to add strength and value to our offerings and capabilities. Some of our key alliances and associations include -

OMGEO - Global STP Partnership - Financial Technologies has joined Omgeo Global STP Partners Program to Interface with Omgeo's Intelligent Trade Management SolutionsSM.

INTEL - Global LOI for marketing FTIL's end-to-end STP solutions.

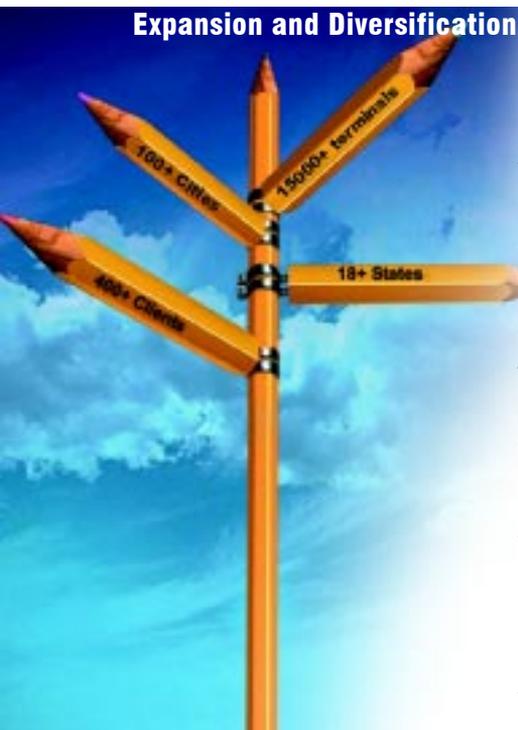
KEYSTONE - FTIL is an official member of the KEYSTONE alliance of Microsoft, Intel and Compaq for the financial services industry. Memberships are awarded to companies with cutting-edge technological advancement in their field of expertise.

COMPASS - Enhancing FTIL's STP framework. Compaq & Intel have teamed up to launch the Compass Program, a collaborative technology & marketing program. As a member of the compass program, FTIL will work with Compaq & Intel to scale & optimize FTIL's flagship solutions offering global financial firms powerful competitive opportunity, enhancing their capabilities.

MICROSOFT - .NET Center of Excellence. FTIL is working closely with Microsoft on developing latest technology platforms built around the .NET framework to provide the securities industry with state of the art solutions that are at par with global standards.

HP - DSPP - As a strategic partner of HP under their Developer & Solution Partner Program (DSPP), FTIL has access to wide range of services to enhance system integration/consulting, software development lifecycle, migration and service provision lines of business the benefits of which FTIL extends to all its clients.

Expansion and Diversification



Successful organizations rely on the proven expertise and niche offerings of FTIL for their robustness, scalability and integration capabilities. Customer acquired by FTIL in the year 2003 – 04 demonstrate that specialist Indian IT companies can deliver globally competitive STP technologies for securities industry leaders.

'Best-of-Breed' technology offerings, combined with the vertical focus, have emerged as the key differentiator that helped FTIL in successfully expanding its client list by deploying its technologies to new foreign & domestic brokerages and stock exchange subsidiaries. The noticeable part of growing client list of FTIL's solution suite has been the addition of Multi Commodity Exchange of India Ltd (MCX) in its client list. This was the first deployment of FTIL's exchange level technology which included matching engine, order & trade routing, risk & surveillance system, clearing & settlement system, amongst others.

FTIL also witnessed growing need for its ODIN™ Trader Workstations as the growth in the stock market brought significant sale of these licenses. Along with the sale of ODIN™ TWS licenses, back office clearing & settlement system - MATCH™ also got deployed at some of the leading brokerage houses of the country.

In addition to horizontal spread of clients, FTIL's commitment to building and enhancing its technology offerings has ensured repeat sales and recurring revenues from its existing client base. FTIL list of client saw a remarkable increase. FTIL has more than 400+ clients using its one or other solutions and service components. This sustains the strategic advantage and benefits that our customers derive by using our solutions.

Going forward STP will be the critical factor in driving FTIL's business to new high. Business opportunities that will be the key to drive and increase our revenue stream will be the interest shown by several banks to participate in the stock markets, keenness of some of the global foreign brokerages to integrate their global Order Management Systems with Indian stock markets. CTCL trading application for MCX, Retail expansion, Wireless applications along with Internet trading applications will ensure the continuous inflows of revenues.

Subsidiary Company:

The operations of Company's Subsidiary viz., Multi Commodity Exchange of India Ltd. (MCX) went 'Live' on 10th November 2003 and ever since the daily turnover is galloping and achieving new milestones. Subsequent to the investments made by State Bank of India, Union Bank of India, Corporation Bank, Bank of India and Canara Bank, MCX ceased to be Wholly Owned Subsidiary of the Company.

The Audited Statement of Accounts of MCX, for the year ended 31st March 2004 along with Reports of the Board of Directors and Auditors thereon are attached in accordance with the provisions of Section 212 of the Companies Act, 1956 and form part of the Annual Report of the Company.

Share Capital

Preferential Allotment

During the year under review, the Company made allotment of 36,00,000 equity shares to Reliance Capital Limited at an issue price of Rs.63/- (Rs. 2/- face value and Rs.61/- being premium thereof) on preferential basis. The aforesaid shares are under lock-in for a period of one year from the date of allotment i.e up to March 01, 2005.

Employees Stock Option Plan

The ESOP Scheme introduced by the erstwhile Financial Technologies (India) Private Limited comprised of 2,23,402 stock options. By virtue of Amalgamation, the said Scheme was taken over by the Company. As on 1st April 2003, 1,50,541 stock options were outstanding.

During the year, 32,944 equity shares were allotted on 14th August 2003 under ESOP (Option – I) to the employees of the Company, which were exercised on 30th March 2003. Further, ESOP (Option – II) was exercised by the employees and 36,987 equity shares were allotted under the same on 23rd March 2004. A total of 82,267 options were lapsed on account of either resignations or declining of the offer by the employees. The stock options to the extent of 71,204 were outstanding at the end of the year. Requisite disclosure in respect of the Employee Stock Option Scheme in terms of guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee share Purchase Scheme) Guidelines 1999, has been provided in Annexure B in this Report.

As a result of the above, the paid-up Equity Share Capital of the Company stood at Rs.8,21,46,152/- as on March 31, 2004.

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 9th July 2004 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

The Board of Directors accepted the resignation of Mr. Mahesh Joshi as a Whole-time Director/ Director of the Company w.e.f. 1st January 2004, who reassumed Office as Chief Financial Officer of the Company. Mr. Sajit Dayanandan and Mr. Ajay Narasimhan, ceased from the employment of the Company and also ceased to be the Whole-time Directors/Directors of the Company w.e.f. 1st April 2004 and 15th April, 2004 respectively. Industrial Development Bank of India vide their letter dated 22nd June 2004 has withdrawn their nominee Director Mr. V. V. Rao. The Board has placed on record its sincere appreciation of the valuable services rendered by the outgoing Directors during their tenure as Directors.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Ravi Sheth and Mr. C. Subramaniam, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

None of the Directors of the Company is disqualified for being appointed as Director as specified in Section 274 of the Companies Act, 1956, as amended.

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 profit 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, the Statutory Auditors, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received necessary certificate from the Auditors, pursuant to Section 224 (1B) of the Companies Act, 1956 regarding their eligibility for re-appointment. The members are requested to consider appointment of M/s. Deloitte Haskins & Sells, as the Statutory Auditors at the ensuing Annual General Meeting.

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 financial year no employee was drawing a remuneration of Rs 2,400,000/- or more in aggregate or Rs. 200,000/- or more per month, if employed for the part of the year.

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, 1956, 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 clients, vendors, financial institution, bankers, business associates and various governmental as well as regulatory agencies for their valuable support for 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 the phenomenal growth.

For and On behalf of the Board of Directors

Mumbai,
July 9, 2004

JIGNESH SHAH
Chairman & Managing Director

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.

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.

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 utmost important

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 solutions 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 Product with a view to generate revenues from these products in Domestic & International Markets.

Amount Spent : Revenue Expenses Rs. 17,618,147/-

Foreign Exchange Earnings & Outgo

The details of Foreign earnings and outgo are mentioned in note 9 of schedule 15 on Significant Accounting Policies and Notes to the Accounts.

Employee Stock Option Scheme

Requisite disclosure in respect of the Employee Stock Option Scheme is as follows:

ANNEXURE “B” TO THE DIRECTORS’ REPORT

a. Options granted	:	2,23,402 equity shares
b. Pricing	:	Rs.2/- each (The price was determined on the basis of approval of Scheme of Reduction of Share Capital)
c. Options vested	:	----
d. Options exercised	:	36,987
e. Total no of shares arising as a result of exercise of options	:	36,987
f. Options lapsed	:	42,350
g. Variations of terms of options	:	NIL
h. Money realised by exercise	:	Rs. 73,974/-
i. Options in force	:	71,204
j. Employee wise details of options granted:-		
- senior management personnel	:	
- employee holding 5% or more options	:	NIL
- identified employees holding 1% of issued capital	:	NIL
k. Diluted EPS	:	3.37

Report on Corporate Governance

1. Company's Philosophy on Code of Corporate Governance

Your Company believes in practicing the principles of good corporate governance as means of effective protection and enhancement of shareholders' value. Company's mission is to become global leader in developing reliable mission critical Straight Through Processing (STP) applications in all facets of business transactions.

2. Board of Directors

The composition and category of Directors as on 31st March 2004 is as follows:

Name of the Director	Category
Promoter Executive Directors	
Mr. Jignesh P. Shah	Chairman & Managing Director
Mr. Dewang S. Neralla	Whole-time Director
Mr. Sajit Dayanandan**	Whole-time Director
Non-promoter Executive Directors	
Mr. Mahesh R. Joshi *	Whole-time Director
Mr. Ajay Narasimhan ***	Whole-time Director
Non-executive and Independent Directors	
Mr. C. Subramaniam	
Mr. Ravi K. Sheth	
Mr. P. G. Kakodkar	
Mr. Ashish S. Dalal	
Mr. V. Venkateswara Rao ****	IDBI Nominee (as Equity Investor)

* Mr. Mahesh Joshi ceased to be Whole-time Director/Director during the year and has reassumed Office as Chief Financial Officer (CFO) of the Company w.e.f. 1st January 2004.

** Mr. Sajit Dayanandan ceased to be Director w.e.f. 1st April 2004.

*** Mr. Ajay Narasimhan ceased to be Director w.e.f. 15th April 2004.

**** Ceased to be Director w.e.f. 22nd June 2004 on the withdrawal of nomination by IDBI.

Attendance of each Director at the Board meetings, last Annual General Meeting and the Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies as on 31st March 2004.

Name of the Director	Attendance Particulars		No. of other Directorship and Committees Memberships / Chairmanships		
	Board Meeting	Last AGM	Other Directorship	Membership	Chairmanship
Mr. Jignesh P. Shah	5	Yes	3	0	0
Mr. Dewang S. Neralla	3	No	1	0	0
Mr. Sajit Dayanandan	4	No	0	0	0
Mr. Mahesh Joshi	4	Yes	0	0	0
Mr. Ajay Narasimhan	2	No	0	0	0
Mr. C. Subramaniam	5	Yes	2	1	0
Mr. Ravi K. Sheth	5	No	4	0	1
Mr. P. G. Kakodkar	1	No	9	4	3
Mr. Ashish S. Dalal	5	Yes	2	1	0
Mr. V. Venkateswara Rao	4	No	2	0	0

Number of Board Meetings held and the dates thereof:

The Board of Directors met 6 times during the year as against the minimum statutory requirement of 4 meetings in a year. The dates of meetings being 29th May 2003, 15th July 2003, 31st July 2003, 31st October 2003, 20th January 2004 and 29th January 2004. The maximum time gap between any two meetings was not more than 4 calendar months.

3. Audit Committee**Composition**

The Audit Committee comprises of three independent Non-executive Directors viz., Mr. Ashish S. Dalal, Mr. C. Subramaniam and Mr. P G Kakodkar. The Chairman of the committee is Mr. Ashish S. Dalal, a practising Chartered Accountant. All these Directors possess knowledge of Corporate Finance, Accounts, Costing and Company Law. The Statutory Auditors and the Internal Auditors attend the meetings by invitation. The Company Secretary acts as the Secretary to the Committee.

Broad Terms of Reference

The Audit Committee of the company, inter-alia, provides assurance to the board on the adequacy of the internal control systems and financial disclosure.

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.

Meetings and attendance

During the year, the Committee met 5 times. Mr. Ashish S. Dalal and Mr. C. Subramaniam attended all the meetings, whereas Mr. P. G. Kakodkar attended one meeting.

4. Remuneration and Compensation Committee

The Board of Directors at their meeting held on 15th July 2003 constituted Compensation and Remuneration Committee comprising of three Independent Directors viz. Mr. C. Subramaniam, Mr. Ashish S. Dalal and Mr. P. G. Kakodkar.

The Broad terms of reference of the Compensation & Remuneration Committee include:

- i) Review the overall compensation policy, service Agreements and employment conditions of the Managing Director and Whole-time Directors and other employees of appropriate cadres with a view to motivating the best managerial talents, their remuneration package;
- ii) Evaluate the remuneration paid by comparable organizations;
- iii) Review the performance of the Managing Director and Whole-time Directors and recommend to the Board in this regard;
- iv) Monitor and implement the current ESOS Scheme and also formulate such schemes hereafter for grant of Stock Options to the employees including Managing and Whole-time Directors (other than Promoter Directors) in accordance with the relevant regulations for the time being in force and recommend the same to the Board for its consideration and monitor proper implementation thereof.

During the year the Committee met 2 times. Mr. Ashish S. Dalal and Mr. C. Subramaniam attended all the meetings.

5. Remuneration of Directors

The aggregate value of salary, perquisites paid for the year ended 31-03-2004 to the Managing Director and Whole-time Directors were as follows:

Name	Remuneration Paid (Rs.)
Mr. Jignesh Shah	1,260,000
Mr. Dewang Neralla	630,012
Mr. Sajit Dayanandan	630,012
Mr. Mahesh Joshi	472,509
Mr. Ajay Narasimhan	610,250

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, 2004 were as follows:

Name	Sitting Fees Paid (Rs)
Mr. C. Subramaniam	30,000/-
Mr. Ravi K. Sheth	15,000/-
Mr. Ashish S. Dalal	30,000/-
Mr. V. Venkateswara Rao *	12,000/-
Mr. P. G. Kakodkar	6,000/-

* paid to IDBI

During the year Mr. P.G. Kakodkar, Non-executive Director, has been paid Rs. 60,000/- as Professional fees. The professional fees paid to him is not considered material enough to impinge on the independence of Mr. P. G. Kakodkar.

6. Shareholders' / Investor Grievance Committee

Composition

The Shareholders'/Investors' Grievance Committee comprises of Mr. C. Subramaniam and Mr. Dewang R. Neralla, Directors. Mr. C. Subramaniam, Non-executive Director, is the Chairman of the Committee.

Compliance Officer

Mr. Hariraj S. Chouhan, Company Secretary is the Compliance Officer.

Functions

The Committee, inter alia, approves transfer and transmissions of shares, issue of duplicate share certificates and reviews all the matters connected with the share transfers and issue of equity shares under ESOP. The Committee met 23 times during the year under review.

7. General Body Meetings

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

Year	Date	Time	Location
2000-01	27-09-2001	11.00 A.M.	Russian Cultural Centre, 74, Kasturi Ranga Road, Chennai 600 018
2001-02	30-09-2002	12.30 P.M.	3rd Floor, 141, Greams Road, Chennai 600 006
2002-03	30-09-2003	12.30 P.M.	3rd Floor, 141, Greams Road, Chennai 600 006

In addition, during the year, an Extra-ordinary General Meeting was held on 17th February, 2004 at Bala Mandir German Hall, 17, Prakasam Street, T. Nagar, Chennai – 600 017 at 12.30 P.M.

8. Postal ballot

No special resolution was put through postal ballot last year, as the situation did not arise. The provisions relating to postal ballot will be complied as per the provisions of the Companies Act, 1956 as and when situation arise.

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 of interest of the Company at large. Transactions with related parties are disclosed in Note no. 11 of Schedule 15 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

Quarterly Results :

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

Website where displayed: www.ftindia.com

Whether it also displays official news release, the presentations made to institutional Investors or to the Analyst.	:	Yes. The Company's official News releases, other press coverage and copy of corporate presentations made to Institutional Investors and Analysts are also available on the Website.
Whether the Management Discussion and Analysis Report is part of Annual Report or not.	:	Yes. The information is covered in different chapters/headings at appropriate places in this Annual Report.

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 2004, 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 abovementioned 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: July 9, 2004.



General Shareholder Information

1. Annual General Meeting

Date and Time: 25th September, 2004 at 12.30 p.m.

Venue: Russian Cultural Centre, 74, Kasturi Ranga Road, Chennai 600 018.

2. Financial Calender

Financial Year:	1st April 2003 to 31st March 2004	
Annual General Meeting:	September	
Results for the Quarter:	30th June	End of July
	30th September:	End of October
	31st December:	End of January
	31st March	End of April or end June/July (Audited Figures) as per Stock Exchange guidelines

3. Book-Closure Date

September 18, 2004 to September 25, 2004 (both days inclusive).

4. Dividend payment date

September 29, 2004 onwards.

5. Listing

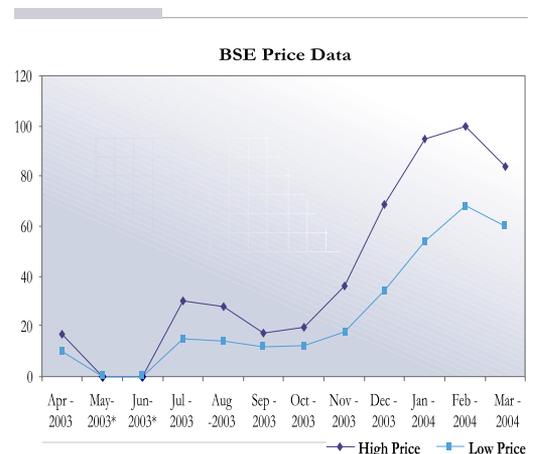
The shares of the Company are presently listed on Stock Exchanges at Chennai, Mumbai and Ahmedabad. The Annual Listing Fees have been paid to these Stock Exchanges for Financial Year 2004 - 05.

6. Stock Market Codes

i) Trading Symbol		Scrip Code	: WTG
-- Chennai	-	Abbreviated Name	: FINANC TECH
-- Mumbai	-	Scrip Code	: 26881
		Demat Code	: 526881
-- Ahmedabad	-	Abbreviated Name on BOLT	: FINANC TECHN
		Scrip Code	: 67641
		Abbreviated Name	: FINTECH
ii) Depository for Equity Shares			: NSDL and CDSL
iii) Demat ISIN Number			: INE 111B01023

7. Stock Market Data

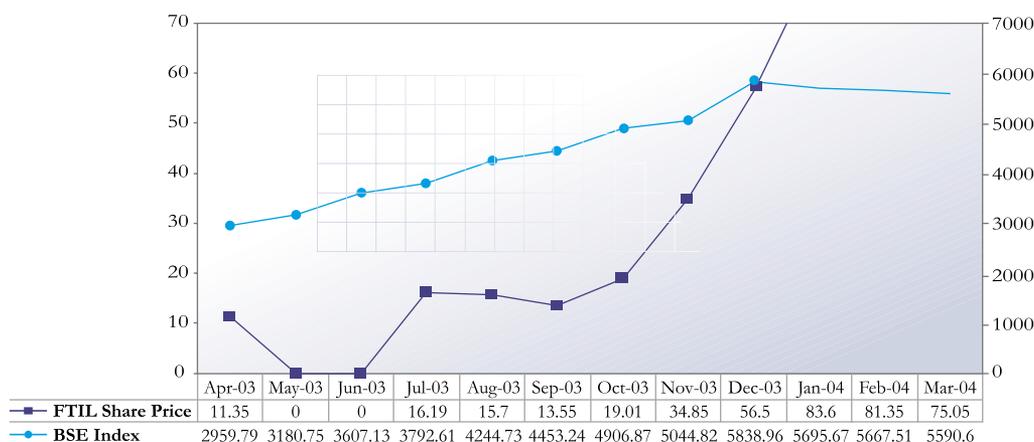
Month & Year	Bombay Stock Exchange		
	High Price Rs	Low Price Rs	Volume Nos
Apr - 2003	16.25	9.90	852481
May - 2003*	-	-	-
Jun - 2003*	-	-	-
Jul - 2003	30.00	14.50	255807
Aug - 2003	27.50	14.05	2556539
Sep - 2003	17.00	11.60	1302597
Oct - 2003	19.80	12.55	1596358
Nov - 2003	36.40	18.00	3917915
Dec - 2003	68.35	34.30	8402646
Jan - 2004	95.00	54.00	8361038
Feb - 2004	99.95	67.80	5955057
Mar - 2004	83.70	60.00	2411072



* The Stock prices during these period are not available on account of listing of equity shares of the Company of the face value of Rs.2/- each, subsequent to the reduction of Share Capital.

8. Share Price Performance in broad based indices

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



9. Registrars & Transfer Agents

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400 078.

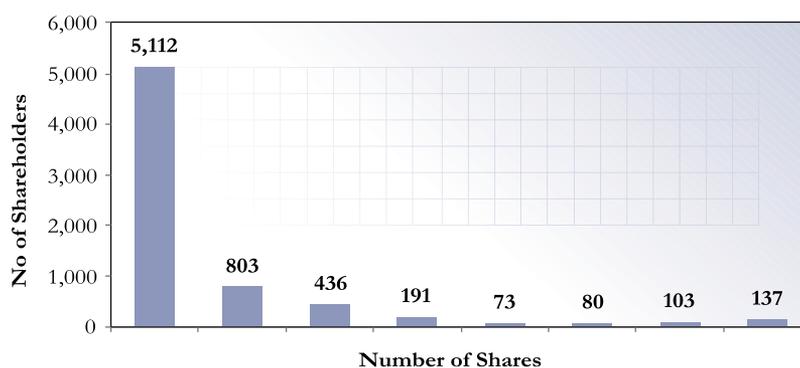
Tel.: 5555 5454 Fax: 5555 5353

Email: isrl@intimespectrum.com

10. Distribution of Shareholding & Shareholding pattern as on 31st March 2004

Shareholding Range	Shareholders		Shares held	
	Number	% to total	Number	% to total
1 - 500	5,112	73.713	981,025	2.389
501 - 1000	803	11.579	629,307	1.532
1001 - 2000	436	6.287	656,962	1.599
2001 - 3000	191	2.754	490,953	1.195
3001 - 4000	73	1.053	260,391	0.634
4001 - 5000	80	1.154	379,607	0.924
5001 - 10000	103	1.485	806,783	1.965
10001 & above	137	1.975	36,868,048	89.762
Total	6,935	100.000	41,073,076	100.000

Distribution Schedule



Shareholding Pattern as per Clause 35 of the Listing Agreement (summarised) as on 31st March, 2004

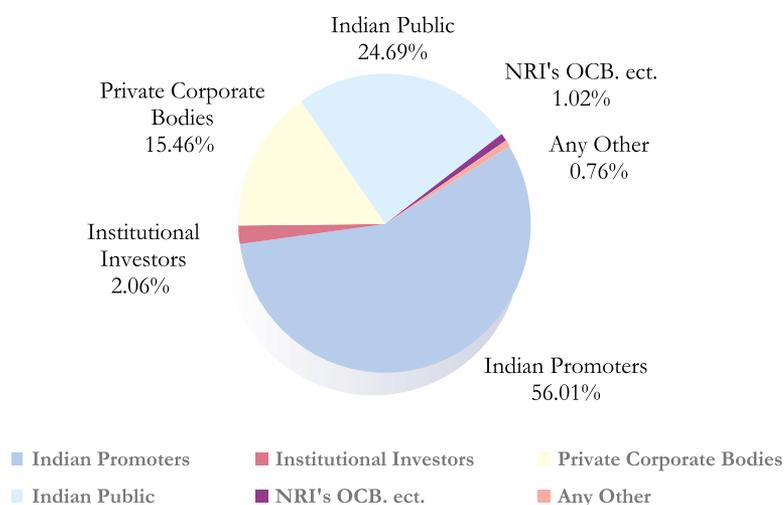
A. Promoter's Holding	No of Shares held	% of Share Holding
Promoters:		
1 - Indian Promoters : (Promoters Directors, their relatives and companies under their control)	23,006,269	56.01%
2 - Foreign Promoters	-	-
SUB - TOTAL	23,006,269	56.01%
B. Non- Promoter's Shareholdings:		
3 Institutional Investors:		
a) Mutual Funds & UTI	46,905	0.11%
b) Banks, Fin. Institutions, Insurance Cos, Govt. Institutions, Non-Govt. Institutions:	538,248	1.31%
c) Foreign Institutional Investors	264,057	0.64%
SUB - TOTAL	849,210	2.06%
4 Others:		
a) Private Corporate Bodies:	6,349,680	15.46%
b) Indian Public:	10,141,256	24.69%
c) NRI's OCB. ect.	416,758	1.02%
d) Any Other:	309,903	0.76%
SUB - TOTAL	17,217,597	41.93%
TOTAL NON-PROMOTER HOLDING	18,066,807	43.99%
GRAND TOTAL	41,073,076	100.00%

Notes:

1 The Company has not issued any GDR/ADR

2 The total foreign holding is 928,310 shares i.e. 2.26% of the total capital where in none of the single investor is holding 1% or more shares.

Share Holding Pattern



11. Changes to Equity Share Capital during Financial Year 2003-04:

Date	Particulars	No. of shares	Issue Price	Increase in share Capital (Rs.)
August 14, 2003	ESOP allotment	32,944	Rs.2/-	65,888
March 2, 2004	Preferential allotment	36,00,000	Rs.63/- (Rs.2/- Face value & Rs.61/- premium)	72,00,000
March 23, 2004	ESOP allotment	36,987	Rs.2/-	73,974
	Total	36,69,931		73,39,862

12. Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns/ forms and furnished all relevant particulars as required under the Companies Act, 1956 and allied Acts and Rules, the Securities and Exchange Board of India (SEBI) Regulations and the Listing Agreements with Stock Exchanges.

13. Reminder

The shareholders who are holding share certificates of erstwhile "e.Xchange on the net Limited" and have not yet surrendered their share certificate/s for exchanging with the share certificates of the Company, are requested to immediately surrender the same to enable the Company to forward the new share certificate/s.

14. Unpaid / Unclaimed dividend

Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection Fund, established by the Central Government under the provisions of Section 205C of the Companies Act, 1956.

Accordingly, the Company has transferred the unpaid/unclaimed dividend for the financial year 1995-96 of the erstwhile "Worldwide Technologies Limited" to the aforesaid Fund, during February 2004.

15. Share Transfer System

Shares sent for transfer in physical form are generally registered and returned within a period of 15 days from the date of lodgment and Demat requests are normally confirmed within an average period of 15 days, provided the documents are clear in all respects.

16. Dematerialisation of shares

The shares of the Company are compulsorily traded in dematerialized (electronic) form and available for trading under both the Depositories viz. NSDL & CDSL. As on 31st March 2004 a total of 36545590 equity shares of the Company, forming 88.98% of the Share Capital, stood dematerialized. Subsequently, 36,28,641 equity shares were dematerialized.

17. Outstanding GDR /ADR / Warrants or any convertible instruments, conversion date and impact on equity

The Company has not issued any ADR /GDR's or any conversion instruments till date. During the previous year the Company had implemented the Employees Stock Option Plan. In accordance with the said Scheme, the Company had granted 223,402 options of Rs.2/- each to eligible employees. In terms of the said Scheme options can be exercised for a period of 18 months from the date of vesting upto 31st March 2004. After taking into account the options granted, vested, lapsed and exercised during the year, the balance options outstanding at the end of the year were 71,204.

18. Locations of Offices

1. III rd Floor, 16, Surya Flats, II Cross Street, Seethammal Colony Ext. Teynampet, Chennai – 600 018.
2. Krishna Bhavan, 67, Nehru Road, Vile Parle (East), Mumbai 400 057
3. Pressman House, Off Nehru Road, Vile Parle (East), Mumbai 400 099.
4. Malkani Chambers, 1st Floor, Off Nehru Road, Vile Parle (East), Mumbai 400 099.

19. 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.: 2616 4134

Fax: 2611 8195

Email: info@ftindia.com

20. Company's website

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

MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS.

Operational Review of the company

During the year 2003-04, the Company recorded its highest ever sales turnover while continuing to focus on product development, product enhancement and penetration in retail segment.

Major Events

During the year Multi Commodity Exchange of India Limited (MCX) became a wholly owned subsidiary of the Company. MCX, was established to set up Nation wide Multi Commodity Exchange. It is a demutualised form of organization for providing online trading and clearing for commodities across the country. The exchange went live on 10th November 2003. As on 31st March 2004 the Exchange had 243 members.

During the year, Reliance Capital Limited a company of Reliance Group,, made a strategic investment in Financial Technologies (India) Ltd(FTIL) to the extent of 8.77%. The preferential offer was for 3,600,000 Equity Shares at a price of Rs. 63/-.

The Company was selected as a Service Provider by Securities & Exchange Board of India for the Straight Through Processing (STP) transaction. SEBI has made STP mandatory for all institutional trades with effect from 1st July 2004.

Segment Analysis:

The Company, has generated revenues through one time license payment, pay per usage services and also project assignments on Time & Material model. During the year, the Company continued providing consulting services in the single industry vertical under its comprehensive Straight Through Processing (STP) framework addressing the Pre-trade, Trade, and Post-Trade operations.

a) Domestic Market

During the year, the Company continued to focus on the retail market with a thrust to expand the existing market share of its technologies. This was achieved through the dual strategy of introducing advanced features in existing technologies as also introduction of new solutions to offer a more comprehensive solution suite. This strategy has met with good success and proved to be beneficial to the Company, as is reflected in its performance. The Company's performance is on an improvement scale as the technology sales has witnessed a strong growth in the last quarter, which we expect to continue in the ensuing year.

It is expected that with the combination of new features, new technologies and new offerings, the Company would be able to evolve a long term and sustainable growth strategy.

b) International Market

The scene for the international market was far from satisfactory despite our best efforts. Infact, we were greatly encouraged by the accreditation from Australia Stock Exchange for our front office and back office product and also for the front office trading solution from Singapore Stock Exchange. However, investments in IT were put on hold by various clients thereby making it unviable to sustain our operations. Eventually, we withdrew from the Australian and Singapore market and retained our token presence in US market where, a break even was achieved.

Company's strength and opportunities

FTIL is amongst the very few companies globally that offer exhaustive solutions & services library for Exchanges, Sell-side and Buy-side firms, Custodians, Banks and Financial Institutions. The solution & services library includes Central Matching Utility, Order Routing, Market Data Feed Engines, Order & Trade Management Solutions, Risk Management Engine, Clearing & Settlement Solutions, Accounting Solutions, STP Platform, amongst others supporting Pre-Trade, Trade and Post-Trade operations. In

addition to solutions & service offerings FTIL also runs and manages country's leading commodities exchange and forex platform. MCX & IBS Forex are initiatives of FTIL in these areas.

Graduating further, technology IPs thus created, results in an opportunity where 'Technology Innovations' will start 'Driving Business'. And that is what is being demonstrated by FTIL in its remarkable achievements in the year, where the technology has become an epi-center of creating and automating the business resulting in technology becoming the nerve center for all high-density transaction intensive market place business models. This is the creation of 'new paradigm' making possible unlimited and un-quantifiable growth opportunities locally and globally.

Risk & Concern

Business Risk

Considering that FTIL is engaged in providing domain intensive technologies & services for the financial services industry, its growth is linked to its successful expansion in the international markets. And for the services offered FTIL to ensure the service levels and maximum uptime.

For international expansion the major and prime risk which the Management is anticipating is with respect to the market assessment and time-line expectation in closing opportunities. This is so because with respect to all other challenges, the Company has achieved positive feedback and recognition from global players and technology giants such as Intel, Microsoft and HP. In terms of competition, since the alliance business model has been adopted, confidence of jointly succeeding (along with the alliance partners) is very high. The effective utilization of time and presence in various commercial capitals will surely reduce the risk as highlighted above.

Financial Risk

The Company's business is mainly concentrated on the investment behaviour of financial services industry that too domestic. The Company believes in the policy of maintaining liquidity sufficient enough to maintain the current expenses parameter for at least a year. Hence the company takes all necessary steps to enhance the liquidity so as to have cushion for its investment in new product development and undertake new initiatives. The Company has been debt free since last two years and has the potential to revisit the strategy of fund raising at the appropriate time either through debt or Equity.

Internal Control and Their Adequacy

The Company has a strong system of internal control to ensure that all its assets are safeguarded and not exposed to risk. The well defined role for the people at various levels ensures proper and timely flow of information, which considerably helps in mitigating risks. This also facilitates proper implementation of the defined control system. The Management reviews the internal control systems at regular and defined intervals in order to ensure efficient conduct of business. The regular Internal Audit reviews and constitution of an independent Audit Committee, formed with representation from the non-executive Members of the Board, have strengthened the overall internal controls within the organisation.

Financial Results

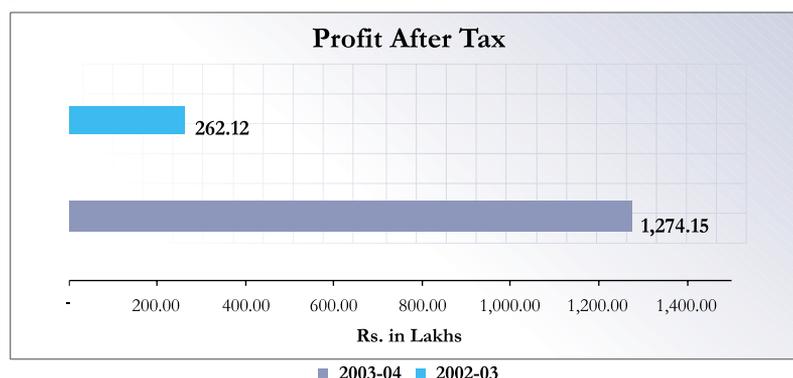
The summarised results for the year are as follows:

	(In Rs.lakhs)
Sales Revenues	2533.57
Other Income	231.92
TOTAL INCOME	2765.49
Operating Expenses	1351.38
PBDIT	1414.11
Less :Interest	14.25
Less: Depreciation	85.71
Profit/(Loss) before tax	1314.15
Less Provision for Taxation	40.00
Net Profit/(Loss)	1274.15

Major Financial Events

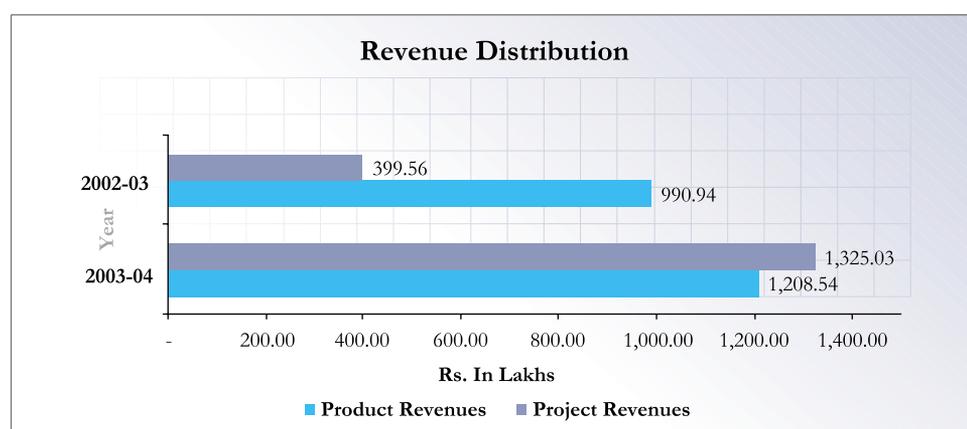
Profit After Tax

The Profit after tax is reported at Rs. 127,414,930 as compared to a profit of Rs. 26,212,277 in the previous year showing an increase on 386%.



Revenues

During the current year the major revenue contribution was from project services which stood at Rs 132,503,218 as compared to Rs 39,955,515 registering a increase of 231.63%. The Company continued its efforts of concentration in retail market where the product licenses were deployed. The efforts attributed to the contribution from Product Licenses to Rs. 120,853,606 as compared to Rs. 99,093,987 in the previous year amounting to a jump of 21.26%.



Operating Cost

The cost pattern almost remained parallel as compared to the previous year. The major cost element in the Company were personnel expenses which contributed 43.56% of total operating cost. As a policy, the Company continued to review its debt & advances, which are considered to be doubtful of recoveries. A provision for doubtful debt & advances was made to the extent of Rs.3,680,829.

Cash Flow

After a gap of almost two years the Company has shown a positive cash flow from operating activity. The Cash flow generated from operating activity was Rs. 13,544,591/- as compared to a negative cash flow of Rs. 43,506,806/-.

Additional Issue of Capital

During the year the company issued 3,600,000 Equity Shares of Rs 2/- each at a premium of Rs 61/- per shares to Reliance Capital Limited on a Preferential Allotment basis in accordance with SEBI guidelines and related concurrent legislations. Accordingly the Share Capital increased from Rs. 74,806,290 to Rs 82,146,152 which included the Share Capital on account of ESOP Rs. 139,862/-.

Employees Stock Option

The Company took over the Employee Stock Option Scheme on amalgamation of Financial Technologies (India) Private Ltd., which entitled certain employees to specified number of shares at an option price in accordance with the Scheme. During the year, the said Scheme has been approved by the Board of Directors and implemented by the Company.

In accordance with the said Scheme 223,402 options of 1 share of Rs. 2/- each, were granted to eligible employees to be exercised over a period of eighteen months from the date of vesting upto 31st March 2004.

Options outstanding at the beginning of the year	150,541
Options vested during the year	--
Options and exercised during the year	36,987
Lapsed during the year	42,350
Options granted and outstanding at the end of the year	71,204

The stock option discount in the aforesaid Scheme is being amortised over the respective vesting period upto 31st March 2004.

Treasury Operations

The Company's Investment philosophy speaks about long term investment keeping in mind the safety of principal amount. The treasury operations is managed in a systematic manner keeping in mind the Investment philosophy. The Company believes in the philosophy of not making any aggressive investment, keeping in mind the over all intention of maintaining the investments for the long term.

HR Relations

Our Company being a knowledge intensive enterprise with focus on Domain and business knowledge, it is extremely imperative that we maintain a cutting-edge HR practice. These practices are aimed at building a culture of fun and knowledge that aims to unlock the intrinsic potential of our organization, through our employees.

FTIL believes that for any corporation to be healthy and productive, it needs to be strong in four core areas:

- (a) Financial capital in terms of investments and profits,
- (b) Technological capital in terms of cutting-edge software and hardware,
- (c) Human capital in terms of knowledge, expertise, and creativity and
- (d) Social-spiritual capital in terms of ethics, relationships, meaning and purpose.

One fundamental truth is that all components in any organization are organically connected, such that their optimal functioning depends on their relationship with each other and with the organization as a whole. FTIL values this stature, a reflection of which is seen in all its corporate policies and strategies.

FTIL Culture



FTIL is the name of Progressive-Adaptive culture - There is openness to new ideas and a willingness to take risk and adopt innovations. It has a

culture that adjusts quickly to shifting market conditions. FTIL does not value the certainty of remaining the same; the only certainty it values is that the company is future-oriented and innovative. It is confident in catching and riding the waves of change. FTIL has a culture compatible with the entrepreneurial spirit of creativity, boldness and taking ownership. The management strives to be on the cutting edge, and encourages continuous development of employees. There is a pervasive, restless creative energy, constantly seeking and creating new ideas and new markets. The Company celebrates every innovation, and every discovery. Excitement is in the air. And employees are all caught up in the adventure.

Employee Description

FTIL being a transaction automation technology organization operating on the STP platform, maximum numbers of employees are IT professionals. The other professionals come from Finance & Accounts, HR, Marketing & Sales, Quality Management, Corporate Communications and Administrative fields.

Work Environment

FTIL believes in making it possible for everyone to pursue his or her own levels of success. At FTIL employees experience a fun, fast-paced and flexible work environment. There is two way open communications at all levels. From training to employment opportunities, employees have full access to a variety of information on the Company.

FTIL pay scale is competitive and give associates the opportunity to participate in our profit share plan. Annual pay-revisions are paid out based on the performance of the employees and also offered various benefits like interest free loans and medical facilities.

Ethics

Financial markets are built on confidence and clear game rules. FTIL contributes to the Society by promoting growth and prosperity through effective, transparent, easy, securities transactions. Thus FTIL strives to be the “Preferred Partner” of customers and suppliers and all other stakeholders of the financial industry.

CAUTIONARY STATEMENT

Statement in this Report Management Discussion and Analysis describing the Company’s objective, projections, estimates or predictions may be “forward looking statements” within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied.

The Company assumes no responsibility in respect of forward statements herein which may undergo changes in future on the basis of subsequent development, information or events.

FTIL FINANCES



FTIL FINANCES

AUDITORS' REPORT

TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of Financial Technologies (India) Limited as at March 31, 2004, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) 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;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on March 31, 2004 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; except in the case of Mr. Sajit Dayanandan and Mr. Ajay Narasimhan, who have not produced written representations and in the absence of such representations from them, we are unable to comment whether they were disqualified as on 31st March, 2004 from being appointed as directors in accordance with clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Significant Accounting Policies and Notes to accounts thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**,
Chartered Accountants

P. R. Barpande
Partner
Membership No. 15291

Mumbai.

Dated: 9th July 2004.

ANNEXURE TO THE AUDITORS' REPORT**Re: Financial Technologies (India) Limited****Referred to in Paragraph 3 of our report of even date**

- i.) The nature of the Company's activities during the year has been such that clauses (ii), (viii), (xiii), (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the year.
- ii.) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) We were informed that the fixed assets were physically verified during the year by the management except located at branches which would be covered for verification in the next year and no material discrepancies were noticed on verification of such assets as compared with the records of the fixed assets maintained by the Company. In our opinion, the frequency of verification is reasonable.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company
- iii.) According to the information and explanation given to us, the Company has not granted / taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956 so the sub clause (a), (b), (c) and (d) are not applicable to the Company.
- iv.) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any continuing failure to correct major weaknesses in such internal controls.
- v.) In respect of the transactions entered in the Register maintained under Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - a) The transactions that needed to be entered into the Register have been so entered.
 - b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of Rs 5,00,000 in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi.) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies' Act 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public are not applicable to the Company.
- vii.) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii.) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it, with appropriate authorities during the year, except in the case depositing Tax Deducted at Source where there have been delays in deposit, though not serious.
 - (b) There are no dues of sales tax/ income tax/ customs duty/ excise duty and cess, which have not been deposited on account of any dispute.
- ix.) The Company has no accumulated losses as at the end of the financial year and it has not

incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.

- x.) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- xi.) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and any other securities and hence clause 4(xii) is not applicable.
- xii.) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xiii.) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the Company has not availed any term loan during the year.
- xiv.) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have prima facie, not been used during the year for long term investment and no long term funds have been used to finance short term assets other than temporary deployment pending application.
- xv.) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the Company does not arise.
- xvi.) According to the information and explanations given to us, the Company has not issued any debentures during the year and hence the question of creation of securities in respect of debentures issued, does not arise.
- xvii.) According to the information and explanations given to us, the Company has not raised funds by way of public issue during the year.
- xviii.) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner
Membership No. 15291

Mumbai.
Dated: 9th July 2004.

BALANCE SHEET AS AT 31.03.2004

	Schedule No.	Rupees	31.03.2004 Rupees	31.03.2003 Rupees
I. SOURCES OF FUNDS				
(1) Shareholders' Fund				
(a) Capital	1	82,146,152		74,806,290
(b) Share Application Money		-		65,888
(c) Reserves and Surplus	2	478,467,451		149,409,377
			560,613,603	224,281,555
(2) Loan Fund				
(a) Secured loan	3		-	16,566,988
TOTAL			560,613,603	240,848,543
II. APPLICATION OF FUNDS				
(1) Fixed Assets				
(a) Gross Block	4	88,474,466		90,067,006
(b) Less : Depreciation		34,696,523		27,486,666
(c) Net Block		53,777,943		62,580,340
(d) Capital work-in-progress		-		261,149
			53,777,943	62,841,489
(2) Investments				
	5		466,004,552	110,972,240
(3) Current Assets, Loans and Advances				
(a) Sundry Debtors	6	26,522,878		48,705,157
(b) Cash and Bank Balances	7	12,314,103		6,283,824
(c) Loans and advances	8	50,409,938		39,767,774
		89,246,919		94,756,755
Less: Current Liabilities and Provisions				
(a) Current Liabilities	9	23,688,054		26,403,561
(b) Provisions	10	24,727,757		10,899,838
		48,415,811		37,303,399
Net Current Assets			40,831,108	57,453,356
(4) Profit and Loss Account				
			-	9,581,458
TOTAL			560,613,603	240,848,543
Significant Accounting Policies and Notes to Accounts	15			

Significant Accounting Policies and Notes to Accounts

15

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

For and on behalf of the Board.

Hariraj Chouhan
Company Secretary

Jignesh P. Shah
Chairman and Managing Director

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

Ashish S. Dalal
Director

P. R. Barpande
Partner
Place : Mumbai
Date: 9th July, 2004

Place : Mumbai
Date: 9th July, 2004

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2004

	Schedule No.	31.3.2004 Rupees	31.03.2004 Rupees	31.03.2003 Rupees
INCOME				
Sales	11		253,356,824	139,049,502
Other income	12		23,192,251	7,312,854
			276,549,075	146,362,356
EXPENDITURE				
Operating and other expenses	13		135,138,482	132,809,469
Interest	14		1,424,752	712,666
Depreciation			8,570,911	8,621,245
			145,134,145	142,143,380
Profit before tax			131,414,930	4,218,976
Provision for taxation				
Current tax			4,000,000	-
Deferred tax			-	21,993,301
Profit after tax			127,414,930	26,212,277
Short Provision for income tax in respect of earlier years			-	(2,263)
Balance brought forward from previous year			(9,581,458)	(71,803,780)
Less: Adjusted on reduction of capital			-	36,012,308
Amount available for appropriation			117,833,472	(9,581,458)
Appropriations				
Proposed Dividend		8,214,615		
Tax on Dividend		1,052,498	9,267,113	-
Balance carried to Balance Sheet			108,566,359	(9,581,458)
Earning Per Share (Refer note 14 to schedule 15)				
Basic			3.38	0.70
Diluted			3.37	0.70

Significant Accounting Policies
and Notes to Accounts 15

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

Hariraj Chouhan
Company Secretary

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

P. R. Barpande
Partner
Place : Mumbai
Date: 9th July, 2004

For and on behalf of the Board.

Jignesh P. Shah
Chairman and Managing Director

Ashish S. Dalal
Director

Place : Mumbai
Date: 9th July, 2004

Cash Flow Statement for the year ended 31st March 2004

	Current Year		Previous Year	
	Rupees	Rupees	Rupees	Rupees
A. Cash Flow from operating activities		131,414,930		4,218,976
Net profit before tax and extraordinary items				
Adjustment for				
Depreciation	8,570,911		8,621,245	
Employees Compensation Expenses	891,715		681,952	
Loss/(Profit) on sale of investments	11,656,897		(438,168)	
Loss/(Profit) on sale of fixed assets	613,160		(7,009)	
Loss on fixed assets scrapped	126,021		-	
Dividend from investments	(539,209)		(6,112,654)	
Interest expense	1,424,752		712,666	
Sales made for consideration other than cash	(115,000,000)		-	
Interest Income	(2,379,104)	(94,634,857)	(330,166)	3,127,866
Operating profit before working capital changes		36,780,073		7,346,842
Adjustments for				
Trade and other receivables	(15,476,259)		(37,518,916)	
Trade payables and provisions	(2,154,701)	(17,630,960)	(13,652,635)	(51,171,551)
Cash from/(used in) operations		19,149,113		(43,824,709)
Tax paid		(7,983,626)		(12,263)
Interest Income		2,379,104		330,166
Net cash from/ (used in) operating activities		13,544,591		(43,506,806)
B. Cash Flow from Investing Activities				
Additions to Fixed Assets		(2,480,701)		(6,297,351)
Sale of Fixed Assets		2,234,155		333,684
Purchase of Investments		(469,701,051)		-
Sale of Investments		253,011,842		20,965,256
Dividend from investments		539,209		6,112,654
Net cash (used in)/from investing activities		(216,396,546)		21,114,243
C. Cash flow from financing activities				
Proceeds from borrowings (net)		(16,566,988)		15,018,424
Proceeds from issue of Share Capital		7,273,974		65,888
Share Premium Received		219,600,000		-
Interest Expense		(1,424,752)		(712,666)
Net cash from financing activities		208,882,234		14,371,646
Net cash flow during the year		6,030,279		(8,020,917)
Net increase in cash and cash equivalents		6,030,279		(8,020,917)
Cash and cash equivalents (opening balance)		6,283,824		14,304,741
Cash and cash equivalents (closing balance)		12,314,103		6,283,824

Notes to cash flow statement:

- Cash and cash equivalents include cash and bank balances in current and deposit accounts
- Interest income from advances in the nature of loans & deposits etc is classified as cash flow from operating activities.
- 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.
- The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS 3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- Previous year figures have been regrouped wherever necessary to correspond with the figures of the current year.

For and on behalf of the Board.

Hariraj Chouhan
Company Secretary

Jignesh P. Shah
Chairman and Managing Director

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

Ashish S. Dalal
Director

P. R. Barpande
Partner
Place : Mumbai
Date: 9th July, 2004

Place : Mumbai
Date: 9th July, 2004

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.3.2004 Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Schedule 1: Share Capital:			
Authorised:			
150,000,000 (Previous Year:150,000,000) equity shares of Rs.2/- each		300,000,000	300,000,000
Issued, subscribed and paid up:			
41,073,076 (Previous Year: 37,403,145) equity shares of Rs.2/- each fully paid up		82,146,152	74,806,290
Of the above:			
(a) 33,000,494 (Previous Year 33,000,494) Shares of Rs. 2/- each fully paid up have been allotted for consideration other than cash pursuant to schemes of amalgamation			
(b) 69,931 (Previous Year: Nil) shares of Rs.2/- each fully paid have been allotted to the employees under Employee Stock Option Scheme.			
Total		82,146,152	74,806,290
Schedule 2 : Reserves & Surplus			
Capital Reserve:			
Balance at the commencement of the year	14,759,312		14,759,312
Add: Received during year	-		
Balance at the end of the year		14,759,312	
Securities Premium Account:			
Balance at the commencement of the year	133,968,113		134,988,113
Add: Received during year	220,379,730		-
Less: Adjusted in accordance with Capital Reduction Scheme	-		(1,020,000)
		354,347,843	133,968,113
Employees Stock Option Outstanding:			
Balance at the commencement of the year	681,952		-
Add: Addition during the year	891,715		681,952
	1,573,667		681,952
Less: Shares allotted during the year (Refer note 6 to Schedule 15)	(779,730)		-
		793,937	681,952
Profit and Loss Account		108,566,359	-
TOTAL		478,467,451	149,409,377
Schedule 3 : Secured Loans			
a) Cash credit account from a Bank		-	3,571,197
b) Overdraft account		-	12,995,791
TOTAL		-	16,566,988

Notes:

- Cash Credit account 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 secured by equitable mortgage by deposit of title deeds of the immovable property (residential flat) located at Kandivli (Mumbai).
- Over draft from a bank was secured by creation of lien on 5,112,000 units of Rs.10/- each of Kotak Mahindra Mutual Fund - K- Bond (Unit Scheme '1999 Deposit Annual Dividend Plan)

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 4 : Fixed Assets**

(In Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as at 1.04.2003	Additions	Deletion/ Adjustments	Cost as at 31.03.2004	Upto 31.3.2003	For the year ended 31.03.04	Deletions/ Adjustments	Upto 31.03.2004	As at 31.03.2003	As at 31.03.2004
Building (include improvement to lease hold premises)	31,249,668	-	-	31,249,668	4,968,976	1,643,688	-	6,612,664	24,637,004	26,280,692
Office Equipments	39,316,569	2,406,602	4,099,363	37,623,808	14,812,519	5,033,847	1,251,432	18,594,934	19,028,874	24,504,051
Furniture & Fittings	10,798,833	63,447	170,675	10,691,605	3,962,699	628,492	89,087	4,502,104	6,189,501	6,836,134
Vehicles	1,850,363	-	-	1,850,363	480,864	175,785	-	656,649	1,193,714	1,369,499
SUB TOTAL	83,215,433	2,470,049	4,270,038	81,415,444	24,225,058	7,481,812	1,340,519	30,366,351	51,049,093	58,990,376
INTANGIBLE ASSETS										
Trade Mark	167,480	35,490	-	202,970	99,668	25,477	-	125,145	77,825	67,812
Technical Knowhow	633,413	-	-	633,413	422,276	105,569	-	527,845	105,568	211,137
Computer Software *	6,050,680	236,311	64,352	6,222,639	2,739,665	958,053	20,536	3,677,182	2,545,457	3,311,015
SUB TOTAL	6,851,573	271,801	64,352	7,059,022	3,261,609	1,089,099	20,536	4,330,172	2,728,850	3,589,964
TOTAL	90,067,006	2,741,850	4,334,390	88,474,466	27,486,667	8,570,911	1,361,055	34,696,523	53,777,943	62,580,340
PREVIOUS YEAR	263,842,296	6,685,702	180,460,992	90,067,006	54,950,506	8,621,245	36,085,085	27,486,666	62,580,340	-
										261,149

Capital Work-in-progress (including capital advances).

Notes:

1) Building includes Rs. 250 towards the cost of the shares in the society.

* Re-grouped from Office Equipment

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.3.2004 Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Schedule 5: Investments (at Cost) Long Term:			
Trade (Unquoted):			
A) In equity shares			
- Subsidiary			
1,50,50,000 (Previous year: Nil) equity shares of Rs.10/- each fully paid up of Multi Commodity Exchange of India Limited	150,500,000		-
- Others			
245,000 (Previous year: 180,000) equity shares of Rs.10/- each fully paid up of IBS Forex Pvt. Ltd	2,450,000		1,800,000
		152,950,000	1,800,000
Non-trade (Quoted):			
B) In units of mutual funds			
i. Nil (Previous Year: 8,031,694) Units of Rs.10/- each of Kotak Mahindra Mutual Fund - K- Bond (Unit Scheme '1999 Deposit Annual Dividend Plan)	-		109,085,898
ii. 1,416,495.90 (Previous Year: Nil) Units of Rs.10/- each of KotakMahindra Mutual Fund - Liquid (Dividend) Scheme	14,193,623		-
iii. 4,570.79 (Previous Year: 4570.79) Units of Rs.10/- each of Franklin Templeton Mutual Fund (formerly known as Pioneer ITI) - Income Builder Fund - Plan A Growth	86,342		86,342
iv. 6,589,900.78 (Previous Year: Nil) Units of Rs.10/- each of Kotak Mahindra Mutual Fund - Income Plus - Growth Scheme	67,376,929		-
v. 97,261.178 (Previous Year: Nil) Units of Rs.10/- each of Reliance Mutual Fund - Treasury Plan - Retail Option, Weekly Dividend	1,004,482		-
	82,661,376		109,172,240
Balance of unutilised monies raised by Preferential Issue:			
Investments in Mutual Funds - (Quoted and non trade)			
i. 7,968,004.618 (Previous Year: Nil) Units of Rs.10/-each of HDFC Liquid Fund - Dividend Reinvestment Scheme	80,258,459		-
ii. 15,013,471.712 (Previous Year: Nil) Units of Rs.10/-each of Reliance Mutual Fund - Fixed Term Scheme - Monthly Plan 6 - Dividend Option	150,134,717		-
	230,393,176		-
		313,054,552	109,172,240
TOTAL		466,004,552	110,972,240
Notes:			
a) Aggregate of quoted investments			
Cost		313,054,552	109,172,240
Market value*		313,652,878	89,944,138
* Net asset value			
b) Aggregate of unquoted investments (at cost)			
		152,950,000	1,800,000
c) Movements during the year			
	Face Value	Nos	Cost
Purchased and sold	Rs.	Rs.	
Mutual fund units			
Kotak Mahindra Mutual Fund (Liquid Fund -Regular plan)	10.00	548929.5407	5,498,098
Reliance Mutual Fund (Liquid fund- Treasury Plan)	10.00	9831101.6730	150,084,547
Schedule 6 : Sundry Debtors (Unsecured)			
(Refer note 5 to Schedule 15)			
Debts outstanding for a period exceeding six months		10,467,762	10,408,992
Other Debts		21,893,745	43,066,665
		32,361,507	53,475,657
Less: Provision		5,838,629	4,770,500
TOTAL		26,522,878	48,705,157

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.3.2004 Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Notes: Sundry Debtors include			
Considered good		26,522,878	48,705,157
Considered doubtful		5,838,629	4,770,500
		32,361,507	53,475,657
Schedule 7 : Cash and Bank Balances			
Cash and cheques on hand		320,031	847,863
Bank Balances			
(a) with Scheduled Banks:			
(i) In current accounts		8,291,111	1,810,633
(ii) In deposit accounts* (including interest accrued on deposits Rs.15,139) (Previous year Rs. NIL)		1,350,397	1,300,000
(b) with others :			
i) with PNC Bank - New Jersey Branch in current account (Maximum balance during the year Rs.1,711,574 (Previous year:Rs.15,000,267)		116,896	53,044
ii) with PNC Bank - New Jersey Branch in deposit account (Maximum balance during the year Rs.2,212,897 (Previous year:Rs.4,621,774)		2,212,897	2,085,784
iii) with ANZ Grindlays Bank - Australia Branch in current account (Maximum balance during the year Rs.557,834 (Previous year:Rs.485,546)		22,771	186,500
TOTAL		12,314,103	6,283,824
* (Under lien with bank against bank guarantees)			
Schedule 8 : Loans and Advances (Unsecured)			
Loans and advances to subsidiary company (Refer note 5 to schedule 15)	9,307,068		7,532,633
Advances recoverable in cash or kind or for value to be received	7,825,358		10,312,316
Advance Income tax	23,244,545		15,580,905
Deposits	10,194,345		9,043,576
		50,571,316	42,469,430
Less: Provision		161,378	2,701,656
TOTAL		50,409,938	39,767,774
Notes: Loans and advances include			
1) a) Considered good		50,409,938	39,767,774
b) Considered doubtful		161,378	2,701,656
2) Rs. 9,711,692 (Previous year Rs.8,480,029) paid as deposits towards premises taken on lease		50,571,316	42,469,430
Schedule 9: Current Liabilities			
Sundry Creditors		18,375,881	20,241,745
Unearned Revenue		5,312,173	6,024,800
Unclaimed Dividend*		-	137,016
TOTAL		23,688,054	26,403,561
*Does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.			
Schedule 10: Provisions			
For taxation		12,750,000	8,750,000
For gratuity and leave encashment		2,710,644	2,149,838
Proposed Dividend		8,214,615	-
Tax on Dividend		1,052,498	-
TOTAL		24,727,757	10,899,838
Schedule 11 : Sales			
Products (IPR Based-License)		120,853,606	99,093,987
Services (Project Based)		132,503,218	39,955,515
TOTAL		253,356,824	139,049,502

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.3.2004 Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Schedule 12 : Other Income			
Dividend from long term investments		539,209	6,112,654
Interest :			
From Bank on deposit account		89,050	91,063
From Others		2,290,054	239,103
(Tax deducted at source Rs. 282,754 (Previous year Rs.63,321)			
Profit on sale of Investments		-	438,168
Profit on sale of fixed assets		-	7,009
Bad Debts recovered		88,000	2,250
Miscellaneous income		15,459	50,555
Credit balance / Provision for doubtful debts/ advances written back		5,170,479	372,052
Service Charges		12,000,000	-
Premises Rentals		3,000,000	-
TOTAL		23,192,251	7,312,854
Schedule 13: Operating and other expenses			
Payment to and provisions for employees			
Salaries and bonus (net of recovery)	53,625,161		59,673,170
Contribution to Provident and other funds (net of recovery) (Including Rs.1,156,226 (Previous year Rs.1,436,840) paid/collected by various authorities located outside India as contributions.)	2,264,572		2,481,365
Gratuity	340,072		397,149
Employees Stock Compensation Expenses	891,715		681,952
Staff Welfare Expenses	1,879,558		1,776,030
		59,001,078	65,009,666
Electricity		3,312,573	3,257,242
Advertisement expenses		323,233	1,232,748
Sales promotion expenses		505,312	813,878
Brokerage and Commission charges		4,726,052	7,320,487
Sales Tax Paid		3,763,240	2,621,497
Seminar Expenses		66,754	45,728
Rent (Refer note 8 to schedule 15)		7,308,910	7,526,498
Rates and Taxes		5,200	4,500
Service Charges		6,013,959	4,956,000
Recruitment Charges		263,120	536,041
Repairs and Maintenance (Others)		2,039,654	1,770,718
Travelling and Conveyance (net of recovery)		3,234,795	4,860,322
Communication expenses (net of recovery)		4,426,229	4,236,726
Insurance		1,981,976	2,037,385
Printing and Stationery		1,055,845	1,682,917
Loss on sale of Investments		11,656,897	-
Loss on sale of fixed assets		613,160	-
Loss on assets scrapped		126,021	-
Legal and Professional Charges (net of recovery)		10,103,382	14,170,771
Registration Fees		319,378	587,806
Security Charges		1,304,417	1,139,608
Miscellaneous expenses **		3,615,981	3,857,063
Irrecoverable debts/advances written off		5,429,250	975,292
Provision for doubtful debts/advances		3,680,829	3,929,658
Exchange rate fluctuations (net)		261,237	236,918
TOTAL		135,138,482	132,809,469
** Miscellaneous expenses include bank charges auditors remuneration, fees and subscription etc			
Schedule 14: Interest			
Interest on bank cash credit/overdraft accounts		1,424,752	712,666
TOTAL		1,424,752	712,666

Schedule 15**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 requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialized.

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. Intangible Assets

Intangible Assets are stated at cost of acquisition less accumulated amortization. Trademarks are amortized over fourteen years and technical know-how and computer software are amortized over the period of six years each considering their related useful lives.

E. 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.

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.

F. 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.

G. Investments

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

H. Revenue Recognition

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

I. 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 recognized 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 recognized 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 (except depreciation) 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 items are translated at the rate prevailing on the date of the transaction. Balance in 'head office' account whether debit or credit is translated 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

J. 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 is provided on actual basis in accordance with the Company's scheme in this respect.

K. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized 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 substantively 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.

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 materialize after the year end, till the finalization 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:**

	2003-04 Rupees	2002-03 Rupees
1. Estimated amount of contract to be executed on Capital Account and not provided for (net of advances)	Nil	120,000
2. Contingent Liability not provided for in respect of:		
a) Counter guarantee issued against bank guarantee	1,400,000	5,200,000
b) Income tax demands disputed in appeal and pending decision before higher authorities	3,309,752	806,736
3. Payment to Auditors (including service tax)		
a) For Audit fees	648,000	324,000
b) For other matters (such as certification work etc)	113,400	162,750
c) For reimbursement of out of pocket expenses	7,878	3,742
Total	769,278	490,492
4. Managerial Remuneration under section 198 of the Companies Act, 1956		
a) Salaries and allowances*	3,839,880	3,965,068
b) Gratuity**	30,288	40,382

* 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. Multi Commodity Exchange of India Limited ('MCX') a company to whom loans were granted by the Company in the earlier year became a wholly owned subsidiary during the year on acquisition of its shares. Loans & Advances (Schedule 8) include Rs. 9,307,068 (Previous Year: 7,532,633) due from the said company and Sundry Debtors (Schedule 6) includes Rs. 11,624,403 (Previous Year: 35,000,000) for the debts due from the said company. MCX has established a nationwide multi commodity exchange and commenced operations during the year & suffered a loss, being the initial year of commencement of operations. Considering the long-term involvement of the Company & the future growth prospects of MCX, the company is confident of recovering the aforesaid loan & debts aggregating to Rs. 20,931,471 and no provision is considered necessary at this stage.

6. Employee Stock Option Scheme ("ESOS"):

In accordance with the ESOS 223,402 options of 1 share of Rs. 2/- each, were granted to eligible employees to be exercised over a period of eighteen months from the date of vesting up to 30th September 2004.

Number of options granted and lapsed	31.03.2004	31.03.2003
Options granted and outstanding at the beginning of the year	150,541	---
Add: Options granted during the year	---	223,402
Less: Options exercised during the year	36,987	32,944
Less: Options lapsed during the year	42,350	39,917
Options granted and outstanding at the end of the year	71,204	150,541

The stock option discount in the aforesaid scheme has been amortized over the vesting period upto 31st March 2004.

7. 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 virtual certainty for recognition of deferred tax asset on unabsorbed depreciation and carry forward loss, the same is recognized as an asset to the extent there is virtual certainty and the balance will be reassessed at subsequent balance sheet dates and will be accounted for in the year of virtual certainty in accordance with the aforesaid accounting standard.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

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

Particulars	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
a) Deferred tax liability:		
Depreciation	(9,696,101)	(10,187,451)
	(9,696,101)	(10,187,451)
b) Deferred tax asset:		
Carry forward loss/unabsorbed depreciation	6,362,020	6,054,189
Provision for doubtful debts, advances etc.	2,989,932	3,451,890
Others	344,148	681,372
	9,696,101	10,187,451
Net deferred tax asset	-	-

8. The Company has entered into operating lease agreement for its development centers ranging from 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:

	2003-04 Rupees	2002-03 Rupees
Lease rentals (Refer schedule 13)	7,308,910	7,526,498
Obligations on non-cancelable leases		
Not later than one year	5,642,595	7,276,008
Later than one year and not later than five years	9,412,515	16,443,396
Later than five years	-	-

9. 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)

A. Expenditure in foreign currency (including foreign branches):

	2003-2004 Rupees	2002-03 Rupees
Travelling	485,245	829,602
Professional fees	1,989,644	2,307,791
Salaries	9,413,827	12,813,480
Rent	1,314,650	2,135,966
Other matters	1,044,323	2,052,625
Total	14,247,689	20,139,464

B. Earnings in Foreign currency (including foreign branches):

a) Consultancy	7,962,447	1,173,495
b) Interest on deposits	12,617	25,461
c) Fixed Assets sold	88,650	-
Total	8,063,714	1,198,956

10. 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

During the years ended March 31, 2003 and 2004, the Company had no reportable geographical segments and on that basis, no secondary segment information is furnished.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**11. Related Party information****1. Names of related parties and nature of relationship:****a) Company where control exists:**

Multi Commodity Exchange of India Limited, wholly owned subsidiary (w.e.f August 25,2003)

b) Key Management Personnel:

Mr. Jignesh Shah	Managing director
Mr. Sajit Dayanandan	Whole-time director
Mr. Dewang Neralla	Whole-time director
Mr. Mahesh Joshi	Whole-time director (upto December 31, 2003)
Mr. Ajay Narasimhan	Whole-time director

c) Relatives of the Key Management Personnel where transactions have taken place

Mr. Manjay Shah	Vice President
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2. Transactions with related parties

(Amount in Rupees)

Transactions during the year	Subsidiary Company	Key Management Personnel	Relatives of key Management Personnel
Loan given			
Balance on the date of relationship coming into existence	9,828,130	-	-
	(-)	(-)	(-)
Given during the year	1,063,752	-	-
	(-)	(-)	(-)
Received during the year	1,584,814	-	-
	(-)	(-)	(-)
Balance as on 31.03.2004 (including accrued interest of Rs. 265,894)	9,307,068	-	-
	(-)	(-)	(-)
Sale of software	80,000,000	-	-
	(-)	(-)	(-)
Rent received	1,750,000	-	-
	(-)	(-)	(-)
Facility Management Services charges received	7,000,000	-	-
	(-)	(-)	(-)
Rent Deposit	3,000,000	-	-
	(-)	(-)	(-)
Interest Received	786,642	-	-
	(-)	(-)	(-)
Remuneration	-	3,870,168	595,251
	(-)	(4,005,450)	(428,468)
Car recoveries	-	110,400	-
	(-)	(105,600)	(-)

Notes:

- Related party relationship is as identified by the Company and relied upon by Auditors.
- Previous year figures are given in brackets.
- The Company holds equity investments of 24% in IBS Forex Private Limited ('IBS'). However the transactions with IBS are not included in the aforesaid disclosure as an associate of the Company since in the opinion of the Company, there is no significant influence exercised over IBS and hence its accounts are not consolidated on equity accounting basis and hence is also not a related party.

12. Loans and Advance in the nature of loans (as required by clause 32 of the listing agreement with the stock exchanges)

(Amount in Rupees)

Name of the company	Balance as on 31.3.2004	Balance as on 31.3.2003	Maximum Outstanding during the year
Multi Commodity Exchange of India Limited	9,307,063	7,532,633	9,942,691

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**Notes:**

- i. The above loans and advances in the nature of loans are interest bearing @ 14% and are repayable at an appropriate future date not earlier than 30th September 2003.
- ii. Loans to employees as per the Company's policy are not considered.

13. There were no dues to small-scale industrial units as on the date of balance sheet

14. Earnings Per Share is calculated as follows:

	Rupees 2004	Rupees 2003
a. Net Profit/(Loss) after tax	127,414,930	26,212,277
b. Weighted average number of Equity Shares		
Basic	37,709,992	37,466,879
Add: Employees Stock Options	71,204	81,535
Diluted	37,781,196	37,548,414
c. Basic EPS	3.38	0.70
Diluted EPS	3.37	0.70
d. Nominal value of equity share	2	2

15. Balance sheet Abstract and the Company's General Business Profile:**I. Registration Details**

Registration Number	15586	State Code	18
Balance Sheet date	31-03-2004		

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

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placements	7,200

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

TOTAL LIABILITIES	609,029	TOTAL ASSETS	609,029
PAID-UP CAPITAL	82,146	RESERVES & SURPLUS	478,467
SECURED LOANS	Nil	UNSECURED LOANS	Nil
NET FIXED ASSETS	53,778	INVESTMENTS	466,005
NET CURRENT ASSETS	40,831	DEFERRED TAX	Nil
MISC. EXPENDITURE	Nil	ACCUMULATED LOSSES	Nil

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

Turnover (Sales and Other Income)	276,549	Total Expenditure	145,134
Profit/(Loss) Before Tax	131,415	Profit/(Loss) After Tax	127,415
Earning per Share in Rs (Refer Note 15 above)	3.38	Dividend Rate %	10.00

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

Item Code (ITC Code)	85249009.10	Product Description	Software Product
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16. Previous years figures have been re-grouped/rearranged wherever necessary.

For and on behalf of the Board.

Hariraj Chouhan

Company Secretary

As per our report of even date.

For **Deloitte Haskins & Sells**

Chartered Accountants

P. R. Barpande

Partner

Place : Mumbai

Date: 9th July, 2004

Jignesh P. Shah

Chairman and Managing Director

Ashish S. Dalal

Director

Place : Mumbai

Date: 9th July, 2004

Statement pursuant to Section 212 of the Companies Act 1956, relating to subsidiary companies

1. Name of the Subsidiary	Multi Commodity Exchange of India Limited
2. Financial period ended	31st March 2004
3. Holding Company's interest	100% (15,050,000 Equity Shares of Rs 10/- each fully paid up)
4. The net aggregate Profit/(Loss) for the current period of the subsidiary so far as it concern the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	NIL
b. not dealt with or provided for in the accounts of the holding company	Rs. 9,378,051/-
5. The net aggregate of Profit / (Loss) for previous financial years of the subsidiary so far as it concern the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Not Applicable, since the company became the holding company during the year.
b. not dealt with or provided for in the accounts of the holding company	NA

For and on behalf of the Board.

Jignesh P. Shah
Chairman and Managing Director

Ashish S. Dalal
Director

Hariraj Chouhan
Company Secretary

Place : Mumbai
Date: 9th July, 2004

AUDITORS' REPORT

Auditor's Report on the Consolidated Financial Statements of Financial Technologies (India) Limited and its subsidiary

The Board of Directors

Financial Technologies (India) Limited

We have audited the attached consolidated balance sheet of Financial Technologies (India) Limited ('the Company') and its subsidiary, as at 31st March 2004, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accountinssg Standards (AS) 21, Consolidated financial statements, issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Company as at 31st March 2004;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Membership No. 15291

Mumbai.

Dated: 9th July 2004.

Consolidated Balance Sheet as at 31st March 2004

	Schedule No.	Rupees	31.03.2004 Rupees
I. SOURCES OF FUNDS			
(1) Shareholders' Fund			
(a) Capital	1	82,146,152	
(b) Share Application Money		4,200,000	
(c) Reserves and Surplus	2	397,503,857	
			483,850,009
(2) Loan Fund			
(a) Secured loans	3		1,327,642
			485,177,651
II. APPLICATION OF FUNDS			
(1) Fixed Assets			
(a) Gross Block	4	201,835,751	
(b) Less : Depreciation		49,198,651	
(c) Net Block			152,637,100
(2) Investments			
	5		315,504,552
(3) Current Assets, Loans and Advances			
(a) Sundry Debtors	6	14,898,474	
(b) Cash and Bank Balances	7	122,052,479	
(c) Loans and advances	8	42,621,919	
		179,572,872	
Less: Current Liabilities and Provisions			
(a) Current Liabilities	9	137,645,715	
(b) Provisions	10	24,891,158	
		162,536,873	
Net Current Assets			17,035,999
			485,177,651

Significant Accounting Policies
and Notes to Accounts

15

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

For and on behalf of the Board.

Hariraj Chouhan
Company Secretary

Jignesh P. Shah
Chairman and Managing Director

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

Ashish S. Dalal
Director

P. R. Barpande
Partner

Place : Mumbai
Date: 9th July, 2004

Place : Mumbai
Date: 9th July, 2004

Consolidated Profit & Loss Account for the year ended 31st March 2004

	Schedule No.	31.03.2004 Rupees
INCOME		
Sales	11	215,547,824
Other income	12	15,190,888
		230,738,712
EXPENDITURE		
Operating and other expenses	13	155,276,229
Interest	14	1,961,429
Depreciation		23,049,719
		180,287,377
Profit before tax		50,451,335
Provision for taxation		
Current tax		4,000,000
Profit after tax		46,451,335
Balance brought forward from previous year		(9,581,458)
Balance available for Appropriation		36,869,877
Proposed Dividend		8,214,615
Tax on Dividend		1,052,498
		9,267,113
Balance carried to Balance Sheet		27,602,765
Earning Per Share (Refer note 13 to schedule 15)		
Basic		1.23
Diluted		1.23
Significant Accounting Policies and Notes to Accounts	15	

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

Hariraj Chouhan
Company Secretary

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

P.R.Barpande
Partner
Place : Mumbai
Date: 9th July, 2004

For and on behalf of the Board.

Jignesh P. Shah
Chairman and Managing Director

Ashish S. Dalal
Director

Place : Mumbai
Date: 9th July, 2004

Consolidated Cash Flow Statement for year ended 31st March 2004

	Rupees	Current Period Rupees
A. Cash Flow from operating activities		
Net profit before tax and extraordinary items		50,451,335
Adjustment for		
Depreciation	23,049,719	
Employees Compensation Expenses	891,715	
Loss on sale of investments	11,656,897	
Loss on sale of fixed assets	613,160	
Loss on fixed assets scrapped	126,021	
Income from investments	(539,209)	
Interest expense	1,961,429	
Sales made for consideration other than cash	(35,000,000)	
Interest Income	(2,601,013)	158,719
Operating profit before working capital changes		50,610,054
Adjustments for		
Trade and other receivables	4,142,614	
Trade payables and provisions	111,966,361	116,108,975
Cash used in operations		166,719,029
Tax paid		(8,190,076)
Interest Income		2,601,013
Net cash used in operating activities		161,129,967
B. Cash Flow from Investing Activities		
Additions to Fixed Assets		(45,818,665)
Sale of Fixed Assets		2,234,154
Purchase of Investments		(469,201,051)
Sale of Investments		253,011,842
Income from investments		539,209
Net cash from investing activities		(259,234,511)
C. Cash flow from financing activities		
Secured loan taken from Bank		(15,239,346)
Issue of Share Capital		7,273,974
Share Premium Received		219,600,000
Share Application Money		4,200,000
Interest Expenses		(1,961,429)
Net cash from financing activities		213,873,199
Net cash flow during the year		115,768,655
Net increase in cash and cash equivalents		115,768,655
Cash and cash equivalents (opening balance)		6,283,824
Cash and cash equivalents (closing balance)		122,052,479

Notes to cash flow statement:

- Cash and cash equivalents include cash and bank balances in current and deposit accounts
- Interest income from advances in the nature of loans & deposits etc is classified as cash flow from operating activities.
- 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.
- The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS 3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

For and on behalf of the Board.

Jignesh P. Shah

Chairman and Managing Director

Ashish S. Dalal

Director

Hariraj Chouhan

Company Secretary

As per our report of even date.

For **Deloitte Haskins & Sells**

Chartered Accountants

P.R.Barpande

Partner

Place : Mumbai

Date: 9th July, 2004

Place : Mumbai

Date: 9th July, 2004

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2004 Rupees	As at 31.03.2004 Rupees
Schedule 1: Share Capital:		
Authorised:		
150,000,000 equity shares of Rs.2/- each		300,000,000
Issued, subscribed and paid up:		
41,073,076 equity shares of Rs.2/- each fully paid up		82,146,152
Of the above:		
(a) 33,000,494 Shares of Rs. 2/- each fully paid up have been allotted for consideration other than cash pursuant to scheme of amalgamation		
(b) 69,931 shares of Rs.2/- each fully paid have been allotted to the employees under Employee Stock Option Scheme.		
TOTAL		82,146,152
Schedule 2 : Reserves & Surplus		
Capital Reserve:		
Balance at the commencement of the year		14,759,312
Securities Premium Account:		
Balance at the commencement of the year	133,968,113	
Add: Received during year	220,379,730	
		354,347,843
Employees Stock Option Outstanding:		
Balance at the commencement of the year	681,952	
Add: Addition during the year	891,715	
	1,573,667	
Less: Shares allotted during the year (Refer note 6 to Schedule 15)	(779,730)	793,937
Profit and Loss Account		27,602,765
TOTAL		397,503,857
Schedule 3 : Secured Loans		
a) Overdraft account		815,480
b) Vehicle Loan		512,162
TOTAL		1,327,642

Notes:

- a) Vehicle Loan is secured by hypothecation of Motor vehicle
- b) Over draft from a bank is secured by creation of lien on Fixed Deposit Receipts with Banks

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**SCHEDULE 4 : Fixed Assets**

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK
	Cost as at 1.04.2003	Additions	Deletion	Upto 31.3.2003	Upto 31.3.2003	Deletions/ Adjustments#		
Building (include improvement to lease hold premises)	31,249,668	1,236,290	-	4,968,976	1,874,405	(2,916)	6,846,297	25,639,661
Networking Equipments	-	6,765,120	-	-	438,022	-	438,022	6,327,098
Office Equipments	39,316,569	11,563,401	4,099,363	14,812,519	5,457,924	1,232,913	19,037,530	27,743,077
Furniture & Fittings	10,798,833	63,447	170,675	3,962,699	628,492	89,087	4,502,104	6,189,501
Vehicles	1,850,363	793,141	-	480,864	237,514	(1,199)	719,577	1,923,927
SUB TOTAL	83,215,433	20,421,399	4,270,038	24,225,058	8,636,357	1,317,885	31,543,530	67,823,264
Intangible Assets								
Trade Mark	167,480	89,490	-	99,668	27,698	(686)	128,052	128,918
Technical Knowhow	633,413	-	-	422,276	105,569	-	527,845	105,568
Computer Software	6,050,680	70,797,811	64,352	2,739,665	14,280,095	20,536	16,999,224	59,784,915
Goodwill (Refer Note 1 to schedule 15)	-	24,794,435	-	-	-	-	-	24,794,435
SUB TOTAL	6,851,573	95,681,736	64,352	3,261,609	14,413,362	19,850	17,655,121	84,813,836
TOTAL	90,067,006	116,103,135	4,334,390	27,486,667	23,049,719	1,337,735	49,198,651	152,637,100

Notes:

1) Building includes Rs. 250 towards the cost of the shares in the society.

Includes Rs. 23321.00 arising on investment in subsidiary company.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2004 Rupees	As at 31.03.2004 Rupees
Schedule 5: Investments (at Cost)		
Long Term:		
Trade (unquoted) :		
A) In equity shares		2,450,000
Non-trade:		
B) In units of mutual funds		313,054,552
TOTAL		315,504,552
Schedule 6 : Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months	4,843,358	
Other Debts	15,893,745	
		20,737,103
Less: Provision		5,838,629
TOTAL		14,898,474
Notes: Sundry Debtors include		
Considered good		14,898,474
Considered doubtful		5,838,629
		20,737,103
Schedule 7 : Cash and Bank Balances		
Cash and cheques on hand		324,976
Bank Balances		
(a) with Scheduled Banks:		
(i) In current accounts		20,265,133
(ii) In deposit accounts*		99,109,806
(including interest accrued on deposits Rs.84,400)		
(b) with others :		
i) with PNC Bank - New Jersey Branch in current account (Maximum balance during the year Rs.1,711,574)		116,896
ii) with PNC Bank - New Jersey Branch in deposit account (Maximum balance during the year Rs.2,212,897)		2,212,897
iii) with ANZ Grindlays Bank - Australia Branch in current account (Maximum balance during the year Rs.557,834)		22,771
TOTAL		122,052,479
* (Includes Rs.1,350,397 under lien with bank against bank guarantees and Rs.10,600,000 being under lien with banks for overdraft facility)		
Schedule 8 : Loans and Advances (Unsecured)		
Advances recoverable in cash or kind or for value to be received	8,961,957	
Advance Income tax	23,450,995	
Deposits	10,370,345	
		42,783,297
Less: Provision		161,378
TOTAL		42,621,919
Notes: Loans and advances include		
1) a) Considered good		42,621,919
b) Considered doubtful		161,378
2) Rs.9,811,692 paid as deposits towards premises taken on lease		42,783,297
Schedule 9: Current Liabilities		
Sundry Creditors		132,333,542
Unearned Revenue		5,312,173
TOTAL		137,645,715
Schedule 10: Provisions		
For taxation		12,750,000
For gratuity and leave encashment		2,874,045
For Proposed Dividend		8,214,615
Tax on Dividend		1,052,498
TOTAL		24,891,158

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Year Ended 31.03.2004	Year Ended 31.03.2004
Schedule 11 : Sales		
Products (IPR Based-License)		120,853,606
Services (Project Based)		52,503,218
Exchanged Based Revenue		42,191,000
TOTAL		215,547,824
Schedule 12 : Other Income		
Dividend from long term investments		539,209
Interest :		
From Bank on deposit account		1,097,601
From Others		1,503,412
(Tax deducted at source Rs. 489,204)		
Bad Debts recovered		88,000
Miscellaneous income		15,684
Credit balances/Provision for doubtful debts/advances written back		5,170,479
Service Charges		5,000,000
Deposit appropriation account (Refer Note 12 to Schedule 15)		526,503
Premises Rentals		1,250,000
TOTAL		15,190,888
Schedule 13: Operating and other expenses		
Payment to and provisions for employees		
Salaries and bonus (net of recovery)	56,631,785	
Contribution to Provident fund and other funds (net of recovery) (Including Rs.1,156,226 paid/collected by various authorities located outside India as contributions.)	2,283,631	
Gratuity	394,999	
Employees Stock Compensation Expenses	891,715	
Training	85,844	
Staff Welfare Expenses	2,008,702	
		62,296,676
Electricity		3,682,796
Advertisement expenses		6,096,579
Sales promotion expenses		2,185,275
Brokerage and Commission charges		4,726,052
Sales Tax Paid		3,763,240
Seminar Expenses		66,754
Rent (Refer note 8 to schedule 15)		7,308,910
Rates and Taxes		5,200
Service Charges		6,013,959
Recruitment Charges		315,749
Repairs and Maintenance (Others)		2,683,816
Travelling and Conveyance (net of recovery)		4,759,897
Communication expenses (net of recovery)		5,477,838
Insurance		2,240,468
Printing and Stationery		1,477,524
Loss on sale of Investments		11,656,897
Loss on sale of fixed assets		613,160
Loss on fixed assets scrapped		126,021
Legal and Professional Charges (net of recovery)		14,106,781
Registration Fees		417,336
Security Charges		1,322,560
Miscellaneous expenses **		4,561,425
Irrecoverable debts/advances written off		5,429,250
Provision for doubtful debts/advances		3,680,829
Exchange rate fluctuations (net)		261,237
TOTAL		155,276,229

** Miscellaneous expenses include bank charges
auditors remuneration, fees and subscription etc

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Year Ended 31.03.2004	Year Ended 31.03.2004
Schedule 14: Interest		
Interest on bank cash credit/overdraft accounts		1,425,643
Interest paid to Others		535,786
TOTAL		1,961,429

Schedule 15**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 requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialized.

C. Principles of Consolidation

The consolidated financial statements relate to Financial Technologies (India) Limited ("the Company") and its subsidiary company. The Consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary have been combined on the line-by-line basis by adding together the book values of like items of the assets, liabilities, income and expenses, after elimination of material intra group balances, intra group transactions and unrealized profit or losses in accordance with Accounting standard (AS 21) "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.
- The financial statement of the Company and its subsidiary have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- The excess of cost to the Company of its investments in subsidiary over the company's portion of equity of the subsidiary is recognized in the financial statement as goodwill.

D. 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.

E. Intangibles

Intangible Assets are stated at cost of acquisition less accumulated amortization. Computer software is amortized over the period ranging from 3 to 6 years, Trade mark over 5 to 14 years and Technical know how over a period of 6 years on a straight line basis.

F. 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 (AS 19) "Accounting for Leases" issued by The Institute of Chartered Accountants of India.

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.

G. 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 and networking equipment are depreciated over a period of five years.

H. Investments

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

I. 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 from transaction fees is recognised on successful completion of the transaction and generation of confirmation of order. (Refer Note 11)

Dividend income is recognized when the right to receive is established.

In appropriate circumstances, revenue (income) is recognized when no significant uncertainty as to determination and

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

realization exists.

J. 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 (except depreciation) 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 items are translated at the rate prevailing on the date of the transaction. Balance in 'head office' account whether debit or credit is translated 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.

K. 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 is provided on actual basis in accordance with the Company's scheme in this respect. Gratuity in respect of subsidiary is provided in accordance with the provisions of Payment of Gratuity Act, 1972.

L. 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.

M. 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 substantively 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.

N. 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.

II. NOTES FORMING PART OF ACCOUNTS:**1.Subsidiary to consolidation:**

The consolidated financial statements present the consolidated accounts of Financial Technologies (India) Limited with the following subsidiary:

Name of subsidiary	Country of incorporation	Proportio of Ownership Interest
Multi Commodity Exchange of India Limited (MCX)	India	100%

MCX became a subsidiary company during the year and the accounts have been consolidated from the date of acquisition .As at the date of acquisition the excess of cost to the Company of its investments in MCX over the Company's portion of equity of MCX at the date of acquisition, considered as Goodwill aggregating to Rs.24,794,435 is included in Fixed assets (schedule 4). This being the first occasion of

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Consolidated Financial Statements previous year comparison have not been made.

		2003-04 Rupees
2	Estimated amount of contract to be executed on Capital Account and not provided for (net of advances)	450,385
3	Contingent Liability not provided for in respect of:	
	a) Counter guarantee issued against bank guarantee	1,400,000
	b) Income tax demands disputed in appeal and pending decision before higher authorities	3,309,752
4	Payment to Auditors (including service tax)	
	a) For Audit fees	810,000
	b) For other matters (such as certification work etc)	113,400
	c) For reimbursement of out of pocket expenses	7,878
Total		931,278
5	Managerial Remuneration under section 198 of the Companies Act, 1956	
	a) Salaries and allowances	4,962,551
	b) Gratuity*	59,134
	c) Monetary Value of perquisites	4,400
* Excluding gratuity in respect of directors who are covered under Group Gratuity scheme and where the separate amount is not identifiable.		

6. Employees Stock Option Scheme ("ESOS")

In accordance with the ESOS 223,402 options of 1 share each of Rs. 2, were granted to eligible employees to be exercised over a period of eighteen months from the date of vesting upto 30th September 2004.

Number of options granted and lapsed	31.03.2004
Options granted and outstanding at the beginning of the year	150,541
Add: Options granted during the year	---
Less: Options exercised during the year	36,987
Less: Options lapsed during the year	42,350
Options granted and outstanding at the end of the year	71,204

The stock option discount in the aforesaid scheme has been amortized over the vesting period upto 31st March, 2004.

7. 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 virtual certainty for recognition of deferred tax asset on unabsorbed depreciation and carry forward loss, the same is recognized as an asset to the extent there is virtual certainty and the balance will be reassessed at subsequent balance sheet dates and will be accounted for in the year of virtual certainty in accordance with the aforesaid accounting standard.

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

Particulars	As at 31.03.2004 Rupees
a) Deferred tax liability:	
Depreciation	(19,019,225)
	(19,019,225)
b) Deferred tax asset:	
Carry forward loss/unabsorbed depreciation	15,543,894
Provision for doubtful debts, advances etc.	2,989,932
Others	485,399
	19,019,225
Net deferred tax liability	-

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

8. The company has entered into operating lease agreement for its development centers ranging from 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:

	2003-04 Rupees
Lease rentals (Refer schedule 13)	7,308,910
Obligations on non-cancelable leases	
Not later than one year	5,642,595
Later than one year and not later than five years	9,412,515
Later than five years	-

9. Segment Reporting**a. Primary Segment: Business segments**

Particulars	STP Technologies	Exchange Based	Total Consolidated
Revenue			
External sales	173,356,824	42,191,000	215,547,824
Total revenue	173,356,824	42,191,000	215,547,824
Result			
Segment profit before interest & tax	56,428,788	9,564,992	65,993,780
Unallocated corporate expense (net)			16,182,029
Interest expense			1,961,429
Interest income			2,601,013
Profit before tax			50,451,335
Income tax			4,000,000
Net profit			46,451,335
Other Information			
Segment Assets	78,388,109	74,164,722	152,552,831
Unallocated Assets			495,161,693
Total Assets	437,597,942	185,322,147	647,714,524
Segment Liabilities			
Unallocated Liabilities	23,398,698	117,121,061	140,519,759
Total Liabilities			163,864,515
Capital Expenditure during the year	2,480,701	88,566,850	91,047,551
Segment Depreciation	8,570,911	14,478,808	23,049,719

b. Secondary Segment

During the years ended March 31, 2003 and 2004, the Company had no reportable geographical segments and on that basis no secondary segment information is furnished

10. Related Party information**1. Names of related parties and nature of relationship:****a. Key Management Personnel:**

Mr. Jignesh Shah:	Managing director
Mr. Sajit Dayanandan:	Whole-time director
Mr. Dewang Neralla:	Whole-time director
Mr. Mahesh Joshi:	Whole-time director (upto 31st December, 2003)
Mr. Ajay Narasimhan:	Whole-time director
Mr. Joseph Massey:	Deputy Managing Director (w.e.f 8th May, 2003)

b. Relatives of the Key Management Personnel where transactions have taken place

Mr. Manjay Shah	Vice President
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Schedule 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**2. Transactions with related parties**

Transactions during the year	Key Management Personnel	(Amount in Rupees)
		Relatives of Key Management Personnel
Remuneration:	5,026,085	595,251
Car recoveries:	110,400	-

Note:

- Related party relationship is as identified by the Company and relied upon by Auditors.
- The Company holds equity investments of 24% in IBS Forex Private Limited. However the transactions with the said company are not included in the aforesaid disclosure as an associate of the said company since in the opinion of the company, there is no significant influence exercised over that company and hence the said company accounts are not consolidated on equity accounting basis and hence is also not a related party.

11. The Company commenced exchanged based operations from November 10, 2003 and the exchange was made open to the members for trading transactions. As per the business rules followed by the Company, the revenue is earned by levying the transaction fees based on applicable slabs. However, considering that this being the initial period of operating on the exchange and also encouraging the members to expand their business, the transaction fee was waived during the year up to March 31, 2004.

12. During the year, the Company has received an amount aggregating to Rs.14,610,000/- from members towards deposits (non-refundable) for networking equipment to be installed at the members locations and which cannot be surrendered to the Company. On that basis, considering the concept of matching of costs (depreciation) with revenue, the Company has appropriated Rs. 526,503/- from the deposits as a matching income towards such equipment and included the same in Other Income (Refer Schedule 12).

13. Earnings Per Share is calculated as follows:

	2004 Rupees
a. Net Profit/(Loss) after tax	46,451,335
b. Weighted average number of Equity Shares	
Basic	37,709,992
Add: Employees Stock Options	71,204
Diluted	37,781,196
c. Basic EPS	1.23
Diluted EPS	1.23
d. Nominal value of equity share	2

For and on behalf of the Board.

Hariraj Chouhan
Company Secretary

Jignesh P. Shah
Chairman and Managing Director

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

Ashish S. Dalal
Director

P. R. Barpande
Partner

Place : Mumbai
Date: 9th July, 2004

Place : Mumbai
Date: 9th July, 2004

Annual Report of Subsidiary Company

Multi Commodity Exchange of India Ltd.

The Board of Directors

Mr. Venkat R. Chary	Chairman IAS, Former Chairman of the Forward Markets Commission (FMC)
Mr. Jignesh P. Shah	Managing Director Ex-BSE, Founder of FTIL
Mr. Joseph Massey	Deputy Managing Director Ex-MD ISE, ED VSE, SCHIL, RBI, LIC
Mr. V. Hariharan	Director CTO, FTIL, Ex-Group Head, NSE IT, AVP NSE, Ex-DGM, BSE
Mr. Shveta S. Vakil	Director Ex. Hindustan Lever Ltd. (HLL), Ex President, International Castor Oil Association, New York
Mr. A. Mahendran	Director Managing Director, Godrej Sara Lee Ltd.
Mr. C. M. Maniar	Director Partner, Crawford Bayley & Co
Mr. Sandeep Bajoria	Director Managing Director, Bajoria Fats and Proteins Ltd.
Dr. Madhookar Pavaskar	Director Leading Economist & Ex-CEO, TECS Ltd.
Mr. D. S. Kolamkar	Director, FMC

Auditors

M/s. Deloitte Haskins & Sells	Statutory Auditors
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DIRECTORS' REPORT

TO THE MEMBERS OF MULTI COMMODITY EXCHANGE OF INDIA LTD. (MCX)

The Directors have pleasure in presenting the Second Annual Report and the Audited Accounts for the year ended 31st March 2004.

Indian economy appears to be in a resilient mode in terms of growth, inflation and balance of payments, a combination that offers growth momentum with continued macroeconomic stability. Real Gross Domestic Product is estimated to have grown by 8.1 % in year 2003-04, buoyed by a strong agricultural recovery of 9.1%. Industry and services sectors also maintained the momentum with GDP. These two sectors have shown growth of 6.5 % and 8.4% respectively. A benign world economic environment provided a conducive backdrop to the robust performance on the Indian economy in 2003-04. World output growth is estimated to have accelerated from 3.0 per cent in 2002 to 3.9% in 2003.

Our industry is new to Indian Economy with a lot of potential. Government willingness to support growth and development of commodities sector and agriculture sector is a good sign for Commodity Exchanges. In a short span of time, the industry demonstrated its strength as witnessed from a large number of market participants and increase in volume coupled with addition of new products. We are sanguine that expansion of the industry would offer a better means to hedge price risk. Development of the industry would have far reaching benefits for the agriculture sector especially farming community who are vulnerable to abrupt price movement.

1. FINANCIAL RESULTS AND OPERATIONS:

Your Company received the in-principle approval from the Forward Markets Commission, Ministry of Consumer Affairs, Food and Public Distribution for setting up the Nationwide Multi Commodity Exchange in February 2003. The Company was provided a ten month period to complete further formalities like up gradation facilities, demutualization, online trading etc., on completion of which the Company would have received permanent recognition as Nationwide Multi Commodity Exchange. The Board of Directors are happy to inform you that the Company completed all the formalities, including membership enrolment and setting up of countrywide infrastructure facilities so as to enable the members to trade in commodities from any place across the country, in a period of eight months i.e. well before the statutory period.

Shri Mukesh Ambani, Chairman and Managing Director, Reliance Industries Ltd inaugurated the live trading on the Exchange, which

commenced on 10th November 2003. Since then the Exchange has made rapid strides to become the number one Exchange amongst all the nationwide multi commodity exchanges.

The financial performance for the year ended 31st March 2004 was as under: -

FINANCIAL RESULTS

Particulars	2003-2004	(Rs. in Lakhs)
		2002-2003
Total Income	437.60	-
Operating Loss	(94.06)	-
Interest	18.50	-
Depreciation	229.16	-
Loss for the year	(341.72)	-
Balance c/f to Balance sheet	(341.72)	-

2. DIVIDEND

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

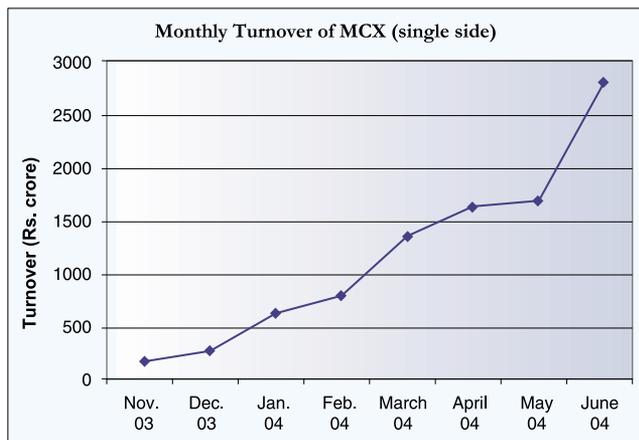
3. ALLOTMENT OF SHARES:

The Company became a wholly owned subsidiary of Financial Technologies (India) Limited (FTIL) during the year under review and made allotment of equity shares aggregating to Rs.15 Crores for consideration other than cash for technology provided by FTIL. Subsequent to the Balance Sheet date, the Company has allotted equity shares aggregating to Rs.3.78 Crore to State Bank of India, Union Bank of India, Corporation Bank, Bank of India and Canara Bank

4. OPERATIONS OF MCX

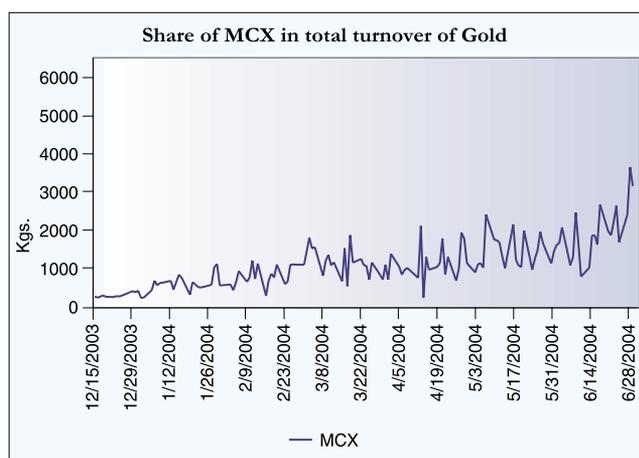
The Exchange commenced operations with the launch of trading in three commodities, Gold, Silver and Castor. Subsequently, other commodities were added in the category of edible oil, Ferrous and non-Ferrous metals, Pulses and Cash Crops, like, Kapas, Cotton, Rubber and Pepper. During the period November 10, 2003 to March 31, 2004, MCX achieved a turnover of Rs.4,918 Crores and the same during the first quarter of 2004-05 has amounted to Rs.11, 477 Crores. As on March 31, 2004, MCX had

this membership has now increased to 353 members of which about 175 are trading as on June 30th 2004. All these members have been admitted from different parts of the country. All the members along with their authorized users have taken over 1,059 user IDs to log into the system for doing business from any place across the country. The growth in value of business done by MCX is shown in the graph below:



Amongst the various commodities traded on the three national level multi commodity exchanges, Gold was the most traded commodity and MCX accounted for over 80 percent of the total futures trading in Gold in the country.

The graph below indicates the share of MCX in total turnover in Gold.



MCX takes pride in providing innovative services to its clients and members. MCX initiated trading in Gold contracts of 1 kg, which quickly became popular in the country. Similarly, MCX launched evening trading to map trading timing of NYMEX (COMDEX), which is the most liquid global gold exchange. MCX does almost 60% of volumes in the evening session as our traders have a global benchmark of price discovery during the evening session based on international prices.

MCX designs its policy keeping the commodity markets in mind and this focused policy has paid off. The Company entered into strategic alliances with the commodity specific organizations, such as:

1. The Bombay Bullion Associations (BBA)
2. The Solvent Extractors Association (SEA)
3. The Bombay Metal Exchange (BME)
4. The Pulses Importers Associations (PIA)
5. The Soyabean Processors Association of India (SOPA)
6. Commodity Exchanges and Stock Exchanges

The strategic alliances have proved beneficial for MCX as witnessed from its turnover and its impact will be more pronounced in coming years. MCX has also tied up with all the ecosystem partners to ensure that all support services required for settlement of trades and handling of deliveries are available to its members. MCX has tied up with various support agencies for exchange support functions and the details of these agencies are placed at Annexure - I.

5. SWOT ANALYSIS:

5.1 Strengths

MCX's strength lies in providing the most cost effective service to the customers, which reflect in the membership fee. By making alliances with the commodity specific associations as mentioned above the company has been offering the services to customers at a highly competitive cost. Our experience in terms of domain knowledge of various commodities is great strength for the company. Keeness of different commercial banks to become equity partners of MCX and consequent upon subscription to equity shares of the Company by State Bank of India, Bank of India, Corporation Bank, Union Bank of India and Canara Bank has added to the intrinsic strength to the company. MCX has established its leadership in bullion trading and currently stands fifth in the world in terms of volumes. Further, being promoted by a technology company gives additional technology edge to MCX to face competition better.

5.2 Weakness

Though the Company has been a leader in bullion trading, we are now focusing on Agro commodities also. Greater focus among trading community of agro commodity is important. Also we need to strengthen our market information system to bring in more efficiency in the trading. There is a need for more refined and strategic approach whenever we introduce a new product.

5.3 Opportunity

Industry being in its nascent stage is still unexploited and has great potential for growth. Addition of new and innovative products catering to the requirements of market participants would open business opportunities. Understanding the potential of the market, we are working on offering new products at the earliest.

5.4 Threats

With the presence of two other nationwide commodity exchanges competition would remain tough in the coming days. Getting lead in any commodity would strengthen the position of early mover. Agro commodity being highly heterogeneous in nature may lead to arbitration.

5.5 Management discussion and Analysis

As it appears from SWOT analysis, the Company has established itself in terms of cost competitiveness, technological edge, alliances with various associations and getting leading banks as our equity partners. We would continue to build up our strength with more alliances as required. The Company will focus on agro commodity by way of alliances, creating awareness and brand building to attract major market participants. A separate strategy is being mooted to bring in more volumes from agro commodity sector. The Company is also working on new products to address the need of trading community.

5.6 Outlook for Future:

Considering the progress made by MCX during the last 8 months of its operations, there is no doubt that the commodities market will have a wide and deep penetration across the country. As MCX is accessible using Internet, its popularity is increasing continuously. Considering the response received by MCX till date and the commodity focused business model adopted by MCX, we expect our turnover to touch Rs.1000 Crores per day in the current financial year. We also expect the Exchange to launch new contracts in the energy sector, industrial commodities, indices and various other agriculture commodities.

We would continue doing strategic alliances in future with various commodities sector participants for larger participation and deeper penetration. MCX has been conducting a very intensive education programs to create awareness on commodity futures trading. In the coming year, this drive will be customized to suit regional centers by using greater vernacular resources. Further, MCX has been conducting various programs and seminars for creating awareness on Commodities Markets. It has also been publishing research reports on various commodities and monthly newsletters to inform its members and other users of futures market about the various developments in the commodities sector.

Considering the Government's plan to create a unified market in India with freedom of movement, trade and with common legal and fiscal structure, MCX would like to take this opportunity to create the largest distribution network by providing access to all ecosystem users and also provide multiple products and services on this distribution network. In order to strengthen this distribution network and improve penetration, MCX has also decided to get related ecosystem partners to take strategic stake in the equity of MCX. MCX plans to launch various products and services in association with shareholder Banks and thereby

create the largest distribution network within the commodities sector.

6. CORPORATE GOVERNANCE

In line with the Company's vision to follow the best practices your company has appointed four well-known persons from Public Sector and Corporate Sector as Independent Directors.

Further, MCX has also appointed M/s V. Shanker Iyer & Co., Chartered Accountants as the Internal Auditors of the Exchange for looking after its financial and operations audit. The requisite Audit Committee has also been formed pursuant to the provision of the Companies Act, 1956.

7. DIRECTORS: -

Mr. Jignesh Shah and Mr. Joseph Massey retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Mr. Chetan Maniar, Mr. Shveta Vakil and Mr. Sandeep Bajoria were appointed as Additional Directors. Mr. D. S. Kolamkar, a nominee from Forward Market Commission was also appointed as a Nominee Director during the period under review. The Additional Directors vacate their offices at the ensuing Annual General Meeting and the Company has received notices pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing their candidature at the ensuing Annual General Meeting as Directors liable to retire by rotation. Pursuant to the provision of section 6(2)(b) of the Forward Contracts (Regulation) Act, 1952, the Forward Markets Commission has approved the appointment of Mr. Venkat R. Chary, Dr. Madhookar Pavaskar and Mr. A. Mahindran as Independent Directors for a period of one year.

8. DIRECTORS RESPONSIBILITY STATEMENT:

The Directors confirm:

- (a) that in preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (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 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.

9. CONSTITUTION OF COMMITTEES:

The Board of Directors at its meeting held on 6th November, 2003 has constituted a Executive Committee to take care of the day to day operations of the Exchange and also for meeting various regulatory and statutory compliances.

10. AMENDMENTS OF MEMORANDUM & ARTICLE OF ASSOCIATION, RULES, BYELAWS OF THE EXCHANGE.

Consequent to the approval received from the FMC the company has suitably amended and replaced its Memorandum & Article of Association to enable it to pursue the activities of an exchange. The Registrar of Companies also approved the amendment to the Memorandum of Association. No changes were made to the rules and byelaws of the Exchange.

11. ADMISSION, RE-ADMISSION, DEATH OR RESIGNATION OF MEMBERS AND THE TOTAL NUMBER OF MEMBERS AND THEIR DISTRIBUTION AMONG THE DIFFERENT CLASSES DURING THE YEAR 2003-2004:

(a) Total number of ITCM at the beginning of the year	:	Nil
Number of ITCM admitted during the year	:	04
Total	:	04
Number of ITCM resigned/ surrendered	:	Nil
Total ITCM at the end of the year	:	04
(b) Total number of TCM at the beginning of the year	:	Nil
Number of TCM admitted during the year	:	239
Total	:	239
Number of TCM resigned/ surrendered	:	Nil
Total TCM at the end of the year	:	239

12. DISCIPLINARY ACTION TAKEN AGAINST MEMBERS

No disciplinary action was taken against any member of the Exchange during the financial year 2003-04.

13. ARBITRATION PROCEEDINGS

No case was referred to arbitration during the year under review.

14. DEFAULTS COMMITTED BY MEMBERS PERTAINING TO NON-PAYMENT OF DIFFERENCES, FAILURE TO TENDER ETC.

No instances of default occurred during the financial year 2003-04.

15. REGULATORY MEASURES IMPOSED IN RESPECT OF CONTRACTS PERMITTED DURING THE YEAR

A statement on regulatory measures imposed by the Board of Directors/FMC in respect of the future contracts permitted during the year 2003-2004 is attached as Annexure-V.

16. STATEMENT SHOWING THE PRICE VARIATIONS, DDR, SPOT PRICE ETC. IN RESPECT OF CONTRACTS PERMITTED DURING THE YEAR

A statement showing the price variation, Due Date Rate in respect of the various contracts permitted during the year 2003-2004 along with ready price on Due Date is attached as Annexure-VI.

17. PUBLICATIONS OF THE EXCHANGE

An in-house monthly newsletter namely MCX-com-News is being published since October 2003 and is being sent to all the members as well as to public at their E-mail addresses. A hard copy of the said publication is being sent to Forward Market Commission and also to Ministry of Consumer Affairs, Food and Public Distribution, Government of India. Besides, the Exchange hosts the keeps this monthly newsletter on its web site.

AUDITORS:

M/s. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

STATUTORY INFORMATION:**1. Fixed Deposits**

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

2. Particulars of Employees

There were no employees for which particulars in accordance with the provisions of the Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, are to be furnished.

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

Considering the nature of the Company's activities, the particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with Companies (Disclosure of particulars in report of the Board of Directors) Rules, 1988, are not applicable. However the Company constantly endeavors to use modern equipments and techniques to conserve energy and upgrade technology.

Foreign Exchange Earnings: Nil

Foreign Exchange Outflow: Rs.1, 98, 882/-

ACKNOWLEDGEMENT

Yours Directors wish to place on record their appreciation for the Ministry of Consumers Affairs, Food & Public Distribution, the Forward Markets Commission, the Securities Exchange Board of India and the Reserve Bank of India for their valued support in the development and growth of the commodity trade.

Your Directors also thank the clients, vendors, financial institutions, bankers, business associates and various governmental as well as regulatory agencies for their valuable support for the Company's growth. Your Directors also sincerely appreciate the participation of Banks which have taken stake in the equity of the company, namely, State Bank of India, Union Bank of India, Bank of India, Corporation Bank and Canara Bank. Your directors also thank the employees, and clearing Banks for their dedication and commitment to the progress of the company.

For and on behalf of the Board

Mumbai
August 11, 2004

Venkat R. Chary
CHAIRMAN

- Reliance Logistics
- State level Warehousing Corporation of Kerala, Gujarat, Tamil Nadu and Uttar Pradesh

Insurance:

- New India Assurance Company Ltd.
-

ANNEXURE – I

MCX Support Agencies**Clearing Banks:**

- Union Bank of India
- Bank of India
- HDFC Bank
- IndusInd Bank
- UTI Bank
- It is expected that State Bank of India and Corporation Bank will also start providing clearing Bank services in the near future

Quality Certification Agencies

- SGS India Private Limited
- Geo - Chem Laboratories Private Limited
- Dr. Amin Superintendents & Surveyors Private Limited
- Caleb Brett India Private Limited
- Atlas Surveyors

Logistic & Warehousing Services:

- Group 4 Securities Pvt. Ltd
- Central Warehousing Corporation

ANNEXURE – II

Milestones achieved by MCX:

April 18, 2002	Submission of proposal for setting-up Exchange
July 5, 2002	Presentation to Forward Markets Commission
Sept. 27, 2002	Presentation to Ministry of Consumer Affairs, Food and Public Distribution
Feb. 14, 2003	In-principle approval for setting-up Exchange
March-July 2004	Management team, Board of directors and Advisory Board set-up. Technology deployed and Members enrolled. Arrangement made with Business Associates
Aug. 2003	First to set-up a Research desk within Commodity Exchange, which publishes Newsletter (MCX ComNews) and Research Reports for Market Awareness.
Sept. 26, 2003	Permanent recognition from Ministry of Consumer Affairs, Food and Public Distribution
Oct. 2003	Alliance with Bombay Bullion Association, Bombay Metal Exchange and Solvent Extractors' Association of India (First to formulate Alliance)
Oct. 30, 2003	First Commodity Newsletter - MCX ComNews launched.
Nov. 10, 2003	Online Futures Trading commenced
Dec. 8, 2003	Evening Session (New York Session) commenced for the first time in the country . Deployed best of breed technology with trading facility on Internet (first time).
Jan. 2004	Twin alliances with Shetkari Sanghathan and Pulses Importers' Association .
Mar. 12, 2004	MCX – CTCL facility launched
Mar. 27, 2004	Bank's participation in Equity – Union Bank of India
May 11, 2004	Equity participation from Corporation Bank
June 4, 2004	Equity participation from Bank of India
June 29, 2004	Highest turnover of Rs. 406.73 crore
June 30, 2004	Equity participation from State Bank of India confirmed
July 3, 2004	Futures trading on Saturday commences

ANNEXURE – III

Sequence of Launching Futures Trading in different Commodities:

Nov. 10, 2003	Online Futures Trading commenced in Gold, Silver and Castor Seed
Dec. 29, 2003	Futures Trading in Rubber launched.
Jan. 15, 2004	Futures Trading in Black Pepper launched. Silver January 2004 Contract settled.
Jan. 22, 2004	Futures Trading in Kapas launched.
Feb. 13, 2004	Gold/Gold Mini/Castor seed February 2004 Contracts settled. First to implement delivery linked Settlement of Gold February 2004 Contract with Settlement resulting into a delivery of 29 Kg of Gold through Clearing House.
Feb. 17, 2004	Futures Trading in Silver Mini, RBD Palmolein, Refined Soy Oil, Crude Palm Oil, Castor Oil (FSG), Groundnut Oil Expeller, Soy Seed Contracts launched.
Mar. 12, 2004	Futures Trading in Steel – Long and Flat launched for the first time in the world. Inaugurated by Shri Jamsheer J. Irani on the eve of launch date.
Mar. 15, 2004	Silver/Rubber/Pepper March 2004 Contracts settled.
March 25, 2004	Futures Trading in Guarseed launched.
April 15, 2004	Gold April 2004 Contract settled by delivery of 71 kg. Castor Seed/Castor Oil/Gold Mini/Kapas/Pepper/Crude Palm Oil/RBD Palmolein/ Refined Soy Oil/Rubber/Soy Seed April 2004 Contracts settled.
May 14, 2004	Silver May 2004 Contract settled by delivery of 1650 kg (actual - 1748 kg). Silver Mini/Black Pepper/ Rubber/Groundnut Oil Expeller/ RBD Palmolein May 2004 Contract/ Refined Soy Oil/ Soy Seed May 2004 Contracts settled.
May 27, 2004	Futures Trading in Non-Ferrous Metals – Copper, Nickel and Tin launched
June 15, 2004	Gold June 2004 Contract settled by delivery of 24 kg. Gold Mini, Guar Seed, Castor Oil, Castor Seed, Crude Palm Oil, RBD Palmolein, Refined Soy Oil, Soy Seed. Black Pepper and Rubber Contracts settled
June 16, 2004	Futures Trading in Chana (Gram), Urad (Black Matpe), Yellow Peas and Tur Contracts launched
June 25, 2004	Futures Trading in Rapeseed/Mustardseed and Rapeseed Oil/ Mustard Oil Contracts launched. Copper / Nickel / Tin June 2004 Contracts settled.

ANNEXURE – IV**A. Composition of Settlement Guarantee Fund of MCX:**

	Amount (Rs.) As On 31. 03. 2004	Amount (Rs.) As On 30.06.2004
Initial Margins	3,48,00,000.00	5,33,50,000.00
Additional Margins	6,02,27,447.00	11,91,95,796.65
Bank Guarantee	1,32,50,000.00	3,11,50,000.00
FDR	1,09,50,000.00	4,79,00,000.00
Total:	11,92,27,447.00	25,15,95,796.65

B. Turnover Details:

	2003-2004	Qtr. Ending June '04
Turnover	Rs. 4818.50 Crore	Rs. 11477.34 Crore
Trades	103,152	255,188
Funds Pay-in	Rs. 12.31 Crore	Rs. 25.82 Crore

C. Commodities Launched for Trading:

	Upto 31.03.2004	Upto 30.06.2004
Commodities launched	15	24
Futures Contracts launched	41	100
Futures Contracts settled	8	30

ANNEXURE – V

Regulatory Measures Imposed by the Board/FMC in respect of the future contract permitted during the Year 2003-2004

Contract	Opening Day's Prices	Basic Rate of Ordinary Margin	Rate of Ordinary Margin for the Delivery Month	Special Margin On both Long And Short Position	Security Deposit Payable	Open Position allowed	% of MTM allowed against security Deposit
Castor Oil April	397	4%	25%	Decided by . Management at appropriate time.	Initial Margin of Rs.3,50,000/- paid by every Member before the member starts trading	20000 MT per : client. For a member collectively for all clients: 25 % of the open market position	75%
Castor Oil June	395	4%	25%		--do--	--do--	75%
Castor Seed 5 Ton April	1705.25	4%	25%	1.50%	--do--	--do--	75%
Castor Seed Feb.	1550	4%	25%	1.50%	--do--	--do--	75%
Castor Seed April	1703.5	4%	25%	1.50%	--do--	--do--	75%
Castor Seed June	1780	4%	25%	1.50%	--do--	--do--	75%
Crude Palm Oil April	392	4%	25%		--do--	--do--	75%
Groundnut Oil Expeller May	460	4%	25%	--do--	--do--	--do--	75%
Guarseed June	1020	7%	25%	--do--	--do--	--do--	75%
Guarseed July	1020	7%	25%	--do--	--do--	--do--	75%
Kapas April	350	5%	25%	2.00%	--do--	--do--	75%
RBD Palmolein April	418	4%	25%		--do--	--do--	75%
RBD Palmolein May	434	4%	25%	--do--	--do--	--do--	75%
Refined Soyoil April	477	4%	25%	--do--	--do--	--do--	75%
Refined Soyoil May	467	5%	25%	--do--	--do--	--do--	75%
Rubber February	5700	5%	25%	--do--	--do--	--do--	75%
Rubber March	5800	5%	25%	--do--	--do--	--do--	75%
Rubber April	5800	5%	25%	--do--	--do--	--do--	75%
Rubber May	5575	5%	25%	--do--	--do--	--do--	75%
Rubber June	5575	5%	25%	--do--	--do--	--do--	75%
Rubber July	5575	5%	25%	--do--	--do--	--do--	75%
Soyseed April	1630	4%	25%	--do--	--do--	--do--	75%
Soyseed May	1590	4%	25%	-- do --	--do--	--do--	75%
Steel Flat July	27500	5%	25%	-- do --	--do--	--do--	75%
Steel Long July	18500	5%	25%	-- do --	--do--	--do--	75%
Gold February	5690	5%	25%	2.00%	--do--	1MT per client. For a member collectively for all clients: 25 % of the open market position	75%
Gold April	5750	5%	25%	2.00%	--do--	--do--	75%
Gold June	5714	5%	25%	2.00%	--do--	--do--	75%
Gold August	5726	3.50%	25%	2.00%	--do--	--do--	75%
Gold Mini February	5690	5%	25%	2.00%	--do--	--do--	75%
Gold Mini April	5750	5%	25%	2.00%	--do--	--do--	75%
Gold Mini June	5978	5%	25%	2.00%	--do--	--do--	75%

Contract	Opening Day's Prices	Basic Rate of Ordinary Margin	Rate of Ordinary Margin for the Delivery Month	Special Margin On both Long And Short Position	Security Deposit Payable	Open Position allowed	% of MTM allowed against security Deposit
Silver January	7866	5%	25%	2.00%	--do--	10 MT per client. For a member collectively for all clients: 25 % of the open market position	75%
Silver March	7888	5%	25%	2.00%	--do--	--do--	75%
Silver May	7904	5%	25%	2.00%	--do--	--do--	75%
Silver July	7922	5%	25%	2.00%	--do--	--do--	75%
Silver September	7935	5%	25%	2.00%	--do--	--do--	75%
Silver Mini May	9950	5%	25%	2.00%	--do--	--do--	75%
Pepper March	7309	8%	25%	Decided by the Management at appropriate time.	--do--	400 MT per client, For a member collectively for all clients: 25 % of the open market position	75%
Pepper April	7451	8%	25%	-- do --	--do--	--do--	75%
Pepper May	7543	8%	25%	-- do --	--do--	--do--	75%
Pepper June	7669	8%	25%	-- do --	--do--	--do--	75%

ANNEXURE – VI

Statement showing the price variation, Due Date Rate in respect of the various contracts permitted during the Year 2003-2004 along with ready price on Due Date.

Sr. No.	Contract	Opened Date	Opening Rate in Rs.	Highest Price in Rs.	Date	Lowest Price in Rs.	Date	Total Volume in Kg	Total Qty. Delivered on Maturity Month	Total Qty. Closed Out.	Due Date Rate in Rs.	Ready/ Spot Price on Due Date in Rs.
1	Castor Seed Feb.	10/11/2003	Per 100 Kg 1550/-	1764	12/16/2003	1525	13-Nov-2003	1,820,000	NIL	NIL	1715	1715
2	Gold February	10/11/2003	Per 10 gms 5690/-	6400	1/6/2004	5740	10-Nov-2003	6,366,000	29 Kgs.	NIL	6072	6105
3	Gold Mini February	10/11/2003	Per 10 gms 5690/-	6405	1/6/2004	5890	25-Nov-2003	625,800	NIL	NIL	6072	6105
4	Silver January	10/11/2003	Per 1 Kg 7866/-	10050	1/12/2004	7551	10-Nov-2003	3,330	NIL	NIL	9770	9750
5	Silver March	10/11/2003	Per 1 Kg 7888/-	10950	3/11/2004	8910	24-Dec-2003	57,780	NIL	NIL	10700	10700
6	Rubber February	29/12/2003	Per 100 kg 5700/-	5660	1/6/2004	5000	6-Feb-2004	122,000	NIL	NIL	5005	5025
7	Rubber March	29/12/2003	Per 1 Kg 5800/-	6000	1/15/2004	5200	3-Feb-2004	82,000	NIL	NIL	5595	5600
8	Pepper March	15/01/2004	Per 100 kg 7309/-	8200	1/30/2004	7300	21-Jan-2004	50,000	NIL	NIL	6920	6900

AUDITORS' REPORT

TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of **Multi Commodity Exchange of India Limited** as at March 31, 2004, 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 Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) 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;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on March 31, 2004 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes to accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2004; and
 - b) 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
Membership No. 15291

Mumbai
Dated: 3rd July, 2004.

ANNEXURE TO THE AUDITORS' REPORT

Re: Multi Commodity Exchange of India Limited Referred to in Paragraph 3 of our report of even date

- i.) The nature of the Company's activities during the year has been such that clauses (ii), (viii), (x), (xiii), (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the year.
- ii.) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) We were informed that the some of the fixed assets were physically verified during the year by the management and no material discrepancies were noticed on such verification as compared with the records of the fixed assets maintained by the Company. In our opinion, the frequency of verification is reasonable.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off any fixed assets during the year, hence the question of any disposal affecting the going concern status of the Company does not arise.
- iii.) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act 1956, according to the information and explanations given to us:
 - a) The Company has not granted any loans to the parties covered in the register maintained under section 301 of the Companies Act 1956. The Company has taken a loan aggregating to Rs. 1,352,018 from its holding company. At the year-end, the outstanding balance of such loan taken aggregated to Rs. 9,307,068. Maximum amount outstanding during the year aggregated to Rs. 9,730,611.
 - b) The rate of interest and other terms and conditions of such loan being repayable on demand not earlier than September 30, 2003, considering the initial operational stage of the Company, do not, in our opinion, appear to be prima facie prejudicial to the interest of the Company.
 - c) As per the stipulations of loan taken, the Company has repaid principal and interest on the basis demanded.
 - d) On the basis that the loan taken is repayable on demand, the same is not overdue and hence the question of taking reasonable steps for payment of the principal amount and interest does not arise.
- iv.) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for sale of services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- v.) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956:
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - (b) According to information and explanations given to us, where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of Rs. 500,000 in respect of any party, the transactions have been made at prices which are prima facie reasonable having regards to the prevailing market prices at the relevant time or on the basis of data available with the Company.
- vi.) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies' Act 1956 and the Companies (Acceptance of Deposits) Rules, 1975, are not applicable to the Company.
- vii.) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii.) According to the information and explanations given to us in respect of statutory and other dues:
 - (a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues, applicable to it with appropriate authorities during the year.
 - (b) There are no dues of sales tax/ income tax/customs duty/ excise duty and cess, which have not been deposited on account of any dispute.
- ix.) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.

ANNEXURE TO THE AUDITORS' REPORT

- x.) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and any other securities and hence clause 4(xii) is not applicable.
- xi.) The Company has not given any guarantee relating to loans taken by others from banks, financial institutions so the clause relating to guarantees given by the Company in favour of others does not apply to the Company.
- xii.) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loan availed by the Company was prima facie applied by the Company for the purpose for which it was raised.
- xiii.) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have prima facie, not been used during the year for acquisition of fixed assets and no long term funds have been used to finance short term assets.
- xiv.) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the Company does not arise.
- xv.) According to the information and explanations given to us, the Company has not issued any debentures during the year and hence the question of creation of securities in respect of debentures issued, does not arise.
- xvi.) According to the information and explanations given to us, the Company has not raised funds by way of public issue during the year.
- xvii.) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner
Membership No. 15291

Mumbai.
Dated: 3rd July, 2004.

Multi Commodity Exchange of India Limited
BALANCE SHEET AS AT 31.03.2004

	Schedule No.	Rupees	31.03.2004 Rupees	31.03.2003 Rupees
I. SOURCES OF FUND				
(1) Shareholders' Fund				
(a) Capital	1	150,500,000		500,000
(b) Share Application Money (Since allotted)		4,200,000		-
			154,700,000	500,000
(2) Loan Fund				
(a) Secured loan	2	1,327,642		-
(b) Unsecured loan	3	9,307,068		7,532,633
			10,634,710	7,532,633
	TOTAL		165,334,710	8,032,633
II. APPLICATION OF FUNDS				
(1) Fixed Assets				
(a) Gross Block	4	168,566,850		6,000
(b) Less : Depreciation		22,916,587		186
(c) Net Block		145,650,263		5,814
(d) Capital work-in-progress		-		35,000,000
			145,650,263	35,005,814
(2) Current Assets, Loans and Advances				
(a) Cash and Bank Balances	5	109,738,377		387,114
(b) Loans and advances	6	4,519,049		59,000
			114,257,426	446,114
Less: Current Liabilities and Provisions				
(a) Current Liabilities	7	128,582,064		35,106,413
(b) Provisions	8	163,401		-
			128,745,465	35,106,413
Net Current Assets			(14,488,039)	(34,660,299)
(3) Miscellaneous Expenditure				
(to the extent not written off or adjusted)	9		-	7,687,118
(4) Profit and Loss Account				
			34,172,486	-
	TOTAL		165,334,710	8,032,633
Significant Accounting Policies and Notes to Accounts	14			
The schedules referred to above form an integral part of the accounts				

For and on behalf of the Board.

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

P. R. Barpande
Partner

Venkat Chary
Chairman

Jignesh Shah
Managing Director

V Hariharan
Director

Place : Mumbai
Date: 3rd July 2004

Place : Mumbai
Date: 3rd July 2004

Multi Commodity Exchange of India Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

	Schedule No.	2003-2004 Rupees	2003-2004 Rupees	2002-2003 Rupees
INCOME				
Operating Income	10		42,191,000	-
Other income	11		1,569,279	-
			43,760,279	-
EXPENDITURE				
Operating and other expenses	12		53,166,691	-
Interest	13		1,849,673	-
Depreciation			22,916,401	-
			77,932,765	-
Loss for the year carried forward to Balance Sheet			(34,172,486)	-
Earning Per Share (Refer note 13 to schedule 14)				
Basic and Diluted			(5.69)	-
Significant Accounting Policies and Notes to Accounts	14			

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

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

P. R. Barpande
Partner

Place : Mumbai
Date: 3rd July 2004

For and on behalf of the Board.

Venkat Chary
Chairman

Jignesh Shah
Managing Director

V Hariharan
Director

Place : Mumbai
Date: 3rd July 2004

Multi Commodity Exchange of India Limited

Cash Flow Statement for the year ended 31st March 2004

	Current Year		Previous Year	
	Rupees	Rupees	Rupees	Rupees
A. Cash Flow from operating activities				
Net (Loss) before		(34,172,486)		-
Adjustment for				
Depreciation	22,916,401		-	
Interest expense	1,849,673		-	
Interest Income	(1,008,551)			
Miscellaneous Expenses written off	7,687,118	31,444,641	(7,686,932)	(7,686,932)
Operating profit/ (loss) before working capital changes		(2,727,845)		(7,686,932)
Adjustments for				
Trade and other receivables	(4,460,049)		(59,000)	
Trade payables and provisions	128,639,052	124,179,003	35,106,413	35,047,413
Cash used in operations		121,451,158		27,360,481
Interest Income		1,008,551		
Net cash used in operating activities		122,459,709		27,360,481
B. Cash Flow from Investing Activities				
Additions to Fixed Assets		(18,560,850)		(35,006,000)
Net cash from investing activities		(18,560,850)		(35,006,000)
C. Cash flow from financing activities				
Secured loan taken from Bank		1,327,642		-
Unsecured loan taken from Others		1,774,435		7,532,633
Proceeds from:				
- Equity Share Capital	-			500,000
- Share application money	4,200,000	4,200,000		-
Interest Expenses		(1,849,673)		-
Net cash from financing activities		5,452,404		8,032,633
Net cash flow during the year		109,351,263		387,114
Net increase in cash and cash equivalents		109,351,263		387,114
Cash and cash equivalents (opening balance)		387,114		-
Cash and cash equivalents (closing balance)		109,738,377		387,114

Notes to cash flow statement:

- Cash and cash equivalents include cash and bank balances in current and deposit accounts
- 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.
- The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS 3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- The Cash flow for the year ended 31st March 2003 has been prepared for the comparative purpose which in the earlier year was not forming part of the audited accounts.

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

As per our report of even date.

For **Deloitte Haskins & Sells**

Chartered Accountants

P. R. Barpande

Partner

For and on behalf of the Board.

Venkat Chary

Chairman

Jignesh Shah

Managing Director

V Hariharan

Director

Place : Mumbai

Date: 3rd July 2004

Place : Mumbai

Date: 3rd July 2004

Multi Commodity Exchange of India Limited
SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2004 Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Schedule 1: Share Capital:			
Authorised:			
180,00,000 (Previous Year: 110,00,000) equity shares of Rs.10/- each		180,000,000	110,000,000
Issued, subscribed and paid up:			
150,50,000 (Previous Year: 50,000) equity shares of Rs.10/- each		150,500,000	500,000
Of the above:			
(i) The entire capital is held by the holding company Financial Technologies (India) Ltd.			
(ii) 15,000,000 (Previous Year: NIL) shares of Rs.10/- each fully paid-up have been allotted to Financial Technologies (India) Ltd, the holding company pursuant to a contract without payments being received in cash.			
TOTAL		150,500,000	500,000
Schedule 2 : Secured Loans			
From Bank			
- Vehicle Loan		512,162	-
- Overdraft account		815,480	-
TOTAL		1,327,642	-
Notes:			
a) Vehicle Loan is secured by hypothecation of Motor Vehicle.			
b) Over draft from a bank is secured by creation of lien on Fixed Deposit Receipts with Banks.			
Schedule 3 : Unsecured Loans			
Other Loans & Advance			
- From Others (Holding Company)		9,041,174	7,532,633
- Interest Accrued and Due		265,894	-
TOTAL		9,307,068	7,532,633

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 4 : Fixed Assets**

(in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 1.04.2003	Additions	Deletion / Adjustment	Cost as at 31.03.2004	Upto 31.3.2003	For the year	Deletions/ Adjustments	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
Lease hold Improvements	-	1,236,290	-	1,236,290	-	233,633	-	233,633	1,002,657	-
Office Equipments	-	9,156,799	-	9,156,799	-	442,596	-	442,596	8,714,203	-
Networking Equipment	-	6,765,120	-	6,765,120	-	438,022	-	438,022	6,327,098	-
Vehicles	-	793,141	-	793,141	-	62,928	-	62,928	730,213	-
SUB TOTAL	-	17,951,350	-	17,951,350	-	1,177,179	-	1,177,179	16,774,171	-
INTANGIBLE ASSETS:										
Computer Software	-	150,561,500	-	150,561,500	-	21,736,501	-	21,736,501	128,824,999	-
Trade Mark	6,000	48,000	-	54,000	186	2,721	-	2,907	51,093	5,814
SUB TOTAL	6,000	150,609,500	-	150,615,500	186	21,739,222	-	21,739,408	128,876,092	5,814
TOTAL	6,000	168,560,850	-	168,566,850	186	22,916,401	-	22,916,587	145,650,263	5,814
PREVIOUS YEAR	-	6,000	-	6,000	-	186		186	5,814	
Capital Work-in-progress.									-	35,000,000

Multi Commodity Exchange of India Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2004 Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Schedule 5 : Cash and Bank Balances			
Cash and cheques on hand		4,946	237,974
Bank Balances			
(a) with Scheduled Banks:			
(i) In current accounts		11,974,022	149,140
(ii) In deposit accounts*		97,759,409	-
(including interest accrued on Fixed Deposit Receipts Rs.692,161/- (Previous year Rs. NIL.))			
TOTAL		109,738,377	387,114
* includes Rs. 10,600,000/- being Fixed Deposits under Lien with banks for overdraft facility.			
Schedule 6:Loans and Advances (Unsecured, considered good)			
Advances recoverable in cash or kind or for value to be received		1,136,599	-
Tax Deducted at Source		206,450	-
Deposits*		3,176,000	59,000
TOTAL		4,519,049	59,000
* includes Rs. 31,00,000 (Previous year Rs Nil) paid as deposits towards premises taken on lease			
Schedule 7: Current Liabilities			
Amount received from Members towards:-			
- Application Fees (pending admission)	600,000		-
- Security Deposit	4,000,000		-
- Networking Equipment Deposit	13,843,382		-
- Trading Margin from Members	91,027,447	109,470,829	-
Sundry Creditors		19,111,235	35,106,413
TOTAL		128,582,064	35,106,413
Schedule 8: Provisions			
For gratuity and leave encashment	163,401		-
TOTAL		163,401	-
Schedule 9: Miscellaneous Expenditure (to the extent not written off or adjusted)			
Pre-Operative Expenses	-	-	6,786,708
Preliminary Expenses (Refer note 5 to Schedule 14)	-	-	900,410
TOTAL		-	7,687,118
Schedule 10 : Operating Income			
Admission Fees		41,950,000	-
Application Processing Fees		241,000	-
TOTAL		42,191,000	-
Schedule 11 : Other Income			
Interest from Bank deposit (Tax deducted at source Rs. 206450/- (Previous year Rs.Nil))		1,008,551	-
Application Form Fees		34,100	-
Deposit Appropriation (Refer Note 7 to Schedule 14)		526,503	-
Miscellaneous income		125	-
TOTAL		1,569,279	-
Schedule 12: Operating and other expenses			
Payment to and provisions for employees Salaries and bonus	4,211,748		-

Multi Commodity Exchange of India Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2004 Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Contribution to Provident fund and other funds	19,059		-
Gratuity	54,927		-
Staff Welfare Expenses	138,717		-
		4,424,451	-
Electricity		370,223	-
Advertisement expenses		9,961,542	-
Business Promotion expenses		2,512,065	-
Rent		3,050,000	-
Eshtablishment Expenses		12,000,000	-
Repairs and Maintenance (Others)		645,995	-
Travelling and Conveyance		2,624,470	-
Communication expenses		1,530,805	-
Insurance		258,492	-
Printing and Stationery		648,934	-
Filing fees		518,500	-
Legal and Professional Charges		6,093,894	-
Pre-operative Expenses Written Off (Refer Note 5 to Schedule 14)		6,184,361	-
Preliminary Exps Written Off (Refer Note note 5 to Schedule 14)		900,410	-
Miscellaneous expenses **		1,442,549	-
TOTAL		53,166,691	-
** Miscellaneous expenses include bank charges auditors remuneration, fees and subscription etc			
Schedule 13: Interest			
Interest on:-			
- Fixed Loans		28,212	-
- Others		1,821,461	-
TOTAL		1,849,673	-

Multi Commodity Exchange of India Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Schedule 14

II. NOTES FORMING PART OF ACCOUNTS:

	2003-04	2002-03
	Rupees	Rupees
1.Estimated amount of contract to be executed on Capital Account and not provided for (net of advances)	450,385	65,000,000
2.Payment to Auditors (including service tax)		
a) For Audit fees	162,000	10,500
b) For Others	-	46,150
Total	162,000	56,540
3.Managerial Remuneration under section 198 of the Companies Act, 1956		
a) Salaries and allowances (Minimum Remuneration)	1,122,671	--
b) Gratuity	28,846	--
c) Monetary value of perquisites	4,400	--
Total	11,55,917	--

4. The Company commenced operations from November 10, 2003 and the exchange was made open to the members for trading transactions. As per the business rules followed by the Company, the revenue is earned by levying the transaction fees based on applicable slabs. However, considering that this being the initial period of operating on the exchange and also encouraging the members to expand their business, the transaction fee was waived during the year up to March 31, 2004.

5. During the previous year ended March 31, 2003, no Profit and Loss account was prepared pending commencement of commercial operations and the expenditure incurred aggregating to Rs.6,786,708 was disclosed as 'Pre-operative Expenses' and Rs. 900,410 as 'Preliminary Expenses' to be amortized appropriately on commencement of commercial activities. The said expenses have been dealt with during the year as under:-

- a) The Company adopted Accounting Standard 26 ("AS-26") – 'Intangible Assets' and has fully written off the pre-operative expenses amounting to Rs. 6,184,361 and preliminary expenses amounting to Rs. 900,410 as on April 1, 2003 to the Profit and Loss Account.
- b) Rs. 602,347, being prior period on account of interest and miscellaneous expenses, have been debited to the Profit and Loss Account.

6. The intangible assets consisting of computer software and trademark are recognized considering the requirements of AS-26 and amortized over a period of 36 months and 60 months respectively. The balance amortisation period of computer software as at March 31, 2004 is approximately 30 months.

7. During the year the Company has received an amount aggregating to Rs.14,610,000/- from members towards deposits (non-refundable) for networking equipment to be installed at the members locations and which cannot be surrendered to the company. On that basis, considering the concept of matching of costs (depreciation) with revenue, the Company has appropriated Rs. 526,503/- from the deposits as a matching income towards such equipment and included the same in Other Income (Refer Schedule 11).

8. There were no dues to small scale industrial units which were outstanding for more than thirty days as on the date of balance sheet.

9. 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 virtual certainty, net Deferred Tax Asset has not been recognized. However, the same will be reassessed at subsequent balance sheet dates and will be accounted for in the year of virtual certainty in accordance with the aforesaid accounting standard.

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

Multi Commodity Exchange of India Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

	2003-04
	Rupees
a) Deferred tax liability:	
Depreciation	9,323,124
	<u>9,323,124</u>
b) Deferred tax asset:	
Carry forward tax loss	9,181,874
Others	141,250
	<u>9,323,124</u>
Net deferred tax asset	<u>-</u>

10. The company is engaged in facilitating the members to trade in commodities. 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)

	2003-04	2002-03
	Rupees	Rupees
Expenditure in foreign currency:		
Travelling	198,882	-

11. Segment Reporting

In the opinion of the management, as the Company is engaged in a single segment of facilitating trading in commodities and incidental activities thereto within India, the disclosures required in terms of Accounting Standard 17- "Segment Reporting" are not applicable.

12. Related Party information**1. Names of related parties and nature of relationship:****a. Company where control exists (Holding Company):**

Financial Technologies (India) Limited (w.e.f August 25, 2003)

b. Key Management Personnel (KMP):

Mr. Jignesh Shah: Managing director (w.e.f August 1, 2003)

Mr. Joseph Massey Deputy Managing Director (w.e.f May 8, 2003)

2. Transactions with related parties

Sr. No.	Nature of transactions	Holding company	KMP	(Rupees)
1	Loan taken			
	Balance on the date of relationship coming into existence	9,828,130	-	
		(-)		
	Taken during the year	1,063,752	-	
		(-)		
	Repaid during the year	1,584,814	-	
		(-)		
	Balance as at March 31, 2004	9,307,068	-	
		(-)		
2	Purchase of Intangible assets	80,000,000	-	
		(-)		
3	Rent paid	1,750,000	-	
		(-)		
4	Facility management services paid	7,000,000	-	
		(-)		
5	Rent Deposit	3,000,000	-	
		(-)		
6	Remuneration	-	1,155,917	
		(-)	(-)	
7	Interest paid	786,642	-	
		(-)		

13. Earning Per Share is calculated as follows:

	2004	2003
	Rupees	Rupees
a. Loss for the year	34,172,486	-
b. Weighted average number of Equity Shares Basic and Diluted	6,009,041	47,096
	(5.69)	-
c. Nominal value of Equity Share	10	10

Multi Commodity Exchange of India Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

14. The Company commenced its commercial operations from November 10, 2003 and prepared the Profit and Loss Account and Balance Sheet. Whereas in the previous year, no Profit and Loss Account was prepared pending the commencement of commercial operations. On that basis the accounts for the current year are not strictly comparable with that of the previous period.

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

I. Registration Details

Registration Number	135594	State Code	11
Balance Sheet date	31-03-2004		

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	294080	TOTAL ASSETS	294080
PAID-UP CAPITAL	150500	RESERVES & SURPLUS	--
SECURED LOANS	1327	UNSECURED LOANS	9307
NET FIXED ASSETS	145650	INVESTMENTS	--
NET CURRENT ASSETS	(14488)	DEFERRED TAX	--
MISC. EXPENDITURE	--	ACCUMULATED LOSSES	34172

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

Turnover (Sales and Other Income)	43760	Total Expenditure	77932
Profit/(Loss) Before Tax	(34172)	Profit/(Loss) After Tax	(34172)
Earning per Share in Rs. (Refer Note 13 above)	(5.69)	Dividend Rate %	0.00

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

Item Code (ITC Code)	N. A.	Product Description	Commodity Exchange
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16. Previous years figures have been re-grouped/rearranged wherever necessary

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

P. R. Barpande
Partner

Place : Mumbai
Date: 3rd July 2004

For and on behalf of the Board.

Venkat Chary
Chairman

Jignesh Shah
Managing Director

V Hariharan
Director

Place : Mumbai
Date: 3rd July 2004

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 requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

D. Intangible Assets

Intangible Assets are stated at cost of acquisition less accumulated amortisation. Computer software is amortised over the period of 36 months and trade mark over a period of 60 months on a straight line basis. (Refer Note 6)

E. Depreciation

Depreciation has been provided on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule - XIV of the Companies Act, 1956. Leasehold improvements are depreciated over the period of the lease and networking equipment are depreciated over a period of 5 years.

F. Revenue Recognition

Revenue from transaction fees is recognised on successful completion of the transaction and generation of confirmation of order. (Refer Note 4)

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

G. 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.

H. Retirement Benefits

Company's contribution to Provident Fund is charged to profit and loss account. Gratuity is provided in accordance with the provisions of the payment of Gratuity Act, 1972. Leave encashment is provided on actual basis in accordance with the Company's Policy in this respect.

I. 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.

J. 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. Provision for current tax is made taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. 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 substantively 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.

K. 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 materialize after the year end, till the finalization of accounts and have material effect on the position stated in the balance sheet.