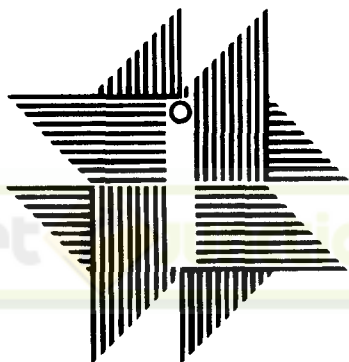


INTERFACE

FINANCIAL SERVICES LTD.



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ANNUAL REPORT

2003 - 2004

ANNUAL REPORT 2003-2004



INTERFACE FINANCIAL SERVICES LIMITED

BOARD OF DIRECTORS

Shri Himat K. Parikh, Managing Director
Shri Gaurang H. Dalal
Shri Shaunak H. Choksi
Shri Ketan H. Gandhi
Shri Hemendra D. Sanghvi

REGISTERED OFFICE

2nd, Floor, Agrawal Complex,
Near Municipal Market,
C. G. Road, Navrangpura,
Ahmedabad 380 009.
Ph. Nos. (079) 2646 2300, 2640 6950/51
Fax Nos. (079) 2656 8735
E-mail : interface1@icenet.co.in
interface2@icenet.co.in

BANKERS

HDFC Bank Ltd.
State Bank of India
Bank of Baroda
Textile Traders Co-op. Bank Ltd.

AUDITORS

Shah Narielwala & Co.,
Chartered Accountants
608, Shitiratna,
Near Panchvati Circle,
Ellisbridge,
Ahmedabad 380 006.
Ph Nos. (079) 2644 0630, 2656 4605
Fax No. (079) 2644 5217

SHARE TRANSFER AGENTS

Sharepro Services
Satam Estate, 3rd Floor,
Cardinal Gracious Road,
Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai 400 099.
Ph Nos. (022) 28215168 / 69
Fax No. (022) 28375646

ANNUAL REPORT 2003-2004**DIRECTORS' REPORT**

To,
The Members,
INTERFACE FINANCIAL SERVICES LIMITED,

Your Directors hereby present their Twelfth Annual Report of your Company together with audited accounts for the accounting year ended on 31st March, 2004.

FINANCIAL RESULTS

(Rs. In Lacs)

PARTICULARS	YEAR ENDED ON	
	31.03.2004	31.03.2003
Gross Income	122.50	56.92
Profit/ (Loss) Before Interest & Depreciation	60.30	(79.60)
Finance Charges	0.81	0.43
Profit/ (Loss) Before Depreciation	59.49	(80.03)
Depreciation	20.68	(39.36)
Profit/ (Loss) Before Tax & Extra Ordinary Items	38.81	(119.39)
Less: Provisions for permanent diminution in value of investments	-	(150.00)
Less: Loss due to diminution in value of Fixed Assets	-	(165.94)
Provision for Tax	-	-
Profit/(Loss) for the year after Tax	38.81	(435.33)
Adjustments of earlier years (Net)	-	(0.91)
Net Profit/ (Loss)	38.81	(436.24)
Paid up Equity Share Capital	486.44	486.44
Reserves Excluding Revaluation Reserve	590.40	551.58

DIVIDEND

Your directors regret their inability to recommend any dividend for the year under review due to inadequate profit.

MANAGEMENT DISCUSSION AND ANALYSIS**(i) Financial Review:**

Fiscal year 2003-04 was indeed a good year for the Indian economy. Monetary conditions remained easy during the fiscal year 2003-04. The increased penetration of the banking sector in all segments of the financial services industry, and reduced direct costs of borrowing, have greatly reduced business opportunities for NBFCs.

The entire NBFC Sector faces pressure from Banking Sector, which has narrowed down the feasibility of business of NBFC Sector and its volume of business adversely.

The Company has earned total income of Rs. 122.50 Lacs as compared to Rs. 56.92 Lacs in 2002-03 and earned Net Profit of Rs. 38.81 Lacs against net loss of Rs. 436.24 Lacs. The major contribution in the profit is recovery of bad debts amounting to Rs. 21.57 Lacs as against recovery of Rs. 0.54 Lac in 2002-03.

As a measure to improve the performance, your Company has taken steps to control expenses. The Administration and General expenses incurred during the year under review were Rs. 24.45 Lacs compared to Rs. 36.52 Lacs in 2002-03.



INTERFACE FINANCIAL SERVICES LIMITED

(II) Challenges:

The entire NBFC sector faces competitive pressures from the banking sector, which enjoys access to lower cost financing. The spreads in the lending business have also narrowed considerably.

IFSL's strong financial position, reflected by its low debt: equity ratio, and adoption of prudent business strategies, have enabled it to consistently post-satisfactory performance despite these competitive conditions.

(III) Risks and Concerns:

IFSL is exposed to specific risks that are particular to its businesses and the environment within which it operates, including interest rate volatility, economic cycle, market risk and credit risk. IFSL manages these risks by maintaining a conservative financial profile, and by following prudent business and risk management practices.

(IV) Adequacy of Internal Control:

IFSL has a proper and adequate system of internal controls to ensure that all activities are monitored and controlled against any unauthorized use or disposition of assets and that the transactions are authorised, recorded and reported correctly.

IFSL ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

The audit committee of the Board of Directors reviews the adequacy of internal controls.

(V) Human Resource Management:

The Company has hired the services of professionals for better monitoring of various operations of the Company including all statutory compliances.

(VI) Cautionary Statement :

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be " forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions, changes in Government regulations, tax laws and other Statutes and other incidental factors.

PUBLIC DEPOSITS

Your Company has not accepted any Deposits from the public during the year under review.

DIRECTORS

Shri Ketan Gandhi retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Your Directors recommend his reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

The Directors confirm that-

- In preparation of the annual account, the applicable accounting standards have been followed by the Company;
- Such accounting policies have been selected and consistently applied and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and of the profit of the Company for the year ended on that date;
- Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;
- Annual accounts have been prepared on a going concern basis.

AUDITORS & AUDITORS' REPORT

M/s. Shah Narielwala & Co., Statutory Auditors of the Company, retire and are eligible for reappointment. The members at the ensuing Annual General Meeting are requested to consider their reappointment for the year 2004-2005. They will hold the office until the conclusion of the next Annual General Meeting. The Board recommends their appointment.

ANNUAL REPORT 2003-2004

Notes forming part of the accounts, which are specifically referred to by the Auditors in their Report are self explanatory and therefore do not call for any further comments.

CORPORATE GOVERNANCE REPORT

A separate report on Corporate Governance is furnished as a part of the Directors' Report and the Certificate from the Company's Auditors regarding compliance of conditions of Corporate Governance is annexed to the said Report.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

The Company has no activities relating to conservation of energy or technology absorption. There has been no foreign exchange earning or outgo during the year under review.

SUBSIDIARIES

The audited statement of accounts for the year ended on 31st March 2004 of Interface Brokerage & Research Limited, Interface Housing Finance Limited and Interface Network Marketing Private Limited; wholly owned subsidiary companies together with the report of the Directors and the Auditors, as required under Section 212 of the Companies Act, 1956 are attached.

PARTICULARS REGARDING EMPLOYEES

There are no employees covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and hence no information is required to be furnished.

ACKNOWLEDGMENTS

The Directors sincerely express their deep appreciation to the Shareholders, Banks, Clients for their sustained support and co-operation during the year under review. Your Directors also acknowledge the support and guidance received from the RBI, SEBI, ROC, Stock Exchanges and other Regulatory Bodies, Banks and other Financial Groups also deserve special appreciation for significant contribution to your Company's operations.

For and on behalf of the Board of Directors

Place : Ahmedabad.

Date : 31.07.2004

HIMAL PARIKH
CHAIRMAN



INTERFACE FINANCIAL SERVICES LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST MARCH, 2004:

1. Company's Philosophy on Code of Governance:

The Company's philosophy on corporate governance envisages commitment to ensure client satisfaction of grievances, if any, of all its shareholders, consistent with fairness and due concern for social responsibility.

2. Board of Directors:

(a) Composition

The Board of Directors of the company is comprised of four Non-Executive Directors and one Managing Director is Executive Director.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting and Number of other Companies or Committees the Director is a Director/ Member/ Chairman.

Sr. No.	Name of Director	Category of Directorship	No. of Board meetings attended	Attendance at last Annual General Meeting	No. of other Directorship (excluding Private Limited Company)	No. of other Committee in which member/ Chairman (including IFSL)
1	Himal Parikh	Executive Director	5	Yes	2	-
2	Gaurang Dalal	Non-Executive and Independent Director	4	Yes	2	2
3	Shaunak Choksi	Non-Executive and Independent Director	-	No	2	2
4	Ketan Gandhi	Non-Executive and Independent Director	3	Yes	2	3
5	Hemendra Sanghvi	Non-Executive and Independent Director	5	Yes.	1	2

Information on Director's Reappointment:

A brief resume of Director being reappointed at the ensuing Annual General Meeting is furnished hereunder:

Mr. Ketan Gandhi is a Chartered Accountant, having an experience over a decade. He is director of Interface Brokerage & Research Limited and Magnum Polymer (India) Limited.

(c) Number of Board Meetings held and the dates of the Board Meeting

During the year, the Board of Directors met five times on the following dates: on 26.04.03, 26.07.03, 26.09.03, 10.12.03 and 30.01.04

3. Audit Committee:

(a) Terms of Reference

The terms of reference and powers of Audit Committee are as per Clause 49 of the Listing Agreement. The functions of the Audit Committee are as per Listing Agreement with the Stock Exchanges. This includes review of accounting and financial policies and procedures, review of financial reporting system and internal control procedure.

(b) Composition, name of members and chairperson

The Committee consist of the following Directors:

Sr. No.	Name of the Members	Category
1.	Mr. Gaurang Dalal	Chairman, Non-Executive Independent Director
2.	Mr. Ketan Gandhi	Member, Non-Executive Independent Director
3.	Mr. Hemendra Sanghvi	Member, Non-Executive Independent Director

ANNUAL REPORT 2003-2004**(c) Meetings and attendance during the year**

The Committee met four times during the year on the following dates: on 26.04.03, 26.07.03, 26.09.03 and 30.01.04. The attendance of each Member of the Committee is given below:

Sr. No.	Name of Members	No. of Meetings attended
1	Mr. Gaurang Dalal	4
2	Mr. Ketan Gandhi	3
3	Mr. Hemendra Sanghvi	4

4. Remuneration Committee :**(a) Terms of Reference**

The terms of reference and powers of Remuneration Committee are as per Clause 49 of the Listing Agreement. The functions of the Remuneration Committee are as per Listing Agreement with the Stock Exchanges.

(b) Composition, name of members and chairperson

The Committee consists of the following Directors:

Sr. No.	Name of the Director	Category
1.	Mr. Ketan Gandhi	Chairman, Non- Executive Independent Director
2.	Mr. Gaurang Dalal	Member, Non- Executive Independent Director
3.	Mr. Shaunak Choksi	Member, Non- Executive Independent Director

As no director is drawing remuneration, Remuneration Committee Meeting was not held during the year.

5. Shareholders / Investors Grievance Committee:**(a) Terms of Reference**

The role and functions of the said Committee are the effective redressal of the complaints of the shareholders regarding dematerialization, transfers, non-receipt of balance-sheet etc, The Committee also recommend the steps to be taken for further improvement in the quality of services to the Investors.

(b) Constitution

The Shareholders/Investors Grievance Committee comprises of following Members. The Committee met four times during the year:

Sr. No.	Name of the Members	Category	Attendance
1	Mr. Hemendra Sanghvi	Chairman, Non-Executive Independent Director	4
2	Mr. Ketan Gandhi	Member, Non-Executive Independent Director	3
3	Mr. Shauank Choksi	Member, Non-Executive Independent Director	-

(c) The Company received Nil complaints during the year.**(d) Name of the Compliance Officer is as follows:**

Mr. Hemendra D. Sanghvi, Director
2nd Floor, Agrawal Complex,
Near Municipal Market,
C. G. Road, Navrangpura,
Ahmedabad 380 009.
Ph. Nos. (079) 26462300, 26406950/51, Fax Nos. (079) 26568735
Email: h_Sanghvi@rediffmail.com



INTERFACE FINANCIAL SERVICES LIMITED

6. General Body Meetings

(a) Location and time, where last three Annual General Meetings were held:

Financial Year ended	Date	Time	Venue	No. of Special resolution passed
31.03.2001	28.09.01	3.00 p.m.	ATMA Hall, Ashram Road, Ahmedabad	--
31.03.2002	27.09.02	1.30 p.m.	ATMA Hall, Ashram Road, Ahmedabad	—
31.03.2003	26.09.03	3.45 p.m.	ATMA Hall, Ashram Road, Ahmedabad	—

(b) Whether Special Resolutions were put through Postal Ballot last year No

(c) Persons who conducted the Postal Ballot exercise N.A.

(d) Are proposed to be conducted through Postal Ballot this year No Resolutions requiring postal ballot for matters as required under clause 4 of the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 have been placed for Shareholders' approval at the Meeting.

(e) Procedure for Postal Ballot N.A.

7. Disclosure

(a) Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large Transactions with related parties are disclosed in detail in Note No. 15 of Schedule "Notes forming part of the Accounts" annexed to the financial statements of the year.

(b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. The company has complied with the requirements of the Stock Exchange, SEBI, and Statutory Authorities on all matters related to the capital market during the last three years. SEBI, Stock Exchanges or any statutory authorities on matters relating to capital market during the last three years imposed no penalties or strictures.

8. Means of Communication:

(a) Half-yearly report sent to each household of shareholders No

(b) Quarterly results

Newspapers in which results are normally published in The Company has published quarterly results in The Western Times (English) and The Western Times (Gujarati), both at Ahmedabad.

Any website, where displayed No

Whether it also display official news releases No

ANNUAL REPORT 2003-2004

The presentations made to institutional investors or to the analysts	No
(c) Whether MD&A is a part of Annual Report or not	Yes. Part of the Directors' Report.
9. General Shareholder Information:	
(a) Annual General Meeting: Date, time and venue	September 25, 2004 at 2.30 P.M. at 2 nd Floor, Agrawal Complex, Nr. Municipal Market, C. G. Road, Navrangpura, Ahmedabad - 380 009.
(b) Financial Calendar 2004-05 (tentative)	
Financial Results for quarter ending June 30, 2004	Last week of July, 2004
Financial Results for quarter ending September 30, 2004	Last week of October, 2004
Financial Results for quarter ending December 31, 2004	Last week of January, 2005
Financial Results for year ending March 31, 2005	June, 2005.
(c) Date of Book closure	Wednesday, the 15 th September 2004 to Saturday, the 25 th September 2004 (Both days inclusive)
(d) Dividend payment date	NIL
(e) Listing on Stock Exchange	The Stock Exchange, Ahmedabad The Stock Exchange, Mumbai The Company has paid the listing fees to both the Stock Exchanges.
(f) Stock Code	
(1) Trading Symbol at	
The Stock Exchange, Ahmedabad (Demat Segment)	Scrip Code 26797
The Stock Exchange, Mumbai (Demat Segment)	Scrip Code 530519
(2) Demat- ISIN Numbers for NSDL & CDSL	Equity Shares INE 778C01019
(g) Market Price Data: Year 2003-2004	There was a transaction on 7-8-2003 at Rs. 5.90 on The Stock Exchange, Mumbai except that there was no transaction during the year under review.
(h) Registrar and Transfer Agents	Sharepro Services, Satam Estate, 3 rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099.
(i) Share Transfer System	The Company has a share transfer committee for transfer, transmission, split, issue of duplicate share certificates, etc. and also to consider NSDL & CDSL demat updation report. The Company has appointed Sharepro Services as R & T Agent as per SEBI guidelines. Valid share transfer in physical form and complete in all respects as well as dematerialized form are approved and registered within stipulated time.



INTERFACE FINANCIAL SERVICES LIMITED

(j) Distribution of Shareholding

Group of shares as on 31.03.04	No. of shareholders	% of shareholders	No. of shares	% of shares
Upto 500	1530	89.89	214125	4.54
501-1000	71	4.17	61375	1.30
1001-2000	30	1.76	46200	0.98
2001-3000	7	0.41	17900	0.38
3001-4000	4	0.24	12900	0.27
4001-5000	9	0.53	40000	0.85
5001-10000	26	1.53	176800	3.75
10001 & Above	25	1.47	4143700	87.93
Total	1702	100	4712900	100

(k) Dematerialization of Shares and Liquidity

89.33% of the equity shares have been dematerialized upto 31st March, 2004 low volume trading.

(l) Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments.

(m) Address for Correspondence

Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,

Interface Financial Services Ltd.

2nd Floor, Agrawal Complex Next to Muni. Market, Navrangpura, Ahmedabad.

We have reviewed the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the company, with the Stock Exchanges of India, for the financial year ended 31st March, 2004

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.

We have conducted our review on the basis of the relevant records and documents maintained by the company and furnished to us for the review and the information and explanations given to us by the Company.

Based on such a review, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the said Listing Agreement.

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

For SHAH NARIELWALA & CO.
Chartered Accountants

D. R. SHAH
PARTNER

Place : Ahmedabad
Date : 31.07.2004