Auditors' Report

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TO THE MEMBERS OF BOMBAY STOCK EXCHANGE LIMITED

1. We have audited the attached Balance Sheet of **BSE** ("the Exchange") as at 19th August, 2005, the Income and Expenditure Account and the Cash Flow Statement of the Exchange for the period from 1st April, 2005 to 19th August, 2005, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared solely for the purpose of transfer of assets and liabilities of the Exchange on its corporatisation. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We report as follows:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account have been kept by the Exchange so far as it appears from our examination of those books.

   (c) The Balance Sheet and the Income and Expenditure Account dealt with by this report are in agreement with the books of account.

   (d) As stated in Notes 4 and 5 of Schedule "O", the Management is of the opinion that the BSE will be granted exemption from income-tax. Accordingly, no provision is required to be made in the accounts for the tax amount. However, should such exemption not be granted, there would be an estimated current tax liability (income tax and fringe benefit tax) of Rs. 108.65 million for the period and a cumulative liability of Rs. 4,917.12 million as at 19th August, 2005. Deferred Tax Asset/Liability, if any, has not been quantified since the tax assessment is subjudice.

   (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to our comments under paragraph 3(d) above, give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Exchange as at 19th August, 2005;

      (ii) in the case of the Income and Expenditure Account, of the surplus of the Exchange for the period from 1st April, 2005 to 19th August, 2005 and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Exchange for the period ended on that date.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

Nalin M. Shah
Partner
(Membership No.15810)

MUMBAI, 24th December, 2005.

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BALANCE SHEET AS AT 19TH AUGUST, 2005

PARTICULARS	Schedule			As at 31st March, 2005	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
1. Members' Funds:					
a) Contribution by Members	A	3,573,202,956		3,446,767,571	
b) Reserves and Surplus	B	5,155,698,036	8,728,900,992	4,840,373,594	8,287,141,165
2. Loans:					
a) Secured	C	449,780,882		8,642,209	
b) Unsecured	D	1,346,937,283	1,796,718,165	3,114,476	11,756,685
TOTAL			**10,525,619,157**		**8,298,897,850**
APPLICATION OF FUNDS					
1. Fixed Assets	E				
Gross Block		3,496,697,500		3,195,285,000	
Less: Accumulated Depreciation		2,929,740,459		2,870,652,617	
Net Block		566,957,041		324,632,383	
Add: Capital WIP		4,575,000	571,532,041	87,640,764	412,273,147
2. Investments	F		7,836,313,118		3,487,075,000
3. Earmarked Assets	G		2,946,356,269		2,718,303,530
4. Current Assets, Loans & Advances	H	9,913,289,712		5,643,512,640	
Less: Current Liabilities & Provisions	I	10,741,871,983		3,962,266,467	
Net Current Assets / (Liabilities)			(828,582,271)		1,681,246,173
TOTAL			**10,525,619,157**		**8,298,897,850**

(For notes forming part of the Accounts see Schedule "O")

Schedules "A" to "O" annexed hereto form part of the Balance Sheet and the Income & Expenditure Account.

In terms of our report of even date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 24th December, 2005

For and on behalf of the Board of Directors

Rajnikant Patel
Managing Director & CEO

Jagdish Capoor
Chairman

P. P. Vora
Director

Prakash R. Kacholia
Director

Sandeep Sarawgi
Chief Financial Officer

V. G. Bhagat
Company Secretary

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INCOME & EXPENDITURE ACCOUNT FOR THE PERIOD FROM 1ST APRIL TO 19TH AUGUST, 2005

PARTICULARS	Schedule		1st April, 2004 to 31st March, 2005
		Rupees	Rupees
INCOME			
Listing Fees		53,374,004	118,303,107
Operational Charges and Other Recoveries	J	301,294,611	659,107,873
Rent and Maintenance Charges		19,573,880	44,108,494
Income from Investments and Deposits	K	235,991,345	534,432,350
Income from Data Dissemination		18,637,689	41,983,854
Other Income	L	66,845,488	133,334,694
		695,717,017	1,531,270,372
Less: Contribution transferred to Investors' Services Reserve		10,566,800	23,280,221
TOTAL		**685,150,217**	**1,507,990,151**
EXPENDITURE			
Staff Costs	M	120,348,953	203,868,959
Administration and Other Expenses	N	106,076,870	308,698,648
Contribution to SEBI		2,668,700	5,915,155
Computer Maintenance and Service Charges		94,690,320	228,986,001
Clearing House Expenses		6,011,451	12,700,000
Provision for Doubtful Accounts		6,354,601	15,077,995
Depreciation		62,495,365	159,978,749
Inventory Written off		1,075,932	—
Consumption of Stock		—	156,358
		399,722,192	935,381,865
Less: Expenses transferred to Investors' Services Reserve		10,566,800	23,280,221
TOTAL		**389,155,392**	**912,101,644**
Surplus for the period before Prior Period Adjustments		**295,994,825**	**595,888,507**
Add/(Less): Prior Period Adjustments (Refer note no. 14 of Schedule "O")		(4,621,424)	87,089,308
Surplus for the period after Prior Period Adjustments		**291,373,401**	**682,977,815**
Add: Surplus brought forward from Previous Year		3,041,128,484	2,358,150,669
Surplus Transferred to Balance Sheet		**3,332,501,885**	**3,041,128,484**

(For notes forming part of the Accounts see Schedule "O")

Schedules "A" to "O" annexed hereto form part of the Balance Sheet and the Income & Expenditure Account.

In terms of our report of even date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 24th December, 2005

For and on behalf of the Board of Directors

Rajnikant Patel
Managing Director & CEO

Jagdish Capoor
Chairman

P. P. Vora
Director

Prakash R. Kacholia
Director

Sandeep Sarawgi
Chief Financial Officer

V. G. Bhagat
Company Secretary

CASH FLOW STATEMENT FOR THE PERIOD FROM 1ST APRIL TO 19TH AUGUST, 2005

PARTICULARS			1st April, 2004 to 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Surplus for the period after Prior Period Adjustments		291,373,401		682,977,815
Adjustments for:				
Depreciation		62,495,365		159,978,749
Prior Period Adjustments		4,621,424		(87,089,308)
Profit on sale of Fixed Assets		(1,070,255)		(282,876)
Interest income		(140,434,148)		(235,324,174)
Dividend Income		—		(980,000)
Interest Expense		146,331		547,354
Profit on sale of Investments		(96,384,332)		(301,080,956)
Provision for Doubtful Accounts		6,354,601		15,077,995
Inventory written off		1,075,932		—
Provision for Other Items		937,616		2,433,812
Provision for Leave Encashment		2,512,000		4,641,000
Provision for Gratuity Fund		6,478,687		3,605,765
Operating Income before working capital changes		138,106,622		244,505,176
Adjustments for:				
Current Assets, Loans and Advances		(74,249,599)		67,118,734
Current Liabilities		6,422,539,191		785,084,713
Tax Refund received (Net of Advance Tax Paid)		20,456,502		59,158,715
Net cash from operating activities		**6,506,852,716**		**1,155,867,337**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of Fixed Assets including Capital WIP		(185,985,156)		(190,657,255)
Proceeds from disposal of Fixed Assets		1,166,001		3,608,347
(Increase) / Decrease in Deposits with Banks and Financial Institutions		(1,092,765,323)		(2,756,159,231)
Investments				
(A) Long Term Investments				
Proceeds from disposal				
- Own	—		74,999,952	
- Earmarked Funds	—	—	25,000,000	99,999,952
(B) Net (Increase) / Decrease in Current Investments				
- Own	(4,252,853,784)		1,105,315,711	
- Earmarked Funds	476,439,502	(3,776,414,282)	616,024,015	1,721,339,726
(Increase) / Decrease in Earmarked Funds - Other Assets		(678,158,416)		(810,363,688)
Interest received on investments		131,701,154		137,631,844
Dividend received on investments		—		980,000
Net cash used in investing activities		**(5,600,456,022)**		**(1,793,620,305)**

CONTD...

PARTICULARS			1st April, 2004 to 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES				
Change in Funds				
Trade Guarantee Fund	33,319,145		(656,118)	
Brokers' Contingency Fund	19,735,932		25,051,424	
Investors' Protection Fund	125,645		163,710	
Deposits from Companies - 1% of their Public Issue	48,110,453		195,062,178	
Withheld Funds	14,652,254		3,367,774	
Defaulters' Liabilities	6,702,490	122,645,919	(4,847,978)	218,140,990
Admission / Entrance fees paid by members		78,630,317		121,552,503
Contribution by members towards Technology Reserve		844,500		1,336,500
Increase / (Decrease) in Short Term Borrowings from Banks		1,784,961,480		(106,154,692)
Interest paid on borrowings		(62,717)		(520,625)
Deposits received Under Deposit Based Membership		228,500,000		255,500,000
Forfeiture of Membership Application Money received		—		1,500,000
Net cash from / (used in) financing activities		**2,215,519,499**		**491,354,676**
Net (Decrease) / Increase in cash and cash equivalents		**3,121,916,193**		**(146,398,292)**
Cash and cash equivalents at the end of the period				
- Cash and Bank Balance	1,743,588,121		55,671,928	
- Fixed Deposit having maturity of less than 90 days	1,434,000,000	3,177,588,121	—	55,671,928
Cash and cash equivalents at the beginning of the period				
- Cash and Bank Balance	55,671,928		202,070,220	
- Fixed Deposit having maturity of less than 90 days	—	55,671,928	—	202,070,220
Change in cash and cash equivalents		**3,121,916,193**		**(146,398,292)**

Note: Cash and cash equivalents comprise of cash in hand and balances in current accounts with banks.

In terms of our report of even date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 24th December, 2005

For and on behalf of the Board of Directors

Rajnikant Patel
Managing Director & CEO

Jagdish Capoor
Chairman

P. P. Vora
Director

Prakash R. Kacholia
Director

Sandeep Sarawgi
Chief Financial Officer

V. G. Bhagat
Company Secretary

CONTRIBUTION BY MEMBERS AS AT 19TH AUGUST, 2005			SCHEDULE "A"	
PARTICULARS			As at 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
Balance as per last Balance Sheet	1,930,956,090		1,809,403,587	
Add: Fees Received from New Members				
Admission Fees (Cash)	12,750,000		15,750,000	
Admission Fees (Derivatives)	—		(200,000)	
	1,943,706,090		1,824,953,587	
Entrance fees (Corporate)	65,880,317		106,002,503	
		2,009,586,407		1,930,956,090
Trade Guarantee Fund				
(Refer note no. 10.1 of Schedule "O")				
Balance as per last Balance Sheet	1,460,097,260		1,433,995,496	
Add :				
Initial Contribution by Members	370,000		410,000	
Continuous Contribution by Members	622,858		1,674,751	
Income from Investments :				
Interest on deposits with Banks	25,149,327		29,410,593	
Profit on Sale of Current Investments	9,864,499		28,029,757	
Interest on Income tax Refund	193,510		743,993	
Transferred from Own Funds (Refer note no. 14 of Schedule "O")	5,204,964		—	
Surplus on Settlement of Defaulters' Clients Claims	5,040,540		—	
	1,506,542,958		1,494,264,590	
Less :				
Settlement of Defaulters' Clients Claims	—		34,167,330	
		1,506,542,958		1,460,097,260
Trade Guarantee Fund (G-Sec)				
(Refer note no. 10.2 of Schedule "O")				
Balance as per last Balance Sheet	55,714,221		53,448,475	
Add :				
Income from Investments :				
Interest on Deposits with Banks	1,359,370		1,271,875	
Profit on Sale of Current Investments	—		993,871	
		57,073,591		55,714,221
TOTAL		**3,573,202,956**		**3,446,767,571**

RESERVES AND SURPLUS AS AT 19TH AUGUST, 2005			SCHEDULE "B"	
PARTICULARS			As at 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
Stock Exchange Building		913,896		913,896
Sheth Chunilal Motilal Library		37,050		37,050
Charity		16,041		16,041
Forfeiture of Membership Application Money				
Balance as per last Balance Sheet	6,500,000		5,000,000	
Add: Forfeiture during the period	—		1,500,000	
		6,500,000		6,500,000
Technology Reserve				
(Refer note no. 10.3 of Schedule "O")				
Balance as per last Balance Sheet	1,365,022,421		1,363,685,921	
Add: Contribution during the period	844,500		1,336,500	
		1,365,866,921		1,365,022,421
Investors' Services Reserve				
(Refer note no. 10.4 of Schedule "O")				
Balance as per last Balance Sheet	1		1	
Add: Contribution received during the period	10,566,800		23,280,221	
	10,566,801		23,280,222	
Less: Expenses incurred during the period	10,566,800	1	23,280,221	1
Brokers' Contingency Fund				
(Refer note no. 10.5 of Schedule "O")				
Balance as per last Balance Sheet	426,755,701		392,055,327	
Add:				
Initial contribution by Members	12,750,000		15,750,000	
Income from Investments :				
Long Term	27,041		726,250	
Interest on deposit with Banks	6,847,870		8,299,455	
Profit on Sale of Current Investments	3,370,609		9,648,950	
Interest on Income Tax Refund	111,021		274,897	
Interest received on funding to Brokers	—		822	
		449,862,242		426,755,701
Income & Expenditure Account				
Surplus transferred from Income & Expenditure Account		3,332,501,885		3,041,128,484
TOTAL		**5,155,698,036**		**4,840,373,594**

SECURED LOANS AS AT 19TH AUGUST, 2005	SCHEDULE "C"	
PARTICULARS		As at 31st March, 2005
	Rupees	Rupees
SHORT TERM LOAN FROM BANKS:		
Bank Overdraft	449,780,882	8,642,209
TOTAL	**449,780,882**	**8,642,209**

(The Overdraft facilities from Banks are secured against the Term Deposits pledged with them)

UNSECURED LOANS AS AT 19TH AUGUST, 2005	SCHEDULE "D"	
PARTICULARS		As at 31st March, 2005
	Rupees	Rupees
FIXED DEPOSITS (UNCLAIMED):		
From Members	50,000	50,000
From Public	193,000	193,000
SHORT TERM LOAN FROM BANKS:		
Bank Overdraft	1,346,694,283	2,871,476
TOTAL	**1,346,937,283**	**3,114,476**

STATEMENT OF FIXED ASSETS FORMING PART OF THE BALANCE SHEET AS AT 19TH AUGUST, 2005 SCHEDULE "E"

Sr. No.	Particulars of Assets	Cost as on 01.04.2005	Additions during the period	Deductions / Adjustments	Cost as at 19.08.2005	Depreciation upto 31.03.2005	Depreciation for the period	Deductions / Adjustments	Total Depreciation upto 19.08.2005	Net Assets 19.08.2005	Net Assets 31.03.2005
		A	B	C	D = A+B-C	E	F	G	H = E+F-G	I = D-H	J
1	FREEHOLD LAND	2,227,857	—	—	2,227,857	—	—	—	—	2,227,857	2,227,857
2	BUILDINGS	269,816,079	344,620	—	270,160,699	201,922,845	2,623,092	—	204,545,937	65,614,762	67,893,234
3	PLANT & MACHINERY	151,508,982	1,920,233	—	153,429,215	123,783,464	1,702,776	—	125,486,240	27,942,975	27,725,518
4	ELECTRICAL INSTALLATIONS	79,397,320	82,351	—	79,479,671	60,199,952	1,113,038	—	61,312,990	18,166,681	19,197,368
5	COMPUTERS (#)										
	(A) HARDWARE AND NETWORKING EQUIPMENT	2,405,238,296	237,070,883	3,106,805	2,639,202,374	2,312,332,333	49,757,260	3,100,985	2,358,988,608	280,213,766	92,905,963
	(B) SOFTWARE (*)	31,943,270	61,375,995	—	93,319,265	27,025,234	2,686,589	—	29,711,823	63,607,442	4,918,036
6	FURNITURE, FIXTURES AND OFFICE EQUIPMENT	245,034,865	2,323,491	396,464	246,961,892	142,064,900	4,203,670	306,538	145,962,032	100,999,860	102,969,965
7	MOTOR VEHICLES	10,118,331	1,798,196	—	11,916,527	3,323,889	408,940	—	3,732,829	8,183,698	6,794,442
		3,195,285,000	304,915,769	3,503,269	3,496,697,500	2,870,652,617	62,495,365	3,407,523	2,929,740,459	566,957,041	324,632,383
8	CAPITAL WORK IN PROGRESS									4,575,000	87,640,764
	TOTAL	**3,195,285,000**	**304,915,769**	**3,503,269**	**3,496,697,500**	**2,870,652,617**	**62,495,365**	**3,407,523**	**2,929,740,459**	**571,532,041**	**412,273,147**
	PREVIOUS YEAR (1st April, 2004 to 31st March, 2005)	**3,121,816,609**	**106,426,980**	**32,958,589**	**3,195,285,000**	**2,742,034,986**	**159,978,749**	**31,361,118**	**2,870,652,617**	**412,273,147**	**385,936,261**

(#) Refer Note no. 10.3 of Schedule "O"

(*) Computer Software as disclosed above consists of cost and depreciation figures from the financial year 2000-2001, prior to which the same was forming part of computer hardware and networking equipment.

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INVESTMENTS AS AT 19TH AUGUST, 2005			SCHEDULE "F"	
PARTICULARS			As at 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
Long-Term				
(At Cost)				
Equity Shares (Fully Paid-up):				
98,000 shares of BOI Shareholding Ltd. of Rs.100/- each	9,800,000		9,800,000	
38,254,600 Shares of Central Depository Services (India) Ltd. of Rs.10/- each	382,546,000		382,546,000	
		392,346,000		392,346,000
Current				
Mutual Funds :				
Liquid Schemes	6,354,784,865		1,958,182,514	
Floating Rate Schemes	1,038,588,753		1,136,546,486	
Arbitrage Schemes	50,593,500		—	
		7,443,967,118		3,094,729,000
TOTAL		**7,836,313,118**		**3,487,075,000**

EARMARKED ASSETS AS AT 19TH AUGUST, 2005 (Excluding Bank Balances in Current Accounts)			SCHEDULE "G"	
PARTICULARS			As at 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
INVESTMENTS				
Trade Guarantee Fund :				
Current :				
(At Lower of Cost and Fair Value)				
Mutual Funds :				
Floating Rate Schemes	1,063,087		479,756,079	
Liquid Schemes	233,550,106		81,925,094	
		234,613,193		561,681,173
Brokers' Contingency Fund :				
Long-Term :				
(At Cost)				
Bonds :				
140 10.00% ICICI Bank Ltd. of face value Rs.5,000/-	700,000		700,000	
		700,000		700,000
Current :				
(At Lower of Cost and Fair Value)				
Mutual Funds :				
Floating Rate Schemes	—		159,202,357	
Liquid Schemes	90,237,431		3,046,515	
		90,237,431		162,248,872
Deposits from Companies - 1% of their Public Issue:				
Current :				
(At Lower of Cost and Fair Value)				
Mutual Funds :				
Floating Rate Schemes	1,207,705		122,297,337	
Liquid Schemes	182,059,199		189,885,886	
		183,266,904		312,183,223
Withheld Funds :				
Current :				
(At Lower of Cost and Fair Value)				
Mutual Funds :				
Floating Rate Schemes	9,016,283		—	
		9,016,283		—

EARMARKED ASSETS AS AT 19TH AUGUST, 2005 CONTD...
(Excluding Bank Balances in Current Accounts)

PARTICULARS			As at 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
Defaulters' Accounts				
Current :				
(At Lower of Cost and Fair Value)				
Mutual Funds :				
Short Term Fund	—		1,299,714	
Floating Rate Schemes	245,856,829		85,375,501	
Liquid Schemes	104,714,147		195,021,981	
		350,570,976		281,697,196
OTHER ASSETS				
Trade Guarantee Fund				
Deposit with Banks	1,297,202,960		927,202,961	
Accrued Interest on Bank Deposits	26,508,696		—	
Tax Deducted at Source on Interest	3,263,740		26,620,052	
Contribution Receivable from Members	224,398		—	
		1,327,199,794		953,823,013
Brokers' Contingency Fund				
Deposit with Banks	350,156,499		260,532,739	
Accrued Interest on Bank Deposits	6,778,027		11,667	
Tax Deducted at Source on Interest	1,230,629		3,238,119	
		358,165,155		263,782,525
Withheld Funds				
Deposit with Banks	37,966,553		31,987,893	
Accrued Interest on Bank Deposits	672,126		—	
Tax Deducted at Source on Interest	204,761		266,004	
		38,843,440		32,253,897
Deposits from Companies - 1% of their Public Issue				
Deposit with Banks	333,966,084		133,966,084	
Accrued Interest on Bank Deposits	7,632,332		3,432,631	
Tax Deducted at Source on Interest	878,157		1,443,852	
		342,476,573		138,842,567
Defaulters' Accounts				
Deposit with Banks	10,860,000		10,860,000	
Accrued Interest on Bank Deposits	347,237		60,439	
Tax Deducted at Source on Interest	59,283		170,625	
		11,266,520		11,091,064
TOTAL		**2,946,356,269**		**2,718,303,530**

CURRENT ASSETS, LOANS & ADVANCES AS AT 19TH AUGUST, 2005			SCHEDULE "H"	
PARTICULARS			As at 31st March, 2005	
	Rupees	Rupees	Rupees	Rupees
Interest Accrued on Deposits		118,911,567		20,846,370
Cash and Bank Balances				
Cash on Hand	237,675		154,856	
Balance with Scheduled Banks				
In Current Accounts (Includes Balances for Earmarked Funds)	1,743,350,446		55,517,072	
In Deposit Accounts	6,280,259,579		3,209,276,100	
		8,023,847,700		3,264,948,028
		8,142,759,267		3,285,794,398
Advances Recoverable in Cash or in Kind				
Sundry Advances	62,228,583		49,875,187	
Other Receivables	137,134,076		81,257,977	
Income Receivable	37,098,923		29,227,796	
Tax Deducted at Source	46,464,200		66,920,702	
	282,925,782		227,281,662	
Less: Provision for Doubtful Accounts	60,296,526		53,941,925	
		222,629,256		173,339,737
Deposit with Companies / Financial Institutions		1,497,212,667		2,130,763,026
Deposit with Public Bodies and Others		13,751,540		13,747,118
Advances to Staff		36,931,932		38,787,379
Sheth Chunilal Motilal Library		5,050		5,050
Stock on Hand		—		1,075,932
TOTAL		**9,913,289,712**		**5,643,512,640**

CURRENT LIABILITIES & PROVISIONS AS AT 19TH AUGUST, 2005				SCHEDULE "I"		
PARTICULARS				As at 31st March, 2005		
	Rupees	Rupees	Rupees	Rupees	Rupees	`Rupees
Current Liabilities :						
Members (Including "deposit based" members) :						
Deposits and Margins Received		8,184,031,924			1,827,211,715	
Withheld Funds (*)		47,656,039			33,000,859	
Income Received in Advance		3,648,327			369,076	
Other Liabilities		17,311,081			24,767,293	
			8,252,647,371			1,885,348,943
Others :						
1. Deposits :						
(a) Deposits from Companies - 1% of their Public Issue (*)	527,007,429			471,540,382		
(b) Other Deposits Received	648,154,228			547,767,128		
		1,175,161,657			1,019,307,510	
2. Income Received in Advance		77,285,358			18,884,247	
3. Advance Received for Disinvestment of Shareholding in Central Depository Services (India) Ltd.		75,000,000			75,000,000	
4. Defaulters' Liabilities (*)	378,639,233			375,131,515		
Less: Receivable from Defaulters	25,110,490			34,044,459		
		353,528,743			341,087,056	
5. Other Liabilities		600,987,321			506,726,951	
6. Sundry Creditors		176,187,105			88,286,948	
			2,458,150,184			2,049,292,712
Provisions :						
Leave Encashment		27,703,000			25,191,000	
Others (Refer note no.12 of Schedule "O")		3,371,428			2,433,812	
			31,074,428			27,624,812
TOTAL			**10,741,871,983**			**3,962,266,467**

(*) Investments in Schedule "G" have been earmarked against these liabilities.

OPERATIONAL CHARGES AND OTHER RECOVERIES — SCHEDULE "J"

SR. NO.	PARTICULARS		1st April, 2004 to 31st March, 2005
		Rupees	Rupees
1	Charges Recovered from Members	285,012,531	620,792,253
2	Penalties and Fines	14,066,255	33,368,340
3	Membership Annual Subscription	2,215,825	4,947,280
	TOTAL	**301,294,611**	**659,107,873**

INCOME FROM INVESTMENTS & DEPOSITS — SCHEDULE "K"

SR. NO.	PARTICULARS		1st April, 2004 to 31st March, 2005
		Rupees	Rupees
1	Income From Long Term Investments		
	a. Interest on Bonds	—	767
	b. Dividend Income	—	980,000
	c. Profit on sale of Investments	—	7,553,952
2	Income from Current Investments		
	a. Profit from Mutual Fund Investments	96,384,332	293,527,004
3	Other Income		
	a. Interest on Fixed Deposits and Term Deposits	140,434,148	235,323,407
	b. Interest on Security Deposit	—	139,463
		236,818,480	537,524,593
	Less:		
	a. Transferred to Defaulters' Account	97,264	2,544,889
	b. Interest on Overdraft	146,331	547,354
	c. Transferred to Trade Guarantee Fund	583,540	—
	Net Income from Investments	**235,991,345**	**534,432,350**

OTHER INCOME — SCHEDULE "L"

SR. NO.	PARTICULARS		1st April, 2004 to 31st March, 2005
		Rupees	Rupees
1	Sale of Networking Equipments	—	484,951
2	Miscellaneous Income	14,287,888	25,935,814
3	Income from Services provided to Listed Companies	33,610,069	76,859,328
4	Training Institute Income	14,967,490	24,873,964
5	Interest on Income Tax Refund	2,772,186	4,895,394
6	Net profit on Sale of Fixed Assets	1,070,255	282,876
7	Profit / (Loss) on Realisation of Forex Transactions	(32,830)	2,367
8	Other Interest	170,430	—
	TOTAL	**66,845,488**	**133,334,694**

STAFF COSTS			SCHEDULE 'M'
SR. NO.	PARTICULARS		1st April, 2004 to 31st March, 2005
		Rupees	Rupees
1	Salaries and Bonus	65,294,204	140,561,216
2	Arrears of Staff Compensation (Refer note no. 13 of Schedule "O")	21,204,363	7,979,919
3	Contribution to Provident and Other Funds	10,422,324	23,073,116
4	Staff Welfare Expenses	19,999,269	25,433,097
5	Provision for Leave Encashment	3,428,793	6,821,611
	TOTAL	**120,348,953**	**203,868,959**

ADMINISTRATION AND OTHER EXPENSES			SCHEDULE 'N'
SR. NO.	PARTICULARS		1st April, 2004 to 31st March, 2005
		Rupees	Rupees
1	Printing and Stationery	2,812,086	5,749,308
2	Postage and Telephone Expenses	3,938,662	10,852,381
3	Electricity Charges	21,705,853	57,360,707
4	Building Repairs & Maintenance Expenses	3,966,920	15,726,079
5	Repairs to Other Assets	4,173,270	10,778,608
6	Rent & Property Taxes	5,676,048	14,821,879
7	Auditors' Remuneration (Refer note no. 6 of Schedule "O")	551,000	741,200
8	Professional & Legal fees	15,351,077	25,304,661
9	Non-Elected Directors' Fees (Board & Other Committees)	593,500	1,510,600
10	Contribution to Investors' Protection Fund	2,146,423	1,183,031
11	Advertising & Marketing Expenses	12,959,955	22,737,138
12	Incentive To Market Makers	—	49,838,300
13	Travelling Expenses	8,193,785	17,970,780
14	Insurance Premium	1,978,842	3,983,394
15	Corporate Social Responsibility	35,738	1,729,229
16	Charity and Donations	249,667	13,903,695
17	Miscellaneous Expenses	9,446,802	21,055,313
18	Provision for disputed Items (Refer note no. 12 of Schedule "O")	937,616	2,433,812
19	Internet Trading & Website Expenses	11,359,626	31,018,533
	TOTAL	**106,076,870**	**308,698,648**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS SCHEDULE "O"

1. Significant Accounting Policies

1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention on accrual basis. Accounting policies are consistently applied, except where a newly issued accounting standard is initially adopted or a revision to an existing Accounting Standard requires a change in the accounting policy hitherto in use.

1.2 Use of Estimates

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period.

1.3 Revenue Recognition

Revenue in respect of services rendered is recognised when the service is rendered and there is a reasonable certainty of ultimate realisation.

1.4 Fixed Assets

Fixed Assets are stated at cost, less accumulated depreciation. Cost includes cost of acquisition and other incidental expenses incurred until the asset is ready for its intended use. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the Balance Sheet date.

1.5 Depreciation

1.5.1 Tangible Assets

Depreciation on fixed assets for the current period is provided on the 'Written Down Value' basis at the rates prescribed under the Income-Tax Act, 1961 for the number of days the assets have been ready to put to use by the Exchange during the period under consideration.

1.5.2 Intangible Assets

Intangible assets include computer software, the depreciation of which is provided on the 'Written Down Value' basis at the rates prescribed under the Income-Tax Act, 1961.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value.

1.7 Investments

Long-term investments are stated at cost less provision for other than temporary diminution in value. Current investments are valued at the lower of cost and fair value. Investment income in respect of earmarked funds and other withheld accounts is credited to the respective fund and liability accounts.

1.8 Employee Benefits

1.8.1 Gratuity

In accordance with the provisions of The Payment of Gratuity Act, 1972, the Exchange provides for gratuity, a defined benefit plan, in respect of eligible employees. The Gratuity plan provides a lump sum payment to vested employees at the time of retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to Gratuity are determined by an actuarial valuation as of the Balance Sheet date, based on which, the Exchange makes contribution to The Stock Exchange Staff Gratuity Fund, a trust set up and administered by the Exchange. This contribution is charged to Income and Expenditure Account of the Exchange.

1.8.2 Provident Fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the Exchange make monthly contributions to The Stock Exchange Staff Provident Fund, a trust set up and administered by the Exchange.

1.8.3 Leave Encashment

Provision for leave encashment is made on the basis of actuarial valuation at the Balance Sheet date.

SCHEDULE "O" CONTD...

1.9 Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction. All foreign currency current asset/liabilities are translated into rupees at the rates prevailing on the date of the Balance Sheet. Foreign Exchange rate differences arising on settlement(s)/conversion(s) are recognised in the Income and Expenditure Account.

2. Contingent Liabilities Not Provided for:

(Rs. Million)

Sr.No.	Particulars	19th August, 2005	31st March, 2005
a)	Claims against the Exchange not acknowledged as debts in respect of		
	i) Income Tax matters	4034.07*	4034.07*
	ii) Sales Tax matters	17.56	17.56
	iii) Service Tax matters	5.40	5.40
	iv) Other matters	1.82	1.76
	v) Trade Guarantee Fund	—	6.38
b)	Guarantees given by the Exchange. Aggregate loans outstanding from employees of the Stock Exchange were Rs 56.29 Million as on 19th August 2005 (Previous Year Rs 58.23 Million). The employees have mortgaged their flats/ properties with the loan provider.	104.50	104.50

* Excluding Interest & Penalty.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 16.46 Million (31/03/2005 – Rs. 209.55 Million).

4. No provision for income tax for the period ended 19th August, 2005 has been made in the accounts as the Management is of the opinion that the appeals before the Income Tax Appellate Tribunal in respect of earlier years will be disposed off in the Exchange's favour and the Exchange will be granted exemption under Sections 11 & 10 (23C)(iv) of The Income-Tax Act, 1961. However, in the event that such exemption is not granted, there would be estimated tax liability of Rs. 107.00 Million for the period (31/3/2005 – Rs. 270.10 Million). The total cumulative income tax liability not provided for is estimated at Rs. 881.40 Million (excluding the amounts referred to in Note 2(a) above) (31/3/2005 – Rs. 774.40 Million). Deferred Tax Asset/ Liability, if any, has not been quantified since the tax assessment is subjudice.

5. No provision for Fringe Benefit Tax (FBT) has been made for the period ended 19th August, 2005 in the accounts as the Management is of the opinion that the Exchange will be granted exemption under Section 11 & 10(23C)(iv) of the Income Tax Act, 1961. However, in the event that such exemption is not granted, there would be estimated tax liability of Rs.1.65 Million for the period.

6. Remuneration to the Auditors:

	For the period/year ended	
	19th August, 2005 Rupees	31st March, 2005 Rupees
Audit Fees	400,000	400,000
Tax Audit Fees	100,000	100,000
Other Capacity	Nil	100,000
Other Services	Nil	70,000
Service Tax	51,000	71,200
Total	**551,000**	**741,200**

SCHEDULE "O" CONTD...

In addition to the above, Rs Nil (31/3/2005- Rs 50,000/-) has been paid during the period to a firm in which some partners of the audit firm are also partners. This amount is included in Professional and Legal Fees in Schedule "N".

7. As per the definitions of 'business segment' and 'geographical segment', contained in (AS-17) "Segment Reporting", Management is of the opinion that there is neither more than one reportable business segment nor more than one reportable geographical segment, hence segment information as per AS-17 is not required to be disclosed.

8. As per the Accounting Standard on "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India, the related parties of the Exchange are as follows:

a) Entities under common control:

Name	As at	
	19th August, 2005	31st March, 2005
The Stock Exchange Investors' Protection Fund	√	√
The Stock Exchange Education & Research Services	√	√
The Stock Exchange Foundation	√	√
The Stock Exchange Charities	√	√
Seth K. R. P. Shroff Stock Exchange Sarvajanik Fund	√	√
Shri Phiroze Jeejeebhoy Memorial Trust	√	√

Transactions with entities under common control:

(Rs. Million)

Name	Particulars	1st April, 2005 to 19th August, 2005	1st April, 2004 to 31st March, 2005
EXPENDITURE			
The Stock Exchange Investors' Protection Fund	Contribution to IPF	9.51	15.48

b) Associates:

Name	Associate as on	
	19th August, 2005	31st March, 2005
BOI Shareholding Ltd.	√	√
Central Depository Services (India) Ltd.	√	√

SCHEDULE "O" CONTD...

Transactions with Associates:

(Rs. Million)

Name	Particulars	1st April, 2005 to 19th August, 2005	1st April, 2004 to 31st March, 2005
INCOME			
Central Depository Services (India) Ltd.	Vsat Recoveries	5.58	14.74
	Lease Line Equipment Charges	0.23	0.97
	Rent	2.12	3.16
EXPENDITURE			
BOI Shareholding Ltd.	Clearing House Expenses	5.93	12.00
ASSETS			
Central Depository Services (India) Ltd.	Investments	382.55	382.55
BOI Shareholding Ltd.	Investments	9.80	9.80
LIABILITIES			
Central Depository Services (India) Ltd.	Deposit for Premises	63.83	63.83

c) Key Management Personnel :

Name	Relation
Shri Rajnikant Patel	Executive Director & Chief Executive Officer

Transactions with Key Management Personnel:

(Rs. Million)

Particulars	1st April, 2005 to 19th August, 2005	1st April, 2004 to 31st March, 2005
INCOME		
Housing Loan Interest	0.00	0.10
EXPENDITURE		
Remuneration	1.39	5.25
ASSETS		
Housing Loan	0.71	0.73

9. As required by Accounting Standard (AS-28) "Impairment of Assets", issued by the Institute of Chartered Accountants of India, the Exchange has carried out the assessment of impairment of assets. There has been no impairment loss during the period.

10. Various Funds / Reserves setup and administered by the Exchange.

10.1 Trade Guarantee Fund (TGF)

The Exchange in the year 1997 set up the Trade Guarantee Fund to guarantee the settlement of bonafide transactions of members of the Exchange inter-se which form part of the Stock Exchange settlement system so as to ensure timely completion of settlement of trades and thereby protect the interest of investors and the members of the Exchange. The constitution of the Fund and its rules and bye laws were approved by the Securities and Exchange Board of India (SEBI). The Exchange contributed a sum of Rs. 600 Million from accumulated contribution from its members in the year 1997-98. Every member contributes Rs 10,000 /- at the time of commencement of business and there after a percentage of the gross turnover as prescribed from time to time (Presently 0.01 Rupee per Lac of Gross Turnover). The Fund is represented by the earmarked investments and the income earned on these investments is credited to the Fund.

SCHEDULE "O" CONTD...

10.2 Trade Guarantee Fund - G-Sec Segment

The Exchange in the year 2003 decided to set up a distinct Trade Guarantee Fund known as GSEC Trade Guarantee Fund for trading in Central Government Securities and such fund be created with an initial contribution of Rs. 50 Million by transferring the said amount from the free reserves of the Exchange. The Fund is represented by the earmarked investments and the income earned on these investments is credited to the Fund.

10.3 Technology Reserve

The Technology Reserve was set up with a view to keep abreast with the changes in the field of information technology as critical activities of the Exchange are dependent on information technology. The reserve consists of appropriation from Income and Expenditure Account and contributions from members.

Additions during the year financed out of Technology Reserve are Rs. 143,479,902/- (Previous Year Rs. 70,479,016/-). Accumulated utilisation upto 19th August, 2005 out of the Technology Reserve is Rs. 1,365,866,921/- (Previous Year Rs. 1,222,387,019/-).

10.4 Investors' Services Reserve

As per SEBI directive, from 1996-97, the Exchange decided to set aside 20% of the listing fees received to an Investors' Services Account. The Exchange has charged all direct expenses incurred towards Investors Services to the Account and has also charged on a pro-rata basis other revenue expenses.

10.5 Brokers Contingency Fund (BCF)

The Exchange in the year 1997 has set up the Brokers Contingency Fund with a view to make temporary refundable advance(s) to the members facing temporary financial mis-match so as to protect the interests of the investors dealing through members of the Exchange by ensuring timely completion of settlement. The initial contribution of the Exchange to the corpus of the fund was Rs 95.10 Million. Every member contributes Rs 250,000/- at the time of admission to the Exchange. The Fund is represented by the earmarked investments and the income earned on these investments is credited to the Fund.

11. During the current period, the investments representing the deposits in lieu of Bank Guarantees/ FDRs received from members for Trade Guarantee Fund amount to Rs 22.50 Million earlier invested in the own funds of the Exchange have been pooled in the earmarked investments of the said Fund.

12. The Exchange has made provision of Rs. 0.94 Million being the additional property tax demanded by Brihanmumbai Municipal Corporation for the period ended 19th August, 2005. Cummulative provision as at 19th August, 2005 is Rs 3.37 Million.

13. A memorandum of settlement was signed between the Exchange & The Stock Exchange Employees' Union culminating into provision for payment of arrears amounting to Rs 15.25 Million for the period from 1st April, 2003 to 31st March, 2005. Also an amount Rs 5.95 Million has been provided for the arrears payable to the Management Team members as arrears of salary from 1st April, 2003 to 31st March, 2005.

14. Prior period adjustments comprise of interest income transferred to Trade Guarantee Fund Rs 4.62 Million, erroneously accounted as income of the Exchange in the earlier years.

15. The Secured and Unsecured short term loans from Banks appearing in Schedule "C" and "D" are book overdrafts and do not represent any amount overdrawn by the Exchange.

16. SEBI vide its order SEBI/MRD/40967/2005 dated 20th May, 2005 as per the BSE (Corporatisation & Demutualisation) Scheme, 2005 directed the Exchange to get converted into a corporate entity within three months from the date of the order (i.e. 19th August, 2005).

    Bombay Stock Exchange Limited was incorporated as a company under the Companies Act, 1956 on 8th August, 2005. Bombay Stock Exchange Limited received the certificate of commencement of business on 12th August, 2005 to take over the assets and liabilities of the erstwhile BSE at the close of the business hours of 19th August, 2005.

    In view of the above, the accounts of BSE have been drawn up for the period from 1st April, 2005 to 19th August, 2005.

17. The previous year's figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation. Previous year's figures are not comparable with the current period's figures for the reasons stated in Note 16 above.

For and on behalf of the Board of Directors

Rajnikant Patel
Managing Director & CEO

Jagdish Capoor
Chairman

P. P. Vora
Director

Prakash R. Kacholia
Director

Sandeep Sarawgi
Chief Financial Officer

V. G. Bhagat
Company Secretary

Mumbai, 24th December, 2005