

AUDITORS' REPORT

TO THE MEMBERS OF THE STOCK EXCHANGE, MUMBAI

1. We have audited the attached Balance Sheet of THE STOCK EXCHANGE, MUMBAI as at 31st March, 2002 and the Income and Expenditure Account of the Exchange for the year ended on that date, annexed thereto, and report thereon as follows. These financial statements are the responsibility of the Exchange'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. 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 Note 4 of Schedule "J", since the Management is of the opinion that the Exchange will be granted exemption from income-tax, no provision has been made in the accounts for income-tax payable. However, should such exemption not be granted, there would be an estimated income-tax liability of Rs. 13.69 crores for the year and a cumulative liability of Rs. 101.84 crores as at 31st March, 2002.
 - (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 31st March, 2002; and
 - (ii) in the case of the Income and Expenditure Account, of the excess of income over expenditure of the Exchange for the year ended on that date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Nalin M. Shah
Partner

MUMBAI, 19th July, 2002

BALANCE SHEET AS AT

FUNDS AND LIABILITIES	Rs.	As at 3 ^{1st} March, 2001 Rs.
CONTRIBUTION BY MEMBERS		
As per Schedule "E"	292,14,87,786	283,39,46,963
ADVANCE RECEIVED FOR NEW MEMBERSHIP	—	50,00,000
RESERVES AND SURPLUS		
As per Schedule "F"	338,86,00,551	306,63,31,328
SECURED LOANS		
(Secured by pledge of Fixed Deposits)	91,94,99,881	99,97,27,244
UNSECURED LOANS		
As per Schedule "G"	2,43,000	2,43,000
CURRENT LIABILITIES & PROVISIONS		
As per Schedule "H"	338,34,39,318	673,05,36,320
TOTAL	1061,32,70,536	1363,57,84,855

(For notes forming part of the Accounts see Schedule "J")
(For Cash Flow Statement see Schedule "K")

Schedules "A" to "K" Annexed hereto form part of the Balance Sheet & the Income & Expenditure Account.
In terms of our report of even date.

For S.B.BILLIMORIA & CO.
Chartered Accountants

Nalin M. Shah
Partner

MUMBAI, 19th July, 2002

Exchange, Mumbai**31ST MARCH, 2002**

PROPERTY AND ASSETS	Rs.	As at 31ST March, 2001 Rs.
FIXED ASSETS		
As per Schedule "A" Net Block (Original Cost less Depreciation)	69,18,49,354	99,58,55,398
INVESTMENTS		
As per Schedule "B"	89,62,81,713	132,52,19,965
EARMARKED INVESTMENTS & OTHER ASSETS		
As per Schedule "C"	151,69,09,351	138,07,04,786
CURRENT ASSETS, LOANS & ADVANCES		
As per Schedule "D"	742,27,48,981	993,40,04,706
MISCELLANEOUS EXPENSES TO THE EXTENT NOT WRITTEN OFF (VRS EXPENSES)	8,54,81,137	—
TOTAL	1061,32,70,536	1363,57,84,855

For and on behalf of the Governing
Board.

SHRI A. N. JOSHI
Executive Director

JUSTICE D. R. DHANUKA (Retd.)
Director

SHRI S. S. THAKUR
Director

SHRI KEVIN DESOUZA
General Manager - Finance & Accounts

SHRI S. S. VYAS
General Manager - Legal & Secretarial

MUMBAI, 19th July, 2002

INCOME & EXPENDITURE ACCOUNT

EXPENDITURE	Rs.	Previous Year Rs.
Salaries, Wages and Bonus	10,70,35,896	13,27,68,561
Contribution to Provident and Gratuity Funds	1,81,42,627	1,61,23,522
Staff Welfare Expenses	3,71,93,258	4,71,57,114
Printing and Stationery	1,06,62,219	1,21,16,212
Postage and Telephone Expenses	1,01,28,875	1,52,55,197
Electricity Charges	7,47,44,141	5,44,42,245
Building Repairs & Maintenance Expenses	2,15,17,247	3,62,58,471
Repairs to Other Assets	95,54,198	1,20,21,251
Rent & Property Taxes	2,01,59,688	87,89,159
Auditors' Remuneration (Ref.Note No.5 of Sch."J")	4,72,500	4,72,500
Professional & Legal fees	2,00,43,568	2,56,92,257
Governing Board Directors' Fees & Other Committees Fees (Public Representatives)	6,35,500	3,97,200
Contribution to SEBI (Ref.Note No.14 of Sch."J")	57,28,837	60,10,001
Contribution to Investors' Protection Fund (Ref. Note No.14 of Schedule "J")	28,64,419	30,05,001
Charity & Donations	—	22,14,000
Travelling Expenses	53,34,733	1,74,56,461
Computer Maintenance and Service Charges	14,47,63,753	17,88,71,500
Derivative Segment Expenses (Excluding Overheads)	4,20,65,007	3,45,62,099
Clearing House Expenses	85,09,655	1,19,60,415
Insurance Premium	2,83,91,029	61,05,075
Miscellaneous Expenses	1,80,15,840	5,37,20,944
Internet Trading & Website Expenses	3,11,43,524	2,73,93,203
Compensation For Vacation of Premises (Ref. Note No.13 of Schedule "J")	2,88,66,000	—
Staff VRS Expenses Written Off	2,13,70,284	—
Loss on Sale of Fixed Assets	—	1,33,831
Depreciation	55,25,72,937	63,18,28,133
Prior Period Adjustment (Ref.Note No.12 of Sch."J")	2,08,21,059	—
TOTAL EXPENSES	124,07,36,794	133,47,54,352
Less: Expenses transferred to Investors' Service Account (Ref Note No.7 of Schedule "J")	2,28,34,900	2,36,69,805
	121,79,01,894	131,10,84,547
Transferred to Technology Reserve (Refer Note No.11 of Schedule "J")	15,41,63,680	47,11,85,100
Excess of Income over Expenditure transferred to Balance Sheet	10,63,78,376	5,60,05,254
TOTAL	147,84,43,950	183,82,74,901

(For notes forming part of the Accounts see Schedule "J") (For Cash Flow Statement see Schedule "K")
Schedules "A" to "K" annexed hereto form part of the Balance Sheet & the Income & Expenditure Account.
In terms of our report of even date.

For S.B.BILLIMORIA & CO.
Chartered Accountants

Nalin M. Shah
Partner

MUMBAI, 19th July, 2002

Exchange, Mumbai**FOR THE YEAR ENDED 31ST MARCH, 2002**

INCOME	Rs.	Previous Year Rs.
Listing Fees	11,45,76,748	12,02,00,026
Membership Annual Subscription	1,16,16,000	1,06,32,000
Penalties and Fines	4,46,49,287	3,80,63,495
Charges Recovered from Members	43,32,08,417	65,29,09,889
Rent and Maintenance Service Charges	24,11,19,279	1,57,13,390
Income from Investments and Deposits (Schedule "I")	51,38,78,934	94,23,70,200
Miscellaneous Income	2,11,07,769	3,79,18,795
Income from Data Dissemination	2,81,84,283	3,54,15,744
Income from Derivative Segment	2,13,48,881	75,15,671
Income from Internet Trading System	30,09,042	5,32,500
Gain on Exchange Difference	39,787	—
Interest on Income Tax Refund	2,13,00,616	3,88,052
Fees for Administering Earmarked Funds	1,45,84,138	—
Profit on Sale of Fixed Assets	5,13,672	—
Stock on Hand	3,21,41,997	2,84,944
TOTAL INCOME	150,12,78,850	186,19,44,706
Less: Contribution transferred to Investors' Services Account (Ref Note No. 7 of Schedule "J")	2,28,34,900	2,36,69,805
TOTAL	147,84,43,950	183,82,74,901

For and on behalf of the Governing Board.

SHRI A. N. JOSHI
Executive DirectorJUSTICE D. R. DHANUKA (Retd.)
DirectorSHRI S. S. THAKUR
DirectorSHRI KEVINDESOUZA
General Manager - Finance & AccountsSHRI S. S. VYAS
General Manager - Legal & Secretarial

MUMBAI, 19th July, 2002

STATEMENT OF FIXED ASSETS FORMING

SR. NO.	PARTICULARS OF ASSETS	GROSS BLOCK			
		COST AS AT 01.04.2001 Rs.	ADDITIONS DURING THE YEAR Rs.	DEDUCTIONS/ ADJUSTMENTS Rs.	COST AS AT 31.03.2002 Rs.
1	FREEHOLD LAND	22,27,857	—	—	22,27,857
2	BUILDINGS	32,91,96,206	—	—	(*)32,91,96,206
3	PLANT & MACHINERY	11,84,74,222	3,29,99,226	1,26,06,659	13,88,66,789
4	ELECTRICAL INSTALLATIONS	5,86,20,512	96,49,946	—	6,82,70,458
5	COMPUTERS	205,57,56,882	(#)19,20,83,933	—	224,78,40,815
6	FURNITURE, FIXTURES AND OFFICE EQUIPMENTS	19,87,03,984	1,40,55,605	4,00,000	21,23,59,589
7	MOTOR VEHICLES	93,67,733	21,24,838	27,33,414	87,59,157
	AS AT 31st MARCH, 2002	277,23,47,396	25,09,13,548	1,57,40,073	300,75,20,871
	AS AT 31st MARCH, 2001	178,48,97,035	101,41,47,104	2,66,96,743	277,23,47,396

(*) Buildings include cost of shares in Co-operative Housing Societies amounting to Rs. 1,750/- (Previous year Rs. 1,750/-)

(#) Additions during the year financed out of Technology Reserve is Rs. 19,20,83,933/- (Previous Year Rs.35,82,62,384/-)

Exchange, Mumbai**PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2002****SCHEDULE "A"**

DEPRECIATION				NET BLOCK	
DEPRECIATION UPTO 31.3.2001 Rs.	DEPRECIATION FOR THE YEAR Rs.	DEDUCTIONS/ ADJUSTMENTS Rs.	TOTAL DEPRECIATION UPTO 31.03.2002 Rs.	NET ASSETS 31.03.2002 Rs.	NET ASSETS 31.03.2001 Rs.
—	—	—	—	22,27,857	22,27,857
18,14,61,188	1,23,97,277	—	19,38,58,465	13,53,37,741	14,77,35,018
9,49,82,070	1,00,85,873	1,18,80,929	9,31,87,014	4,56,79,775	2,34,92,152
3,46,30,796	79,58,640	—	4,25,89,436	2,56,81,022	2,39,89,716
138,36,98,736	50,57,08,348	—	188,94,07,084	35,84,33,731	67,20,58,146
7,73,34,998	1,63,53,952	20,000	9,36,68,950	11,86,90,639	12,13,68,986
43,84,210	68,847	14,92,489	29,60,568	57,98,589	49,83,523
177,64,91,998	55,25,72,937	1,33,93,418	231,56,71,517	69,18,49,354	99,58,55,398
115,88,53,842	63,18,28,133	1,41,89,977	177,64,91,998	99,58,55,398	62,60,43,193

The Stock Exchange, Mumbai

INVESTMENTS AS AT 31ST MARCH, 2002

SCHEDULE “B”

	Rs.	Rs.	Rs.	AS AT 31 ST MARCH, 2001 Rs
<u>INVESTMENTS :</u>				
<u>LONG-TERM :</u>				
IDBI DEEP DISCOUNT BONDS	49,95,000		49,95,000	
98,000 SHARES OF BOI SHAREHOLDING LTD. OF RS.100/- EACH	98,00,000		98,00,000	
4,69,99,200 (31.3.2001 : 6,59,99,200) SHARES OF CENTRAL DEPOSITORY SERVICES LIMITED OF RS. 10/- EACH	46,99,92,000	48,47,87,000	65,99,92,000	67,47,87,000
<u>CURRENT :</u>				
IDBI BONDS	47,00,000		11,92,00,000	
RSRTC BONDS	—		4,00,00,000	
PSIDC BONDS	5,00,00,000	5,47,00,000	5,00,00,000	20,92,00,000
<u>MUTUAL FUND INVESTMENTS :</u>				
(AT LOWER OF COST AND MARKET VALUE)				
BALANCED SCHEMES	25,97,23,094		23,67,34,213	
DEBT SCHEMES	—		11,25,00,000	
EQUITY SCHEMES	9,70,71,619	35,67,94,713	9,19,98,752	44,12,32,965
TOTAL		89,62,81,713		132,52,19,965

The Stock Exchange, Mumbai

EARMARKED INVESTMENTS AND OTHER ASSETS AS AT 31ST MARCH, 2002

SCHEDULE "C"

				AS AT	
	Rs.	Rs.	Rs.	31 ST MARCH, 2001	Rs.
INVESTMENTS :					
<u>TRADE GUARANTEE FUND :</u>					
<u>LONG-TERM :</u>					
HDFC NON-CONVERTIBLE DEBENTURE		5,00,00,000			5,00,00,000
<u>CURRENT :</u>					
DEPOSIT WITH BANKS IN CD/TDR	103,70,41,647			82,32,33,029	
DEPOSIT WITH HDFC LIMITED	4,09,81,145			16,68,74,075	
DEPOSIT WITH ICICI LIMITED	75,00,000	108,55,22,792		75,00,000	99,76,07,104
			113,55,22,792		104,76,07,104
<u>BROKERS' CONTINGENCY FUND :</u>					
<u>LONG-TERM :</u>					
RSRTC BONDS	2,00,00,000			—	
IDBI BONDS	2,50,00,000			—	
ICICI SAFETY BONDS	7,00,000			—	
		4,57,00,000			—
<u>CURRENT :</u>					
DEPOSIT WITH BANKS IN CD/TDR	25,26,54,705			25,52,89,078	
DEPOSIT WITH HDFC LIMITED	—			44,00,000	
DEPOSIT WITH ICICI LIMITED	2,47,02,693			2,25,00,000	
		27,73,57,398			28,21,89,078
			32,30,57,398		
OTHER ASSETS (*)					
<u>TRADE GUARANTEE FUND :</u>					
ACCRUED INTEREST ON INVESTMENTS	23,75,719			52,08,877	
TDS ON INTEREST ON INVESTMENTS	4,57,27,487			3,21,13,284	
PREPAID EXPENSES	—			1,15,93,750	
		4,81,03,206			4,89,15,911
<u>BROKERS' CONTINGENCY FUND :</u>					
ACCRUED INTEREST ON INVESTMENTS	47,91,985				19,92,693
TDS ON INTEREST ON INVESTMENT BCF	54,33,970	1,02,25,955			—
			5,83,29,161		
TOTAL			151,69,09,351		138,07,04,786

(*) Excluding Bank Balances in Current Account

The Stock Exchange, Mumbai

CURRENT ASSETS, LOANS & ADVANCES AS AT 31ST MARCH, 2002

SCHEDULE “D”

			AS AT	
	Rs.	Rs.	31 ST MARCH, 2001	Rs.
INTEREST ACCRUED ON INVESTMENTS / DEPOSITS : (Ref. note no. 6 of Schedule “J”)		4,22,73,346		6,23,73,328
<u>CASH AND BANK BALANCES :</u>				
CASH ON HAND	1,12,032		1,75,113	
BALANCE WITH SCHEDULED BANKS :				
IN CURRENT ACCOUNT	7,38,06,950		12,11,40,750	
(INCLUDES BALANCES OF TGF & BCF)				
IN DEPOSIT ACCOUNT	584,26,18,708		832,76,68,697	
		591,65,37,690		844,89,84,560
		595,88,11,036		851,13,57,888
DEPOSIT WITH ICICI LIMITED		-		19,00,00,000
DEPOSIT WITH HDFC LIMITED		84,05,12,061		68,64,22,956
<u>ADVANCES RECOVERABLE IN CASH OR IN KIND :</u>				
SUNDRY ADVANCES	9,15,79,948		13,45,10,473	
LESS : PROVISION FOR DOUBTFUL ADVANCES	9,04,140		9,04,140	
		9,06,75,808		13,36,06,333
DEPOSIT WITH PUBLIC BODIES & OTHERS		2,29,68,173		1,00,02,508
ADVANCES TO STAFF		4,71,83,991		6,58,27,435
TAX DEDUCTED AT SOURCE		38,25,37,550		29,88,87,447
SHETH CHUNILAL MOTILAL LIBRARY		5,050		5,050
INCOME RECEIVABLE		4,79,13,315		3,76,10,145
STOCK ON HAND		3,21,41,997		2,84,944
TOTAL		742,27,48,981		993,40,04,706

The Stock Exchange, Mumbai

CONTRIBUTION BY MEMBERS AS AT 31ST MARCH, 2002

SCHEDULE "E"

			AS AT 31 ST MARCH, 2001	
	Rs.	Rs.	Rs.	Rs.
BALANCE AS PER LAST BALANCE SHEET		173,45,03,586		46,91,73,051
<u>ADD: FEES RECEIVED FROM NEW MEMBERS :</u>				
ADMISSION FEES (CORPORATE)		20,00,000		1,85,00,000
ADMISSION FEES (DERIVATIVES)		43,00,000		3,59,00,000
		174,08,03,586		52,35,73,051
ENTRANCE FEE (CORPORATE)		50,00,000		126,09,30,535
		174,58,03,586		178,45,03,586
LESS: REFUNDED DURING THE YEAR		1,00,00,000		5,00,00,000
		173,58,03,586		173,45,03,586
TRADE GUARANTEE FUND : (Refer Note No. 8 of Schedule J)				
BALANCE AS PER LAST BALANCE SHEET	109,94,43,377		106,59,82,706	
<u>ADDITIONS :</u>				
INITIAL CONTRIBUTION BY MEMBERS	40,000		6,00,000	
INITIAL CONTRIBUTION BY MEMBERS (DERIVATIVES)	40,00,000		1,56,00,000	
CONTINUOUS CONTRIBUTION BY MEMBERS	1,51,64,530		6,40,68,575	
CONTINUOUS CONTRIBUTION BY MEMBERS (DERIVATIVES)	2,23,637		1,66,184	
INTEREST ON INVESTMENTS	11,78,57,117		10,31,22,203	
DEPOSIT IN LIEU OF BANK GUARANTEE	-		1,00,00,000	
	123,67,28,661		125,95,39,668	
<u>LESS :</u>				
(1) UTILISED FOR DEFAULTER MEMBERS' PAY-IN	-		1,55,21,000	
(2) UTILISED FOR MEETING LIABILITIES TO THE CLEARING HOUSE	-		14,22,56,541	
(3) ADMINISTRATION CHARGED PAID	1,14,50,711		-	
(4) INSURANCE COVER FOR TRADE GUARANTEE FUND	1,15,93,750		23,18,750	
(5) TRANSFER TO DEPOSIT IN LIEU OF BANK GUARANTEE OF EARLIER YEARS	2,80,00,000		-	
		118,56,84,200		109,94,43,377
TOTAL		292,14,87,786		283,39,46,963

The Stock Exchange, Mumbai

RESERVES AND SURPLUS AS AT 31ST MARCH, 2002

SCHEDULE "F"

			AS AT	
			31 ST MARCH, 2001	
	Rs.	Rs.	Rs.	Rs.
STOCK EXCHANGE BUILDING A/C		9,13,896		9,13,896
SHETH CHUNILAL MOTILAL LIBRARY A/C		37,050		37,050
CHARITY A/C		16,041		16,041
FOREFTURE OF MEMBERSHIP APPLICATION MONEY		50,00,000		-
STOCK EXCHANGE TECHNOLOGY RESERVE : (Refer Note No. 11 of Schedule "J")				
BALANCE AS PER LAST BALANCE SHEET	119,17,58,112		56,17,59,042	
ADD: ACCRETION DURING THE YEAR	1,36,19,128		15,88,11,496	
ADD: TRANSFERRED FROM INCOME & EXPENDITURE ACCOUNT	15,41,63,680		47,11,85,100	
TECHNOLOGY FUND (DERIVATIVES)	—		2,474	
		135,95,40,920		119,17,58,112
INVESTORS' SERVICE ACCOUNT :				
BALANCE AS PER LAST BALANCE SHEET	1		1	
ADD: CONTRIBUTION RECEIVED DURING THE YEAR	2,28,34,900		2,36,69,805	
	2,28,34,901		2,36,69,806	
LESS: EXPENSES INCURRED DURING THE YEAR	2,28,34,900		2,36,69,805	
		1		1
BROKERS' CONTINGENCY FUND : (Refer Note No. 9 of Schedule "J")				
BALANCE AS PER LAST BALANCE SHEET	28,44,11,363		20,70,01,452	
ADDITIONS :				
INITIAL CONTRIBUTION BY MEMBERS	2,000,000		1,82,50,000	
CONTINUOUS CONTRIBUTION BY MEMBERS	59,01,651		3,04,75,714	
INTEREST ON INVESTMENTS	3,34,47,335		2,76,78,761	
TRANSFER FROM ASSETS OF DEFAULTER	48,92,480		10,05,436	
	33,06,52,829		28,44,11,363	
LESS: ASSET MANAGEMENT FEES PAID	31,33,427		-	
		32,75,19,402		28,44,11,363
INCOME & EXPENDITURE ACCOUNT :				
BALANCE AS PER LAST BALANCE SHEET	158,91,94,865		153,31,89,611	
ADD: EXCESS OF INCOME OVER EXPENDITURE	10,63,78,376		5,60,05,254	
		169,55,73,241		158,91,94,865
TOTAL		338,86,00,551		306,63,31,328

UNSECURED LOANS AS AT 31ST MARCH, 2002

SCHEDULE "G"

			AS AT	
			31 ST MARCH, 2001	
			Rs.	
FIXED DEPOSITS :				
FROM MEMBERS		50,000		50,000
FROM PUBLIC (UNCLAIMED)		1,93,000		1,93,000
TOTAL		2,43,000		2,43,000

The Stock Exchange, Mumbai

CURRENT LIABILITIES & PROVISIONS AS AT 31ST MARCH, 2002

SCHEDULE "H"

				AS AT		
	Rs.	Rs.	Rs.	Rs.	31 ST MARCH, 2001	
					Rs.	Rs.
<u>CURRENT LIABILITIES :</u>						
<u>MEMBERS :</u>						
DEPOSITS & MARGINS RECEIVED		195,82,45,473			527,84,57,748	
OTHER LIABILITIES		3,79,65,595			26,75,311	
			199,62,11,068			528,11,33,059
<u>OTHERS :</u>						
1. DEPOSITS :						
(a) DEPOSITS FROM COMPANIES - 1% OF THEIR PUBLIC ISSUE	42,08,93,443			42,20,40,710		
(b) OTHER DEPOSITS RECEIVED	26,71,95,750			26,26,53,550		
		68,80,89,193			68,46,94,260	
2. INCOME RECEIVED IN ADVANCE		8,27,91,357			1,08,77,132	
3. ADVANCE RECEIVED FOR DISINVESTMENT OF SHAREHOLDING IN CDSIL	9,50,00,000			28,50,00,000		
4. OTHER LIABILITIES	42,30,70,275			37,47,46,868		
		51,80,70,275			65,97,46,868	
5. SUNDRY CREDITORS		8,59,45,425			6,63,99,586	
6. INTEREST ACCRUED BUT NOT DUE ON LOANS		-			1,25,58,415	
		137,48,96,250			143,42,76,261	
<u>PROVISIONS :</u>						
LEAVE ENCASHMENT		1,23,32,000			1,51,27,000	
			138,72,28,250			144,94,03,261
TOTAL			338,34,39,318			673,05,36,320

INCOME FROM INVESTMENT & DEPOSITS

SCHEDULE "I"

PARTICULARS	CURRENT YEAR ENDED 31.03.2002	PREVIOUS YEAR ENDED 31.03.2001
	Rs.	Rs.
INTEREST ON BONDS/DEPOSITS WITH FINANCIAL INSTITUTIONS	2,66,40,206	11,61,71,253
INTEREST ON CERTIFICATE OF DEPOSITS WITH BANKS	-	1,59,04,410
INTEREST ON FIXED DEPOSITS & TERM DEPOSITS INVESTMENTS	69,40,19,241	100,74,21,585
PROFIT FROM MUTUAL FUND INVESTMENTS	23,09,176	10,33,53,552
INCENTIVE ON MUTUAL FUND INVESTMENTS	17,85,385	2,68,52,657
PROFIT ON REDEMPTION OF BONDS	5,27,381	18,16,385
INTEREST ON B.E.S.T. DEPOSIT	1,80,385	6,89,866
DIVIDEND ON MUTUAL FUNDS EQUITY SCHEMES	-	2,20,15,179
	72,54,61,774	129,42,24,887
LESS : (1) PROVISION FOR DIMINUTION ON MUTUAL FUND INVESTMENTS	(2,80,61,748)	24,59,73,905
(2) INTEREST ON OVERDRAFT	23,96,44,588	10,58,80,782
NET INCOME FROM INVESTMENTS	51,38,78,934	94,23,70,200

NOTE : Income from Investments of the Derivative Segment is included in Income from Derivative Segment.

The Stock Exchange, Mumbai

NOTES FORMING PART OF THE ACCOUNTS

SCHEDULE – “J”

1. Significant Accounting Policies :

- (a) The Exchange maintains its books of account on accrual basis.
- (b) Fixed Assets are stated at cost and depreciation thereon is provided for on the 'Written Down Value' basis at the rates prescribed under the Income-Tax Act, 1961.
- (c) Inventories : Inventories are stated at lower of cost and market value.
- (d) Miscellaneous Expenditure : Miscellaneous Expenditure relating to payment of compensation towards voluntary retirement of the employees has been deferred over a period of five years.
- (e) Investments : Long term investments are stated at cost. Provision is made for permanent diminution in value of such investments. Current investments are valued at lower of cost and market value. Incentives received in respect of investments made are recognised as income.
- (f) Retirement benefits : Retirement benefits to employees are provided for by way of provident fund, gratuity and leave encashment. The monthly contributions to provident fund are charged to revenue account. Provision for gratuity is made on the basis of actuarial valuation. Provision for Leave encashment is based on actuarial valuation.
- (g) 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 balance sheet. Exchange difference arising on settlement/conversion is adjusted to Income & Expenditure Account.

2. Contingent Liabilities Not Provided for :

- | | 31/03/2002
(Rs. in Crores) | 31/03/2001
(Rs. in Crores) |
|---|-------------------------------|-------------------------------|
| a) Claims against the Exchange not acknowledged as debts in respect of Income-Tax matters | 173.89 | — |
| b) Claims against the Exchange not acknowledged as debt in respect of Sales-Tax matters | 1.74 | 1.40 |
| c) Guarantees given by the Exchange to HDFC Ltd., aggregating to Rs. 8.50 crores for their line of credit scheme for providing loans to employees of the Stock Exchange for housing. Aggregate loans outstanding from employees of Stock Exchange were Rs.5,47,30,814/- as on 31 st March, 2002 (31/3/2001- Rs.5,48,05,350/-) The Employees have mortgaged their flats / properties with HDFC Ltd. | | |
| 3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs.1.21 crores (31/3/2001- Rs.NIL). | | |
| 4. No provision for Taxation for the year ended 31 st March, 2002 has been made in the accounts as the Management is of the opinion that appeals will be disposed off in the Exchange's favour and the Exchange will be granted exemption under Sections 11 & 10 (23C)(iv) of Income-Tax Act, 1961. However, in the event that such exemption is not granted, there would be estimated tax liability of Rs.13.69 crores for the year (31/3/2001 – Rs. 37.85 crores). The total cumulative income tax liability not provided for is estimated at Rs. 101.84 crores (excluding the amounts referred to in Note 2(a) above) (31/3/2001 – Rs. 101.73 crores) | | |
| 5. Remuneration to the Auditors : | | |
| Audit Fees | 31/3/2002
Rs. 3,00,000/- | 31/3/2001
Rs. 3,00,000/- |
| Tax Audit Fees | Rs. 75,000/- | Rs. 75,000/- |
| Other Capacity | Rs. 75,000/- | Rs. 75,000/- |
| Service Tax | <u>Rs. 22,500/-</u> | <u>Rs. 22,500/-</u> |
| | <u>Rs. 4,72,500/-</u> | <u>Rs. 4,72,500/-</u> |
| 6. Current Assets include interest accrued on Investments / Bank Deposits of Own Funds Rs.82,79,999/- (31/3/2001- Rs. 6,23,73,328/-) Defaulter's Deposit Rs.1,33,21,507/- (31.03.2001- Rs. Nil) and 1% Public Issue Deposit Rs.1,95,91,718/- (31.03.2001- Rs. Nil). In the previous year, no accrual was made for interest on Defaulters Deposit and 1% Public Issue Deposit amounting Rs.44,59,672/-. | | |
| 7. 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 prorata basis other revenue expenses, including premium paid for members' comprehensive insurance policy but excluding depreciation to the Account, on the basis of number of employees in the Investor Service Cell to the extent of the balance available in the said Account. | | |
| 8. The Governing Board in its meeting held on 11 th February, 1997 decided to set up a Trade Guarantee Fund for guaranteeing the trades executed in the Exchange. The constitution of the Fund and its rules and bye laws were approved by the Securities and Exchange Board of India on 9 th May, 1997 and the Fund became operational on 12 th May, 1997. The Exchange contributed a sum of Rs. 60 crores from accumulated contribution from its members for the year 1997-98. The members of the Exchange also contributed to the Fund through the initial contribution of Rs. 10,000/- and a levy based on turnover. The income of the investment of the Fund accrues to the credit of the Fund. | | |
| 9. The Governing Board in its meeting held on 7 th July, 1997 decided to set up a Brokers Contingency Fund for meeting temporary mismatch of fund requirements of its members. The initial corpus of the Fund was Rs. 9.51 crores. The members contribute to the Fund through a levy based on turnover. Contributions are also collected from new members. The income on the investment of the Fund accrues to the credit of the Fund. | | |
| 10. BOI Shareholding Ltd. (acting as the Clearing House) operates a Settlement Account with Bank of India, Global Trust Bank Ltd., HDFC Bank Ltd., Standard Chartered Bank, Centurion Bank Ltd., UTI Bank Ltd., ICICI Bank Ltd. and IndusInd Bank Ltd., through which the pay-in and pay-out obligations of all members are routed. The general ledger balance of this account had a debit balance of Rs.72.64 crores as on 31 st March, 2002 (31/3/2001 – Rs. 181.69 crores Credit) which has not been reflected in the Balance Sheet. | | |
| 11. In accordance with the Governing Board Resolution dated 17 th March, 2000, 50% of the net income earned on Investments have been transferred to the Technology Reserve. However, as per the Governing Board Resolution dated 17 th June, 2002, it was decided to transfer 30% of the net income earned on investments to the Technology Reserve for the year 2001-02. | | |
| 12. Prior period adjustment comprises of refund of excess auction fees recovered from the clearing house during the year 2000-01 amounting to Rs.1,52,57,718/- and the provision made for cost of shares purchased in the open market in lieu of short shares in the clearing house, to meet pay-out deliveries, amounting to Rs.55,63,341/-. | | |
| 13. The compensation refers to the amount paid to a tenant for vacation of premises, as per the terms of the agreement. | | |
| 14. Contribution to SEBI and Customer Protection Fund is to 5% and 2.50% of the listing fees received during the year, respectively, as per the SEBI guidelines. | | |
| 15. The figures of the previous year have been re-grouped and re-arranged wherever necessary. | | |

The Stock Exchange, Mumbai

CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2002

SCHEDULE "K"

	PARTICULARS	Rs.
A	<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	
	EXCESS OF INCOME OVER EXPENDITURE AS PER INCOME & EXPENDITURE A/C	10,63,78,376
	<u>ADJUSTMENTS FOR:</u>	
	DEPRECIATION	55,25,72,937
	VOLUNTARY RETIREMENT SCHEME AMORTISATION	2,13,70,284
	WRITE-OFF ON ACCOUNT OF CLEARING HOUSE SHORT SHARES	55,63,341
	WRITE-OFF OF FIXED ASSETS	4,00,000
	PROFIT ON SALE OF FIXED ASSETS	(5,13,672)
	INTEREST INCOME CONSIDERED SEPARATELY	(73,96,98,620)
	INTEREST EXPENSE CONSIDERED SEPARATELY	23,99,45,903
	PROFIT ON SALE OF INVESTMENTS	(29,48,562)
	PROFIT ON REALISATION OF FOREIGN EXCHANGE CONSIDERED SEPARATELY	(39,787)
	EXCESS PROVISION FOR DIMINUTION ON MUTUAL FUND INV. WRITTEN BACK	(2,80,61,748)
	OPERATING INCOME BEFORE WORKING CAPITAL CHANGES	15,49,68,452
	<u>ADJUSTMENTS FOR:</u>	
	CURRENT ASSETS	1,93,15,157
	CURRENT LIABILITIES	(332,04,16,020)
	EXPENDITURE ON VOLUNTARY RETIREMENT SCHEME	(10,68,51,421)
	PROFIT ON REALISATION OF FOREIGN EXCHANGE	39,787
	NET CASH FROM OPERATING ACTIVITIES	(325,29,44,045)
B	<u>CASH FLOW FROM INVESTING ACTIVITIES</u>	
	PURCHASE OF FIXED ASSETS	(25,09,13,548)
	PROCEEDS FROM SALE OF FIXED ASSETS	24,60,326
	<u>INVESTMENTS</u>	
	GROSS ADDITIONS	(414,60,33,802)
	GROSS REDEMPTION/SALE	688,33,31,681
	INTEREST INCOME ON INVESTMENTS	73,96,98,620
	NET CASH FROM INVESTING ACTIVITIES	322,85,43,278
C	<u>CASH FLOW FROM FINANCING ACTIVITIES</u>	
	<u>CHANGE IN FUNDS</u>	
	TRADE GUARANTEE FUND	9,78,34,572
	BROKERS' CONTINGENCY FUND	4,31,08,040
	INVESTORS' PROTECTION FUND	80,55,909
	1% COMPANY DEPOSIT FUND	1,84,44,451
	DEFAULTERS' FUND	(5,86,60,438)
	CONTRIBUTION BY MEMBERS TOWARDS CAPITAL	13,00,000
	CONTRIBUTION BY MEMBERS TOWARDS TECHNOLOGY FUND	16,77,82,809
	LOANS AND BORROWINGS	(8,03,11,609)
	INTEREST EXPENSE ON BORROWINGS	(23,99,45,903)
	NET CASH FROM FINANCING ACTIVITIES	(4,23,92,167)
	<u>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT</u>	(6,67,92,934)
	CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	16,51,90,489
	CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	23,19,83,423
		(6,67,92,934)

NOTE: CASH AND CASH EQUIVALENT INCLUDE CASH IN HAND, BALANCE IN CURRENT ACCOUNT WITH BANKS AND OWN INVESTMENTS WITH MATURITY OF LESS THAN 90 DAYS AND EXCLUDE BALANCE IN CLEARING HOUSE ASSOCIATION ACCOUNT