

MCX STOCK EXCHANGE LIMITED

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Mumbai - 400 093. Tel. +91 22 67319000; Fax +91 22 67319004.

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ANNUAL ACCOUNTS AND DIRECTORS REPORT - FY 2008-09

MCX Stock Exchange Limited

Report of the Board of Directors

REPORT OF THE DIRECTORS

TO THE MEMBERS OF MCX STOCK EXCHANGE LIMITED

Your Directors have pleasure in presenting their First Annual Report and the Audited Statement of Accounts and Auditors' Report for the period commencing from August 14, 2008 to March 31, 2009.

1. FINANCIAL RESULTS

(Rs. in crores)	
	Period ended March 31, 2009
Total Income	7.58
Less: Expenditure	37.33
Loss Before Tax	29.75
Less: Provision For Tax	0.12
Loss After Tax carried to Balance Sheet	(29.87)

As these are the first financial results of the Company, prior year comparatives have not been given.

2. CORPORATE AND BUSINESS BACKGROUND

The Company was incorporated on August 14, 2008 and recognized as a stock exchange by Securities and Exchange Board of India (SEBI) under section 4 of the Securities Contracts (Regulation) Act, 1956 with effect from September 16, 2008. The Exchange was promoted by Multi Commodity Exchange of India Limited (MCX) and Financial Technologies (India) Ltd. (FTIL). The Exchange currently has approval to operate its Currency Derivatives Segment and presently USD-INR contracts of 1-12 months maturity are being traded on the Segment, in terms of the regulatory structure laid down by SEBI and Reserve Bank of India (RBI). The Exchange also holds necessary authorization from RBI under section 10 of the Foreign Exchange Management Act, 1999. The Exchange intends to commence further Segments upon receiving requisite approval from SEBI.

The Exchange through its Currency Derivatives Segment (CD Segment) provides a platform to the banks, corporates, importers, exporters, small and medium enterprises (SMEs) and resident Indians to hedge their currency risk. The Exchange has taken and would continue to take pioneering initiatives to educate investors and potential users on the benefits and risks of trading in currency futures through various seminars and events organized across the length and breadth of our country. The results are seen in the increase of volumes in trading on the CD Segment. The daily average turnover has increased from Rs. 324.78 crores in the first month of its operations to Rs. 2923.46 crores in May 2009.

Your Directors are pleased to inform that the National Institute of Securities Market (NISM), a public trust promoted by SEBI has appointed the Exchange as Test Administrator for its Certification Programme.

3. DIVIDEND AND RESERVES

In view of the fact that the Company is in its nascent stage of operations and is currently incurring losses, the Board of Directors has not recommended any dividend on the equity capital of the Company. For the same reason, no amounts are available for carrying to reserves.

4. OPERATIONS AND OUTLOOK

During the Financial Year 2008-09, the Company had a total income of Rs. 7.58 crores and incurred a net loss after tax of Rs. 29.87 crores. The primary reason for this is the Exchange's inability to charge transaction fee (which is the main revenue stream for any stock exchange operating this Segment) on account of the predatory pricing practices adopted by the competitors. The magnitude of loss can also be attributed in part to the initial cost of set-up of the Exchange and due to expenditure involved in creating awareness of MCX Stock Exchange and the Currency Derivatives Segment. The Exchange has granted waiver of transaction fee in the Currency Derivatives Segment to match the pricing of the competitor and maintain the existing market share. This waiver was introduced and was extended from time to time in line with the actions of competitors. The Company is expected to perform better in the next year with additional segments.

The exchange traded currency derivatives market is at a nascent stage in India, which has rapidly picked up in terms of volumes. This can be attributed in part at least to the various initiatives of the Exchange to spread awareness and expand the reach across geographical regions of the country.

The RBI-SEBI Standing Technical Committee has recently proposed introduction of interest rate futures contracts on the CD Segment of stock exchanges. The Exchange has taken the necessary initiative and indicated to SEBI its preparedness for introducing the new product for trading on its platform. Though interest rate futures contracts have already been in vogue in another Exchange in India for six years now, the product has not taken off due to various factors. This situation is likely to change in light of the revised framework proposed by RBI and SEBI. Upon approval of SEBI to introduce the product, the Exchange would continue its usual initiatives to spread awareness and education about the new product also and nurture a market therefor.

5. SHARE CAPITAL

The Company was promoted as a 51% subsidiary of MCX with FTIL holding 49%. The Authorised Share Capital of the Company was increased from time to time to meet the growing needs of the Exchange. The Company was incorporated with a paid-up Share Capital of Rs. 10 lakhs. The outstanding equity shares of the Company of Rs. 10/- each were subdivided into corresponding number of equity shares of Re.1/- each on September 20, 2008.

As at March 31, 2009, the paid-up Share Capital of the Company was Rs. 135,00,00,000 divided into 135,00,00,000 Equity Shares of Re.1/- each. Subsequent to the balance sheet date, 2.5 crore shares and 6.25 crore shares respectively have been allotted to two banks. The Exchange is taking further steps to broad base its shareholding.

6. DIRECTORS

The Company at its Extraordinary General Meeting held on August 14, 2008 appointed Mr. Joseph Massey, Mr. V. Hariharan and Mr. P.G. Kakodkar as the first directors of the Company. One of them shall retire by rotation at the first AGM of the Company in terms of section 255 of the Companies Act, 1956. On a drawal of lots it has been decided that Mr. P.G. Kakodkar would retire by rotation at the first AGM. Being eligible, he offers himself for re-appointment.

In pursuance of Section 260 of the Companies Act, 1956, Mr. Jignesh Shah, Mr. Vepa Kamesam, Mr. B. D. Sumitra, Mr. S. S. Thakur and Mr. C.M. Maniar were appointed as Additional Directors on the Board of the Company, w.e.f., October 6, 2008. Mr. U. Venkataraman had joined as an Additional Director and Whole-time Director w.e.f., February 16, 2009. Mr. Ashok Jha, Dr. S.A. Dave and Dr. Nitish Sengupta were appointed as Additional Directors of the Company by the Board on June 26, 2009. All of them shall cease to hold office at the First Annual General Meeting of the Company and are eligible for appointment as Directors.

The Company has received notices in writing from Members under Section 257 of the Companies Act, 1956 proposing their candidature for the office of Directors of the Company. Your Directors recommend their appointment as Directors of the Company.

7. MANAGEMENT

The key managerial personnel of the Company are Mr. Joseph Massey, Managing Director & CEO and Mr. U. Venkataraman, CEO-Currency Derivatives Segment & Whole-time Director. Previously Mr. Massey held top positions at Multi Commodity Exchange of India (MCX), Interconnected Stock Exchange of India (ISE) and Vadodara Stock Exchange (VSE). His expertise greatly helps the new exchange to establish itself in the fiercely competitive environment. He also has good international exposure also in the exchange sphere and had officially visited all prominent overseas exchanges including New York Stock Exchange, NASDAQ, New York Mercantile Exchange, London Stock Exchange, London Metal Exchange and Singapore Stock Exchange. Mr. Venkataraman prior to joining the Exchange as its CEO-CD Segment, was the Head-Treasury, IDBI Bank Ltd., where he was in overall charge of treasury operations of the Bank. He represented the Bank as a Member in the Managing Committee of FEDAI and in FIMMDA. Mr. Venkataraman had travelled widely and is a veteran in the fields of money markets and forex markets.

8. HUMAN RESOURCES

During the period under review, emphasis was given to Human Resource Planning with the objective of optimum utilization of existing manpower. The total strength of employees of the Exchange as on March 31, 2009 was 115 and as on date is 141.

9. SUBSIDIARY COMPANY

MCX-SX Clearing Corporation Ltd. (MCX-SX CCL), is the Company's sole subsidiary. The Company holds 51% equity stake in the subsidiary with the balance being held by Multi Commodity Exchange of India Limited (26%) and Financial Technologies (India) Limited (23%). The Subsidiary was set up to operate as an independent clearing corporation as envisaged in section 8A of the Securities Contracts (Regulation) Act, 1956 and the Report of the RBI-SEBI Standing Technical Committee on Exchange Traded Currency Futures.

MCX-SX CCL presently functions as an independent clearing corporation for clearing and settling the trades taking place in the Currency Derivatives Segment of MCX Stock Exchange Ltd., as required by SEBI. It acts as a central counterparty to such trades and provides full novation in respect of such trades. The Company has been authorized by SEBI and RBI to

undertake the clearing and settlement functions in respect of trades done on Currency Futures Segment of MCX-SX. The Company commenced its operations on February 16, 2009. The documents as specified in Section 212 of the Companies Act, 1956 are attached in respect of the subsidiary.

10. COMPLIANCES

The Company is recognized as a stock exchange by Securities and Exchange Board of India under section 4 of the Securities Contracts (Regulation) Act, 1956 (SCRA). The Company being a stock exchange adheres to SEBI Act, 1992 and SCRA, 1956 and also the various circulars as prescribed by the SEBI and Reserve Bank of India from time to time.

11. DEPOSITS

The Company has not accepted any Public deposits during the Financial Year ended March 31, 2009.

12. AUDITORS

At the extra-ordinary general meeting of the Company held on May 21, 2009, the Company appointed M/s B S R and Company, Chartered Accountants, Mumbai, as the auditors of the Company in place of M/s Mukesh P. Shah & Co., Chartered Accountants.

M/s B S R and Company, Chartered Accountants have confirmed that their appointment will be within the limits as prescribed under section 224(1B) of the Companies Act, 1956. The Directors recommend that they may be re-appointed as auditors of the Company for the second financial year also.

If appointed, M/s B S R and Company, Chartered Accountants shall hold office till the conclusion of the second Annual General Meeting of the Company.

13. COMPOSITION OF AUDIT COMMITTEE

As per Section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee of the Board, comprising of three directors of which two are independent, non-executive directors. The composition of the Audit Committee is as follows:

1. Mr. P.G. Kakodkar – Chairman
2. Mr. C.M. Maniar – Member
3. Mr. Joseph Massey – Member

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities which are being carried out on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy, technology absorption and foreign exchange earnings outgo, respectively, are not applicable to the Company.

The Exchange does not directly contribute to export growth, as it is not allowed to export its services. However, MCX-SX provides a platform to the small and medium enterprises (SMEs) and resident Indians, who hitherto did not have easy access to the currency market and takes the necessary initiative to educate these potential users on the benefits and risks of trading in

currency futures through seminars and events. By providing a hedging mechanism, it indirectly encourages exports.

There were no foreign exchange earnings during the period ended March 31, 2009. The foreign exchange outgo during the period ended March 31, 2009 cumulatively amounted to Rs. 6.95 lakhs.

15. PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended March 31, 2009, is given as an Annexure to this Report.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:-

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
they have taken proper and sufficient care, to the best of their knowledge and ability, 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 frauds and other irregularities;
- iii. they have prepared the annual accounts on a going concern basis.

17. BUY-BACK OF SHARES

As during the last financial year, your Company did not have any scheme of buyback of shares, the requirements specified in section 217(2B) read with section 77A of the Companies Act, 1956 are not applicable to the Company.

18. EMPLOYEES STOCK OPTION PLAN

In order to attract, develop, retain and reward talented workforce, your Directors propose to institute a Employee Stock Option Plan (ESOP) Scheme, whereby employees of the Company including its executive and non-executive Directors and Directors and employees of any subsidiary of the Company would be granted options, which may be exercised on a later date to acquire the Company's shares at a pre-determined price. As a matter of best practice and good governance, the Company proposes to follow the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended and as applicable to a listed company. The Scheme would be administered by the Compensation Committee of the Board of Director, which consists of a majority of independent directors through a trust to be formed for the purpose. The proposal is placed for approval of shareholders at the first Annual General Meeting of the Company.

19. ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution which enabled the Company to meet the challenges set before it, including the fierce competition in the sector. The Directors would also like to place on record their gratitude for the valuable guidance and support received from the Government of India, Securities and Exchange Board of India, Reserve Bank of India, participating banks, clearing banks, NSDL, CDSL, FEDAI, FIMMDA, FIEO, various chambers of commerce, trade associations and all other broker-members, vendors and all other business associates for the continuous support given by them to the Company and their confidence in its Management.

On behalf of the Board of Directors

Joseph Massey
Managing Director & CEO

U. Venkataraman
CEO-CD Segment & Whole-time
Director

Mumbai, June 26, 2009

MCX Stock Exchange Limited

Financial statements together with Auditors' Report *for the period 14 August 2008 to 31 March 2009*

Auditors' Report

To the Members of MCX Stock Exchange Limited

We have audited the attached balance sheet of MCX Stock Exchange Limited ('the Company') as at 31 March 2009 and the profit and loss account and the cash flow statement for the period from 14 August 2008 (date of incorporation of the Company) to 31 March 2009 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 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.

As required by the Companies (Auditor's Report) Order, 2003 ('Order') issued by the Central Government of India 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.

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 purpose 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 those books;
- (iii) the balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the balance sheet, the profit and loss account and the 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 31 March 2009, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2009 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

Auditors' Report (*Continued*)

MCX Stock Exchange Limited

- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said 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 31 March 2009;
 - b) in the case of the profit and loss account, of the loss of the Company for the period ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows of the Company for the period ended on that date.

For B S R and Company
Chartered Accountants

Mumbai
26 June 2009

Akeel Master
Partner
Membership No: 046768

MCX Stock Exchange Limited

Annexure to Auditors' Report – 31 March 2009

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) There were no fixed asset disposals during the period.
2. The Company is a service company, primarily engaged in the business of providing electronic trading platform in currency derivatives. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from, any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and sale of services. The activities of the Company do not involve the purchase of inventory and sale of goods. We have not observed any major weaknesses in the internal control system during the course of the audit.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchases of certain services and fixed assets which are for the Company's specialised requirements and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.

MCX Stock Exchange Limited

Annexure to Auditors' Report – 31 March 2009 (*Continued*)

9. (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company has been generally regular in depositing undisputed statutory dues including Provident fund, Employees' state insurance, Income tax, Service tax and other material statutory dues during the period with the appropriate authorities. As explained to us the Company did not have any dues on account of Investor education and protection fund, Wealth tax, Sales tax, Excise duty and Customs duty.

There were no dues on account of cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' state insurance, Income tax, Service tax, and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became applicable.

- (b) According to the information and explanations given to us, there are no dues of Income tax and Service tax which have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has not completed five years since incorporation and hence provisions of paragraph 10 of the Order are not applicable to the Company.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the period.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the period.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
16. The Company did not have any term loans outstanding during the period. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
17. According to the information and explanations given to us and based on overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, the Company has not issued any debentures during the period.

MCX Stock Exchange Limited

Annexure to Auditors' Report – 31 March 2009 (*Continued*)

20. The Company has not raised any money by public issues during the period.
21. According to the information and explanations given to us, no significant frauds on or by the Company has been noticed or reported during the period.

For **B S R and Company**
Chartered Accountants

Mumbai
26 June 2009

Akeel Master
Partner
Membership No: 046768

MCX Stock Exchange Limited

Balance sheet

as at 31 March 2009

(Currency: Indian rupees)

	<i>Schedule</i>	2009
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	3	1,350,000,000
TOTAL		1,350,000,000
APPLICATION OF FUNDS		
Fixed assets		
Gross block	4	131,468,654
Less: Accumulated depreciation		12,240,842
Net block		119,227,812
Investments	5	777,812,204
Current assets, loans and advances		
Cash and bank balances	6	516,944,670
Loans and advances	7	74,792,924
		591,737,594
Less: Current liabilities and provisions		
Current liabilities	8	435,755,527
Provisions	9	1,764,402
		437,519,929
Net current assets		154,217,665
Debit balance in the Profit and loss account		298,742,319
TOTAL		1,350,000,000
Significant accounting policies	2	
Notes to the accounts	13	

The schedules referred to above form an integral part of this balance sheet.
As per our report of even date.

For **B S R and Company**
Chartered Accountants

For and on behalf of the Board of Directors of
MCX Stock Exchange Limited

Akeel Master
Partner
Membership No: 046768

Joseph Massey
Managing Director & CEO

U. Venkataraman
Whole-time Director

Mumbai
26 June 2009

Mumbai
26 June 2009

Sarat Chandran
Company Secretary

MCX Stock Exchange Limited

Profit and loss account

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

	<i>Schedule</i>	2009
Income		
Operational income	10	610,000
Other income	11	75,206,190
		<u>75,816,190</u>
Expenditure		
Operating expenses	12	361,107,241
Depreciation / amortisation	2	12,240,842
		<u>373,348,083</u>
Loss before tax		<u>(297,531,893)</u>
Less: Provision for fringe benefit tax		1,210,426
Net Loss after tax carried forward to balance sheet		<u><u>(298,742,319)</u></u>
Earnings per share of face value of Re 1 each – Basic and Diluted (in Rs)		
	13(4)	(0.28)
Significant accounting policies	2	
Notes to the accounts	13	

The schedules referred to above form an integral part of this profit and loss account.
As per our report of even date.

For **B S R and Company**
Chartered Accountants

For and on behalf of the Board of Directors of
MCX Stock Exchange Limited

Akeel Master
Partner
Membership No: 046768

Joseph Massey **U. Venkataraman**
Managing Director & CEO *Whole-time Director*

Mumbai
26 June 2009

Mumbai
26 June 2009

Sarat Chandran
Company Secretary

MCX Stock Exchange Limited

Cash Flow Statement

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

	2009
Cash flows from Operating activities	
Net loss before tax	(297,531,893)
<i>Adjustments for:</i>	
Depreciation / amortisation	12,240,842
Dividend from investment	(42,926,745)
Interest income	(19,722,623)
Loss on sale of investments (net)	228,260
Operating cash flow before working capital changes	(347,712,159)
(Increase) / decrease in loans and advances	(49,727,768)
Increase / (decrease) in current liabilities and provisions	437,409,503
Cash generated from operations	39,969,576
Less: Fringe benefit tax paid	(1,100,000)
Less: Tax deducted at source	(5,342,533)
Net cash generated from operating activities (A)	33,527,043
Cash Flow from Investing activities	
Purchase of fixed assets	(131,468,654)
Purchase of current investments	(15,029,120,069)
Sale of current investments	14,276,579,605
Fixed deposits placed with banks	(498,500,000)
Purchase of equity shares in subsidiary company	(25,500,000)
Dividend from investment	42,926,745
Net cash used in Investing activities (B)	(1,365,082,373)
Cash Flow from Financing activities	
Proceeds from issuance of shares	1,350,000,000
Net cash generated from Financing activities (C)	1,350,000,000
Net increase in cash and cash equivalents ((A) + (B) + (C))	18,444,670
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of the period	18,444,670

Notes to Cash Flow Statement:

- 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.
- Cash and cash equivalents included in the cash flow statement comprises of :

	2009
Cash on hand	4,317
Bank balances in current account	18,440,353
Total	18,444,670

- Fixed deposits with banks are deposits with maturity period of more than three months, hence classified and grouped in investing activities and not included in cash and cash equivalents.

For **B S R and Company**
Chartered Accountants

For and on behalf of the Board of Directors of
MCX Stock Exchange Limited

Akeel Master
Partner
Membership No: 046768

Joseph Massey **U. Venkataraman**
Managing Director & CEO Whole-time Director

Mumbai
26 June 2009

Mumbai
26 June 2009

Sarat Chandran
Company Secretary

MCX Stock Exchange Limited

Schedules to the financial statements

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

1 Background

MCX Stock Exchange Limited ('the Company') was incorporated on 14 August 2008 and obtained certificate of commencement of business on 19 August 2008. Pursuant to receipt of SEBI approval dated 18 September 2008, the Company launched operations on 7 October 2008 as an exchange facilitating trading in currency futures.

The principal shareholders of the Company as at 31 March 2009 are Multi Commodity Exchange of India Limited (holding 51% stake) ('the Holding Company') and Financial Technologies India Limited (holding 49% stake).

2 Significant accounting policies

2.1 Basis of preparation

The accompanying financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with accounting principles generally accepted in India and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the financial statements are presented in Indian rupees.

2.2 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported revenue and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.3 Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes all expenses incidental to the acquisition of the fixed assets and any attributable cost of bringing the asset to its working condition for its intended use. Depreciation is charged over the estimated useful life of a fixed asset on a straight line basis.

The depreciation rates prescribed in Schedule XIV to the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the estimated useful life of the fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid Schedule XIV, depreciation is charged at a higher rate based on the management's estimate of the estimated useful life / remaining useful life of the fixed asset. Pursuant to this policy, depreciation is charged at the following rates:

Class of Assets	Rate of depreciation (%)
Furniture and fixtures	6.33%
Computers	16.21%
Office equipments	4.75%
Vehicles	9.5%

Intangible assets comprising software purchased and licensing costs are depreciated on straight line basis over the useful life of the software up to a maximum of five years commencing from the month in which such software is first utilised.

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase/acquisition.

The Company provides pro-rata depreciation from the day the asset is ready to use and for any asset sold, till the date of sale.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.4 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or of the cash generating unit to which the asset belongs to or the cash generating unit. If such estimated recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to its estimated recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

2.5 Investments

Investments are classified as long term or current based on intention of the management at the time of purchase.

Long-term investments are carried at carrying cost less any other than temporary diminution in value, determined separately for each individual investment.

Current investments are valued at the lower of cost or net realisable value. The comparison of cost and net realisable value is done separately in respect of each individual investment.

Purchase and sale of investments are recorded on trade date. The gains/ losses on sale of investments are recognised in the profit and loss account on the trade day. Profit or loss on sale of investments is determined on the basis of weighted average basis.

2.6 Revenue recognition

Revenue is recognized when no significant uncertainty as to measurement and realization exists.

- a) Admission fees are recognized once the membership is approved by SEBI.
- b) Processing and other fees collected from members are accrued annually.
- c) Dividend income is recognised when the right to receive dividend is established.
- d) Interest income is accounted on an accrual basis.
- e) Recoveries from members towards Vsat connectivity are apportioned over the period of connectivity (three years) on a pro rata basis from the date of activation of connectivity. Other recoveries from members are accounted annually on accrual basis.
- f) Recoveries from subsidiary company are accounted on an accrual basis in accordance with the terms of the agreement on cost sharing.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.7 Transactions in foreign currency

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transactions. Exchange differences, if any, arising out of foreign exchange transactions settled during the year are recognised in the profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date at the closing exchange rates on that date and the resultant exchange differences, if any, are recognised in the profit and loss account.

2.8 Retirement benefits

Provident Fund

The Company's contribution to the Statutory Provident Fund, a defined contribution scheme, made at 12% of the basic salary of each employee is charged to the profit and loss account as incurred.

Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value and the fair value of plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Actuarial gains and losses are recognised immediately in the profit and loss account.

Leave encashment

The Company provides for leave encashment liability based on actuarial valuation of the leave encashment liability as at the balance sheet date, carried out by an independent actuary.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.9 Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as an expense in the profit and loss account on straight line basis over the lease term.

2.10 Tax

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Current tax

Current tax expense is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Indian Income Tax Act, 1961.

Deferred tax

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised subject to managements' judgement that their future realisation is reasonably certain except where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Fringe benefit tax (FBT)

The provision for fringe benefit tax is made on the basis of applicable FBT on the taxable value of eligible expenses of the Company as prescribed under the Income Tax Act, 1961.

2.11 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

The number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.12 Provisions, contingent liabilities and contingent assets

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized when the Company recognizes that it has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reasonable estimate can be made.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.13 Preliminary and preoperative expenses

Preliminary and preoperative expenses are recognised in same financial year in which it is incurred.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

as at 31 March 2009

(Currency: Indian rupees)

3 Share capital

Authorised share capital	2009
1,500,000,000 equity shares of Re 1 each.	1,500,000,000
<hr/>	
Issued, subscribed and paid-up capital	
1,350,000,000 equity shares of Re 1 each, fully paid up	1,350,000,000
<hr/>	
Note: Of the above, 688,500,000 equity shares of Re 1 each are held by Multi Commodity Exchange of India Limited, the Holding Company.	

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

as at 31 March 2009

(Currency: Indian rupees)

4 Fixed assets

Description	Vehicles	Furniture and fixtures	Office equipments	Computers	Intangible assets	Total
Gross Block						
Additions during the period	810,050	19,125	95,966	27,310,943	103,232,57	131,468,65
As at 31 March 2009	810,050	19,125	95,966	27,310,943	103,232,57	131,468,65
Accumulated Depreciation/Amortisation						
Charge for the period	2,952	274	51,638	2,002,364	10,183,614	12,240,842
As at 31 March 2009	2,952	274	51,638	2,002,364	10183,614	12,240,842
Net Block						
As at 31 March 2009	807,098	18,851	44,328	25,308,579	93,048,956	119,227,82

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

as at 31 March 2009

(Currency: Indian rupees)

5 Investments

	2009
<i>a) Long term investments</i>	
<i>Trade, unquoted (at cost)</i>	
2,550,000 equity shares of MCX-SX Clearing Corporation Limited (subsidiary company) of Rs.10 each fully paid.	25,500,000
<i>b) Current investments</i>	
<i>Non trade, unquoted (at cost or net realisable value, whichever is lower)</i>	
10,004,562.90 Units of Rs. 10 each in Baroda Pioneer Liquid Fund - Institutional Daily Dividend Plan.	100,108,658
16,749,362.03 Units of Rs.10 each in DWS Money Plus Fund – Institutional Daily Dividend Plan (Market Value: Rs. 168,339,463)	167,631,470
22,745,290.40 Units of Rs.10 each in LIC MF Savings Plus Fund Daily Dividend Plan	227,452,904
2,994,709.60 Units of Rs.17.09 each in Reliance Medium Term Fund Daily Dividend Reinvestment Plan	51,196,058
4,906,815.47 Units of Rs.15.29 each in Reliance Liquid Fund - TP - IP Daily Dividend Reinvestment Plan	75,011,470
7,430,215.28 Units of Rs.10.09 each in Sundaram BNP Paribas Money Fund Super Institutional Daily Dividend Reinvestment Plan	75,010,252
5,583,662.17 Units of Rs.10.0116 each in Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend Reinvestment.	55,901,392
	752,312,204
<i>Total investments</i>	777,812,204

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

as at 31 March 2009

(Currency: Indian rupees)

5 Investments (*Continued*)

Current investments - Statement showing purchases and redemption of investments

Scheme	2009	
	*Purchase (Units)	Redeemed (Units)
AIG India Liquid Fund Super Institutional Plan - Daily Dividend Reinvestment	99,929	99,929
AIG India Treasury Plus Fund Super Institutional Plan - Daily Dividend Reinvestment	10,035,531	10,035,531
Baroda Pioneer Liquid Fund - Institutional Plan - Daily Dividend Reinvestment Plan	10,004,562	-
Bharti Axa Liquid Fund Institutional Plan - Daily Dividend Reinvestment Plan	417,646	417,646
Bharti Axa Liquid Fund Super Institutional Plan - Daily Dividend Reinvestment	329,404	329,404
Birla Sun Life Cash Plus - Institutional Premium Plan - Daily Dividend Reinvestment	10,104,299	10,104,299
Canara Robeco Liquid Fund - Institutional Daily Dividend Reinvestment Plan	1,515,428	1,515,428
Canara Robeco Liquid Super Institutional Plan - Daily Dividend Reinvestment	181,270,970	181,270,970
DBS Chola Freedom Income Short Term Institutional Plan - Daily Dividend Reinvestment Plan	8,380,364	8,380,364
DBS Chola Liquid Inst Daily Dividend Reinvestment Plan	8,457,130	8,457,130
DWS Insta Cash Plus Fund Super Institutional Plan - Daily Dividend Reinvestment	43,420,902	43,420,902
DWS Money Plus Fund Institutional Plan - Daily Dividend Reinvestment Plan	26,780,844	10,031,482
DWS Ultra Short Term Fund Institutional Plan - Daily Dividend Reinvestment	15,118,931	15,118,931
Edelweiss Liquid Fund Super Institutional Plan - Daily Dividend Reinvestment	33,526,294	33,526,294
HDFC Liquid Fund Premium Plan Daily Dividend	8,994,981	8,994,981
ICICI Prudential Liquid Fund Super Institutional Plan Daily Dividend	10,203,743	10,203,743
JM Fixed Maturity Fund Series XII - Quarterly Plan 2 Institutional Dividend Plan	10,229,584	10,229,584
JM High Liquidity Fund Super Institutional Plan - Daily Dividend	9,987,363	9,987,363
JM Money Manager Fund Super Plus Plan - Daily Dividend Plan	10,069,249	10,069,249

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

as at 31 March 2009

(Currency: Indian rupees)

5 Investments (*Continued*)

Current investments - Statement showing purchases and redemption of investments

Scheme	2009	
	*Purchase (Units)	Redeemed (Units)
Kotak Floater Long Term - Daily Dividend Plan	15,160,044	15,160,044
Kotak Liquid Institutional Premium Plan Daily Dividend	24,773,009	24,773,009
LIC MF Floating Rate Fund - Short Term Plan - Dividend Plan	39,683,123	39,683,123
LICMF Liquid Fund Daily Dividend Plan	171,153,628	171,153,628
LIC Income Plus Fund - Daily Dividend Plan	22,063,076	22,063,076
LIC MF Savings Plus Daily Dividend Plan	24,745,290	2,000,000
Reliance Liquidity Fund Daily Dividend Reinvestment Option	113,042,922	113,042,922
Reliance Liquid Fund Cash Plan Daily Dividend Option	31,450,178	31,450,178
Reliance Liquid Fund Treasury Plan Institutional Option Daily Dividend Option	77,911,486	73,004,671
Reliance Medium Term Fund Daily Dividend Reinvestment Plan	2,994,710	-
Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan	75,458	75,458
Religare Liquid Fund Super Institutional Daily Dividend Plan	45,995,481	45,995,481
Religare Ultra Short Term Fund - Institutional Daily Dividend Plan	10,578,203	10,578,203
SBI Magnum Insta Cash Fund - Daily Dividend Option	40,653,740	40,653,740
Sundaram BNP Paribas Money Fund Super Institutional Plan - Daily Dividend Reinvestment	112,241,115	104,810,900
Sundaram BNP Paribas Ultra Short Term Fund Super Institutional Plan - Daily Dividend Reinvestment.	54,107,811	54,107,811
Tata Floater Fund - Daily Dividend Plan	15,184,414	15,184,414
Tata Liquid Super High Investment Fund - Daily Dividend Plan	319,614	319,614
Templeton India Treasury Management Account Super Institutional Plan - Daily Dividend Reinvestment	260,695	260,695
Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend Reinvestment	11,077,290	5,493,627
UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option) – Reinvestment	181,146	181,146
UTI Money Market Fund - Daily Dividend Option - Reinvestment	9,906,581	9,906,581

*Purchases includes dividend re-invested in units.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

as at 31 March 2009

(Currency: Indian rupees)

6 Cash and bank balances

	2009
Cash in hand	4,317
Balance with scheduled banks	
- in current accounts	18,440,353
- in fixed deposits*	498,500,000
	<hr/>
	516,944,670
	<hr/> <hr/>
<p>*includes fixed deposit of Rs. 25,000,000 earmarked towards the Settlement Guarantee Fund transferable to MCX-SX Clearing Corporation Limited; Rs. 2,500,000 earmarked towards the Investor Protection Fund and Rs. 1,000,000 earmarked towards the Investor Service Fund (Refer Notes 13.11 to 13.13 of Schedule 13)</p>	

7 Loans and advances

	2009
<i>(Unsecured, considered good)</i>	
Advances recoverable in cash or in kind or for value to be received *	52,907,337
Accrued interest	16,041,054
Sundry deposits	502,000
Tax deducted at source	5,342,533
	<hr/>
*Includes amount held in trust by the director Rs. 881,741 (refer Note 13.7(b) of Schedule 13), maximum amount outstanding during the period Rs. 881,741	74,792,924
	<hr/> <hr/>
*Includes Rs. 145,352 due from Singapore Mercantile Exchange, company under the same management; maximum amount outstanding during the period Rs. 145,352	

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

as at 31 March 2009

(Currency: Indian rupees)

8 Current liabilities

Sundry creditors		2009 190,420,692
<u>Amount received from members / applicant towards:</u>		
- Vsat connectivity charges	6,575,258	
- Other connectivity charges	556,795	
- Admission fees	2,500,000	
- Refundable deposit	10,800,000	20,432,053
<u>Fund Account</u>		
Investor Protection Fund (including interest accrued Rs. 89,163 on related fixed deposit)	2,790,413	
Investor Service Fund (including interest accrued Rs. 35,665 on related fixed deposit)	1,035,665	3,826,078
<u>Deposits</u>		
Security deposits from depository participants / settlement bankers		10,000,000
Other liabilities*		211,076,704
		435,755,527
* Includes Rs. 166,227,195 towards Members Security Deposit and Rs. 25,339,041 towards Settlement Guarantee Fund transferable to MCX-SX Clearing Corporation Limited (Refer Note 13.11 of Schedule 13).		

9 Provisions

		2009
Provision for fringe benefit tax (net of advance tax of Rs. 1,100,000)		110,426
Provision for gratuity		453,816
Provision for leave encashment		1,200,160
		<hr/> 1,764,402 <hr/> <hr/>

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

10 Operating income

	2009
Membership admission fees	500,000
Processing fees	110,000
	<hr/>
	610,000
	<hr/> <hr/>

11 Other income

	2009
Dividend from Non trade current investments (net of Rs.1,227,195 transferable to MCX-SX Clearing Corporation Limited)	42,926,745
Interest from bank deposits (net of Rs. 339,041 transferable to MCX-SX Clearing Corporation Limited) (Tax deducted at source Rs. 4,120,471)	19,722,623
<u>Recoveries/Collection from members</u>	
- Vsat connectivity charges	1,072,368
- Other connectivity charges	1,198,169
- Others	263,696
<u>Recoveries from subsidiary company</u>	
- Shared service cost	7,465,652
- Rent	454,937
Miscellaneous income	2,102,000
	<hr/>
	75,206,190
	<hr/> <hr/>

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

12 Operating expenses

	2009
A) Employee costs (including seconded employees)	
Salaries, allowances and bonus	42,722,102
Contribution to provident fund	1,046,366
Staff welfare expenses	<u>288,282</u>
	44,056,750
B) Administrative and other expenses	
Rent and services charges	18,338,379
Repairs and maintenance - Others	57,636
Insurance	377,938
Travelling and conveyance	4,190,844
Communication	945,861
Loss on sale of investments (net)	228,260
Legal and professional charges	42,237,024
Director's sitting fees	90,000
Auditors' remuneration – statutory audit	300,000
Advertisement	56,986,237
Business promotion / development	2,700,022
Sponsorships and seminar	8,495,515
Sebi regulatory charges	5,000,000
Clearing and settlement charges	10,889,528
Software support charges	78,510,603
Contribution to funds :	
- Settlement Guarantee Fund (Refer Note 13.11 of Schedule 13)	25,000,000
- Investor Protection Fund (Refer Note 13.12 of Schedule 13)	2,500,000
- Investor Services Fund (Refer Note 13.13 of Schedule 13)	<u>1,000,000</u>
	28,500,000
Printing and stationery	2,606,331
Shared service cost	21,000,000
Vsat connectivity	967,269
Miscellaneous expenses	2,541,854
Preliminary and preoperative expenses (Refer Note 13.8 of Schedule 13)	32,087,190
	<u>317,050,491</u>
	<u><u>361,107,241</u></u>
Total (A+B)	361,107,241

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts

13.1 Segment reporting

- a. The Company considers business segment (business of facilitating trading in currency and incidental activities thereto) as its primary segment considering the risks and rewards of the 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. During the period ended 31 March 2009, the Company had no reportable geographical segment and on that basis, no secondary segment information is furnished.

13.2 Operating lease

The Company has taken the office premise on lease for a tenure of 36 months. The lease is cancellable on prior notice from either of the parties. The total lease payments recognized in the profit and loss account amount to Rs. 17,016,804. The lease agreement doesn't stipulate increase in rent in a staggered manner over the lease tenure. There are no provisions relating to contingent rent.

Further, the company has sub-let part of the premises to its subsidiary and has recovered Rs. 454,937 which is classified as 'Other income' under Schedule 11.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.3 Related party information

a) Names of related parties and nature of relationship:

- (i) Company where control exists
 - Multi Commodity Exchange of India Limited (MCX), Holding company
- (ii) Company having significant influence
 - Financial Technologies (India) Limited (FTIL)
- (iii) Subsidiary
 - MCX-SX Clearing Corporation Limited (MCX-SX Clear)
- (iv) Fellow Subsidiary
 - MCX Clearing Corporation Limited (MCX- Clear)
- (v) Key Management Personnel (KMP)
 - Mr. U. Venkatraman (CEO of Currency derivative segment from 13 November 2008 till 16 February 2009; Whole time director effective 16 February 2009)

b) Details of transactions with related parties:

Nature of transactions	MCX	FTIL	MCX-SX Clear	KMP
Rent paid	17,016,804	-	-	-
Deputation charges	13,283,372	3,546,155	-	-
Shared service charges	-	21,000,000	-	-
Software support charges	-	89,741,640	-	-
Clearing and settlement charges	-	-	10,889,528	-
Legal and professional charges	-	3,369,815	-	-
Vsat connectivity charges	967,269	-	-	-
Re-imbursements charged to the Company	12,182,087	1,375,138	1,200	-
Re-imbursements charged by the Company	23,950	-	1,074,323	-

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.3 Related party information (*Continued*)

b) Details of transactions with related parties (*Continued*):

Nature of transactions	MCX	FTIL	MCX-SX Clear	KMP
Rent income	-	-	454,937	-
Shared service cost recovered	-	-	7,465,652	-
Remuneration	-	-	-	1,974,423
Purchase of capital assets	-	129,699,897	-	-
Issue of share capital	688,500,000	661,500,000	-	-
Investments in equity shares	-	-	25,500,000	-
Payable balance outstanding	12,638,361	138,902,646	191,458,870*	881,741**

* Includes Rs. 166,227,195 towards Members Security Deposit and Rs. 25,339,041 towards Settlement Guarantee Fund transferable to MCX-SX Clearing Corporation Limited (Refer Note 13.11 of Schedule 13).

**Represents amount held in trust by the director (Refer note 13.7(b) of Schedule 13)

13.4 Earnings per share ('EPS')

Particulars	2009
Loss after tax	(298,742,319)
Weighted average number of equity shares outstanding during the period	1,060,491,150
Basic and diluted Earnings/(Loss) per share of face value Re. 1 each	(0.28)

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.5 Retirement benefits – Provision for gratuity

	2009
I. Amount recognised in the balance sheet:	
Present value of unfunded obligation	453,816
Fair value of plan assets	-
Unrecognised past service cost	-
Net liability recognised in the balance sheet	453,816
II. Expense recognised in the profit and loss account:	
Current service cost	453,816
Interest on defined benefit obligation	-
Expected return on plan assets	-
Net actuarial (gains)/losses recognised	-
Past service cost	-
Expense recognised in profit and loss account	453,816
III. Actuarial assumptions :	
Discount rate	8.00%
Expected rate of return on plan assets	NA
Salary escalation	8.00%

Discount rate:

The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.5 Retirement benefits – Provision for gratuity (*Continued*)

IV. Reconciliation of defined benefit obligation for the period:	2009
Opening defined benefit obligation	-
Current service cost	453,816
Interest cost	-
Actuarial losses / (gains)	-
Past service cost	-
Benefits paid	-
Closing defined benefit obligation	453,816
V. Reconciliation of plan assets for the period:	
Opening fair value of plan assets	-
Expected return on plan assets	-
Actuarial gains /(losses)	-
Assets distributed on settlements	-
Contributions by employer	-
Benefits paid	-
Closing fair value of plan assets	-
	-
VI. Asset information:	
The Company does not fund the provisions and the employees are paid out of internal accruals, accordingly the Company does not have investments in any Government or other securities.	

13.6 Dues to Micro, Small and Medium Enterprises

On the basis of the information and records available with the management, there are no dues to Micro, Small and Medium Enterprises, who are registered with the competent authorities.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.7 Managerial remuneration

Particulars	2009
a) Salaries, bonus and allowances	566,508
b) Perquisites	229,041
c) Other benefits	86,192
	881,741
	881,741

- a. Information relating to managerial remuneration does not include provision for gratuity and leave encashment, which is provided on an overall basis.
- b. Mr. U. Venkataraman was appointed as Whole-time Director of the Company w.e.f. 16 February 2009. The appointment and remuneration were approved in the Remuneration Committee of the Board held on 24 January 2009 and were subsequently approved by the shareholders in the Extra Ordinary General Meeting held on 31 March 2009. Subsequently, the Company has made an application to the Central Government for the approval of his remuneration, which is awaited.

Pending receipt of his approval as above, the amount of remuneration paid to him for the period 16 February 2009 to 31 March 2009 of Rs. 881,741 has been carried forward under 'Advances recoverable in cash or kind' as the same is held in trust u/s 309 of the Companies Act, 1956.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.8 Preliminary and Pre-operative Expenditure

The Company was incorporated on 14 August 2008 and launched operations on 7 October 2008. Expenses incurred prior to commencement of operations have been accounted as preliminary and pre-operative expenses and consist of the following:

Particulars	Rupees
Software support charges	11,643,836
Legal and professional charges	1,974,993
Advertisement	1,775,793
Travelling and conveyance	143,887
Salaries and bonus (seconded employees)	3,247,862
Sponsorship and seminar	4,924,253
Printing and stationery	448,655
Staff welfare expenses	33,759
ROC and other fees	5,611,016
Stamp duty on increase in authorized capital	2,198,000
Miscellaneous expenses	85,136
Total	32,087,190

13.9 Expenditure in foreign currency

Particulars	2009
Travelling	83,247
Legal and professional charges	171,984
Software support charges	62,799
Sponsorship expenses	376,771
	694,801

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.10 Transfer pricing

The Company has developed a system of maintaining of information and documents as required by the transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

13.11 Transfer of certain assets / liabilities to MCX-SX Clearing Corporation Limited ('the subsidiary')

a) Settlement Guarantee Fund

The Settlement Guarantee Fund of Rs. 25,000,000 was established by the Company based on the 'Guidelines for Settlement Guarantee Fund at Stock Exchanges' dated 9 June 1997 issued by SEBI and in accordance with SEBI approval letter dated 18 September 2008. The amount was set aside by the Company in a bank fixed deposit of an equivalent amount. The fund balance and the related deposit were transferable to the subsidiary on 16 February 2009, date of launch of operations of the subsidiary.

Accordingly, the settlement guarantee fund balance of Rs. 25,000,000, the related fixed deposit of equivalent amount and the interest accrued on the deposit for the period 16 February 2009 till 31 March 2009 of Rs. 339,041 have been reflected as transferable to MCX-SX Clearing Corporation Limited as at 31 March 2009.

b) Member's security deposit

The Company collected security deposits for clearing activities from members which were transferable to its subsidiary as on 16 February 2009, date of launch of operations of the subsidiary. The amounts collected were invested in liquid funds.

Accordingly, the member's security deposit amounting to Rs. 166,227,195 and the income earned on the related investments for the period 16 February 2009 till 31 March 2009 of Rs. 1,227,195 have been reflected as transferable to MCX-SX Clearing Corporation Limited as at 31 March 2009.

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)

for the period 14 August 2008 to 31 March 2009

(Currency: Indian rupees)

13 Notes forming part of the accounts (*Continued*)

13.12 Investor Protection Fund

Investor Protection Fund of Rs. 2,500,000 was established by the Company based on the 'Comprehensive guidelines for Investor Protection Fund at Stock Exchanges' dated 28 October 2004 issued by SEBI and in accordance with SEBI approval letter dated 18 September 2008. The Company is in the process of forming an "MCX Stock Exchange Investor Protection Fund - Currency Derivatives Segment Trust" and registering it under the provisions of the Bombay Public Trusts Act, 1950. Pending the same, the funds contributed and collected towards the Investor Protection Fund have been kept in a separate bank account maintained with the State Bank of India.

13.13 Investor Service Fund

Investor Service Fund of Rs. 1,000,000 was established by the Company in accordance with SEBI approval letter dated 18 September 2008. The fund is maintained to provide services to investors which include maintenance of investor grievance cell, education and awareness about securities market, price dissemination and other services that are in the interest of the investor.

13.14 Disclosures under Part II of Schedule VI to the Companies Act, 1956

Disclosures under Part II of Schedule VI to the Companies Act, 1956, have been made to the extent applicable to the Company.

13.15 Prior year comparatives

Prior year comparatives are not presented as 31 March 2009 is the first financial year end after incorporation.

**For and on behalf of the Board of Directors of
MCX Stock Exchange Limited**

Joseph Massey
Managing Director & CEO

U. Venkataraman
Whole-time Director

Sarat Chandran
Company Secretary

Mumbai
26 June 2009

MCX Stock Exchange Limited

(Currency: Indian rupees in thousands)

Balance sheet abstract and Company's general business profile

I. Registration Details

Registration No. State code

Balance Sheet Date

II. Capital raised during the Year

Public issue	Rights issue
<input type="text" value="-"/>	<input type="text" value="-"/>

Bonus issue	Private placement
<input type="text" value="-"/>	<input type="text" value="1,350,000"/>

III. Position of Mobilisation and Deployment of Funds

Total liabilities	Total assets
<input type="text" value="1,350,000"/>	<input type="text" value="1,350,000"/>

Source of Funds

Paid-up capital	Reserves and surplus
<input type="text" value="1,350,000"/>	<input type="text" value="-"/>

Secured loans	Unsecured loans
<input type="text" value="-"/>	<input type="text" value="-"/>

Application of Funds

Net fixed assets	Investments
<input type="text" value="119,228"/>	<input type="text" value="777,812"/>

Net current assets	Miscellaneous expenditure
<input type="text" value="154,218"/>	<input type="text" value="-"/>

Deferred tax asset	Accumulated losses
<input type="text" value="-"/>	<input type="text" value="298,742"/>

MCX Stock Exchange Limited

(Currency: Indian rupees)

Balance sheet abstract and Company's general business profile (*Continued*)

IV. Performance of Company

Total turnover (including interest income)	75,816	Total expenditure	373,348
Profit / (Loss) before tax	(297,532)	Profit / (Loss) after tax	(298,742)
Earning per share in Rs	(0.28)	Dividend rate	-

V. Generic names of three principal products/services of Company

Item code no (ITC code)	Not applicable
Service description	Exchange facilitating trading in currency futures

**For and on behalf of the Board of Directors of
MCX Stock Exchange Limited**

Joseph Massey
Managing Director & CEO

U. Venkataraman
Whole-time Director

Sarat Chandran
Company Secretary

Mumbai
26 June 2009

MCX Stock Exchange Limited

Statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary company

1. Name of the subsidiary : MCX-SX Clearing Corporation Limited
2. Financial Year of the subsidiary company ended on : 31 March 2009
3. Holding Company Interest
Number of Shares : 2,550,000
Extent of Holding : 51%
4. The Net Aggregate amount of the subsidiary Profit/(Loss) so far as it concerns members of the holding company and is not dealt with In Holding Company's account
(i) for the financial year of the company : Rs.735,756
(ii) for the previous financial year of the Subsidiary since it became the holding Company's subsidiary : Rs. Nil
5. Net aggregate amount of the Profit/(Loss) of the Subsidiary dealt with in the company's account
(i) for the financial year of the subsidiary : Rs. Nil
(ii) for the previous financial years of the subsidiary : Rs. Nil
Since it became the subsidiary of the holding Company.

For and on behalf of the Board of Directors of MCX Stock Exchange Limited

Joseph Massey
Managing Director & CEO

U. Venkataraman
Whole-time Director

Sarat Chandran
Company Secretary

Mumbai
26 June 2009

Balance Sheet Abstract and the Company's General Business Profile:

I. Registration Details

Registration Number State Code

Balance Sheet date

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

Public Issue Rights Issue

Bonus Issue Private Placements

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

TOTAL LIABILITIES TOTAL ASSETS

PAID-UP CAPITAL RESERVES & SURPLUS

* including stock options outstanding

SECURED LOANS UNSECURED LOANS

NET FIXED ASSETS INVESTMENTS

NET CURRENT ASSETS DEFERRED TAX

MISC. EXPENDITURE ACCUMULATED LOSSES

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

Turnover (Sales and Other Income) Total Expenditure

Profit/(Loss) Before Tax Profit/(Loss) After Tax

Earning per Share in Rs. Dividend Rate %

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

Item Code (ITC Code) Product Description