

A. F. FERGUSON & CO.  
CHARTERED ACCOUNTANTS  
MAKER TOWERS "E"  
CUFFE PARADE  
MUMBAI 400 005

AUDITORS' REPORT

TO THE MEMBERS OF THE TATA TD WATERHOUSE ASSET MANAGEMENT PRIVATE LIMITED  
(Formerly Tata Asset Management Private Limited)

- 1 We have audited the attached Balance Sheet of TATA TD WATERHOUSE ASSET MANAGEMENT PRIVATE LIMITED, as at March 31, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
- 4 Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
  - a) 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;
  - b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
  - c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) as the company is a private company none of the directors of the Company is disqualified as on March 31, 2002 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) 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 :
  - g) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
  - h) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For A. F. Ferguson & Co.  
Chartered Accountants

B. P. Shroff  
Partner

Mumbai

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of the report of even date of the auditors to the members of Tata TD Waterhouse Asset Management Private Limited on the accounts for the year ended March 31, 2002.

- 1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the current year and no discrepancies have been noticed on such verification. In our opinion the frequency of physical verification is reasonable.
- 2 None of the fixed assets has been revalued during the current year.
- 3 The Company has not taken any loans, secured or unsecured, from the Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As Section 370 is not applicable, loans if any, from Companies under the same management, have not been commented upon.
- 4 The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- 5 The parties to whom loans and advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated wherever stipulations have been made and are also regular in the payment of interest where applicable.
- 6 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the Company and nature of its business with regard to purchase of plant and machinery, equipment and other assets.
- 7 According to the information and explanations given to us, there are no transactions of purchase of goods and materials or sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- 8 According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty which are outstanding as on March 31, 2002 for a period of more than six months from the date they become payable.
- 9 On the basis of the examination of books of account carried out by us in accordance with generally accepted auditing practices and according to the information and the explanations given to us, no personal expenses of employees or directors have been charged to the Profit and Loss Account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- 10 The Company has not accepted any deposits from the public to which the provisions of Section 58A of the Companies Act, 1956 and the Companies Acceptance of Deposit Rules, 1975 apply.
- 11 The Company's internal audit is carried out by a firm of Chartered Accountants and is commensurate with its size and nature of its business.
- 12 According to the information and explanations given to us, the Company is regular in depositing provident fund dues with the appropriate authorities. As informed to us, the Employees State Insurance Act, 1948 does not apply to the Company.
- 13 In respect of Service activities of the Company, there are no materials and stores consumed and hence question of a reasonable system of recording consumption of materials and stores does not arise. We are informed that the Company does not have a system of allocating man hours to the respective schemes.

For A. F. FERGUSON & CO.  
Chartered Accountants

B. P. Shroff  
Partner

Mumbai

**TATA TD WATERHOUSE ASSET MANGEMENT PRIVATE LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2002**

	Sch.	As at March 31, 2002 Rupees	As at March 31, 2001 Rupees
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	164,062,500	131,250,000
Reserves and Surplus	1 A	139,403,426	39,588,706
		<u>303,465,926</u>	<u>170,838,706</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	2	139,765,438	136,878,704
Less : Depreciation		23,478,261	19,895,971
		<u>116,287,177</u>	<u>116,982,733</u>
Add: Capital Work In Progress		0	0
Net Block		116,287,177	116,982,733
<b>INVESTMENTS</b>			
	3	143,869,861	37,059,415
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	4	11,255,469	13,829,172
Cash and Bank Balances	5	2,454,170	655,450
Interest / Premium Accrued	6	13,943,271	9,629,435
Loans and Advances	6	89,997,237	54,375,544
		<u>117,650,147</u>	<u>78,388,601</u>
<b>Less:</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	7	24,801,259	28,827,293
Provisions		48,640,000	32,770,000
		<u>74,341,259</u>	<u>61,597,293</u>
<b>NET CURRENT ASSETS</b>		43,308,888	16,791,308
<b>MISCELLANEOUS EXPENSES</b> (to the extent not written off or adjusted)			
Preliminary Expenditure		0	5,250
		<u>303,465,926</u>	<u>170,838,706</u>
Notes forming part of the Accounts	12		

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 2002**

	Sch.	Year ended March 31, 2002 Rupees	Year ended March 31, 2001 Rupees
<b>INCOME</b>			
Fees	8	97,916,184	98,493,425
Interest / Dividend Received	9	14,401,158	7,558,149
Profit on sale of Investments - net		4,284,732	8,129
Rent		449,032	420,000
(TDS on rent received Rs.91,927; Previous Year Rs.92,520)			
Miscellaneous Income		123,794	570
<b>Total Income</b>		<u>117,174,900</u>	<u>106,480,273</u>
<b>EXPENDITURE</b>			
Employee Costs	10	22,145,732	16,510,407
Operating Expenses	11	34,669,179	49,415,034
Interest Cost		128,931	202,928
Depreciation		5,448,360	4,895,944
Loss on sale of Fixed Assets - net		183,372	124,060
Diminution in Value of Investments		3,604,606	1,255,000
<b>Total Expenditure</b>		<u>66,180,180</u>	<u>72,393,373</u>
<b>Profit for the Year Before Taxation</b>		50,994,720	34,086,900
<b>Provision for Taxation - Income Tax</b>		16,800,000	12,036,195
(Includes (Excess) / Short Provision of previous year)			
<b>Provision for Taxation - Wealth Tax</b>		5,000	14,000
(Rs Nil; Previous Year (63,805/-))			
<b>Profit for the Year After Taxation</b>		<u>34,189,720</u>	<u>22,036,705</u>
<b>Balance brought forward</b>		<u>32,088,706</u>	<u>10,052,001</u>
<b>Available for Appropriation</b>		<u>66,278,426</u>	<u>32,088,706</u>
<b>Appropriations</b>			
Proposed Dividend		0	0
Transfer to General Reserve		0	0
<b>Balance carried to Balance Sheet</b>		<u>66,278,426</u>	<u>32,088,706</u>
Notes forming part of the Accounts	12		
Basic and Diluted Earnings per share (Rupees)	12	2.18	1.68
Face Value per share (Rupees)		10.00	10.00

**SCHEDULES FORMING PART OF BALANCE SHEET  
AS AT MARCH 31, 2002**

	As at March 31, 2002 Rupees	As at March 31, 2001 Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
25,000,000 Equity Shares of Rs.10/- each	250,000,000	250,000,000
<b>Issued, Subscribed and Paid up :</b>		
16,406,250 (Previous Year 13,125,000) Equity Shares of Rs.10/- each fully paid up	164,062,500	131,250,000
	<u>164,062,500</u>	<u>131,250,000</u>
<b>SCHEDULE 1 A : RESERVES AND SURPLUS</b>		
General Reserve	7,500,000	
As per last balance sheet		
Add: Transferred from Profit and Loss Account	0	7,500,000
Share Premium	65,625,000	0
Profit and Loss Account	66,278,426	32,088,706
	<u>139,403,426</u>	<u>39,588,706</u>

**SCHEDULE 2 : FIXED ASSETS**

S.No.	Particulars	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK			
		As at April 1, 2001 (Rs.)	Additions (Rs.)	Deductions (Rs.)	As at March 31, 2002 (Rs.)	As at April 1, 2001 (Rs.)	For the year (Rs.)	On Deductions (Rs.)	As at March 31, 2002 (Rs.)	As at March 31, 2002 (Rs.)	As at March 31, 2001 (Rs.)
1	Premises *	108247580	0	0	108247580	5391722	1764436	0	7,156,158	101,091,422	102,855,858
2	Office Equipment	5624409	531834	454842	5701401	1796158	558678	223,966	2,130,870	3,570,531	3,828,251
3	Computers	11204313	3788285	57206	14935392	8290828	1608585	40,635	9,858,778	5,076,614	2,913,485
4	Furniture & Fixtures	9131602	201209	383640	8949171	3235133	1096036	134,573	4,196,596	4,752,575	5,896,469
5	Vehicles	2670800	1931894	2670800	1931894	1182130	420625	1,466,896	135,859	1,796,035	1,488,670
		<b>136878704</b>	<b>6453222</b>	<b>3564488</b>	<b>139765438</b>	<b>19895971</b>	<b>5448360</b>	<b>1,866,070</b>	<b>23,478,261</b>	<b>116,287,177</b>	<b>-</b>
	Previous Year	102566102	34674942	362340	136878704	15215307	4885944	205,280	19,895,971	-	116,982,733

Note : \* Includes 110 Shares of Rs.10/- each fully paid up of Prabhadevi Properties & Trading Co. Ltd. costing Rs.3,08,59,130/-

**SCHEDULE 3 : INVESTMENTS  
(LONG TERM) (AT OR BELOW COST)**

	Quantity	Face Value Per Share Rupees		
<b>OTHER INVESTMENTS</b>				
Fully paid Equity Shares				
QUOTED				
Infosys Technologies Limited	265	5	0	2,428,231
Zee Telefilms Limited	935	1	0	1,284,184
Preference Shares				
UNQUOTED				
11% Cumulative Redeemable Non Convertible Preference shares of Tata Finance Limited	50,000	100	0	5,000,000
Debentures / Equity Related Instruments				
QUOTED				
10.50% Secured Redeemable Non Convertible Debentures (NCD) of Reliance Telecom Limited	10	500,000	5,000,000	5,000,000
Secured, Redeemable, Non Interest Bearing Non Convertible Deep Discount Bonds (Series DDB - IX) of Reliance Capital Limited	2	10,000,000	11,137,000	11,137,000
UNQUOTED				
Exchangeable Premium Bonds of Tata Industries Limited	75	100,000	7,500,000	7,500,000
Unsecured Bonds (Flexibonds Series 1998-99) Regular Income Bond (99 - A) of Industrial Development Bank of India	400	5,000	1,985,000	1,985,000
UTI Monthly Income Plan - 1999 (II) units	400,000	10	3,980,000	3,980,000
<b>(CURRENT) (LOWER OF COST AND FAIR VALUE)</b>				
UNQUOTED				
Tata Liquid Fund - Regular Income	6,535,843.529	10	72,274,665	
Tata Gilt Securities Fund - Regular Income	1,812,244.783	10	20,893,196	
Tata Income Fund - Appreciation	1,274,132.050	10	21,500,000	
			144,269,861	38,314,415
<b>Less :</b> Diminution in value of Investments			400,000	1,255,000
			<b>143,869,861</b>	<b>37,059,415</b>
Aggregate value of Quoted Investments				
- At Book Value			16,137,000	19,849,415
- At Market Value (at book value in case of no trade)			23,889,900	22,744,711
Aggregate value of Unquoted Investments				
- At Book Value			128,132,861	18,465,000
Investments made during the year				
<b>(CURRENT)</b>				
- Tata Liquid Fund - Regular Income	27,031,221.931	10	316,500,000	13,500,000
- Tata Gilt Sec. Fund - Regular Income	1,812,244.783	10	20,893,196	0
- Tata Income Fund - Appreciation	1,274,132.050	10	21,500,000	0
- Tata Gilt Sec. Fund - Appreciation	1,321,492.758	10	17,500,000	0
- Government of India Securities	20	10,000,000	217,923,000	0
			<b>594,316,196</b>	<b>13,500,000</b>

**SCHEDULE 4 : SUNDRY DEBTORS**

Sundry Debtors (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	724,949	1,274,687
Other debts	10,530,520	12,554,485
	<b>11,255,469</b>	<b>13,829,172</b>

**SCHEDULE 5 : CASH AND BANK BALANCES**

Cash on Hand	16,467	50,862
With Scheduled Banks		
- In Current Account	2,437,703	504,788
	<b>2,454,170</b>	<b>555,650</b>

**SCHEDULE 6 : LOANS AND ADVANCES**

(Unsecured and considered good)

Advances recoverable in cash or in kind or for value to be received (Loans to employees Rs.17,338,576/-, Previous Year 10,081,276/-)	20,580,170	13,604,485
Deposits	10,294,890	992,890
Tax Deducted at Source on Income Received	16,384,239	11,053,461
Advance Tax	42,400,000	28,400,000
Wealth Tax (Self Assessment)	337,938	324,708
Tax u/s 115 JAA (1996-97)		
Tax u/s 115 JAA (1997-98)		
Income Tax (Self Assessment)	0	0
	<b>89,997,237</b>	<b>54,375,544</b>

**SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS**

<b>Current Liabilities</b>		
Sundry Creditors	24,801,259	28,827,293

<b>Provisions</b>		
Provision for Leave Encashment	921,000	956,000
Provision for Taxation - Income Tax	47,900,000	31,100,000
Provision for Taxation - Wealth Tax	719,000	714,000
Proposed Dividend	0	0
Provision for Taxation - Dividend	0	0
	<b>49,540,000</b>	<b>32,770,000</b>

**SCHEDULE 8 : FEES**

Asset Management Fees	97,916,184	98,485,832
(TDS on Fees Rs.4,993,725/-, Previous Year Rs.5,446,736/-)		
Advisory Services Fees	0	7,593
	<b>97,916,184</b>	<b>98,493,425</b>

**SCHEDULE 9 : INTEREST / DIVIDEND RECEIVED**

On Inter Corporate Deposits	0	1,021,600
On Investments	1,984,929	803,555
On Staff loans	350,583	215,485
Dividend	7,864,290	1,183,507
Premium and Interest receivable on maturity	4,097,621	4,097,622
Others	103,735	236,380
(TDS on interest Rs.253,223/-, Previous Year Rs.433,524/-)		
	<b>14,401,158</b>	<b>7,558,149</b>

**SCHEDULE 10 : EMPLOYEE COSTS**

Salaries	18,434,577	13,148,380
Contribution to Provident & other Funds	2,090,439	1,708,854
Staff Welfare	1,620,716	1,653,173
	<b>22,145,732</b>	<b>16,510,407</b>

**SCHEDULE 11 : OPERATING EXPENSES**

Insurance	919,697	644,476
Travelling and Conveyance Expenses	925,497	1,637,618
Printing and Stationery / Books Periodicals & Computerisation Exp.	705,367	750,857
Repairs to Building	1,180,799	1,361,202
Repairs to Machinery	1,215,520	775,382
Repairs to Others	0	576,227
Audit Fees	207,005	195,650
Telephone / Fax / Postage / Telegram and Courier	1,048,782	1,186,866
Legal & Professional Fees	1,030,250	3,142,776
Subscription Licence and Registration Fees	2,072,956	998,554
Power and Electricity	976,334	675,463
Donations	95,400	95,000
Scheme Expenses	22,467,490	35,571,598
Preliminary Expenses written off	5,250	5,250
Rent	736,130	493,765
Miscellaneous	1,082,202	1,304,350
	<b>34,669,179</b>	<b>49,415,034</b>

**Schedule 12 : Notes to Accounts**

**1. Significant Accounting Policies**

a) System of Accounting:  
Financial statements are prepared as per the historical cost convention on an accrual basis and in accordance with the requirements of the Companies Act, 1956. These accounts do not incorporate the transactions, assets and liabilities of the Mutual Fund Schemes managed by the Company, which are prepared and audited separately.

b) Fixed Assets:  
Fixed assets are capitalised at cost inclusive of inward freight, duties, taxes and installation expenses.

c) Depreciation :  
Depreciation on fixed assets other than premises is provided on Written Down Value basis and on premises is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

d) Investments :  
Long term Investments are stated at cost, less diminution in value other than temporary.  
Current Investments are stated at the lower of cost and fair value.

e) Asset Management Fees and Interest Income on Fixed income securities are accounted on an accrual basis. Where such securities are acquired at a discount / premium to the redemption value, such discount / premium is amortised on a straight-line basis over the period to redemption.

f) Retirement / Post Retirement Benefit :  
Contributions to defined contribution schemes such as Superannuation Fund, Provident Fund and Family Pension Fund are charged to the Profit and Loss Account as incurred. Gratuity and leave salary are funded on the basis of actuarial valuation.

g) Preliminary Expenses :  
Preliminary Expenses are amortised over five years.

2. With effect from July 18, 2001 the name of the Company changed from Tata Asset Management Private Limited to the present name.

3. Asset Management Fees and Company's liability for certain scheme expenses in excess of limits are based on the Net Asset Value computed by the Company which is subject to audit by the auditors of the Tata Mutual Fund. Adjustment, if any will be made on confirmation by Tata Mutual Fund.

4. Managerial Remuneration for Managing Director included in the Profit and Loss Account is Rs.4,509,348/- (Previous year : Rs.3,356,752/-) including estimated money value of benefits Rs.3,759,348/- (Previous year : Rs.2,636,752/-). The remuneration to Managing Director excludes the accrual for gratuity and leave salary as it is accrued for the entire company on a global basis.

5. Audit Fees includes :

	2001 - 2002	2000 - 2001
Statutory Audit Fees	150,150	115,500
Tax Audit Fees	49,875	45,150
Other Services	6,300	35,000
Out of Pocket Expenses	680	0
	<b>207,005</b>	<b>195,650</b>

6. Earnings per share :

	2001 - 2002	2000 - 2001
Net Profit after taxation for the year	34,189,720	22,036,705
Weighted average number of equity shares outstanding	15,669,092	13,125,000
Basic and Diluted earnings per share (Rupees)	2.18	1.68
Face Value per share (Rupees)	10	10

7. Previous years figures are regrouped and reclassified wherever necessary.