

Tata Asset Management Limited

Financial statements
together with Auditors' Report
for the year ended 31 March 2007

Tata Asset Management Limited

Financial statements together with Auditors' report *for the year ended 31 March 2007*

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Auditors' Report**To the Members of
Tata Asset Management Limited**

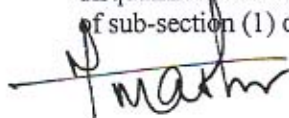
We have audited the attached balance sheet of Tata Asset Management Limited ('the Company') as at 31 March 2007, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 and amendments there to ('together referred to as the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), 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 purposes 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, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- (v) On the basis of written representations received from the Directors, as on 31 March 2007, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act;

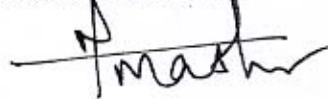


Tata Asset Management Limited

Annexure to Auditors' Report - 31 March 2007 (*Continued*)

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, 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 2007;
 - b) in the case of the Profit and Loss account, of the profit of the Company for the year ended on 31 March 2007 ; and
 - c) in case of Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For **BSR & Associates**
Chartered Accountants



Akeel Master
Partner

Membership No: 046768

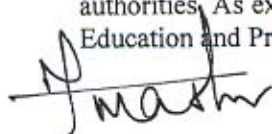
Mumbai
12 June 2007

Tata Asset Management Limited

Annexure to Auditors' report - 31 March 2007

With reference to the annexure referred to in paragraph 3 of the Auditors' report to the members of Tata Asset Management Limited ('the Company') on the financial statements for the year ended on 31 March 2007, we report the following:

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 every year. 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) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2. The Company is a service company, primarily rendering asset management services to Tata Mutual Fund. 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, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
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 regard to purchase of fixed assets and with regards to rendering of services. We have not observed any major weaknesses in the internal control system during the course of the audit.
5. In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
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.
9. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Wealth tax, Service tax, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.



Tata Asset Management Limited

Annexure to Auditors' report - 31 March 2007 (Continued)

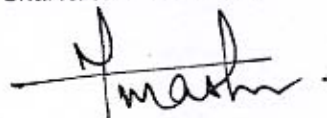
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State insurance, Income-tax, Wealth tax, Service tax, Cess and other material statutory dues were in arrears as at 31 March 2007 for a period of more than six months from the date they became payable.
 - c) Further, there are 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.
 - d) According to the information and explanations given to us, there are no dues of Income tax, Wealth tax, Service tax, and Cess which have not been deposited with the appropriate authorities on account of any dispute.
- 10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
 - 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 year.
 - 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.
 - 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 or a society.
 - 14. Based on information and explanations provided by the management, in respect of dealing and trading in shares and securities, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares and securities have been held by the Company in its own name. As explained to us, the Company is not involved in dealing or trading of 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 or financial institutions.
 - 16. The Company did not have any term loans outstanding during the year.
 - 17. According to the information and explanations given to us and based on overall examination of the balance sheet of the Company, the Company has not raised any short term funds for long term purposes.
 - 18. As stated in paragraph 5 above, there are no companies / firms / parties covered in the register required to be maintained under section 301 of the Companies Act, 1956.
 - 19. The Company did not have any outstanding debentures during the year.

Tata Asset Management Limited

Annexure to Auditors' report - 31 March 2007 (*Continued*)

20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **BSR & Associates**
Chartered Accountants



Akeel Master
Partner

Membership No: 046768

Mumbai
12 June 2007

Tata Asset Management Limited

Balance sheet

as at 31 March 2007

(Currency: Indian Rupees)

	<i>Schedule</i>	2007	2006
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	164,062,500	164,062,500
Reserves and surplus	4	521,243,427	397,319,980
		<u>685,305,927</u>	<u>561,382,480</u>
Deferred tax liability (net)	5	17,095,225	18,369,990
		<u>702,401,152</u>	<u>579,752,470</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	196,128,674	179,108,940
Less: Accumulated depreciation		<u>58,388,657</u>	<u>51,106,565</u>
Net block		137,740,017	128,002,375
Capital work in progress		4,576,359	675,000
		<u>142,316,376</u>	<u>128,677,375</u>
Investments	7	611,331,864	554,387,803
Current assets, loans and advances			
Cash and bank balances	8	6,980,142	2,292,691
Sundry debtors	9	54,349,373	46,956,371
Interest accrued		-	214,100
Loans and advances	10	287,061,568	232,301,368
		<u>348,391,083</u>	<u>281,764,530</u>
Current liabilities and provisions			
Current liabilities	11	105,291,008	124,777,928
Provisions	12	294,347,163	260,299,310
		<u>399,638,171</u>	<u>385,077,238</u>
Net current assets/(liabilities)		<u>(51,247,088)</u>	<u>(103,312,708)</u>
		<u>702,401,152</u>	<u>579,752,470</u>

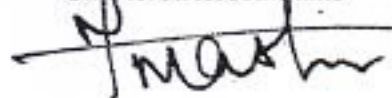
Significant accounting policies

Notes to the accounts

The schedules referred to above form an integral part of the balance sheet.

As per our report attached.

For BSR & Associates
Chartered Accountants



Akeel Master
Partner
Membership No: 046768

Mumbai
12 June 2007

For and on behalf of The Board of Directors of
Tata Asset Management Limited

Farrokh K. Kavarana
Chairman

Ved Prakash Chaturvedi
Managing Director

Mehernosh Surti
Company Secretary

Tata Asset Management Limited

Profit and loss account.

for the year ended 31 March 2007

(Currency : Indian rupees)

	Schedule	2007	2006
Income			
Management fees	13	608,443,150	576,560,636
Dividend			
- Long term investments		52,533,200	-
- Current investments		15,618,817	11,731,817
Profit on sale of investments (net)		16,513,161	4,860,486
Interest income	14	415,114	1,458,393
Other income	15	10,351,595	809,318
		<u>703,875,037</u>	<u>595,420,650</u>
Expenditure			
Employee costs	16	166,979,702	102,876,362
Administrative and other expenses	17	218,301,626	191,736,512
Depreciation	6	13,350,791	9,628,689
Diminution in value of investment		(96,690)	96,690
		<u>398,535,429</u>	<u>304,338,253</u>
Profit before taxation		305,339,608	291,082,397
Provision for income tax - current year		89,600,000	99,200,000
Provision for income tax - prior years		3,115,695	(164,808)
Provision for wealth tax		107,055	98,192
Provision for fringe benefit tax		3,492,961	3,356,520
Deferred tax charge / (credit)		(1,274,765)	(2,277,726)
Profit after taxation		<u>210,298,662</u>	<u>190,870,219</u>
Balance in the profit and loss account brought forward		<u>287,544,980</u>	<u>197,026,011</u>
Amount available for appropriation		<u>497,843,642</u>	<u>387,896,230</u>
Appropriations			
Final proposed dividend		73,828,125	65,625,000
Tax on dividend		12,547,090	14,726,250
Transfer to general reserve		25,000,000	20,000,000
Balance in the profit and loss account carried forward		<u>386,468,427</u>	<u>287,544,980</u>
Earnings per Share of face value of Rs.10 each -			
Basic and diluted (in Rs.)	21	12.82	11.63

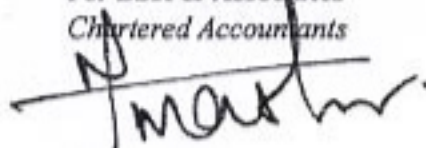
Significant accounting policies

Notes to the accounts

The schedules referred to above form an integral part of the profit and loss account

As per our report attached.

For BSR & Associates
Chartered Accountants



Akeel Master
Partner
Membership No: 046768

For and on behalf of the Board of Directors of
Tata Asset Management Limited

Farrokh K. Kavarana
Chairman

Ved Prakash Chaturvedi
Managing Director

Mumbai
12 June 2007

Mehernosh Surti
Company Secretary

Tata Asset Management Limited

Cash flow statement

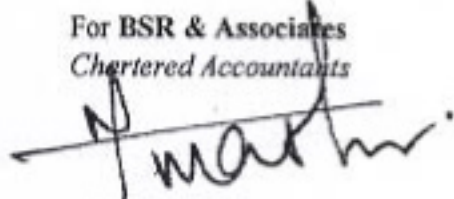
for the year ended 31 March 2007

(Currency : Indian rupees)

	<i>Schedules</i>	2007	2006
Cash flows from Operating Activities			
Net profit before taxation		305,339,608	291,082,397
Adjustment for :			
Depreciation and amortisation		13,350,791	9,628,689
Interest income		(133,653)	(1,116,989)
Dividend income		(68,152,017)	(11,731,817)
Diminution in value of investments		(96,690)	96,690
(Profit) / Loss on sale of investments (net)		(16,513,161)	(4,860,486)
(Profit) / Loss on sale of fixed assets (net)		73,280	115,362
Operating cash flow before working capital changes		233,868,158	283,213,846
(Increase) / Decrease in sundry debtors		(7,393,002)	6,406,352
(Increase) / Decrease in loans and advances		(27,432,944)	1,588,786
(Increase) / Decrease in interest accrued		214,100	43,120
Increase / (Decrease) in current liabilities and provisions		(16,118,700)	15,291,088
Cash generated from working capital changes		(50,730,546)	23,329,346
Interest on income tax refunds		130,585	700,209
Income tax paid net of income tax refunds & TDS on income received		(98,987,299)	(104,103,663)
Net cash generated from / (used) in operating activities (A)		84,280,898	203,139,738
Cash flow from investing activities			
Purchase of fixed assets		(27,908,335)	(12,423,923)
Advance for purchase of fixed assets		0	0
Proceeds from sale of fixed assets		845,263	780,523
Interest income		3,068	416,780
Dividend income		68,152,017	11,731,817
Purchase of investments		(602,799,509)	(862,651,668)
Proceeds from sale of investments		562,465,299	707,185,140
Net cash generated from / (used) in investing activities (B)		757,803	(154,961,331)
Cash flow from financing activities			
Dividend and distribution tax paid		(80,351,250)	(48,210,750)
Net cash generated from / (used) in financing activities (C)		(80,351,250)	(48,210,750)
Net increase in cash and cash equivalents (A) + (B) + (C)		4,687,451	(32,343)
Cash and cash equivalents at the beginning of the year	8	2,292,691	2,325,034
Cash and cash equivalents at the end of the year	8	6,980,142	2,292,691

As per our report attached

For BSR & Associates
Chartered Accountants



Akeel Master
Partner
Membership No: 046768

For and on behalf of The Board of Directors of
Tata Asset Management Limited

Farrokh K. Kavarana
Chairman

Ved Prakash Chaturvedi
Managing Director

Mumbai
12 June 2007

Mehernosh Surti
Company Secretary

Tata Asset Management Limited

Schedules to the financial statements

for the year ended 31 March 2007

(Currency: In Indian Rupees)

1 Background

Tata Asset Management Limited ('the Company') was incorporated on 15 March 1994. The principal shareholders of the Company are Tata Sons Limited (67.9%) and Tata Investment Corporation Limited (32.10%).

The Company's principal activity is to act as an investment manager to Tata Mutual Fund ('the Fund'). The Company is registered with Securities and Exchange Board of India ('SEBI') under SEBI (Mutual Fund) Regulations, 1996. The Company manages the investment portfolio of the Fund and provides various administrative services to the Fund and Trustee Company as laid down in the Investment Management Agreement dated 9 May 1995 and amended from time to time.

2 Significant accounting policies

2.1 Basis of preparation

The accompanied financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 to the extent applicable.

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, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. 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 the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

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. Depreciation on fixed assets other than premises and intangible assets 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.

Intangible assets comprising of software purchased / developed 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 year in which such software is first utilised.

Assets individually costing rupees five thousand or less are fully depreciated in the year of purchase/ acquisition.

The Company provides pro-rata depreciation from the date of payment and for any asset sold, till the date of sale.



Tata Asset Management Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2007

(Currency: In Indian Rupees)

2 Significant accounting policies (*Continued*)

2.4 Leasehold improvements

Leasehold improvements are depreciated over the estimated period of lease, or economic useful life whichever is less.

2.5 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. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its 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.

2.6 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 diminution in value, which is other than temporary, determined separately for each individual investment.

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

Purchase and sale of investments are recorded on trade date.. Profit or loss on sale of investments is determined on the basis of average cost.

2.7 Revenue recognition

Management fees

Investment management fees (inclusive of service tax) are recognised on an accrual basis in accordance with the respective terms of contract between the Company and Trustee Company and Securities Exchange Board of India ("SEBI") regulations.

Other income

Interest income is accounted on an accrual basis.

Dividend income is recognised when the right to receive dividend is established.

2.8 Transactions in foreign currency

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account except that exchange differences related to acquisition of imported fixed assets are adjusted in the carrying amount of the related fixed assets.



Tata Asset Management Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2007

(Currency: In Indian Rupees)

2 Significant accounting policies (*Continued*)

2.8 Transactions in foreign currency (*Continued*)

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet except those related to acquisition of fixed assets which are adjusted in the carrying amount of the related fixed assets.

2.9 Retirement benefits

The Company's contribution to an approved provident fund scheme, which is a defined contribution scheme, is charged to the profit and loss account.

Gratuity and leave encashment benefits are charged to the profit and loss account based on an actuarial valuation carried out by an independent actuary at year end.

2.10 Initial public offer expenses

Expenses relating to initial public offer for no load schemes are charged to profit and loss account in the year in which these are incurred. Similarly, expenses incurred by the Company for initial public offers for load schemes in excess of the entry load collected are also charged to the profit and loss account in the year in which such expenses are incurred.

2.11 Brokerage and incentives

All brokerage and incentive payments are accounted for as and when incurred.

2.12 Taxation

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

Provision for income tax 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 Income Tax Act, 1961. In case of matters under appeal due to disallowance or otherwise, full provision is made when the said liabilities are accepted by the Company.

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 by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future, however, 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.

Provision for fringe benefit tax is made on the basis of expenses incurred on employees/ other expenses as prescribed under Income Tax Act, 1961.



Tata Asset Management Limited

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2007

(Currency: In Indian Rupees)

2 Significant accounting policies (*Continued*)

2.13 Fund expenses

Expenses incurred (inclusive of advertisement/brokerage expenses) on behalf of schemes of Tata Mutual Fund are debited to the Profit and Loss Account unless considered recoverable from the schemes of the Mutual Fund in accordance with the provisions of SEBI (Mutual Fund) Regulations, 1996.

2.14 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 over the lease period.

2.15 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.

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.

2.16 Contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. 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.

Provisions 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 economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

	2007	2006
3 Share capital		
Authorised share capital 25,000,000 (previous year: 25,000,000) equity shares of Rs.10 each	<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up capital 16,406,250 (previous year: 16,406,250) equity shares of Rs.10 each, fully paid up Of the above equity shares : (a) 11,140,793 (Previous year: 11,140,793) are held by Tata Sons Ltd. (b) 5,265,457 (Previous year: 5,265,457) are held by Tata Investment Corporation Limited	<u>164,062,500</u>	<u>164,062,500</u>
4 Reserve and surplus		
Share premium	<u>65,625,000</u>	<u>65,625,000</u>
General reserve	<u>65,625,000</u>	<u>65,625,000</u>
Balance at the beginning of the year	44,150,000	24,150,000
Add : Transfer from profit and loss account	<u>25,000,000</u>	<u>20,000,000</u>
Balance at the end of the year	<u>69,150,000</u>	<u>44,150,000</u>
Balance in Profit and loss account	<u>386,468,427</u>	<u>287,544,980</u>
	<u>521,243,427</u>	<u>397,319,980</u>
5 Deferred tax liability (net)		
Deferred tax liability included in the balance sheet comprises of the following :		
Deferred tax asset :		
Provision for diminution in value of investment		(32,546)
Employee compensation	(3,799,615)	(2,665,872)
Deferred tax liability :		
Depreciation on fixed asset	<u>20,894,840</u>	<u>21,068,408</u>
Deferred tax liability (net)	<u>17,095,225</u>	<u>18,369,990</u>



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

6 Fixed assets

Particulars of assets	Gross Block		Depreciation		Net Block	
	As at 01-Apr-06	Additions	Deductions	As at 31-Mar-07	As at 31-Mar-07	As at 31-Mar-06
Tangible assets						
Premises	108,247,580	-	-	108,247,580	15,978,341	92,269,239
Furniture & fixtures	16,724,220	3,102,586	24,980	19,801,826	10,932,638	8,869,188
Office equipment	15,227,677	4,699,712	150,544	19,776,845	7,329,563	12,447,282
Computers	22,321,826	7,393,930	4,828,113	24,887,643	15,431,326	9,456,317
Vehicles	11,126,642	2,852,542	1,983,605	11,995,579	4,310,077	7,685,502
Lease hold improvements						
Furniture & fixtures	-	3,875,232	-	3,875,232	30,144	3,845,088
Office equipment	-	630,037	-	630,037	4,901	625,136
Intangible assets						
Computer software	5,460,995	1,452,937	-	6,913,932	4,371,667	2,542,265
Total	179,108,940	24,006,976	6,987,242	196,128,674	58,388,657	137,740,017
Previous year	168,583,259	12,662,521	2,136,840	179,108,940	51,106,565	128,002,375



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency: Indian rupees)

	2007	2006
7 Investments		
A. Long term investments		
Investment in subsidiary companies (unquoted)		
510,100 (previous year 10,200) shares of Tata Asset Management (Mauritius) Pvt. Ltd. of USD 1 each, fully paid up.	23,065,206	444,731
50,000 (previous year Nil) shares of Tata Pension Management Limited	500,000	-
Non trade, Quoted (at cost)		
Unsecured Flexibonds series 1998-99 regular income bond (99-A) of IDBI Limited	-	1,985,000
Total long term investments	23,565,206	2,429,731
B. Current investments (valued at cost or net realisable value whichever is lower)		
Non trade, Unquoted		
Tata Index Fund - Nifty A	200,000	1,273,678
Tata Index Fund - Sensex A	950,000	250,000
Tata Dynamic Bond Fund (Option B) - Dividend	-	11,483,368
Tata Dynamic Bond Fund (Option B) - Growth	-	980,562
Tata Floating Rate Short Term Fund - Growth	-	25,763,521
Tata Fixed Horizon Plan Series 1 Plan A	-	50,000,000
Tata Liquid Fund (SHIP) - Daily Dividend	44,992,718	55,762,616
Tata Short Term Bond Fund - Growth	-	30,010,269
Tata Liquidity Management Fund - Dividend	239,453,680	4,010,323
Tata Short Term Bond Fund - Dividend	101,949,787	187,520,425
Tata Fixed Horizon Fund- Series 1 Plan C	-	30,000,000
Tata Fixed Horizon Fund- Series 2 Plan B	35,000,000	35,000,000
Tata Fixed Horizon Fund- Series 2 Plan C	20,000,000	20,000,000
Tata Fixed Horizon Fund- Series 3 Scheme A	-	10,000,000
Tata Fixed Horizon Fund- Series 3 Scheme F	20,000,000	20,000,000
Tata Fixed Horizon Fund- Series 3 Scheme C	30,000,000	30,000,000
Tata Fixed Horizon Fund- Series 5 Scheme B	-	40,000,000
Tata Fixed Horizon Fund- Series 6 Scheme A	65,000,000	-
Tata Liquid Fund (SHIP) - Growth	30,220,473	-
Total current investments	587,766,658	552,054,762
Less : Diminution in value of investments	-	96,690
	611,331,864	554,387,803
Aggregate market value of quoted Investments	-	2,000,554
Aggregate market value of unquoted Investments	601,542,907	562,817,431
	601,542,907	564,817,985



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

7 Investments (Continued)

The following investments were acquired and sold / redeemed during the year:

	2007		2006	
	Purchase	Redeemed	Purchase	Redeemed
Long term investments				
Reliance Telecom Limited	-	-	-	1,500,000
4,99,900 (previous year 10,200) shares of Tata Asset Management (Mauritius) Pvt. Ltd of USD 1 each, fully paid up	22,620,475	-	444,731	-
Unsecured Flexibonds series 1998-99 regular income bond (99-A) of IDBI Ltd.	-	1,985,000	-	-
50,000 (previous year Nil) shares of Tata Pension Management Ltd.	500,000	-	-	-
	<u>23,120,475</u>	<u>1,985,000</u>	<u>444,731</u>	<u>1,500,000</u>
Current investments				
10.25% Government of India Security	-	-	61,005,850	61,005,850
Tata Dynamic Bond Fund (Option B) - Growth	-	-	-	14,045,804
Tata Floating Rate Short Term Fund - Growth	-	25,763,521	-	20,236,479
Tata Gilt Short Maturity Fund - Growth	-	-	-	40,000,000
Tata Index Fund - Nifty A	200,000	1,273,678	-	217,802
Tata Index Fund - Sensex A	700,000	-	250,000	-
Tata Liquid Fund (SHIP) - Daily Dividend	141,229,579	151,999,477	372,610,770	524,992,518
Tata Short Term Bond Fund - Fortnightly Dividend	6,725,426	92,296,064	187,520,425	-
Tata Short Term Bond Fund - Growth	-	30,010,269	-	-
Tata Dynamic Bond Fund (Option B) - Dividend	148,379	11,631,747	51,809,569	40,326,201
Tata Fixed Horizon Fund - Series 1 Plan C	-	30,000,000	30,000,000	-
Tata Fixed Horizon Fund - Series 2 Plan B	-	-	35,000,000	-
Tata Fixed Horizon Fund - Series 2 Plan C	-	-	20,000,000	-
Tata Fixed Horizon Fund - Series 3 Scheme A	-	10,000,000	10,000,000	-
Tata Fixed Horizon Fund - Series 3 Scheme F	-	-	20,000,000	-
Tata Fixed Horizon Fund - Series 3 Scheme C	-	-	30,000,000	-
Tata Fixed Horizon Fund - Series 5 Scheme B	688,800	40,688,800	40,000,000	-
Tata Fixed Horizon Fund - Series 1 Scheme A	-	50,000,000	-	-
Tata Fixed Horizon Fund - Series 6 Scheme A	65,000,000	-	-	-
Tata Liquid Fund (SHIP) - Growth	30,220,473	-	-	-
Tata Liquidity Management Fund - Weekly Dividend	334,766,377	99,323,020	4,010,323	-
	<u>579,679,034</u>	<u>542,986,576</u>	<u>862,206,937</u>	<u>700,824,654</u>
	<u>602,799,509</u>	<u>544,971,576</u>	<u>862,651,668</u>	<u>702,324,654</u>



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

	2007	2006
8 Cash and bank balances		
Cash in hand	31	886
Balance with scheduled banks		
- in current accounts	6,980,111	2,291,805
	<u>6,980,142</u>	<u>2,292,691</u>
9 Sundry debtors		
(unsecured, considered good)		
Debts outstanding for a period exceeding six months	2,302,061	1,058,930
Debts outstanding for a period not exceeding six months:		
Management fees receivable from schemes of Tata Mutual Fund (Net of TDS) (Tax deducted at source Rs.1,551,734 (Previous year Rs.2,213,521))	30,939,103	26,108,407
Others	21,108,209	19,789,034
	<u>54,349,373</u>	<u>46,956,371</u>
10 Loans and advances		
(unless otherwise stated - unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	2,920,775	718,110
Staff loans	9,890,802	14,070,829
Prepaid expenses	15,204,230	8,082,080
Sundry deposits	44,046,062	21,757,906
Advance tax (including tax deducted at source and wealth tax)	214,999,699	187,672,443
	<u>287,061,568</u>	<u>232,301,368</u>
11 Current liabilities		
Sundry creditors	17,547,303	69,562,667
Statutory dues	5,092,101	384,693
Accrued expenses	82,651,604	54,830,568
	<u>105,291,008</u>	<u>124,777,928</u>
12 Provisions		
Provision for leave encashment	11,288,220	7,920,000
Provision for proposed dividend	73,828,125	65,625,000
Provision for tax on proposed dividend	12,547,090	14,726,250
Provision for income tax (including wealth tax & fringe benefit tax)	196,683,728	172,028,060
	<u>294,347,163</u>	<u>260,299,310</u>



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

	2007	2006
13 Management fees		
Fees from mutual fund operations (Tax deducted at source Rs.35,644,249 (Previous year Rs.23,223,606)	608,443,150	576,560,636
	<u>608,443,150</u>	<u>576,560,636</u>
14 Interest income		
Interest on income tax refund	130,585	700,209
Interest on Staff Loan	281,461	341,404
Others (tax deducted at source Rs.Nil (Previous year Rs.136,163))	3,068	416,780
	<u>415,114</u>	<u>1,458,393</u>
15 Other income		
Advisory fees	8,091,601	-
Rent income	2,333,274	924,680
Profit / (loss) on sale of fixed assets (net)	(73,280)	(115,362)
	<u>10,351,595</u>	<u>809,318</u>
16 Employee costs		
Salaries, bonus and allowances	143,473,564	89,296,986
Contribution to provident and other funds	14,878,617	7,220,184
Staff welfare	8,627,521	6,359,192
	<u>166,979,702</u>	<u>102,876,362</u>
17 Administrative and other expenses		
Rent	30,028,932	19,416,456
Electricity	2,075,639	1,328,467
Repairs and maintenance :		
- Equipment	3,421,136	3,143,311
- Premises	5,119,089	3,886,578
Insurance	2,686,561	2,276,452
Legal and professional fees	9,899,512	8,570,426
IT expenses	9,552,833	5,605,494
Travelling and conveyance	12,705,946	8,130,331
Brokerage and incentives	231,077	216,929
Communication expenses	18,937,338	10,588,494
Books, periodicals and subscriptions	7,297,978	5,498,468
Training	2,023,896	1,222,472
Printing and stationery	7,317,608	5,740,009
Marketing and sales promotion	4,798,688	2,034,389
Auditors remuneration :		
Audit fees	864,300	385,700
Tax audit fees	150,000	82,650
Other matters	11,020	-
Reimbursement of out of pocket expenses	15,300	2,550
Directors sitting fees	210,000	340,000
Commission to directors	14,625,000	10,000,000
Recruitment and consultancy services	456,755	451,612
Scheme related expenses :		
Marketing, advertisement and others	59,912,017	41,352,970
Brokerage and incentives	23,363,364	59,250,884
Miscellaneous expenses	2,597,637	2,211,870
	<u>218,301,626</u>	<u>191,736,512</u>



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

18 Segmental Reporting

The Company's operations predominantly relate to providing asset management services. It acts as an investment manager to schemes launched by Tata Mutual Fund. Thus, in the context of AS17 on Segmental Reporting issued by ICAI, the operations are considered to constitute one single primary segment.

19 Related party information

a) Related parties where control exists

Tata Sons Limited – Holding Company

b) Other related parties with whom transactions have taken place during the year

Tata Asset Management (Mauritius) Private Limited – Wholly owned Subsidiary

Tata Trustee Company Limited – Fellow Subsidiary

Tata Mutual Fund (TMF) – Sponsored by Tata Sons Limited and Tata Investment Corporation Limited, an entity holding significant influence in the Company.

Key management:

Mr. Farrokh K. Kavarana – Chairman

Mr. Arunkumar R. Gandhi – Director

Mr. Ved Prakash Chaturvedi – Managing Director

- c) An amount of Rs 210,000 (Previous year Rs 340,000) has been paid to Directors as directors sitting fees.
- d) Total Managerial remuneration paid was Rs 26,867,420 (Previous year Rs 20,921,500). Pension paid to Ex – Managing Director was Rs 506,280 (Previous year Rs 506,280) during the year
- e) Of the total amount of personal loans outstanding from employees, an amount of Rs 279,836 (Previous year Rs 342,200) is due from key management mentioned above. Amount repaid during the year is Rs 62,364 (Previous year Rs 54,264).
- f) An amount of Rs 44,561,172 (Previous year Rs 26,737,903) was paid to holding company, towards final dividend for the financial year 2005 – 2006.
- g) Total value of investments in various schemes of Tata Mutual Fund (TMF) is given in schedule 7.
Total value of purchases during the year Rs 602,799,509 (Previous year Rs 801,201,087) and total value of units redeemed during the year Rs 545,952,138 (Previous year Rs 639,818,804).
- h) The Company has earned dividend income of Rs 68,152,017 (Previous year Rs 11,731,817) and net profit from redemption of mutual fund units of Rs 16,574,338 (Previous year Rs 4,535,787).
- i) The Company has earned management fees from Schemes of TMF as mentioned in Schedule 13. Of this an amount of Rs 30,939,103 (Previous year Rs 27,660,141) is due from Schemes of TMF.
- j) An amount of Rs 1,598,837 (Previous year Rs 1,203,867) is receivable from various schemes of TMF towards repayment of expenses incurred on behalf of TMF and Rs 13,778,000 (Previous year Rs 62,554,072) is payable to TMF towards reimbursement of expenses.
- k) An amount of Rs 13,856,738 (Previous year Rs 17,789,108) is receivable from Tata Trustee Company Private Limited for the expenses incurred on their behalf during the year including sharing of expenses of schemes, as permitted under SEBI (MF) Regulations, 1996
- l) An amount of Rs 22,620,475 has been invested in acquiring 100% shares of Tata Asset Management (Mauritius) Private Limited (Previous year Rs 444,731), a company incorporated in Mauritius.
An amount of Rs 500,000 has been invested in acquiring 100% shares of Tata Pension Management Limited (Previous year Rs Nil), a company incorporated under the companies Act, 1956
- m) An amount of Rs 1,612,754 (Previous year Rs 1,640,384) is paid to Tata Sons Limited towards subscription for the use of Tata name, Marks and Marketing Indica in respect of the Company's products and services or other use, in accordance with the Tata Brand Equity and Business Promotion agreement entered into with them.



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

20 Operating leases

[I] Lessee :

Generally, the Company takes premises on leases for tenure of 33 months. As per the terms of the leases, all maintenance charges and municipal levies are borne by the lessee. All lease agreements have a clause for renewing the lease for a similar tenure.

The total future liability of all non - cancellable operating leases is as given below :

	In less than a year		In 1 year to 5 years		In more than 5 years	
	2007	2006	2007	2006	2007	2006
Total future lease payments	30,326,259	23,308,780	59,324,462	85,426,599	1,541,754	5,765,876

The total lease payments recognised in the Profit and Loss account towards the above referred leases amount to Rs 23,308,780 (Previous year Rs 15,223,368)

[II] Lessor :

The Company has given premises on lease for a tenure of 33 months. The lease agreement has a clause for renewing the lease for a similar tenure. As per the terms of the lease, all maintenance charges and municipal levies are borne by the lessor.

	In less than a year		In 1 year to 5 years		In more than 5 years	
	2007	2006	2007	2006	2007	2006
Total future lease receipts	1,735,000	1,800,000	850,000	2,585,000	-	-

The total rent receipts recognised in the Profit and Loss account towards the above referred leases amount to Rs.1,800,000 (Previous year Rs.235,000)

21 Earnings per share ('EPS')

EPS is computed in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India ('ICAI')

	2007	2006
Profit after taxation	210,298,662	190,870,219
Weighted average number of equity shares outstanding during the year (in units)	16,406,250	16,406,250
Basic and diluted EPS of face value Rs.10 each (in Rs.)	12.82	11.63

22 Provisions for loyalty incentives

Opening balance as on 1 April	2,258,543	875,330
Additional provision during the year	924,937	1,383,213
	3,183,480	2,258,543
Amount incurred and charged during the year	-	-
Unused amounts reversed	-	-
Closing balance as on 31 March	3,183,480	2,258,543

Nature of obligation

Loyalty incentives to unit holders for long term investment under Tata Gilt Securities Fund – Retirement Plan Series maturing on 28 February 2025 will be paid by Tata Asset Management Limited at the rate specified by it from time to time in the form of allotment of units equivalent to the amount of loyalty incentive. Units will be allotted at the NAV based price prevailing on 1st business day next after the end of the minimum investment period specified by AMC from time to time. The maximum amount of loyalty under this option will not exceed 2% of the amount which remains invested for minimum holding period (i.e. atleast 5 years).

Expected time

At present AMC proposes to pay loyalty incentives at the end of 5 years, 10 years, 15 years and 20 years from the date of allotment.

Assumptions

It is assumed that all the investors currently in the fund will stay with the fund till the maturity period i.e. 28 February 2025.



Tata Asset Management Limited

Schedules to financial statements (Continued)

as at 31 March 2007

(Currency : Indian rupees)

23 Contingent liabilities

There are no contingent liabilities as at 31 March 2007 (Previous year Nil).

24 Capital commitments

As at 31 March 2007, the Company had capital commitments amounting to Rs.3,914,359 (Previous year Rs.634,900) for which no provision is required to be made.

	2007	2006
25 Expenditure in foreign currency (on accrual basis)		
Legal fees	814,129	2,157,329
Travelling	702,830	158,113
	<u>1,516,959</u>	<u>2,315,442</u>
26 Computation of commission to Directors		
Profit before tax as per profit and loss account	305,339,608	291,082,397
Add : Directors' remuneration	13,873,700	12,227,780
Sitting fees to non-whole time directors	210,000	340,000
Depreciation charged in the accounts	13,350,791	10,564,745
Profit / (loss) on sale of fixed assets as per section 349 of the Companies Act, 1956	(73,280)	(115,362)
	<u>27,361,211</u>	<u>23,017,163</u>
	<u>332,700,819</u>	<u>314,099,560</u>
Less : Profit / (loss) on sale of fixed assets as per profit and loss account	(73,280)	(115,362)
Depreciation as per section 350 of the Companies Act, 1956	13,350,791	10,564,745
	<u>13,277,511</u>	<u>10,449,383</u>
Net Profit as per section 349 of the Companies Act, 1956	<u>319,423,308</u>	<u>303,650,177</u>
Maximum permissible (11 %)	35,136,564	33,401,519
Less : Directors' remuneration	13,873,700	12,227,780
Net balance payable as remuneration to directors	<u>21,262,864</u>	<u>21,173,739</u>
Commission paid / payable to whole-time directors	14,200,000	9,200,000
Commission paid / payable to non-executive directors	800,000	800,000
Total commission provided in the accounts	<u>15,000,000</u>	<u>10,000,000</u>
27 Managerial remuneration		
Remuneration to whole-time directors :		
Salary and allowances	11,207,280	11,465,980
Company's contribution to provident fund	1,701,000	382,800
Perquisites (fair value as estimated by the management)	965,420	379,000
Commission to whole-time directors	14,200,000	9,200,000
	<u>28,073,700</u>	<u>21,427,780</u>

Provision for contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis are excluded above.

Salary and allowances include Rs 506,280 paid as pension to ex managing director.



Tata Asset Management Limited

Schedules to financial statements *(Continued)*

as at 31 March 2007

(Currency : Indian rupees)

28 Disclosure under Part II of Schedule VI to the Companies Act, 1956

Disclosure under Part II of Schedule VI to the Companies Act, 1956, has been made to the extent applicable to the company.

29 Prior year comparatives

Prior year comparatives have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of The Board of Directors of
Tata Asset Management Limited

Farrokh K. Kavarana
Chairman

Ved Prakash Chaturvedi
Managing Director

Mehernosh Surti
Company Secretary



Tata Asset Management Limited

(Currency : Indian rupees)

Balance sheet abstract and company's general business profile

I Registration Details

Registration No.	77090	State code	11
Balance sheet date			31-03-07

II Capital raised during the year

Public issue	-	Rights issue	-
Bonus issue	-	Private placement	-

III Position of mobilisation and deployment of funds

Total liabilities	399,638,171	Total assets	1,102,039,323
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Sources of funds

Paid-up capital	164,062,500	Reserves and surplus	521,243,427
Secured loans	-	Unsecured loans	-

Application of funds

Net fixed assets	137,740,017	Investments	611,331,864
Net current assets	(51,247,088)	Miscellaneous expenditure	-
Deferred tax liability	(17,095,225)	Accumulated losses	-

IV Performance of company

Total turnover	608,443,150	Total expenditure	398,535,429
Profit before tax	305,339,608	Profit after tax	210,298,662
Earning per share in Rs. (actuals)	12.82	Dividend rate (%)	-

V Generic names of three principal products / services of company

Item code no (ITC code)	Not Applicable
Service description	Asset Management Company

For and on behalf of The Board of Directors of
Tata Asset Management Limited

Farrokh K. Kavarana
Chairman

Ved Prakash Chaturvedi
Managing Director

Mehernosh Surti
Company Secretary