

## Board of Directors

Mr. Deepak S. Parekh  
Chairman

Directors  
Mr. Norman Keith Skeoch  
Mr. Mark Connolly  
Mr. Hoshang Billimoria  
Mr. P. M. Thampi  
Dr. Deepak B. Phatak  
Mr. Humayun Dhanrajgir  
Ms. Renu Sud Karnad  
Mr. Rajeshwar R. Bajaaj

Mr. Milind Barve  
Managing Director

Auditors  
Haribhakti & Co.  
Chartered Accountants

Bankers  
HDFC Bank Ltd.

Registered Office  
Ramon House,  
H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate, Mumbai 400 020.  
Tel. Nos. : 22-2202 9111  
Fax : 22-2204 4304

## Directors' Report

TO THE MEMBERS

Your directors have the pleasure in presenting the Eighth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2007.

Financial Results	For the year ended March 31, 2007 (Rs. in crore)	For the year ended March 31, 2006 (Rs. in crore)
Profit before Tax	101.89	70.05
Provision for Tax	33.97	24.22
Provision for Fringe Benefit Tax	0.38	0.35
Profit after Tax	67.54	45.48
Balance brought forward from previous year	23.27	5.27
Profit available for appropriation	90.81	50.75
Excess provision of Income Tax for earlier years (net)	(0.18)	—
General Reserve	6.75	4.55
Interim Dividend Paid	15.10	8.81
Proposed Equity Dividend	10.06	8.81
Preference Dividend	2.50	2.50
Tax on Interim Dividend	2.12	1.23
Tax on Proposed Equity Dividend	1.71	1.23
Tax on Preference Dividend	0.35	0.35
Balance carried to Balance Sheet	<u>52.40</u>	<u>23.27</u>

For the year ended March 31, 2007, the Company posted a net profit of Rs. 67.54 crore as against Rs. 45.48 crore in the previous year, representing a growth of 48.50%. Appropriations from the net profit have been effected as per the table given above.

Dividend

Your directors recommend payment of final dividend of Rs. 4/- per equity share for the financial year ended March 31, 2007, as against Rs. 3.50/- per equity share for the previous year.

Your directors confirm payment of interim dividend of Rs. 6/- in the month of March 2007 on 25,16,10,000 equity shares of Rs. 10/- each fully paid up which has been paid to those members whose names appeared in the Register of Members as on March 29, 2007.

Your directors confirm payment of interim dividend of 10% on 2,50,00,000 - Preference Shares of Rs.10/- each fully paid up which has been paid to those members whose names appear in the Register of Preference Shareholders as on March 19, 2007, out of the Profits of the Company for the financial year ending March 31, 2007 subject to deduction of tax, if any.

Review of Operations

Your directors are pleased to report that : -

❖ During the financial year, HDFC Mutual Fund achieved significant growth in the assets under management. The assets under management as on March 31, 2007 were at Rs. 28,358 crore as against Rs. 21,550 crore in the previous year. The average assets

managed under Mutual Fund products increased from Rs. 17,624 crore (FY 2005 – 2006) to Rs. 27,286 crore (FY 2006 – 2007), a growth of 54.83%.

❖ During the year, the total number of investors has increased from 14,75,322 as at March 31, 2006 to 21,46,451 as at March 31, 2007. Your Company presently manages 29 schemes of HDFC Mutual Fund.

❖ During the year, your Company focused intensively on increasing the list of official points of acceptance of transactions for HDFC Mutual Fund. Additional Investor Service Centres of Computer Age Management Services Pvt. Ltd. (CAMS), Registrar and Transfer Agents and Transaction Points of CAMS have been included as part of the list of official points of acceptance of transactions for HDFC Mutual Fund Schemes. Presently, the official points of acceptance are at 94 locations across the country as compared to 73 locations in the previous year. Your Company also increased its focus on building its business through the Systematic Investment Plan (SIP) and Systematic Transfer Plan (STP) from the retail investors. Consequently, HDFC Mutual Fund has seen a significant growth in the number of systematic transactions from 13,64,742 in 2005-06 to 33,96,728 in 2006-07.

❖ In December 2005, your Company opened a representative office in Dubai, United Arab Emirates (UAE) to tap the NRI investment potential. During the year the representative office in Dubai has added Rs. 250 crore to the assets under management of the Company with over 10,000 investors. The Dubai representative office has expanded its reach in the Middle East by having tie ups in Kuwait, Oman, Bahrain and Qatar. Currently there are 26 distributors who market the schemes of HDFC Mutual Fund in the Middle East.

#### Awards

Your directors are pleased to inform that :-

1] CRISIL Fund House Level – 1 -

HDFC Asset Management Company Limited (HDFC AMC) has retained its "Fund House

Level 1" rating assigned by CRISIL for the second successive year. This is its highest Fund Governance and Process Quality rating (FGP). The rating reflects the highest governance levels and fund management practices of the Company. HDFC AMC is the only AMC in India to have been assigned this rating.

2] Business Superbrand -

HDFC Mutual Fund was once again selected as 'Business Superbrand' by the Superbrands India Private Limited. 'Superbrands' is an international organisation operating out of 44 countries. It exists to promote the discipline of branding and pay tribute to exceptional brands. Each brand appears in an environment of quality and prestige.

3] ICRA Mutual Funds Awards 2007 -

❖ HDFC Prudence Fund was ranked as ICRA ~ MFR 1, and was awarded the Gold Award for 'Best Performance' in the category of Open Ended Balanced Scheme for one year period ended December 31, 2006.

❖ HDFC Prudence Fund was ranked as ICRA ~ MFR 1, and was awarded the Gold Award for 'Best Performance' in the category of Open Ended Balanced Scheme for three year period ended December 31, 2006.

❖ HDFC MF Monthly Income Plan - Long Term Plan was ranked as ICRA ~ MFR 1, and was awarded the Gold Award for 'Best Performance' in the category of Open Ended Marginal Equity' for three year period ended December 31, 2006.

❖ In the category of 'Open Ended Marginal Equity' for one year period ending December 31, 2006, HDFC MF Monthly Income Plan - Long Term Plan has also qualified to be a part of the Top 10% of the MFR 1 category.

4] CRISIL – CNBC – TV 18 Mutual Fund Awards 2007 -

❖ HDFC MF Monthly Income Plan – Long Term Plan was ranked by CRISIL Fund

Services to be the 'Best Monthly Income Plan – Aggressive';

❖ HDFC Prudence Fund was ranked by CRISIL Fund Services to be the 'Best Balanced Fund';

❖ HDFC Floating Rate Income Fund – Short Term Plan was ranked by CRISIL Fund Services to be the 'Best Floating Rate Fund – Short Term';

❖ HDFC Cash Management Fund – Savings Plan was ranked by CRISIL Fund Services to be the 'Best Liquid Fund – Retail'.

5] Lipper Fund Awards India 2007-

❖ HDFC Prudence Fund – Growth was awarded the 'Best Fund for over 5 years - Mixed Asset INR Aggressive' category.

❖ HDFC Equity Fund – Growth was awarded the 'Best Fund for over 10 years – Equity India' category.

6] Lipper Fund Awards Gulf 2007 –

❖ HDFC Prudence Fund – Growth was awarded the Best Fund for Over One Year – Mixed Asset INR Aggressive' category.

#### Portfolio Management Services

Your Company also provides investment management / advisory services under its portfolio management services division. Discretionary Portfolio Management is provided to High Networth Individuals and Corporates on a segregated basis while advisory services are provided to Foreign Institutional Investors and Domestic Insurance companies. During the year, Structured Products were offered to High Networth Individuals under Non-Discretionary Portfolio Management. The PMS division has shown consistent growth during the financial year ended March 31, 2007. The aggregate assets under investment management / advisory services were Rs. 8,063 crore as at March 31, 2007 as compared to Rs. 4,876 crore as at March 31, 2006, a growth of 65.36%.

## Directors

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. Hoshang Billimoria, Mr. Humayun Dhanrajgir and Mr. P. M. Thampi, directors, retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

Necessary resolutions for the appointment / re-appointment of the aforesaid directors have been included in the notice convening the Annual General Meeting.

None of the directors of the Company are disqualified for being appointed as directors as specified in Section 274 of the Companies Act, 1956.

## Board Meetings

The meetings of the Board of Directors are held at the Company's registered office in Mumbai.

Seven board meetings were held during the financial year under review – on April 27, 2006, June 21, 2006, July 25, 2006, October 18, 2006, December 06, 2006, February 01, 2007 and March 29, 2007.

The attendance of each director at the meetings of the Board of Directors is as under:

Directors	Number of Board Meetings Attended
(i) Mr. Deepak S. Parekh (Chairman)	7
(ii) Mr. Norman Keith Skeoch	3
(iii) Mr. Mark Connolly	1
(iv) Mr. Humayun Dhanrajgir	6
(v) Mr. Hoshang Billimoria	5
(vi) Mr. P. M. Thampi	6
(vii) Dr. Deepak B. Phatak	3
(viii) Ms. Renu Sud Karnad	7
(ix) Mr. Rajeshwar R. Bajaj	5
(x) Mr. Milind Barve (Managing Director)	7

## Board Committees

To enable better and more focused attention on the affairs of the Company, the board has constituted committees of the board such as Audit Committee, Remuneration Committee, Risk Management Committee and Customer Services Committee to which specific matters have been delegated from time to time. These Committees prepare the groundwork for decision-making and report at the subsequent board meeting.

### Audit Committee

The members of the Audit Committee are Mr. Hoshang Billimoria (Chairman), Mr. P. M. Thampi and Mr. Humayun Dhanrajgir. The Audit Committee has been constituted and functions in accordance with the provisions of Section 292A of the Companies Act, 1956. The Company Secretary acts as the secretary to the Committee.

The Committee met 4 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2007.

### Public Deposits

During the year under review, the Company has not accepted any deposits from the public.

### Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Expenditure

(a) Since the Company does not carry out any manufacturing activities, particulars

required to be disclosed with respect to the conservation of energy and technology absorption in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

(b) Foreign Exchange, earnings and expenditure during the year -

❖ Foreign exchange earnings	: Rs. 3,40,28,561/- (previous year : Rs. 1,81,08,690/-)
❖ Foreign exchange expenditure	: Rs. 14,05,63,740/- (previous year: Rs.12,50,06,171/-) (including Equity & Preference Dividend)

## Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 ("the Act") read with the Companies (Particulars of Employees) Rules, 1975 are set out in the annexure to the Directors' Report. In terms of the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report is being sent to the shareholders of the Company excluding the annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

## Auditors

M/s. Haribhakti & Co, Chartered Accountants, Statutory Auditors of your Company hold office until the conclusion of the ensuing annual general meeting and are eligible for re-appointment.

The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

## Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and

based on the information provided by the management, your directors state that:

(i) In the preparation of accounts, the applicable accounting standards have been followed.

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2007 and of the profit of the Company for year ended on that date.

(iii) Proper and sufficient care has been taken 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.

(iv) The annual accounts of the Company have been prepared on a going concern basis.

#### Acknowledgements

The directors acknowledge the valuable assistance, support and guidance given by the Securities and Exchange Board of India, Association of Mutual Funds of India, Reserve Bank of India, bankers, distributors, key partners, investor service centres and other service providers. The directors would like to convey their gratitude to Housing Development Finance Corporation Limited and Standard

Life Investments Limited and look forward to their continued support.

The directors wish to place on record their appreciation to employees at all levels for their dedication and commitment.

The directors also acknowledge the faith reposed in HDFC Mutual Fund by its investors and look forward to their continued support.

On behalf of the Board of Directors

MUMBAI  
April 26, 2007

DEEPAK S. PAREKH  
Chairman

## Auditors' Report

TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED

We have audited the attached Balance Sheet of HDFC ASSET MANAGEMENT COMPANY LIMITED as at 31<sup>st</sup> March, 2007, the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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 presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

(I) As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, on the basis of such checks of the books and records as we considered appropriate and

the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent they are applicable to the Company.

(II) Further to our comments in the Annexure referred to in paragraph I above, we report as under:

(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 such books;

(c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company;

(e) on the basis of the written representations received from the directors of the Company as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors of

the Company, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2007 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 Balance Sheet, the Profit and Loss Account and Cash Flow Statement read together with Notes thereon 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:

(i) in so far it relates to the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2007,

(ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date and

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

For HARIBHAKTI & CO.,  
Chartered Accountants,

CHETAN DESAI  
Partner

MUMBAI  
April 26, 2007

Membership No: 17000

## Annexure to the Auditors' Report

ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

2. The Company has physically verified the fixed assets in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. It was explained to us that there were no material discrepancies noticed on physical verification.

3. During the year, the Company has not disposed off a major part of the fixed assets.

4. The Company has neither granted nor taken any loans, secured or unsecured from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

6. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not entered into any transactions that need to be

entered in the register maintained under Section 301 of the Companies Act, 1956.

7. The Company has not accepted any deposits from the public.

8. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.

9. We are informed that no cost records are required to be maintained by the Company under Section 209(1)(d) of the Companies Act, 1956.

10. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, wealth tax, service tax and any other statutory dues applicable to it.

11. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax and service tax were outstanding as at 31<sup>st</sup> March, 2007 for a period of more than six months from the date they became payable.

12. According to the information and explanations given to us by the Company, there is a disputed amount payable in respect of income tax as at 31<sup>st</sup> March, 2007. The details of disputed dues is as under:

13. The Company has neither accumulated losses as at 31<sup>st</sup> March, 2007 nor it has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

14. The Company has not taken any loan from Financial Institution, Bank and the Company has not issued any Debentures.

15. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

16. The Company has not dealt or traded in shares, securities, debentures and other investments during the year.

17. The Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.

18. The Company has not taken term loans during the year.

19. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the Company has not used funds raised on short-term basis for long-term investment.

20. The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.

21. The Company has not issued any Debentures during the year.

22. The Company has not raised any money by public issue during the year.

23. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on the Company or by the Company has been noticed or reported during the course of our audit.

24. The clause (ii) and (xiii) of para 4 are not reported upon as these are not applicable to the Company.

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961.	Income Tax	3,67,497/-	A.Y. 2002-2003	The Company has filed an appeal against Income Tax Officer's Assessment Order with the Commissioner of Income Tax (Appeals).

For HARIBHAKTI & CO.,  
Chartered Accountants,

CHETAN DESAI  
Partner

MUMBAI  
April 26, 2007

(Membership No: 17000)

## Balance Sheet as at March 31, 2007

	Schedule	Rupees	Rupees	March 31, 2006 Rupees
<b>FUNDS EMPLOYED</b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1		50,16,10,000	50,16,10,000
Reserves and Surplus	2		95,42,67,094	59,54,32,963
<b>TOTAL</b>			<u>145,58,77,094</u>	<u>109,70,42,963</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	3	90,57,95,360		81,70,23,962
Less: Depreciation		26,11,48,332		19,28,39,455
Net Block		<u>64,46,47,028</u>		<u>62,41,84,507</u>
Capital Advances		84,87,942		63,25,993
			65,31,34,970	63,05,10,500
<b>INVESTMENTS</b>	4		84,56,95,637	51,36,82,426
DEFERRED TAX ASSET (see note 9)	5		7,40,32,976	4,64,76,435
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Sundry Debtors	6	10,94,24,536		5,94,48,534
Cash and Bank Balances	7	83,89,134		1,14,77,426
Other Current Assets	8	16,195		6,027
Loans and Advances	9	104,41,62,102		67,95,60,821
		<u>116,19,91,967</u>		<u>75,04,92,808</u>
Less: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	10	35,58,80,132		19,97,83,840
Provisions	11	92,30,98,324		64,43,35,366
		<u>127,89,78,456</u>		<u>84,41,19,206</u>
<b>NET CURRENT ASSETS</b>			(11,69,86,489)	(9,36,26,398)
<b>TOTAL</b>			<u>145,58,77,094</u>	<u>109,70,42,963</u>
Significant Accounting Policies and Notes to Accounts	17			

As per our report attached

For Haribhakti & Co.  
Chartered Accountants

Deepak S. Parekh  
Chairman

Chetan Desai  
Partner

Directors  
P. M. Thampi  
Hoshang S. Billimoria  
N. Keith Skeoch  
Rajeshwar Raj Bajaj  
Renu Sud Karnad

MUMBAI, April 26, 2007

Milind Barve  
Managing Director

Rahul Bhandari  
Chief Financial Officer

Sylvia Furtado  
Company Secretary

## Profit & Loss Account for the Year ended March 31, 2007

	Schedule	Rupees	Previous Year Rupees
<b>INCOME</b>			
Management Fee	12	182,54,40,546	133,69,74,621
Interest	13	59,089	3,19,650
Dividend		4,23,05,352	1,82,62,800
Other Income	14	72,28,966	84,55,729
<b>Total</b>		<b>187,50,33,953</b>	<b>136,40,12,800</b>
<b>EXPENDITURE</b>			
Staff Expenses	15	42,38,66,961	36,50,46,679
Administrative and Other Expenses	16	35,84,18,648	23,01,25,621
Depreciation	3	7,38,51,304	6,83,28,410
<b>Total</b>		<b>85,61,36,913</b>	<b>66,35,00,710</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>101,88,97,040</b>	<b>70,05,12,090</b>
Provision for Tax (Net of Deferred Tax) (see note 9)		33,96,93,459	24,22,38,100
Provision for Fringe Benefit Tax		38,22,000	35,10,000
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>67,53,81,581</b>	<b>45,47,63,990</b>
Balance brought forward from Previous year		23,27,19,807	5,27,67,278
<b>Profit Available for Appropriation</b>		<b>90,81,01,388</b>	<b>50,75,31,268</b>
<b>Appropriations:</b>			
Excess provision of Income Tax for earlier years (net)		(18,46,230)	—
General Reserve		6,75,38,158	4,54,76,399
Preference Dividend		2,50,00,000	2,50,00,000
Tax on Preference Dividend		35,06,250	35,06,250
Interim Equity Dividend Paid		15,09,66,000	8,80,63,500
Tax on Interim Equity Dividend paid		2,11,72,982	1,23,50,906
Proposed Equity Dividend		10,06,44,000	8,80,63,500
Tax on Proposed Equity Dividend		1,71,04,448	1,23,50,906
<b>Balance carried forward to the Balance Sheet</b>		<b>52,40,15,780</b>	<b>23,27,19,807</b>
<b>Earnings Per Share (see note 8)</b>		<b>25.78</b>	<b>16.94</b>
Significant Accounting Policies and Notes to Accounts	17		

As per our report attached

For Haribhakti & Co.  
Chartered AccountantsDeepak S. Parekh  
ChairmanChetan Desai  
Partner

Directors  
P. M. Thampi  
Hoshang S. Billimoria  
N. Keith Skeoch  
Rajeshwar Raj Bajaaj  
Renu Sud Karnad

MUMBAI, April 26, 2007

Milind Barve  
Managing DirectorRahul Bhandari  
Chief Financial OfficerSylvia Furtado  
Company Secretary



## Cash Flow Statement for the year ended March 31, 2007

	Rupees	Previous Year Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and extraordinary items	101,88,97,040	70,05,12,090
Add / (Less) : Adjustment for		
Depreciation	7,38,51,304	6,83,28,410
Profit on sale of investment (net)	(19,59,706)	(16,81,892)
(Profit) / Loss on sale of fixed assets (net)	(7,75,131)	(3,62,004)
Investment Income (dividend)	(4,23,05,352)	(1,82,62,800)
Provision for wealth tax	82,102	75,472
Operating Profit before working capital changes	104,77,90,257	74,86,09,276
(Increase) / Decrease in Loans and Advances	(15,62,84,975)	(9,21,49,302)
(Increase) / Decrease in Other Current Assets	(10,168)	(1,204)
(Increase) / Decrease in Sundry Debtors	(4,99,76,002)	(3,52,28,285)
Increase / (Decrease) in Current Liabilities	22,53,04,066	11,83,75,177
Cash generated from Operations	106,68,23,178	73,96,05,662
Income tax paid	(38,54,03,036)	(27,62,84,709)
Net cash from operating activities	68,14,20,142	46,33,20,953
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(9,82,73,321)	(2,91,99,454)
Proceeds from sale of fixed assets	25,72,677	5,79,543
Purchase of investments	(337,97,79,923)	(148,14,67,068)
Proceeds from sale of investments	309,20,31,771	132,04,19,533
Net cash used in investing activities	(38,34,48,796)	(18,96,67,446)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(26,40,29,500)	(23,88,68,500)
Tax paid on Dividend	(3,70,30,138)	(3,35,01,307)
Net cash from financing activities	(30,10,59,638)	(27,23,69,807)
Net (Decrease) / Increase in cash and cash equivalents	(30,88,292)	12,83,700
Cash and cash equivalents at the beginning of the year	1,14,77,426	1,01,93,726
Cash and cash equivalents at the end of the year	83,89,134	1,14,77,426
	(30,88,292)	12,83,700

As per our report attached

For Haribhakti & Co.  
Chartered Accountants

Chetan Desai  
Partner

MUMBAI, April 26, 2007

Deepak S. Parekh  
Chairman

Milind Barve  
Managing Director

Directors  
P. M. Thampi  
Hoshang S. Billimoria  
N. Keith Skeoch  
Rajeshwar Raj Bajaj  
Renu Sud Karnad

Rahul Bhandari  
Chief Financial Officer

Sylvia Furtado  
Company Secretary

## Schedules

Annexed to and forming part of the Accounts

### Schedule 1

#### SHARE CAPITAL

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
AUTHORISED		
3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of Rs.10 each	30,00,00,000	30,00,00,000
5,00,00,000 (Previous Year 5,00,00,000) Redeemable, Cumulative Non-convertible Preference Shares of Rs.10 each	50,00,00,000	50,00,00,000
	<u>80,00,00,000</u>	<u>80,00,00,000</u>
ISSUED, SUBSCRIBED AND PAID-UP		
2,51,61,000 (Previous Year 2,51,61,000) Equity Shares of Rs.10 each, fully paid up	25,16,10,000	25,16,10,000
(Of the above 1,26,05,661 (Previous Year 1,26,05,661) Equity Shares are held by Housing Development Finance Corporation Limited, the Holding Company and its nominees)		
2,50,00,000 (Previous Year 2,50,00,000) 10% Redeemable, Cumulative Non-convertible Preference Shares of Rs. 10 each, redeemable in 5 equal annual installments starting from June 18, 2005.	25,00,00,000	25,00,00,000
The Company reserves the right to redeem the Preference Shares (in full or part) at any time before the scheduled due dates of redemption. Accordingly, the Company had partly redeemed 2,50,00,000 Preference Shares amounting to Rs. 25,00,00,000 during the Financial Year 2004-2005.		
(Of the above 1,25,25,000 (Previous Year 1,25,25,000) Preference Shares are held by Housing Development Finance Corporation Limited, the Holding Company)		
	<u>50,16,10,000</u>	<u>50,16,10,000</u>

### Schedule 2

#### RESERVES AND SURPLUS

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
General Reserve		
Opening Balance	11,27,13,156	6,72,36,757
Add : Transfer from Profit and Loss Account	6,75,38,158	4,54,76,399
	<u>18,02,51,314</u>	<u>11,27,13,156</u>
Capital Redemption Reserve	25,00,00,000	25,00,00,000
Balance in Profit and Loss Account	52,40,15,780	23,27,19,807
	<u>95,42,67,094</u>	<u>59,54,32,963</u>

Schedule 3  
FIXED ASSETS

Rupees										
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2006	Additions	Deductions	As at March 31, 2007	As at March 31, 2006	For the Year	Deductions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Goodwill	66,83,08,050	—	—	66,83,08,050	10,02,46,206	3,34,15,402	—	13,36,61,608	53,46,46,442	56,80,61,844
Improvement of Rented Premises	5,47,23,397	5,39,09,203	6,92,690	10,79,39,910	3,85,94,657	1,43,60,779	5,86,493	5,23,68,943	5,55,70,967	1,61,28,740
Computer Equipment	3,99,46,427	1,25,12,759	74,027	5,23,85,159	2,87,45,376	93,20,234	73,484	3,79,92,126	1,43,93,033	1,12,01,051
Intangible Assets (Computer Software)	55,28,278	54,52,445	—	1,09,80,723	21,15,336	25,82,895	—	46,98,231	62,82,492	34,12,942
Office Equipment	2,67,44,810	1,38,18,251	4,86,441	4,00,76,620	1,16,53,402	67,35,467	4,18,998	1,79,69,871	2,21,06,749	1,50,91,408
Furniture & Fixtures	71,95,460	36,38,565	10,48,762	97,85,263	50,58,208	35,28,592	9,40,385	76,46,415	21,38,848	21,37,252
Electrical Installations	26,950	—	—	26,950	22,747	3,465	—	26,212	738	4,203
Vehicles	1,45,50,590	67,80,148	50,38,053	1,62,92,685	64,03,523	39,04,470	35,23,067	67,84,926	95,07,759	81,47,067
Total	81,70,23,962	9,61,11,371	73,39,973	90,57,95,360	19,28,39,455	7,38,51,304	55,42,427	26,11,48,332	64,46,47,028	62,41,84,507
Previous Year	79,49,92,631	2,39,89,317	19,57,986	81,70,23,962	12,62,51,492	6,83,28,410	17,40,447	19,28,39,455	62,41,84,507	

Schedule 4  
INVESTMENTS

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
CURRENT INVESTMENTS (Valued at Cost and Net Asset Value, whichever is lower)		
1,30,30,722 Units (Previous Year 1,22,19,867) of Rs. 10 each in HDFC Monthly Income Plan-Long Term Plan (Dividend Plan) (Purchased 8,10,855 Units and Redeemed NIL Units during the year)	13,52,93,955	12,59,61,368
28,102 Units (Previous Year 3,83,30,573) of Rs. 10 each in HDFC Floating Rate Income Fund - Short Term Plan (Dividend Plan) (Purchased 4,15,44,993 Units and Redeemed 7,98,47,464 Units during the year)	2,85,858	38,77,21,058
5,308 Units (Previous Year NIL) of Rs. 10 each in HDFC Cash Management Fund - Savings Plan (Dividend Plan) (Purchased 7,59,47,724 Units and Redeemed 7,59,42,416 Units during the year)	56,473	—
1,99,57,291 Units (Previous Year NIL) of Rs. 10 each in HDFC Cash Management Fund - Savings Plus Plan (Dividend Plan) (Purchased 1,99,57,291 Units and Redeemed NIL Units during the year)	20,00,00,000	—
1,00,00,000 Units (Previous Year NIL) of Rs. 10 each in HDFC Fixed Maturity Plan 90D January 2007 - Wholesale Plan (Dividend Plan) (Purchased 1,00,00,000 Units and Redeemed NIL Units during the year)	10,00,00,000	—
2,00,00,000 Units (Previous Year NIL) of Rs. 10 each in HDFC Fixed Maturity Plan 90D February 2007 - Wholesale Plan (Dividend Plan) (Purchased 2,00,00,000 Units and Redeemed NIL Units during the year)	20,00,00,000	—
1,68,99,703 Units (Previous Year NIL) of Rs. 10 each in HDFC Liquid Fund Premium Plus Plan (Dividend Plan) (Purchased 7,43,89,808 Units and Redeemed 5,74,90,105 Units during the year)	21,00,59,351	—
	<u>84,56,95,637</u>	<u>51,36,82,426</u>
Repurchase Price of the above	<u>86,61,97,994</u>	<u>52,98,99,484</u>

Schedule 5  
DEFERRED TAX

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Deferred Tax Asset	7,43,55,881	4,68,29,865
Deferred Tax Liability	(3,22,905)	(3,53,430)
	<u>7,40,32,976</u>	<u>4,64,76,435</u>

**Schedule 6****SUNDRY DEBTORS**

(Unsecured, Considered good)

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Investment Management Fee Receivable (less than six months)	3,60,67,686	34,86,540
Portfolio Management Fee Receivable		
- Over six months	91,81,983	44,87,663
- Others	<u>6,41,74,867</u>	<u>5,14,74,331</u>
	<u>7,33,56,850</u>	<u>5,59,61,994</u>
	<u><u>10,94,24,536</u></u>	<u><u>5,94,48,534</u></u>

**Schedule 7****CASH AND BANK BALANCES**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Balance with Scheduled Bank:		
In Current Account	78,08,634	89,77,426
In Deposit Account	<u>5,80,500</u>	<u>25,00,000</u>
	<u>83,89,134</u>	<u>1,14,77,426</u>

**Schedule 8****OTHER CURRENT ASSETS**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Interest Accrued but Not Due	<u>16,195</u>	<u>6,027</u>
	<u>16,195</u>	<u>6,027</u>

**Schedule 9****LOANS AND ADVANCES**

(Unsecured, considered good)

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Sundry Deposits	7,39,57,344	2,44,03,106
Advance Payment of Income Tax	66,26,61,913	45,46,48,607
Advance Payment of Fringe Benefit Tax (net)	3,93,000	90,000
Advances recoverable in cash or in kind or for value to be received	<u>30,71,49,845</u>	<u>20,04,19,108</u>
	<u><u>104,41,62,102</u></u>	<u><u>67,95,60,821</u></u>

**Schedule 10**  
CURRENT LIABILITIES

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
Sundry Creditors	34,55,17,700	19,42,13,909
Other Liabilities	1,03,62,432	55,69,931
	<u>35,58,80,132</u>	<u>19,97,83,840</u>

**Schedule 11**  
PROVISIONS

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
For Taxation	64,36,42,102	45,14,20,960
For Others (see note 10)	16,17,07,774	9,25,00,000
Proposed Equity Dividend	10,06,44,000	8,80,63,500
Income-tax on Proposed Equity Dividend	1,71,04,448	1,23,50,906
	<u>92,30,98,324</u>	<u>64,43,35,366</u>

**Schedule 12**  
MANAGEMENT FEE

	For the year ended March 31, 2007 Rupees	For the year ended March 31, 2006 Rupees
Investment Management Fee (Tax Deducted at Source Rs. 9,90,27,704; Previous Year Rs. 7,26,30,487)	157,27,01,154	117,48,28,564
Portfolio Management Fee (Tax Deducted at Source Rs. 30,49,537; Previous Year Rs. 29,59,946)	25,27,39,392	16,21,46,057
	<u>182,54,40,546</u>	<u>133,69,74,621</u>

**Schedule 13**  
INTEREST

	For the year ended March 31, 2007 Rupees	For the year ended March 31, 2006 Rupees
On Fixed Deposit with a Bank (Tax Deducted at Source Rs. 9,299; Previous Year Rs. 27,435)	59,089	1,28,610
On Income Tax Refund	—	1,91,040
	<u>59,089</u>	<u>3,19,650</u>

**Schedule 14**  
OTHER INCOME

	For the year ended March 31, 2007 Rupees	For the year ended March 31, 2006 Rupees
Profit on Sale of Current Investments (net)	19,59,706	16,81,892
Profit on Sale of Fixed Assets (net)	7,75,131	3,62,004
Miscellaneous Income	44,94,129	64,11,833
	<u>72,28,966</u>	<u>84,55,729</u>

## Schedule 15

## STAFF EXPENSES

	For the year ended March 31, 2007 Rupees	For the year ended March 31, 2006 Rupees
Salaries, Allowances and Bonus	39,60,42,584	34,34,23,462
Contribution to Provident and Other Funds	1,06,78,454	58,39,405
Staff Welfare and Training Expenses	1,19,19,079	1,31,32,272
Recruitment Expenses	52,26,844	26,51,540
	<u>42,38,66,961</u>	<u>36,50,46,679</u>

## Schedule 16

## ADMINISTRATIVE AND OTHER EXPENSES

	For the year ended March 31, 2007 Rupees	For the year ended March 31, 2006 Rupees
Brokerage / Incentives	5,49,17,186	2,05,66,777
Scheme Launch Expenses	2,83,89,011	2,28,21,805
Advertisement	30,37,914	50,08,286
Business Promotion	1,83,21,352	47,57,126
Rent (Net) (Tax Deducted at Source Rs. 7,42,104; Previous Year Rs. 7,33,672)	7,05,87,998	5,00,04,362
Printing and Courier	2,03,32,511	97,48,485
Travel and Conveyance	2,38,62,967	1,86,05,277
Communication Expenses	1,47,39,284	1,25,29,852
Establishment Expenses	51,34,301	71,35,643
Subscription and Membership Fees	86,34,715	63,72,188
Professional and Legal Fees	1,10,48,114	73,41,131
Repair and Maintenance	2,78,67,205	2,30,81,267
Outsourced Services Cost	3,74,26,019	2,19,90,569
Insurance Expenses	66,61,532	60,70,900
Auditors Remuneration:		
Statutory Audit Fee	4,49,440	3,30,600
Tax Audit Fee	50,562	44,080
Taxation Matters	1,23,596	1,97,040
Other Services	1,84,698	1,75,675
	<u>8,08,296</u>	<u>7,47,395</u>
Directors Sitting Fee	19,60,000	19,40,000
Donations	21,54,500	6,50,000
Wealth Tax	82,102	75,472
Profession Tax	13,845	10,620
Miscellaneous Expenses	2,24,39,796	1,06,68,466
	<u>35,84,18,648</u>	<u>23,01,25,621</u>

## Schedule 17

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 Accounting Convention

The financial statements have been prepared in accordance with historical cost convention, applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

##### 1.2 Income Recognition

Management fees and income from investments are accounted for on accrual basis.

##### 1.3 Fixed Assets

Fixed Assets are stated at cost of acquisition, including incidental expenses.

##### 1.4 Depreciation

A) Depreciation on Fixed Assets is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for certain assets, where based on the Management's estimate of the useful lives of the assets, higher depreciation has been provided at the following rates:

CLASS OF FIXED ASSET	RATE OF DEPRECIATION (%)
Building	2.00
Computer Equipment	33.33
Computer Software	33.33
Furniture & Fixtures	14.29
Electrical Installations	14.29
Office Equipment	20.00
Vehicles	25.00
Improvement of Rented Premises	Over the primary period of the lease term or 5 years, whichever is less.

Assets individually costing less than Rupees Five Thousand are fully depreciated in the year of purchase/acquisition.

##### B) Goodwill

Based on the Management's estimate, since the benefit of acquisition is perpetual, goodwill generated on amalgamation of erstwhile HDFC AMC Services Company Private Limited and HDFC AMC Mauritius Limited, with the Company is being depreciated equally over a period of 20 years.

##### 1.5 Investments

Current investments are valued at lower of cost and net asset value.

##### 1.6 Transaction in Foreign Currency

Transactions in foreign currency are accounted for at the rates prevailing at the date of the transaction. Current assets and liabilities are translated at the ruling rate of exchange at the Balance Sheet date and the resultant exchange gains or losses are reflected in the Profit and Loss Account.

##### 1.7 Upfront Brokerage

Upfront brokerage paid on sale of units of certain debt schemes and upfront brokerage paid over and above the entry load collected on investment through Systematic Investment Plan & Systematic Transfer Plan in equity schemes is amortised over a period of 12 / 36 months or the period of investment, whichever is earlier and recovered from the respective schemes within the overall limits prescribed by the Securities and Exchange Board of India.

## Schedule 17 (Continued)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

## 1.8 Retirement Benefits

The Company contributes to the Recognised Provident Fund for its employees. Company's contribution in the case of gratuity is funded annually with the Life Insurance Corporation of India, as determined by the corporation, based on actuarial valuation.

## 1.9 Income Tax

The accounting treatment for Income Tax in respect of the Company's income is based on the Accounting Standard on "Accounting for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India. The provision made for Income Tax in the Accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognized in the Profit and Loss Account and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

## 2. Contingent Liabilities

Disputed Income Tax demand Rs. 3,67,497 (Previous Year Rs. 3,67,497).

## 3. Sundry Creditors

Sundry creditors do not include any amount payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises.

## 4. Scheme Expenses

Recurring expenses of schemes of HDFC Mutual Fund in excess of limits prescribed by the Securities and Exchange Board of India are accounted under the respective expense heads in the Profit and Loss Account.

## 5. Segmental Reporting

The Company is primarily engaged in the business of providing investment management services to the schemes of HDFC Mutual Fund and portfolio management services to corporates and high net worth individuals in India. As such, there is no separate reportable business or geographical segment as per the Accounting Standard on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India.

## 6. Related Party Transactions

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

- |    |                          |   |   |
|----|--------------------------|---|---|
| A) | Holding Company          | : | Housing Development Finance Corporation Limited |
| B) | Investing Party          | : | Standard Life Investments Limited               |
| C) | Fellow Subsidiaries      | : | HDFC Developers Limited                         |
|    |                          |   | HDFC Investments Limited                        |
|    |                          |   | HDFC Holdings Limited                           |
|    |                          |   | HDFC Trustee Company Limited                    |
|    |                          |   | HDFC Standard Life Insurance Company Limited    |
|    |                          |   | HDFC Realty Limited                             |
|    |                          |   | GRUH Finance Limited                            |
|    |                          |   | HDFC Chubb General Insurance Company Limited    |
|    |                          |   | Home Loan Services India Private Limited        |
|    |                          |   | HDFC Venture Capital Limited                    |
|    |                          |   | HDFC Ventures Trustee Company Limited           |
|    |                          |   | HDFC Property Ventures Limited                  |
| D) | Key Management Personnel | : | Mr. Milind Barve, Managing Director             |



Schedule 17 (Continued)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

The nature and volume of transactions of the Company with the above related parties were as follows:

(Amount in Rupees)

Particulars	Holding Company	Investing Party	Fellow Subsidiaries*	Key Management Personnel
<b>INCOME</b>				
Management Fees	—	—	2,10,00,000	—
	—	—	(2,47,00,000)	—
Interest on Deposits	—	—	315	—
	—	—	(405)	—
<b>EXPENDITURE</b>				
Rent	1,98,68,960	—	3,58,435	—
	(1,97,58,960)	—	(6,14,460)	—
Technology Support Cost	77,80,450	—	—	—
	(47,10,000)	—	—	—
Establishment Expenses	51,34,301	—	—	—
	(71,35,643)	—	—	—
Administrative & other Expenses	19,49,879	—	—	—
	(15,64,764)	—	—	—
Insurance Premium	—	—	29,93,551	—
	—	—	(28,86,114)	—
Remuneration	—	—	—	2,45,93,879
	—	—	—	(2,64,42,177)
Preference Dividend	1,25,25,000	1,24,75,000	—	—
	(1,25,25,000)	(1,24,75,000)	—	—
<b>ASSETS</b>				
Deposit	—	—	1,17,367	—
	—	—	(9,324)	—
Account Receivable	—	—	2,78,11,407	—
	—	—	(1,03,08,613)	—
Insurance Premium	—	—	20,26,127	—
	—	—	(23,30,051)	—
Administrative & other Expenses	41,354	—	—	—
	(70,545)	—	—	—
<b>LIABILITIES</b>				
Account Payable	—	—	—	—
	(66,000)	—	(9,878)	—
Proposed Equity Dividend	5,04,22,644	5,02,21,356	—	—
	(4,41,19,814)	(4,39,43,686)	—	—

Reimbursement of Expenses amounting to Rs. 7,04,502 (Previous Year Rs. 6,54,761) to the Holding Company and Rs. 98,751 (Previous Year Rs. 1,66,445) to a Fellow subsidiary are not considered above.

## Schedule 17 (Continued)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

\*Details of Transactions with fellow subsidiaries are as follows:

(Amount in Rupees)

Particulars	HDFC Trustee Company Limited	HDFC Standard Life Insurance Company Limited	HDFC Chubb General Insurance Company Limited	GRUH Finance Limited
Management Fees	—	1,80,00,000	30,00,000	—
	—	(2,16,00,000)	(31,00,000)	—
Interest on Deposit	—	315	—	—
	—	(405)	—	—
Rent	—	—	—	3,58,435
	—	—	—	(6,14,460)
Insurance Premium	—	8,06,514	21,87,037	—
	—	(6,61,849)	(22,24,265)	—
Deposits	—	1,17,367	—	—
	—	(9,324)	—	—
Account Receivable	2,25,61,407	45,00,000	7,50,000	—
	(49,08,613)	(54,00,000)	—	—
Prepaid Insurance Premium	—	8,113	20,18,014	—
	—	—	(23,30,051)	—
Account Payable	—	—	—	—
	—	—	—	(9,878)

Figures in bracket pertain to the Previous Year.

## 7. Operating Leases

The company has entered into non-cancellable leasing arrangements for certain official and residential premises generally for a period of 36 months. The total lease payments recognized in the Profit and Loss Account towards the said leases amount to Rs. 2,97,34,451 (Previous Year Rs. 3,32,38,644).

The future lease payments in respect of the above are as follows:

	Current Year Rupees	Previous Year Rupees
Not later than one year	4,47,27,080	3,04,50,540
Later than one year but not later than five years	5,83,71,180	2,01,30,260
Later than five years	Nil	Nil

## 8. Earnings per Share

Earnings per Share has been computed as under:

	Current Year Rupees	Previous Year Rupees
(a) Profit after Taxation	67,53,81,581	45,47,63,990
Less: Preference Dividend and Tax thereon	2,85,06,250	2,85,06,250
Add: Excess Provision for Income Tax	18,46,230	Nil
	<u>64,87,21,561</u>	<u>42,62,57,740</u>
(b) Number of Equity Shares Outstanding	2,51,61,000	2,51,61,000
(c) Earnings per Share (Face Value Rs.10 per Share)	25.78	16.94
(a) / (b) (Basic and Diluted)		

Schedule 17 (Continued)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

9. Deferred Tax

In compliance with the Accounting Standard on "Accounting for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India, the Company has made net deferred tax adjustment of Rs. 2,75,56,541 (Previous Year Rs. 3,40,71,900) as per details given below. The amount has been credited to the Profit and Loss Account alongwith provision for taxation for the year.

(Amount in Rupees)

Description	As on March 31, 2006	For the year	As on March 31, 2007
Assets			
Depreciation	1,56,94,365	36,97,044	1,93,91,409
Others	3,11,35,500	2,38,28,972	5,49,64,472
Total	4,68,29,865	2,75,26,016	7,43,55,881
Liabilities			
Others	353,430	(30,525)	322,905
Net Deferred Tax Asset (Adjustment)	4,64,76,435	2,75,56,541	7,40,32,976

10. Provisions

In compliance with the Accounting Standard on "Provisions, Contingent Liabilities and Contingent Assets" (AS-29) issued by the Institute of Chartered Accountants of India, balance under 'Provision for Others' represents provision made by the Company for Staff Related Benefits, the expected payout of which is over next two years. The increase in provision for the year is net of write back of Rs. 1,92,42,226.

11. Income in foreign currency

	Current Year Rupees	Previous Year Rupees
Investment Advisory Fee	3,40,11,288	1,81,08,690
Interest Income	17,273	Nil

12. Payments in foreign currency

A) Expenditure

	Current Year Rupees	Previous Year Rupees
i) Staff Training Expenses	13,11,216	16,10,898
ii) Travelling Expenses	7,98,943	2,41,395
iii) Overseas Representative Office Expenses	66,97,038	39,58,497
iv) Other Expenses	5,823	Nil

B) Dividend

	Current Year Rupees	Previous Year Rupees
i) (A) Final Dividend on Equity Shares		
(a) Year to which the dividend relates	2005-06	2004-05
(b) Number of non-resident shareholders	1	1
(c) Number of Shares held	1,25,55,339	1,25,55,339
(d) Amount Remitted (Gross)	4,39,43,686	6,27,76,695

## Schedule 17 (Continued)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

	Current Year Rupees	Previous Year Rupees
(B) Interim Dividend on Equity Shares		
(a) Year to which the dividend relates	2006-07	2005-06
(b) Number of non-resident shareholders	1	1
(c) Number of Shares held	1,25,55,339	1,25,55,339
(d) Amount Remitted (Gross)	7,53,32,034	4,39,43,686
ii) Dividend on Preference Shares		
(a) Year to which the dividend relates	2006-07	2005-06
(b) Number of non-resident shareholders	1	1
(c) Number of Shares held	1,24,75,000	1,24,75,000
(d) Amount Remitted (Gross)	1,24,75,000	1,24,75,000

## 13. Managerial Remuneration

Remuneration to the Managing Director:

	Current Year Rupees	Previous Year Rupees
Salary & Allowances (incl. Perquisites)	2,40,81,479	2,60,15,177
Contribution to Retirement benefits	5,12,400	4,27,000

Computation of net profits in accordance with Section 309(5) of the Companies Act, 1956 has not been given since no commission is payable.

## 14. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 66,75,792 (Previous Year Rs. 66,22,497).

## 15. Prior Year Comparatives

Figures for the previous year have been regrouped / rearranged, wherever necessary.

## 16. Part IV to the Schedule VI of the Companies Act, 1956

The Balance Sheet abstract and the Company's business profile as required by Part IV to Schedule VI to the Companies Act, 1956 is attached herewith.

For Haribhakti & Co.  
Chartered Accountants

Deepak S. Parekh  
Chairman

Directors  
P. M. Thampi  
Hoshang S. Billimoria  
N. Keith Skeoch  
Rajeshwar Raj Bajaaj  
Renu Sud Karnad

Chetan Desai  
Partner

MUMBAI, April 26, 2007

Milind Barve  
Managing Director

Rahul Bhandari  
Chief Financial Officer

Sylvia Furtado  
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

I. Registration Details

Registration No. 

	1	2	3	0	2	7
--	---	---	---	---	---	---

State Code 

1	1
---	---

Balance Sheet Date 

3	1
---	---

3
---

2	0	0	7
---	---	---	---

II. Capital raised during the year (Amount in Rs. '000)

Public Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement 

						N	I	L
--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities 

		2	7	3	4	8	5	6
--	--	---	---	---	---	---	---	---

Total Assets 

		2	7	3	4	8	5	6
--	--	---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital 

			5	0	1	6	1	0
--	--	--	---	---	---	---	---	---

Reserves and Surplus 

			9	5	4	2	6	7
--	--	--	---	---	---	---	---	---

Secured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

Unsecured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets 

			6	5	3	1	3	5
--	--	--	---	---	---	---	---	---

Investments 

			8	4	5	6	9	6
--	--	--	---	---	---	---	---	---

Net Current Assets 

			-	4	2	9	5	4
--	--	--	---	---	---	---	---	---

Miscellaneous Expenditure 

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses 

						N	I	L
--	--	--	--	--	--	---	---	---

IV. Performance of the Company (Amount in Rs. '000)

Total Income 

		1	8	7	5	0	3	4
--	--	---	---	---	---	---	---	---

Total Expenditure 

			8	5	6	1	3	7
--	--	--	---	---	---	---	---	---

Profit Before Tax 

		1	0	1	8	8	9	7
--	--	---	---	---	---	---	---	---

Profit After Tax 

			6	7	5	3	8	2
--	--	--	---	---	---	---	---	---

Earnings per Share (in Rs.) 

		2	5	.	7	8
--	--	---	---	---	---	---

Dividend (%) 

						1	0	0
--	--	--	--	--	--	---	---	---

V. Generic Names of Principal Services of the Company (as per monetary terms)

Item Code No. (ITC Code) 

N	I	L
---	---	---

Product Description 

A	S	S	E	T		M	A	N	A	G	E	M	E	N	T
---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code) 

N	I	L
---	---	---

Product Description 

P	O	R	T	F	O	L	I	O		M	A	N	A	G	E	M	E	N	T		S	E	R	V	I	C	E	S
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---