

HARIBHAKTI & CO. CHARTERED ACCOUNTANTS

42, FREE PRESS HOUSE, 4TH FLOOR, 215, NARIMAN POINT, MUMBAI-400 021. ☎ : 6639 1101-4 / 2287 1099 • VBH - 2287 1806 • FAX : 2285 6237
 19-21, BOMBAY MUTUAL CHAMBERS, 3RD FLOOR, AMBALAL DOSHI MARG, MUMBAI-400 001. ☎ : 6639 1106 - 7 / 2265 2675 • FAX : 2265 6260
 E-mail : hbhakti@vsnl.com • Website : www.haribhaktigroup.com

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 31st 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:
- Dur*
- (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;



..2/-

- 2 -

- (e) On the basis of the written representations received from the directors of the Company as on 31st 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 31st 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 31st 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.

Report  junction.comFor HARIBHAKTI & CO.,
Chartered Accountants,


(CHETAN DESAI)

Partner

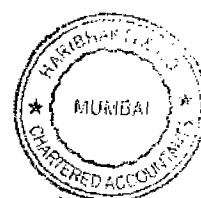
Membership No: 17000

Place: Mumbai,
Date : 26th April, 2007

**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 31ST 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 31st March, 2007 for a period of more than six months from the date they became payable.

...2/-

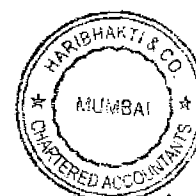


- 2 -

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 31st March, 2007. The details of disputed dues is as under:

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).

13. The Company has neither accumulated losses as at 31st 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.

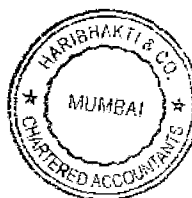


3/-

- 3 -

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.

For HARIBHAKTI & CO.,
Chartered Accountants,




(CHETAN DESAI)
Partner

Place: Mumbai,
Date : 26th April, 2007

Membership No: 17000

Report  junction.com

HDFC ASSET MANAGEMENT COMPANY LIMITED
BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	Rupees	Rupees	March 31, 2006 Rupees
FUNDS EMPLOYED				
SHAREHOLDER'S FUNDS				
Share Capital	1		50,16,10,000	50,16,10,000
Reserves and Surplus	2		95,42,67,094	59,54,32,963
TOTAL			145,58,77,094	109,70,42,963
APPLICATION OF FUNDS				
FIXED ASSETS	3			
Gross Block		90,57,95,360		81,70,23,962
Less: Depreciation		26,11,48,332		19,28,39,455
Net Block		64,46,47,028		62,41,84,507
Capital Advances		84,87,942		63,25,993
			65,31,34,970	63,05,10,500
INVESTMENTS	4		84,56,95,637	51,36,82,426
DEFERRED TAX ASSET (see note 9)	5		7,40,32,976	4,64,76,435
CURRENT ASSETS, LOANS AND ADVANCES				
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
		116,19,91,967		75,04,92,808
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
		127,89,78,456		84,41,19,206
NET CURRENT ASSETS			(11,69,86,489)	(9,36,26,398)
TOTAL			145,58,77,094	109,70,42,963
Significant Accounting Policies and Notes to Accounts	17			

As per our report attached

For and on behalf of the Board

For Haribhakti & Co.
Chartered Accountants

Deepak S. Parekh
Chairman

Milind Barve
Managing Director

P. M. Thampi
Director

Chetan Desai
Partner

Hoshang S. Billimoria
Director

N. Keith Skeoch
Director

Rajeshwar Raj Bajaj
Director

Renu S. Karnad
Director

Sylvia Furtado
Company Secretary

Rahul Bhandari
Chief Financial Officer

Mumbai, April 26, 2007

HDFC ASSET MANAGEMENT COMPANY LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedule	Rupees	Previous Year Rupees
INCOME			
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
Total		187,50,33,953	136,40,12,800
EXPENDITURE			
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
Total		85,61,36,913	66,35,00,710
PROFIT/(LOSS) BEFORE TAX		101,88,97,040	70,05,12,090
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
PROFIT/(LOSS) AFTER TAX		67,53,81,581	45,47,63,990
Balance brought forward from Previous year		23,27,19,807	5,27,67,278
Profit Available for Appropriation		90,81,01,388	50,75,31,268
Appropriations:			
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
Balance carried forward to the Balance Sheet		52,40,15,780	23,27,19,807
Earnings Per Share (see note 8)		25.78	16.94
Significant Accounting Policies and Notes to Accounts	17		

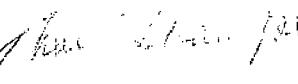
As per our report attached

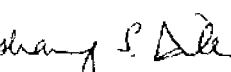
For and on behalf of the Board


For Haribhakti & Co.
Chartered Accountants


Deepak S. Parekh
 Chairman

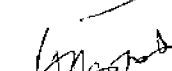

Milind Barve
 Managing Director


P. M. Thampi
 Director


Hoshang S. Billimoria
 Director


N. Keith Skeoch
 Director


Rajeshwar Raj Bajaj
 Director


Renu S. Karnad
 Director


Sylvia Furtado
 Company Secretary


Rahul Bhandari
 Chief Financial Officer

Mumbai, April 26, 2007