

**N. M. RAIJI & CO.**  
*Chartered Accountants*  
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Mumbai-400 001. INDIA  
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## AUDITORS' REPORT

### TO THE BOARD OF TRUSTEES TAURUS MUTUAL FUND

We have audited the attached Balance Sheet as at March 31, 2010 and the Revenue Account for the year ended on that date, annexed thereto of **Taurus Short Term Income Fund** (the scheme, formerly Taurus Income Fund) of the Taurus Mutual Fund. These financial statements are the responsibility of the Management. Our responsibility is to express an opinion on these financial statements based on our audit. We report that:

1. Our audit was conducted in accordance with generally accepted Standards on Auditing 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 misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have obtained all information and explanations, which, to the best of our knowledge and belief were necessary for the purpose of our audit.
3. The Balance Sheet and the Revenue Account are in agreement with the books of account of the Scheme.
4. In our opinion, valuation methods for Non Traded Securities, adopted by the scheme are fair and reasonable and are in accordance with the guidelines for valuation issued by SEBI and approved by the Trustees.
5. The accounts have been prepared in accordance with the accounting policies adopted by the trustees of the Fund and as specified in the Ninth Schedule to the SEBI (Mutual Funds) Regulations, 1996.

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the SEBI (Mutual Funds) Regulations, 1996 and give a true and fair view in accordance with the generally accepted accounting principles in India:
- a. in the case of Balance Sheet, of the state of affairs of the scheme as at March 31, 2010; and
  - b. in the case of Revenue Account, of the surplus of the scheme for the year ended on that date.

For N. M. Raiji & Co.  
Chartered Accountants  
Firm Regn. No. 108296W



Vinay D. Balse  
Partner  
Membership No. 39434

Place: Mumbai

Date: June 30, 2010

**TAURUS MUTUAL FUND**  
**BALANCE SHEET OF TAURUS SHORT TERM INCOME FUND (FORMERLY TAURUS INCOME FUND) AS AT**  
**MARCH 31, 2010**

	SCHEDULE	AS AT MARCH 31, 2010 AMOUNT (RS.)	AS AT MARCH 31, 2009 AMOUNT (RS.)
<b>LIABILITIES</b>			
Unit Capital	A	2,774,083	113,237,325
Reserves and Surplus	B	1,492,020	57,975,932
Current Liabilities and Provisions	C	906,654	676,817
		<b>5,172,757</b>	<b>171,890,074</b>
<b>ASSETS</b>			
Investments	D	2,927,419	170,348,693
Other Current Assets	E	2,245,338	1,541,381
		<b>5,172,757</b>	<b>171,890,074</b>
Significant Accounting Policies and Notes to Accounts	H		

Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date

For and on behalf of  
**N.M. Rajji & Co.**  
Chartered Accountants

  
Vinay D. Balse  
Partner



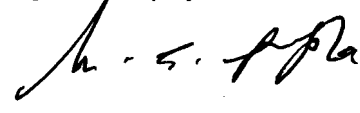
For and on behalf of Taurus Investment Trust Company Limited

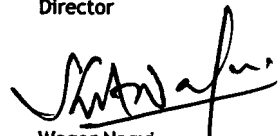
  
Director

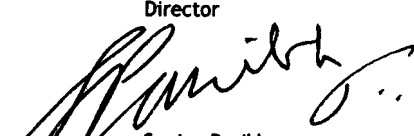
  
Director

For and on behalf of Taurus Asset Management Company Limited

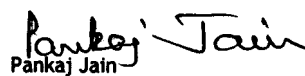
  
Director

  
Director

  
Waqar Naqvi  
Chief Executive Officer

  
Sanjay Parikh  
Chief Operation Officer

Place: Mumbai  
Date: June 30, 2010

  
Pankaj Jain  
Fund Manager

**TAURUS MUTUAL FUND**  
**REVENUE ACCOUNT OF TAURUS SHORT TERM INCOME FUND (FORMERLY TAURUS INCOME FUND) FOR THE YEAR**  
**ENDED MARCH 31, 2010**

	SCHEDULE	FOR THE YEAR ENDED MARCH 31, 2010 AMOUNT (RS.)	FOR THE YEAR ENDED MARCH 31, 2009 AMOUNT (RS.)
<b>INCOME</b>			
Interest	F	1,961,641	2,332,801
Profit on sale/ redemption of investments (Net)			
- others		765,900	-
Net change in unrealised gain/loss in value of Investments		492,700	-
Miscellaneous Income		31,905	-
		<b>3,252,146</b>	<b>2,332,801</b>
<b>EXPENSES</b>			
Management, Trusteeship Fees, Administrative and Other Operating expenses	G	740,919	636,348
Loss on sale/ redemption of investments (Net)			
- Inter-scheme		28,438	-
- others		-	2,570,950
Net change in unrealised gain/loss in value of investments		-	492,700
		<b>769,357</b>	<b>3,699,998</b>
Surplus / (Deficit) for the year		2,482,789	(1,367,197)
Opening Balance in Revenue Reserve brought forward		41,097,076	11,748,559
Amount available for Appropriation		43,579,865	10,381,362
Transfer from Income Equalisation Reserve		(42,087,845)	30,715,714
Balance transferred to Balance Sheet		1,492,020	41,097,076
Significant Accounting Policies and Notes to Accounts	H		

Schedules referred to above form an integral part of the Revenue Account.

This is the Balance Sheet referred to in our report of even date

For and on behalf of  
**N.M. Rajji & Co.**  
Chartered Accountants

  
**Vinay D. Balse**  
Partner




For and on behalf of Taurus Investment Trust Company Limited

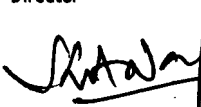
  
Director


  
Director

For and on behalf of Taurus Asset Management Company Limited

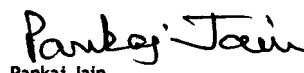
  
Director

  
Director

  
**Waqar Naqvi**  
Chief Executive Officer

  
**Shijay Parikh**  
Chief Operation Officer

Place: Mumbai  
Date: June 30, 2010

  
**Pankaj Jain**  
Fund Manager

**TAURUS SHORT TERM INCOME FUND (FORMERLY TAURUS INCOME FUND)**  
**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010**

		AS AT MARCH 31, 2010 AMOUNT (RS.)		AS AT MARCH 31, 2009 AMOUNT (RS.)
<b>SCHEDULE 'A' : UNIT CAPITAL</b>				
a) Initial Capital Issued and Subscribed 1,016,900.000 units of Rs 10 each fully paid up		10,169,000		10,169,000
b) Outstanding at the end :				
(I) Taurus Short Term Income Fund - Dividend Plan 125,592.494 units (Previous Year- 2,506,740.560 units) of Rs. 10 each fully paid up	1,255,925		25,067,406	
(II) Taurus Short Term Income Fund - Growth Plan 151,815.768 units (Previous Year- 8,816,991.948 units) of Rs. 10 each fully paid up	1,518,158	2,774,083	88,169,919	113,237,325
		2,774,083		113,237,325
<b>SCHEDULE 'B' : RESERVES AND SURPLUS</b>				
<b>Unit Premium Reserve</b>				
Balance at the commencement of the year	16,878,856		5,824,599	
Discount / Premium on units repurchased/sold during the year	(16,878,856)		11,054,257	
Closing balance				16,878,856
<b>Balance in Revenue Reserve</b>		1,492,020		41,097,076
[Including unrealised appreciation in value of Investments Rs.Nil (Previous year- Rs. Nil )]		1,492,020		57,975,932
<b>SCHEDULE 'C' : CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors		809,597		421,269
Payable to Taurus Asset Management Co. Ltd. (Including Management Fees Payable)		-		63,778
Tax deducted payable		19,596		20,720
Service Tax Payable		75,446		37,447
Entry / Exit Load		-		80,000
Audit Fees payable		1,985		35,209
Custodian Fees payable		30		13,394
Payable - Units Redemption		-		5,000
		906,654		676,817
<b>SCHEDULE 'D' : INVESTMENTS</b>				
(Refer Note 1(b) of Schedule H )				
Collateralised Borrowing and Lending Obligation (CBLO)		-		1,953,040
Commercial Papers		2,927,419		64,779,973
Certificates of Deposit		-		54,945,880
Government Securities		-		48,669,800
		2,927,419		170,348,693



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**TAURUS SHORT TERM INCOME FUND (FORMERLY TAURUS INCOME FUND)**  
**SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010**

	AMOUNT (RS.) AS AT MARCH 31, 2010	AMOUNT (RS.) AS AT MARCH 31, 2009
<b>SCHEDULE 'E' : OTHER CURRENT ASSETS</b>		
Balance with Banks in Current Accounts	2,151,367	990,032
Accrued Interest on Debentures/Government Securities	-	507,349
Receivable from Taurus Asset Management Co. Ltd. (Net of Management Fees payable)	93,971	-
Units Subscription Receivable	-	44,000
	<b>2,245,338</b>	<b>1,541,381</b>



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**TAURUS SHORT TERM INCOME FUND (FORMERLY TAURUS INCOME FUND)**  
**SCHEDULES FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

		FOR THE YEAR ENDED MARCH 31, 2010 AMOUNT (RS.)		FOR THE YEAR ENDED MARCH 31, 2009 AMOUNT (RS.)
<b>SCHEDULE 'F' : INTEREST</b>				
Debentures/Bonds/Government Securities	1,474,498		1,022,133	
Certificates of Deposit	54,120		61,734	
Collateralised Borrowing and Lending Obligation (CBLO)	340,139		796,752	
Commercial Papers	92,885		452,182	
		1,961,642		2,332,801
		1,961,642		2,332,801
<b>SCHEDULE 'G' : MANAGEMENT, TRUSTEESHIP, ADMINISTRATIVE AND OTHER OPERATIVE EXPENSES</b>				
Management Fees	246,431		228,364	
Registrar Charges	42,822		90,495	
Trusteeship Fees	12,490		4,123	
Custodian Fees	31,382		14,269	
Advertisement and Publicity Expenses	475,744		173,236	
Brokerage and Commission (Net of load utilised)	1		39,125	
Audit Fees	2,324		39,708	
Other Operating Expenses	26,076	837,270	47,028	636,348
Less : Expenditure in excess borne by Taurus Asset Management Co. Ltd .		96,351		-
		740,919		636,348



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Schedule - H:

Significant Accounting Policies and Notes to Accounts (Annexed to and forming part of Balance Sheet as at March 31, 2010 and Revenue Account for the year ended March 31, 2010).

1 Significant Accounting Policies

a) Method of Accounting

The Scheme maintains its books of accounts on accrual basis. The accounting policies of the Scheme and its Financial Statements are prepared in accordance with the Mutual Fund Regulations, 1996 of the Securities and Exchange Board of India ('SEBI').

b) Portfolio Valuation

Investments in securities are valued on "Marked to Market" basis, principally as stated below:

(I) Quoted debt investments are valued at the quoted price on Bombay stock exchange and if such quotation is not available, at quoted price on any other stock exchange. If the security has not been traded on the valuation date, then the security is valued at the last quoted price available on any stock exchange upto 30 days prior to valuation date.

(II) Non traded and thinly traded debt security Those securities which are upto or having residual period of upto 182 days to maturity are valued on the basis of amortisation i.e. cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments.

The securities of over 182 days of maturity are valued as under:

- \* Investment grade debt securities are valued on a Yield to Maturity basis based on the yield matrix released by an approved independent agency in accordance with the SEBI/AMFI regulations.
- \* Non-investment grade performing debt securities are valued at a discount of 25% to the face value.
- \* Non-investment grade non-performing debt securities are valued net of provisions.

(III) Investments in Central Government Securities are valued at the prices released by CRISIL, an AMFI approved independent agency, in accordance with the SEBI regulations.

(IV) Investments in Collateralised Borrowing and Lending Obligation (CBLO) are valued at cost plus accrual. Other money market instruments are valued on the basis of amortisation (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).

c) Investment Transactions

Investment transactions are accounted on trade date for debt securities. The cost of acquisition includes the cost of purchase, stamp duty, security transaction tax and charges customarily included in the broker's bought note. In respect of privately placed debt instruments, front-end discount is reduced from cost of investment.

d) Recognition of revenue and treatment of expenses

I. Interest is accrued on day-to day basis, except for debt classified as non-performing assets, on which interest is recognized on receipt basis, in line with applicable regulations. In respect of interest bearing investments, interest paid at the time of purchase for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and interest received at the time of sale for the period from the last interest due date upto the date of sale is credited to Interest Recoverable Account.

II. If the interest is not received till after the expiry of the 1st quarter from the date the income has fallen due, no further interest accrual is made on that asset.

III. The net unrealized gain/loss in the value of investments is determined separately for each class of investments. Further the change in net unrealized gain/ loss, if any, between two balance sheet dates is recognized in the Revenue Account.

IV. Registrar expenses common to the fund have been allocated in proportion to the monthly number of transactions and other common expenses have been allocated in proportion to the number of unitholders of the respective schemes as at the month-end to

V. Profit and loss on sale or redemption of investments is computed by applying the weighted average cost of such investments.

e) Unit Re-purchase/ Sale transactions

Unit repurchase/sale transactions are recorded on the basis of advice received from the Registrar & Transfer agent on daily basis. The discount/premium on re-purchase is credited/debited to unit premium reserve of the respective plan. Similarly the discount/premium on sale of units is debited/credited to unit premium reserve of the respective plan.



**f) Income Equalisation Reserve**

**I) Upto March 14, 2010**

In case of open-ended schemes, on sale/repurchase of units an appropriate part of the proceeds representing realised income are credited / debited to Income Equalization Reserve. The net balance of the same is transferred to the Revenue Account at the year

**II) From March 15, 2010**

Persuant to SEBI Dated March 15, 2010, incase of open ended schemes, when units are purchased / sold by the scheme at NAV based price, an amount representing unrealised appreciation per unit is transferred to Unit Premium Reserve. The balance amount of purchase / sale price after reducing the face value of units is transferred to Income Equalisation and net balance of this account is credited or debited to Revenue Account at the year end. The Distributable surplus is arrived after excluding both unit premium reserve as well as unrealised appreciation from NAV.

**g) Determination of net asset values**

**I.** The net asset value of the units of the scheme is determined separately for units issued under the different plans.

**II.** For calculating the net asset values under different plans, the amount of sale/repurchase of units under each plan are separately accounted for. Further, net income arising from such deployment are allocated daily to the plans in proportion to their Net Asset

**h) Entry and Exit Load**

**Upto July 31, 2009**

Load charged at the time of sale / repurchase of units was utilised towards meeting marketing and incidental expenses in connection with the collection / redemption of the units to the extent available.

Persuant to SEBI circular dated June 30, 2009 applicable w.e.f August 01, 2009

**I)** No entry load is charged on fresh purchase applications received after August 01, 2009.

**II)** Exit Load charged above 1% is recognised as an Income of the scheme immediately. The Exit Load charged upto 1% is utilised for meeting marketing and incidental expenses. Unutilised amount of load is carried forward to subsequent years unless the same is considered excess by Trustees. In the event the load is considered excess by the trustees, the same would be recognised as income.



**Notes to Accounts**

- 2 The name of scheme was changed from "Taurus Income Fund" to "Taurus Short Term Income Fund" with effect from April 09, 2010 as approved by the board of Trustees company.
- 3 Taurus Income Fund Scheme has two plans namely Dividend Plan and Growth Plan. A combined Balance Sheet and Revenue Account is prepared for the scheme.
- 4 As at the year end, the details of investments are as under:

	March 31,2010	March 31,2009
	Market /Fair Value	Market /Fair Value
	(Rs)	(Rs)
<b>Debentures/Bonds:</b>		
Listed / Awaiting Listing	Nil	Nil
Privately Placed	Nil	Nil
Government Securities	Nil	48,669,800
Certificate Of Deposit	Nil	54,945,880
Commercial Paper	2,927,419	64,779,973
Collateralised Borrowing & Lending Obligation (CBLO)	Nil	1,953,039

- 5 Net Asset Value (NAV) per unit as at the year end is as follows :

	March 31,2010	March 31,2009
Dividend Plan*	15.1230	14.7649
Growth Plan	15.5898	15.2208

\*The Scheme not declared any dividend during the year.

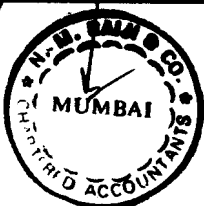
- 6 The Scheme has paid management fees aggregating to Rs.2,46,431 (Previous year Rs. 2,28,364) to Taurus Asset Management Company Limited calculated @ 0.55% plus applicable service tax and cess thereon of the average daily NAV. No management fee has been charged on the investments made by the Asset Management Company in the units of the scheme.
- 7 Unrealized appreciation as on March 31, 2010 is Rs. Nil (Previous Year Nil).
- 8 The aggregate value of purchases and sales of investments and income and expenditure during the year expressed as a % of average daily net assets is as under :

	Rs.	% as above
Purchases	460,354,279	1,130.69
Previous year	718,748,309	1,762.71
Sales	513,121,876	1,260.30
Previous year	407,733,383	999.96
Income	1,961,641	4.82
Previous year	2,332,801	5.72
Expenditure	740,919	1.82
Previous year	636,348	1.56

Note: Income excludes net change in unrealized gain/loss in value of investments, profit on sale thereof and provisions written back. Expenditure excludes net change in unrealized gain/loss in value of investments and loss on sale thereof.

- 9 Movement in unit capital during the year 2009-10 is as under :

	No. of units	Face Value (Rs.)
Balance at the commencement of the year	11,323,732.505	113,237,325
Previous year	3,670,092.020	36,700,920
Units sold during the year	2,684,571.234	26,845,712
Previous year	32,371,145.867	323,711,459
Unit repurchased during the year	13,730,895.477	137,308,955
Previous year	24,717,505.382	247,175,054
Balance as on March 31, 2010	277,408.262	2,774,083
Balance as on March 31, 2009	11,323,732.505	113,237,325



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10 During the year, the scheme has paid Trusteeship fees aggregating to Rs.12,490 (Previous year Rs. 4,123) at a rate of 0.01% of unit capital as on 1st April of the respective year or Rs. 1 Lakh whichever is lower along with applicable service tax and cess thereon.

11 No provision for taxation is required as the fund is a recognized Mutual Fund u/s 10(23D) of the Income Tax Act, 1961.

12 Total value of investments falling under each major industry group and exceeding 5% of the total investments in each major classification as on March 31,2010, is as under :

	Market /Fair Value as on March 31,2010	% of Classification as on March 31,2010
<b>Listed/Awaiting Listing Debentures/Bonds</b>		
Finance	1,976,467	67.52%
Non Banking Finance Company	950,952	32.48%
Collateralised Borrowing & Lending Obligation (CBLO)		
<b>Total</b>	<b>2,927,419</b>	<b>100.00%</b>

13 The disclosure under regulation 25(11) of SEBI (Mutual Fund) Regulation 1996 in respect of investment made by the scheme in companies or their subsidiaries that have invested more than 5% of net assets of the scheme is as per Annexure -I.

14 There has been no transaction with the associates in terms of regulation 25(7) of SEBI (Mutual Fund) Regulations, 1996.

15 There are no underwriting commitments.

16 The scheme has no exposure in Derivatives/Foreign Securities/ADRS/GDRS as on March 31, 2010.

17 During the year the services of the sponsor, its associates / employees were not utilised nor any brokerage or commission paid

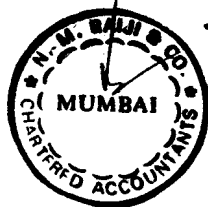
18 The scheme has not subscribed to any issue lead managed by its associate companies or any issue of debt on private placement basis where the sponsor or its associates acted as the arranger or manager.

19 There are no unitholders holding over 25% of the NAV of the scheme as at the year end.

20 In order to comply with SEBI circular dated March 15, 2010, the balance in unit premium reserve has been restated to reflect unrealised appreciation in the scheme by debiting Rs. 42,074,767 to Income equalisation reserve.

21 The previous year's figures have been regrouped or rearranged wherever considered necessary.

22 A full portfolio of investments of the Scheme is attached herewith as Annexure II.



TAURUS SHORT TERM INCOME FUND

Disclosure under Regulation 25 (11) of SEBI (Mutual Fund) Regulations, 1996

Annexure -1

Investments made by the schemes of Taurus Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net assets of any scheme

Name of the Company	Name of the scheme in which company has invested more than 5% of net assets	Investments made by the Schemes of Taurus Mutual Fund in the Company or its subsidiary	Aggregate cost of acquisition during the period ended March 31, 2010 (Rupees in Lakhs)	Outstanding as on March 31, 2010 (Rupees in Lakhs)
PUNJAB NATIONAL BANK	TAURUS LIQUID FUND	TAURUS SHORT TERM INCOME FUND	548.92	-



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Portfolio Statement as on March 31, 2010

Name of the Instrument	Quantity	Market Value (in Rs. Lakhs)
<b>MONEY MARKET INSTRUMENTS</b>		
<b>Commercial Paper</b>		
India Infoline Ltd. (05/05/2010) ** #	10,000	9.93
Indiabulls Securities Ltd. (25/06/2010) ** #	10,000	9.84
J M Financial Products Private Ltd. (21/12/2010) ** #	10,000	9.50
<b>Total</b>		<b>29.27</b>
<b>GRAND TOTAL</b>		<b>29.27</b>

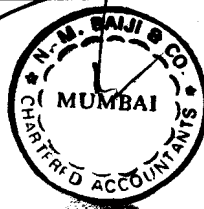
\*\* Non Traded Security, # Unlisted Security



	TAURUS SHORT TERM INCOME FUND		
	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
<b>Per Unit Particulars</b>			
A) Face Value	10.0000	10.0000	10.0000
B) Net Asset Value, per unit - Growth Plan	15.5898	15.2208	14.7965
- Dividend Plan	15.1230	14.7649	14.3550
C) Gross Income			
i) Income other than Profit on sale of investment	7.19	0.21	0.33
ii) Income from Profit on inter scheme sale/transfer of investments (net)	(0.10)	-	-
iii) Income (net) from Profit on sale of investment to third party) (net)	2.76	(0.23)	-
iv) Net change in Net Unrealised gain/loss in value of investments	1.77	-	-
v) Transfer to Revenue Account from past years' reserve.	-	-	-
vi) Gross Income [Total of (i) to (v)]	11.62	(0.02)	0.33
D) Total Expenses			
i) Aggregate of Expenses, write off, amortisation and charges	2.67	0.06	0.07
ii) Net change in Net Unrealised gain/loss in value of investments	-	0.04	0.00
iii) Total Expenses [Total of (i) and (ii)]	2.67	0.10	0.07
E) Net Income [(C)-(D)]	8.95	(0.08)	0.26
F) Unrealised appreciation/(depreciation) in value of investments	-	-	-
G) (1) Trading Price/NAV			
i) Highest during the year - Growth Plan	15.6692	15.4906	14.7965
- Dividend Plan	15.1999	15.0266	14.3550
ii) Lowest during the year - Growth Plan	15.2361	14.7985	14.2448
- Dividend Plan	14.7798	14.3570	13.8558
(2) Price Earning Ratio	N.A	N.A	N.A
H) Per unit ratio of expenses to average net assets by %	1.82%	1.56%	0.88%
I) Per unit ratio of gross income to average net assets by % (including net changes in unrealised gain/loss in value of investments)	7.92%	-1.79%	4.20%

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