

BANK OF NOVA SCOTIA /
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Prospectus Supplement

(to the Prospectus Dated December 28, 2012)

U.S.\$1,000,000,000

THE BANK OF NOVA SCOTIA

U.S.\$500,000,000 0.950% Senior Notes due 2016

U.S.\$500,000,000 Floating Rate Senior Notes due 2016

The U.S.\$500,000,000 0.950% Senior Notes due 2016 (the “Fixed Rate Notes”) offered by this prospectus supplement (this “Prospectus Supplement”) will bear interest at a rate of 0.950% from March 15, 2013 and will mature on March 15, 2016. Interest on the Fixed Rate Notes will be payable in arrears on March 15 and September 15 of each year, commencing September 15, 2013 and continuing until March 15, 2016. The U.S.\$500,000,000 Floating Rate Senior Notes due 2016 (the “Floating Rate Notes” and together with the Fixed Rate Notes, the “Notes”) offered by this Prospectus Supplement will bear interest at a floating rate equal to 3-month USD LIBOR plus 0.40% and will mature on March 15, 2016. Interest on the Floating Rate Notes will be payable in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on June 15, 2013 and continuing until March 15, 2016. See “Details of the Offering—Interest.” The Notes will be unsecured and unsubordinated obligations of The Bank of Nova Scotia (the “Bank”) and will constitute deposit liabilities of the Bank for purposes of the Bank Act (Canada) (the “Bank Act”).

Investing in the notes involves risks. See “Risk Factors” beginning on page S-1 of this Prospectus Supplement and page 6 of the accompanying prospectus of the Bank dated December 28, 2012 (the “Prospectus”).

Prospective investors should be aware that the acquisition of the Notes described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Bank is a Canadian bank, that many of its officers and directors, and some of the experts named in this Prospectus Supplement, may be residents of Canada and that all or a substantial portion of the assets of the Bank and such persons may be located outside the United States.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any state securities regulator has approved or disapproved of the Notes, or determined if this Prospectus Supplement or the accompanying Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

| | Price to the Public(1) | Underwriters’ Fees | Net Proceeds to the Bank(1)(2) |
|---------------------|-----------------------------------|---------------------------|---|
| Per Fixed Rate Note | 99.994% | 0.250% | 99.744% |
| Total | U.S.\$499,970,000 | U.S.\$1,250,000 | U.S.\$498,720,000 |

| | | | |
|------------------------|-------------------|-----------------|-------------------|
| Per Floating Rate Note | 100.000% | 0.250% | 99.750% |
| Total | U.S.\$500,000,000 | U.S.\$1,250,000 | U.S.\$498,750,000 |

(1) Plus accrued interest, if any, from March 15, 2013 to the date of delivery. Accrued interest must be paid by the purchasers.

(2) Before deduction of expenses estimated at U.S.\$100,000. .

The underwriters, as principals, conditionally offer the Notes, subject to prior sale, if, as and when issued by the Bank, and accepted by the underwriters in accordance with the conditions contained in the underwriting agreement referred to under “Plan of Distribution” in this Prospectus Supplement. The underwriters may sell Notes for less than the initial offering price in circumstances described under “Plan of Distribution.” In addition, the underwriters may effect transactions which stabilize or maintain the market price of the Notes at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution.”

The Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act (Canada)* or by the United States Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

The principal executive office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 3B7 and its executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1. The Notes will be ready for delivery through the book-entry facilities of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, on or about March 15, 2013.

Joint Book-Running Managers

Barclays Scotiabank Citigroup
BofA Merrill Lynch J.P. Morgan

Co-Managers

Deutsche Bank Securities Goldman, Sachs & Co. HSBC
Morgan Stanley RBS Standard Chartered Bank
UBS Investment Bank Wells Fargo Securities

March 8, 2013

TABLE OF CONTENTS**PAGE**

| | |
|---|------|
| Prospectus Supplement | |
| <u>About This Prospectus Supplement</u> | S-1 |
| <u>Risk Factors</u> | S-1 |
| <u>Use of Proceeds</u> | S-3 |
| <u>Details of the Offering</u> | S-3 |
| <u>Certain U.S. Federal Income Tax Considerations</u> | S-7 |
| <u>Certain Canadian Federal Income Tax Considerations</u> | S-9 |
| <u>Plan Of Distribution (Conflicts of Interest)</u> | S-10 |
| <u>Legal Matters</u> | S-13 |
| <u>Independent Registered Public Accounting Firm</u> | S-14 |
| | |
| Prospectus | |
| About This Prospectus | 2 |
| Presentation of Financial Information | 3 |
| Caution Regarding Forward-Looking Statements | 4 |
| Where You Can Find More Information | 4 |
| Incorporation of Certain Information by Reference | 5 |
| Risk Factors | 6 |
| The Bank of Nova Scotia | 7 |
| Consolidated Capitalization of the Bank | 8 |
| Consolidated Earnings Ratios | 9 |
| Comparative Per Share Market Price | 10 |
| Use of Proceeds | 11 |
| Description of Common Shares and Preferred Shares | 12 |
| Description of the Debt Securities We May Offer | 16 |
| United States Taxation | 28 |
| Canadian Taxation | 37 |
| Employee Retirement Income Security Act | 39 |
| Plan of Distribution | 40 |
| Limitations on Enforcement of U.S. Laws Against the Bank, Our Management and Others | 42 |
| Validity of Securities | 42 |
| Experts | 42 |
| Other Expenses of Issuance and Distribution | 42 |

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this Prospectus Supplement, which describes the specific terms of this offering. The second part, the accompanying Prospectus, gives more general information, some of which may not apply to this offering. If information in this Prospectus Supplement is inconsistent with the accompanying Prospectus, investors should rely on the information in this Prospectus Supplement. This Prospectus Supplement, the accompanying Prospectus and the documents incorporated by reference into each of them include important information about the Bank, the Notes being offered and other information investors should know before investing in the Notes.

RISK FACTORS

An investment in Notes of the Bank is subject to certain risks. Before deciding whether to invest in the Notes, investors should carefully consider the risks set out herein and incorporated by reference in this Prospectus Supplement (including subsequently filed documents incorporated by reference herein).

The value of the Notes will be affected by the general creditworthiness of the Bank. Prospective investors should consider the categories of risks identified in the Bank's most recent annual report filed on Form 40-F and quarterly report to shareholders filed on Form 6-K, which are incorporated by reference herein, including credit risk, market risk, liquidity risk, operational risk, reputational risk and environmental risk.

The Notes will be unsecured and unsubordinated obligations of the Bank and will rank on a parity with all of the Bank's other senior unsecured debt including deposit liabilities, other than certain governmental claims in accordance with applicable law. Except to the extent regulatory requirements affect the Bank's decisions to issue more senior debt, there is no limit on the Bank's ability to incur additional senior debt. Any payment to be made on the Notes depends on the ability of the Bank to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of the Bank may affect the market value of the Notes and, in the event the Bank was to default on its obligations, holders of the Notes may not receive the amounts owed to them under the terms of the Notes.

Real or anticipated changes in credit ratings on the Bank's deposit liabilities may affect the market value of the Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which the Bank can transact or obtain funding, and thereby affect the Bank's liquidity, business, financial condition or results of operations and, therefore, the Bank's ability to make payments on the Notes could be adversely affected.

The value of the Notes may be affected by market value fluctuations resulting from factors which influence the Bank's operations, including regulatory developments, competition and global market activity.

S-1

Prevailing interest rates will affect the market value of the Notes. Assuming all other factors remain unchanged, the market value of the Notes will decline as prevailing interest rates for similar debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

The Notes are a new issue of securities and there may be no market through which the Notes may be sold and purchasers may therefore be unable to resell such Notes. In addition, the Bank does not intend to apply for listing or quotation of the Notes on any securities exchange or automated quotation system. These factors may affect the pricing of the Notes in any secondary market, the transparency and availability of trading prices and the liquidity of the Notes.

There can be no assurance that an active trading market will develop for the Notes after this offering, or if developed, that such a market will be sustained at the offering price of each series of the Notes. While certain of the underwriters intend to make a market in the Notes, the underwriters will not be obligated to do so and may stop their market-making at any time. In addition, any market-making activities will be subject to limits of the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act.

If any of the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance, prospects and other factors. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

The senior debt indenture governing the Notes does not contain any financial covenants and contains only limited restrictive covenants. In addition, the senior debt indenture will not limit the Bank's or its subsidiaries' ability to incur additional indebtedness, issue or repurchase securities, pay dividends or engage in transactions with affiliates. The Bank's ability to incur additional indebtedness and use its funds for any purpose in the Bank's discretion may increase the risk that the Bank may be unable to service its debt, including paying its obligations under the Notes.

The Notes and the related senior debt indenture will be governed by, and construed in accordance with, the laws of the State of New York (other than certain limited provisions that will be governed by the law of the Province of Ontario and applicable laws of Canada). Generally, in an action commenced in a Canadian court for the enforcement of the senior debt indenture or the Notes, a plaintiff will be required to prove those non-Canadian laws as a matter of fact by the evidence of persons who are experts in those laws.

This paragraph is relevant only if you are a fiduciary within the meaning of Section 3(21) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") (including an insurance company and any fund manager treated as a fiduciary under the U.S. Department of Labor's Regulations Section 2510.3-101 as modified by Section 3(42) of ERISA (the "Plan Asset Regulation") of a pension or employee benefit plan (as defined in Section 3(3) of ERISA), including certain governmental, church and non-U.S. plans and IRAs and Keogh plans. These persons should consult with their counsel regarding the deemed representations they are required to make. See "Employee Retirement Income Security Act" in the accompanying Prospectus.

The Notes will be denominated in U.S. dollars. If you are a non-U.S. investor who purchases the Notes with a currency other than U.S. dollars, changes in rates of exchange may have an adverse effect on the value, price or returns of your investment. This Prospectus Supplement contains a general description of certain U.S. tax considerations and certain Canadian tax considerations relevant to Non-Resident Holders (as defined) relating to the Notes. If you are a non-U.S. investor, you should consult your tax advisors as to the consequences, under the tax laws of the country where you are resident for tax purposes, of acquiring, holding and disposing of the Notes and receiving the payments that might be due under the Notes.

We will have the right to redeem the Notes and if we redeem your Notes, depending on the market conditions at the time of redemption, you may not be able to reinvest the redemption proceeds in a security with a comparable return.

Foreign Account Tax Compliance Act Withholding

The U.S. “Foreign Account Tax Compliance Act” (or “FATCA”) imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Bank is classified as a financial institution for these purposes. If an amount in respect of such withholding tax were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Bank nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Prospective investors should refer to the section “United States Taxation—Foreign Account Tax Compliance Act Withholding.”

S-2

USE OF PROCEEDS

The net proceeds to the Bank from the sale of the Notes, after deducting the estimated expenses of the issue and the underwriters' discounts and commissions, will amount to approximately U.S.\$997,370,000. Such net proceeds will be added to the Bank's funds and will be used for general business purposes.

DETAILS OF THE OFFERING

The following description of the terms of the Notes supplements, and to the extent inconsistent therewith replaces, the description set forth under the heading "Description of the Debt Securities We May Offer" in the accompanying Prospectus and should be read in conjunction with such description. As used in this description, the terms the "Bank," "we," "us" and "our" refer only to The Bank of Nova Scotia and not to any of its subsidiaries. All capitalized terms used under this heading "Details of the Offering" that are not defined herein have the meanings ascribed thereto in the accompanying Prospectus.

General

The following is a description of the terms of the (i) U.S.\$500,000,000 0.950% Senior Notes due 2016 and (ii) U.S.\$500,000,000 Floating Rate Senior Notes due 2016 offered by this Prospectus Supplement (which are referred to in this Prospectus Supplement collectively as the "Notes" and in the accompanying Prospectus as "Debt Securities"). The Notes are part of the Debt Securities registered by us with the SEC and which are to be issued on terms that will be determined at the time of sale. The Notes will constitute our unsecured and unsubordinated obligations and will constitute deposit liabilities of the Bank for purposes of the Bank Act and will rank on a parity with all of our other senior unsecured debt including deposit liabilities, other than certain governmental claims in accordance with applicable law, and prior to all of our subordinated debt. The Notes are to be issued under a senior debt indenture among us, Computershare Trust Company, N.A., as United States trustee, and Computershare Trust Company of Canada, as Canadian trustee, which is more fully described in the Prospectus under the heading "Description of the Debt Securities We May Offer."

Payment of the principal and interest on the Notes will be made in U.S. dollars. We will pay interest, principal and any other money due on the Notes at the corporate trust office of Computershare Trust Company, N.A., 350 Indiana St., Suite 750, Golden, Colorado 80401, or such other office as may be agreed upon. Holders of Notes must make arrangements to have their payments picked up at or wired from that office or such other office as may be agreed upon. We may also choose to pay interest by mailing checks.

The Notes are not entitled to the benefits of any sinking fund.

The provisions of the senior debt indenture relating to defeasance and covenant defeasance (described under the heading "Description of the Debt Securities We May Offer — Defeasance" in the accompanying Prospectus) will apply to the Notes.

The Notes will be issued in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess of such amount. Upon issuance, the Notes will be represented by one or more fully registered global notes. Each global note will be deposited with, or on behalf of, The Depository Trust Company, as depository. You may elect to hold interests in the global notes through either the depository (in the United States), Clearstream or Euroclear, or indirectly through organizations that are participants in such systems. See "Description of the Debt Securities We May Offer — Legal Ownership and Book-Entry Issuance" in the accompanying Prospectus.

Maturity

The Fixed Rate Notes will mature on March 15, 2016. The Floating Rate Notes will mature on March 15, 2016.

Interest

Fixed Rate Notes

The Fixed Rate Notes will bear interest from and including March 15, 2013 at a rate equal to 0.950%. We will pay interest on the Fixed Rate Notes in arrears on March 15 and September 15 of each year, commencing September 15, 2013 and continuing until March 15, 2016 (each, a "Fixed Rate Notes Interest Payment Date"), and on the maturity date. Interest will be payable on each Fixed Rate Notes Interest Payment Date to the persons in whose name the Notes are registered at the close of business on the preceding March 1 or September 1, whether or not a business day. However, we will pay interest on the maturity date to the same persons to whom the principal will be payable. If any Fixed Rate Notes Interest Payment Date or the maturity date falls on a day that is not a business day, we will postpone the making of such interest payment to the next succeeding business day (and no interest will be paid in respect of the delay).

S-3

A “business day” means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions are authorized or required by law or executive order to close in The City of New York, New York or Toronto, Ontario.

Interest on the Fixed Rate Notes will accrue from and including March 15, 2013 to but excluding the first Fixed Rate Notes Interest Payment Date and then from and including each Fixed Rate Notes Interest Payment Date to which interest has been paid or duly provided for to, but excluding, the next Fixed Rate Notes Interest Payment Date or the maturity date, as the case may be.

Interest on the Fixed Rate Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Floating Rate Notes

The Floating Rate Notes will bear interest for each Interest Period (as defined below) at a rate determined by the calculation agent. The calculation agent is Computershare Trust Company, N.A. until such time as we appoint a successor calculation agent. The interest rate on the Floating Rate Notes for a particular Interest Period will be a per annum rate equal to 3-month USD LIBOR as determined on the Interest Determination Date (as defined below) plus 0.40%. The Interest Determination Date for an Interest Period will be the second London business day preceding the first day of such Interest Period. Promptly upon determination, the calculation agent will inform the Trustee and us of the interest rate for the next Interest Period. Absent manifest error, the determination of the interest rate by the calculation agent shall be binding and conclusive on the holders of the Floating Rate Notes, the Trustee and us. A London business day is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Interest on the Floating Rate Notes will be paid to but excluding the relevant interest payment date. We will make interest payments on the Floating Rate Notes quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on June 15, 2013 and continuing until March 15, 2016 (each, a “Floating Rate Notes Interest Payment Date”). Interest will be payable on each Floating Rate Notes Interest Payment Date to the persons in whose name the Floating Rate Notes are registered at the close of business on the preceding March 1, June 1, September 1 or December 1, whether or not a business day. Interest on the Floating Rate Notes will accrue from and including March 15, 2013, to but excluding the first Floating Rate Notes Interest Payment Date and then from and including the immediately preceding Floating Rate Notes Interest Payment Date to which interest has been paid or duly provided for to, but excluding, the next Floating Rate Notes Interest Payment Date or maturity date, as the case may be. We refer to each of these periods as an “Interest Period.” The amount of accrued interest that we will pay for any Interest Period can be calculated by multiplying the face amount of the Floating Rate Notes then outstanding by an accrued interest factor. This accrued interest factor is computed by adding the interest factor calculated for each day from March 15, 2013, or from the last date we paid interest to you, to the date for which accrued interest is being calculated. The interest factor for each day is computed by dividing the interest rate applicable to that day by 360. If a Floating Rate Notes Interest Payment Date falls on a day that is not a business day, the interest payment date shall be postponed to the next succeeding business day unless such next succeeding business day would be in the following month, in which case, the Floating Rate Notes Interest Payment Date shall be the immediately preceding business day.

On any Interest Determination Date, LIBOR will be equal to the offered rate for deposits in U.S. dollars having an index maturity of three months, in amounts of at least U.S.\$1,000,000, as such rate appears on “Reuters Page LIBOR01” at approximately 11:00 a.m. London time, on such Interest Determination Date. If on an Interest Determination Date, such rate does not appear on the “Reuters Page LIBOR01” as of 11:00 a.m. London time, or if the “Reuters Page LIBOR01” is not available on such date, the calculation agent will obtain such rate from Bloomberg L.P.’s page “BBAM.”

If no offered rate appears on “Reuters Page LIBOR01” or Bloomberg L.P. page “BBAM” on an Interest Determination Date at approximately 11:00 a.m. London time, then the calculation agent (after consultation with us) will select four major banks in the London interbank market and shall request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least U.S.\$1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and shall request each of them to provide a quotation of the rate offered by them at approximately 11:00 a.m. New York City time, on the Interest Determination Date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable Interest Period in an amount of at least U.S.\$1,000,000 that is representative of single transactions at that time. If three quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the rate of LIBOR for the next Interest Period will be set equal to the rate of LIBOR for the then current Interest Period.

S-4

Upon request from any holder of Floating Rate Notes, the calculation agent will provide the interest rate in effect for the Floating Rate Notes for the current Interest Period and, if it has been determined, the interest rate to be in effect for the next Interest Period.

All percentages resulting from any calculation of the interest rate on the Floating Rate Notes will be rounded to the nearest one hundred-thousandth of a percentage point with five one millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on the Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward). Each calculation of the interest rate on the Floating Rate Notes by the calculation agent will (in absence of manifest error) be final and binding on the holders and us.

The interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

Payment of Additional Amounts

All payments made by or on behalf of the Bank under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or any province or territory thereof or by any authority or agency therein or thereof having power to tax (hereafter “Canadian taxes”), unless the Bank is required to withhold or deduct Canadian taxes by law or by the interpretation or administration thereof. If the Bank is so required to withhold or deduct any amount for or on account of Canadian taxes from any payment made under or with respect to the Notes, we will pay to each holder of Notes as additional interest such additional amounts (“additional amounts”) as may be necessary so that the net amount received by each such holder after such withholding or deduction (and after deducting any Canadian taxes on such additional amounts) will not be less than the amount such holder would have received if such Canadian taxes had not been withheld or deducted, except as described below. However, no additional amounts will be payable with respect to a payment made to a holder (such holder, an “excluded holder”) in respect of the beneficial owner thereof:

- with which the Bank does not deal at arm’s length (for the purposes of the *Income Tax Act* (Canada)) at the time of the making of such payment;
- which is subject to such Canadian taxes by reason of the holder being a resident, domiciliary or national of, engaged in business or maintaining a permanent establishment or other physical presence in or otherwise having some connection with Canada or any province or territory thereof otherwise than by the mere holding of the Notes or the receipt of payments thereunder;
- which is subject to such Canadian taxes by reason of the holder’s failure to comply with any certification, identification, documentation or other reporting requirements if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian taxes (provided that the Bank advises the Trustees and the holders of the Notes then outstanding of any change in such requirements);
- with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge; or
- which is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that the Canadian taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Notes.

The Bank will also:

· make such withholding or deduction; and

· remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Bank will furnish to the holders of the Notes, within 60 days after the date the payment of any Canadian taxes is due pursuant to applicable law, certified copies of tax receipts or other documents evidencing such payment by such person.

The Bank will indemnify and hold harmless each holder of Notes (other than an excluded holder) from and against, and upon written request reimburse each such holder for the amount (excluding any additional amounts that have previously been paid by the Bank with respect thereto) of:

· any Canadian taxes so levied or imposed and paid by such holder as a result of payments made by or on behalf of the Bank under or with respect to the Notes;

· any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; and
· any Canadian taxes imposed with respect to any reimbursement under the preceding two bullet points, but excluding any such Canadian taxes on such holder's net income.

In any event, no additional amounts or indemnity amounts will be payable under the provisions described above in respect of any Note in excess of the additional amounts and the indemnity amounts which would be required if, at all relevant times, the holder of such Note were a resident of the United States for purposes of and was entitled to the benefits of the Canada-U.S. Income Tax Convention (1980), as amended, including any protocols thereto. As a result of the limitation on the payment of additional amounts and indemnity amounts discussed in the preceding sentence, the additional amounts or indemnity amounts received by certain holders of Notes may be less than the amount of Canadian taxes withheld or deducted or the amount of Canadian taxes (and related amounts) levied or imposed giving rise to the obligation to pay the indemnity amounts, as the case may be, and, accordingly, the net amount received by such holders of Notes will be less than the amount such holders would have received had there been no such withholding or deduction in respect of Canadian taxes or had such Canadian taxes (and related amounts) not been levied or imposed.

Wherever in the senior debt indenture governing the terms of the Notes there is mentioned, in any context, the payment of principal, interest, if any, or any other amount payable under or with respect to a Note, such mention shall be deemed to include mention of the payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

In the event of the occurrence of any transaction or event resulting in a successor to the Bank, all references to Canada in the preceding paragraphs of this subsection shall be deemed to be references to the jurisdiction of organization of the successor entity.

Payments of principal and interest in respect of the Notes are subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Tax Redemption

The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price equal to the principal amount thereof together with accrued and unpaid interest to the date fixed for redemption, upon the giving of a notice as described below, if:

· as a result of any change (including any announced prospective change) in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada (or the jurisdiction of organization of the successor to the Bank) or of any political subdivision

or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the date of this Prospectus Supplement (or, in the case of a successor to the Bank, after the date of succession), and which in the written opinion to the Bank (or its successor) of legal counsel of recognized standing has resulted or will result (assuming, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes as described under " — Payment of Additional Amounts;" or

on or after the date of this Prospectus Supplement (or, in the case of a successor to the Bank, after the date of succession), any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, Canada (or the jurisdiction of organization of the successor to the Bank) or any political subdivision or taxing authority thereof or therein, including any of those actions specified in the paragraph immediately above, whether or not such action was taken or decision was rendered with respect to the Bank (or its successor), or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to the Bank (or its successor) of legal counsel of recognized standing, will result (assuming that such change, amendment, application, interpretation or action is applied to the Notes by the taxing authority and that, in the case of any announced prospective change, such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes; and, in any such case, the Bank (or its successor), in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to it (or its successor).

In the event the Bank elects to redeem the Notes pursuant to the provisions set forth in the preceding paragraph, it shall deliver to the Trustees a certificate, signed by an authorized officer, stating (i) that the Bank is entitled to redeem such Notes pursuant to their terms and (ii) the principal amount of the Notes to be redeemed.

Notice of intention to redeem such Notes will be given to holders of the Notes not more than 45 nor less than 30 days prior to the date fixed for redemption and such notice will specify, among other things, the date fixed for redemption and the redemption price.

Further Issues

We may from time to time, without notice to or the consent of the registered holders of the Notes, create and issue further notes ranking *pari passu* with the Notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such further notes or except for the first payment of interest following the issue date of such further notes) and so that such further notes may be consolidated and form a single series with the Notes and have the same terms as to status or otherwise as the Notes.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Prospective investors should refer to the section "United States Taxation" in the Prospectus for a discussion of the material United States federal income tax consequences to a United States holder (as defined therein).

In addition, the following sections replace the corresponding sections in the Prospectus:

Information with Respect to Foreign Financial Assets

Certain holders that own “specified foreign financial assets” with an aggregate value in excess of U.S.\$50,000 on the last day of the taxable year (or an aggregate value in excess of U.S.\$75,000 at any time during the taxable year) will generally be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stock or securities issued by non–United States persons, (ii) financial instruments and contracts held for investment that have non–United States issuers or counterparties, and (iii) interests in foreign entities. The securities may be subject to these rules. United States holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the securities.

FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“FATCA”) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “foreign financial institution”, or “FFI” (as defined by FATCA)) that does not become a “Participating FFI” by entering into an agreement with the U.S. Internal Revenue Service (“IRS”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” (a “Recalcitrant Holder”). The Bank is classified as an FFI.

The new withholding regime will be phased in beginning January 1, 2014 for payments from sources within the United States and will apply to “foreign passthru payments” (a term not yet defined) no earlier than January 1, 2017. This withholding would potentially apply to payments in respect of any Notes that are issued on or after the “grandfathering date,” which is the later of (a) January 1, 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an “IGA”). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “Reporting FI” not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being “FATCA Withholding”) from payments it makes (unless it has agreed to do so under the U.S. “qualified intermediary,” “withholding foreign partnership,” or “withholding foreign trust” regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Canada have indicated an intention to enter into an agreement (a “US-Canada IGA”) however no assurance can be given that the United States and Canada will enter into such an agreement.

The Bank expects to be treated as a Reporting FI pursuant to a U.S.-Canada IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Bank will be treated as a Reporting FI, or that it would in the future not be

required to deduct FATCA Withholding from payments it makes. Accordingly, the Bank and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Bank nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires, as beneficial owner, Notes, including entitlements to all payments thereunder, pursuant to this offering and who, at all relevant times, for purposes of the application of the *Income Tax Act* (Canada) and the Income Tax Regulations (collectively, the “Act”) is not, and is not deemed to be, resident in Canada, deals at arm’s length with the Bank and with any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of the Notes, does not use or hold the Notes in a business carried on in Canada, is not a “specified shareholder” and is not a person who does not deal at arm’s length with a “specified shareholder” (as defined for purposes of subsection 18(5) of the Act) of the Bank and does not receive any payment of interest on the Notes in respect of a debt or other obligation to pay an amount to a person with whom the Bank does not deal at arm’s length (a “Non-Resident Holder”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada and elsewhere.

This summary is based upon the current provisions of the Act and an understanding of the current administrative practices and assessing policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the “Proposals”) and assumes that all Proposals will be enacted in the form proposed. However, no assurance can be given that the Proposals will be enacted as proposed or at all. This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial action, nor does it take into account any provincial, territorial or foreign income tax considerations, which may differ from those discussed herein.

This summary is of a general nature only and is not intended to be legal or tax advice to any particular purchaser. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

No Canadian withholding tax will apply to interest or principal paid or credited to a Non-Resident Holder by the Bank or to proceeds received by a Non-Resident Holder on the disposition of a Note, including on a redemption, payment on maturity, repurchase or purchase for cancellation.

No other tax on income or gains will be payable by a Non-Resident Holder on interest or principal, or on proceeds received by a holder on the disposition of a Note, including on a redemption, payment on maturity, repurchase or purchase for cancellation.

PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this Prospectus Supplement, the underwriters listed in the table below have severally agreed to purchase, and we have agreed to sell to them, the principal amount of the Notes set forth opposite each underwriter's name below.

| <u>Underwriter</u> | <u>Principal Amount of Fixed Rate Notes</u> | <u>Principal Amount of Floating Rate Notes</u> |
|---|---|--|
| Barclays Capital Inc. | U.S.\$110,000,000 | U.S.\$110,000,000 |
| Scotia Capital (USA) Inc. | 110,000,000 | 110,000,000 |
| Citigroup Global Markets Inc. | 90,000,000 | 90,000,000 |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | 65,000,000 | 65,000,000 |
| J.P. Morgan Securities LLC | N5,000,000 | 65,000,000 |
| Deutsche Bank Securities Inc. | 10,000,000 | 10,000,000 |
| Goldman, Sachs & Co. | 10,000,000 | 10,000,000 |
| HSBC Securities (USA) Inc. | 10,000,000 | 10,000,000 |
| Morgan Stanley & Co. LLC | 10,000,000 | 10,000,000 |
| RBS Securities Inc. | 5,000,000 | 5,000,000 |
| Standard Chartered Bank | 5,000,000 | 5,000,000 |
| UBS Securities LLC | 5,000,000 | 5,000,000 |
| Wells Fargo Securities, LLC | 5,000,000 | 5,000,000 |
| Total | U.S.\$500,000,000 | U.S.\$500,000,000 |

The Notes are being offered by the underwriters subject to approval of legal matters by counsel for the underwriters and other conditions. The underwriting agreement provides that the underwriters are obligated to purchase all of the Notes if any are purchased. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of the non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose initially to offer the Notes to the public at the public offering prices on the cover page of this Prospectus Supplement. The underwriters may offer the Fixed Rate Notes to dealers at the public offering price for the Fixed Rate Notes less a concession not in excess of 0.150% of the principal amount per Fixed Rate Note. The underwriters may allow, and the dealers may reallow, a discount not in excess of 0.125% of the principal amount of the Notes to other dealers. The underwriters may offer the Floating Rate Notes to dealers at the public offering price for the Floating Rate Notes less a concession not in excess of 0.150% of the principal amount per Floating Rate Note. The underwriters may allow, and the dealers may reallow, a discount not in excess of 0.125% of the principal amount of the Floating Rate Notes to other dealers. After the initial public offering of the Notes, the underwriters may change the public offering price and discount to broker-dealers.

The expenses of the offering, not including the underwriting commissions, are estimated to be U.S.\$100,000 and are payable by the Bank.

The Notes are new issues of securities with no established trading market. The underwriters intend to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. If a trading market develops, no assurance can be given as to how liquid that trading market for the Notes will be.

The Bank has agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

In connection with this offering, the underwriters may engage in stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Penalty bids permit the underwriters to reclaim a selling concession from a broker-dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

S-10

In compliance with the guidelines of the Financial Industry Regulatory Authority (“FINRA”), the maximum commission or discount to be received by any FINRA member or independent broker-dealer may not exceed 8% of the aggregate principal amount of the Notes offered pursuant to this Prospectus Supplement. It is anticipated that the maximum commission or discount to be received in any particular offering of Notes will be significantly less than this amount.

In the ordinary course of business, the underwriters and their affiliates have provided financial advisory, investment banking and general financing and banking services for the Bank for customary fees. The underwriters and/or their affiliates may provide such services to the Bank in the future.

We expect that delivery of the Notes will be made against payment therefor on or about the fifth business day following the date of pricing of the Notes (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade their Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade their Notes on the date of pricing or the next succeeding business day should consult their own advisor.

Conflicts of Interest

Because Scotia Capital (USA) Inc. is an affiliate of the Bank and is participating in the distribution of the Notes in this offering as an underwriter, Scotia Capital (USA) Inc. has a “conflict of interest” as defined in FINRA Rule 5121. Consequently, this offering is being conducted in compliance with FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of a class of securities rated Baa or better by Moody’s rating service or BBB or better by Standard & Poor’s rating service or rated in a comparable category by another rating service acceptable to FINRA. Scotia Capital (USA) Inc. is not permitted to sell Notes in this offering to accounts over which discretionary control is exercised without the prior specific written authority of the accountholder.

Offering Restrictions

This Prospectus Supplement does not constitute an offer of the Notes, directly or indirectly, in Canada or to residents of Canada. Each underwriter has represented and agreed that it has not offered or sold, directly or indirectly, and that it will not, directly or indirectly, offer, sell or deliver, any of the Notes in or from Canada or to any resident of Canada. Each underwriter has also agreed that it will include a comparable provision in any sub-underwriting, banking group or selling group agreement or similar arrangement with respect to the Notes that may be entered into by such underwriter.

Standard Chartered Bank will not effect any offers or sales of any Notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of FINRA.

European Economic Area

Public offer selling restriction under the Prospectus Directive.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus Supplement to the public in that Relevant Member State except that it may, with effect from and including

the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

S-11

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

This Prospectus Supplement and the accompanying Prospectus are only being distributed to, and are only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a “Relevant Person”). This Prospectus Supplement and the accompanying Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this document or any of its contents.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes offered in this Prospectus Supplement have not been registered under the Securities and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Singapore

This Prospectus Supplement and the accompanying Prospectus have not been registered as a Prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus Supplement, the

accompanying Prospectus, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than U.S.\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

where no consideration is or will be given for the transfer; or

where the transfer is by operation of law.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Notes will be passed upon, on behalf of the Bank, by Allen & Overy LLP, the Bank's U.S. counsel, and Osler, Hoskin & Harcourt LLP, the Bank's Canadian counsel. Certain legal matters will be passed upon for the underwriters by Morrison & Foerster LLP, the underwriters' U.S. counsel.

INDEPENDENT Registered public accounting firm

KPMG LLP, Chartered Accountants, Toronto, Ontario, is the external auditor who prepared the Auditors' Report to Shareholders with respect to the consolidated statement of financial position of the Bank as at October 31, 2012, October 31, 2011 and November 1, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended October 31, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information. KPMG LLP is independent with respect to the Bank within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and within the meaning of the Securities Act and the applicable rules and regulations thereunder.

S-14

Table of Contents

Common Shares

Preferred Shares

Senior Debt Securities

Subordinated Debt Securities

up to an aggregate initial offering price of U.S.\$18,000,000,000

or the equivalent thereof in other currencies.

The Bank of Nova Scotia (the **Bank**) may from time to time offer and issue common shares, preferred shares, senior debt securities or subordinated debt securities.

The securities offered hereby may be offered separately or together, in amounts, at prices and on terms to be set forth in an accompanying prospectus supplement. Information as to a particular offering that is omitted from this prospectus will be contained in one or more prospectus supplements that will be delivered to purchasers together with this prospectus. The Bank may sell up to U.S.\$18,000,000,000 in aggregate initial offering price of the securities (or the U.S. dollar equivalent thereof if any of the securities are denominated in a currency or currency unit other than U.S. dollars) during the period that this prospectus, including any amendments thereto, remains valid. The specific terms of the securities in respect of which this prospectus is being delivered will be set forth in the applicable prospectus supplement and may include, where applicable, the specific designation, aggregate principal amount, the currency or the currency unit for which the securities may be purchased, maturity, interest provisions, authorized denominations, offering price, any terms for redemption at the option of the Bank or the holder, any exchange or conversion terms and any other specific terms.

The securities may be sold through underwriters or dealers purchasing as principals, through agents designated by the Bank (such underwriters, dealers and agents are collectively referred to in this prospectus as **investment dealers** and individually as an **investment dealer**) or by the Bank directly pursuant to applicable statutory exemptions, from time to time. See **Plan of Distribution**. Each prospectus supplement will identify each investment dealer engaged in connection with the offering and sale of those securities to which the prospectus supplement relates, and will also set forth the terms of the offering of such securities, including the net proceeds to the Bank and, to the extent applicable, any fees payable to the investment dealers.

The common shares of the Bank are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol **BNS**.

The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 3B7 and its executive offices are located at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1.

You should read this prospectus and any applicable prospectus supplement carefully before you invest in any of the securities of the Bank.

Investing in these securities involves certain risks. To read about certain factors you should consider before buying any of the securities, see the Risk Factors section on page 6 of this prospectus and in the most recent annual report on Form 40-F of the Bank, which is incorporated by reference herein, as well as any other reports on Form 6-K that are specifically incorporated by reference herein and, if any, in an applicable prospectus supplement.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION (THE SEC) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, Canada or the United States may not be described fully herein or in any applicable prospectus supplement.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Bank is a Canadian bank, that many of its officers and directors, and some or all of the underwriters or experts named in this prospectus, may be residents of Canada and that all or a substantial portion of the assets of the Bank and such persons may be located outside the United States.

The securities will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

This prospectus is dated December 28, 2012.

Table of Contents

TABLE OF CONTENTS

| | Page |
|--|-------------|
| <u>About This Prospectus</u> | 2 |
| <u>Presentation of Financial Information</u> | 3 |
| <u>Caution Regarding Forward-Looking Statements</u> | 4 |
| <u>Where You Can Find More Information</u> | 4 |
| <u>Incorporation of Certain Information by Reference</u> | 5 |
| <u>Risk Factors</u> | 6 |
| <u>The Bank of Nova Scotia</u> | 7 |
| <u>Consolidated Capitalization of the Bank</u> | 8 |
| <u>Consolidated Earnings Ratios</u> | 9 |
| <u>Comparative Per Share Market Price</u> | 10 |
| <u>Use of Proceeds</u> | 11 |
| <u>Description of Common Shares and Preferred Shares</u> | 12 |
| <u>Description of the Debt Securities We May Offer</u> | 16 |
| <u>United States Taxation</u> | 28 |
| <u>Canadian Taxation</u> | 37 |
| <u>Employee Retirement Income Security Act</u> | 39 |
| <u>Plan of Distribution</u> | 40 |
| <u>Limitations on Enforcement of U.S. Laws Against the Bank, Our Management and Others</u> | 42 |
| <u>Validity of Securities</u> | 42 |
| <u>Experts</u> | 42 |
| <u>Other Expenses of Issuance and Distribution</u> | 42 |

Table of Contents

ABOUT THIS PROSPECTUS

General

This document is called a prospectus and is part of a registration statement that we filed with the SEC using a shelf registration or continuous offering process. Under this shelf registration, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings. The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC website or at the SEC offices mentioned under the heading **Where You Can Find More Information**.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities under this shelf registration statement we will provide one or more supplements to this prospectus containing specific information about the terms of the securities being offered. Any such supplements, which we refer to in this prospectus as the applicable prospectus supplements, may include a discussion of any additional risk factors or other special considerations that apply to those securities and may also add to, update or change the information in this prospectus. The applicable prospectus supplements relating to each series of securities will be attached to the front of this prospectus. If there is any inconsistency between the information in this prospectus and any applicable prospectus supplement, you should rely on the information in the most recent applicable prospectus supplement. We urge you to read carefully both this prospectus and any applicable prospectus supplement accompanying this prospectus, together with the information incorporated herein and in any applicable prospectus supplement by reference under the heading **Where You Can Find More Information**, before deciding whether to invest in any of the securities being offered.

When acquiring any securities discussed in this prospectus, you should rely only on the information provided in this prospectus and the applicable prospectus supplements, including the information incorporated by reference. We have not authorized anyone to give any information or to make any representation different from or in addition to that contained or incorporated by reference in this prospectus and any applicable prospectus supplement. Therefore, if anyone does give you such different information, you should not rely on it. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies. Therefore, you should not assume that the information contained in this prospectus or applicable prospectus supplement is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus and any applicable prospectus supplement is delivered or securities are sold on a later date.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time, which may be our affiliates. If we, directly or through dealers or agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with the applicable dealers or agents, to reject, in whole or in part, any of those offers. An applicable prospectus supplement will contain the names of the underwriters, dealers or agents, if any, together with the terms of offering, the compensation of those persons and the net proceeds to us. Any underwriters, dealers or agents participating in the offering may be deemed underwriters within the meaning of the Securities Act of 1933, as amended (the **Securities Act**).

Table of Contents**PRESENTATION OF FINANCIAL INFORMATION**

International Financial Reporting Standards (IFRS) replaced Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises beginning in 2011. For the Bank, IFRS became effective for interim and annual periods commencing November 1, 2011 (adoption date), and include the preparation and reporting of one year of comparative figures, including an opening balance sheet as of November 1, 2010 (transition date). For additional information regarding the Bank's adoption of IFRS, see the sections entitled First-time adoption of IFRS and Explanation of significant adjustments from Canadian GAAP to IFRS in our Annual Report on Form 40-F for the fiscal year ended October 31, 2012.

Additionally, the Bank publishes its consolidated financial statements in Canadian dollars. In this prospectus and any prospectus supplement, currency amounts are stated in Canadian dollars, unless specified otherwise. References to \$, Cdn\$ and dollars are to Canadian dollars, and references to U.S.\$ are to U.S. dollars.

The tables below set forth the high and low daily noon buying rates, the average yearly rate and the rate at period end between Canadian dollars and U.S. dollars (in U.S. dollars per Canadian dollar) for the five-year period ended October 31, 2012 and the high and low daily noon buying rates for the month of November 2012 and the period December 1, 2012 through December 14, 2012. On December 14, 2012, the noon buying rate was U.S.\$1.00 = \$1.01. Our reference to the noon buying rate is the inverse of the rate in The City of New York for cable transfers in foreign currencies as announced by the U.S. Federal Reserve Bank of New York for customs purposes on a specified date.

| Year Ended October 31, | High | Low | Average Rate⁽¹⁾ | At Period End |
|-------------------------------|-------------|------------|-----------------------------------|----------------------|
| 2008 | 1.0908 | 0.7727 | 0.9720 | 0.8225 |
| 2009 | 0.9719 | 0.7695 | 0.8605 | 0.9288 |
| 2010 | 1.0040 | 0.9280 | 0.9604 | 0.9816 |
| 2011 | 1.0584 | 0.9430 | 1.0159 | 1.0068 |
| 2012 | 1.0299 | 0.9536 | 0.9969 | 1.0006 |

| Month of 2012 | High | Low |
|--------------------------------|-------------|------------|
| November | 1.0074 | 0.9971 |
| December (through December 14) | 1.0157 | 1.0072 |

(1) The average of the noon buying rates on the last business day of each full month during the relevant period.

Table of Contents**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

The Bank's public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the SEC, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Bank's objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank's businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intent," "estimate," "plan," "may increase," "may fluctuate," and similar expressions of future or conditional verbs, such as "will," "should," and "could."

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond the Bank's control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to the Bank and its affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to the Bank's credit ratings; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; operational and reputational risks; the risk that the Bank's risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank's ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank's ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and financial performance, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank's anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the discussion in the Bank's Annual Report on Form 40-F for the fiscal year ended October 31, 2012, which is incorporated by reference herein and which outlines in detail certain key factors that may affect the Bank's future results.

The preceding list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

WHERE YOU CAN FIND MORE INFORMATION

In addition to the continuous disclosure obligations under the securities laws of the provinces and territories of Canada, the Bank is subject to the informational reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the SEC. Under a multijurisdictional disclosure system adopted by the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of the provincial and territorial securities regulatory authorities of Canada, which requirements are different from those of the United States. As a foreign private issuer, the Bank is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and the Bank's officers and directors are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act. The Bank's reports and other information filed with or furnished to the SEC since November 2000 are available, and reports and other information filed or furnished in the future with or to the SEC will be available, from the SEC's Electronic Document Gathering and Retrieval System (<http://www.sec.gov>), which is commonly known by the acronym "EDGAR," as well as from commercial document retrieval services. Any document the Bank files with or furnishes to the SEC may be inspected and, by paying a fee, copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Prospective investors may call the SEC at 1-800-SEC-0330 for further information regarding the public reference facilities. The Bank's common shares are listed on the New York Stock Exchange and reports and other information concerning the

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Bank may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Table of Contents

The Bank has filed with the SEC, under the Securities Act, a registration statement on Form F-3 with respect to the securities and of which this prospectus forms a part. This prospectus does not contain all of the information that is set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. Statements made in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance, reference is made to an exhibit, if applicable, for a more complete description of the matter, each such statement being qualified in its entirety by such reference. For further information with respect to the Bank and the securities, reference is made to the registration statement and the exhibits thereto, which are publicly available as described in the preceding paragraph.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus the information in documents we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC the information incorporated by reference in this prospectus is considered to be automatically updated and superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. In other words, in the case of a conflict or inconsistency between information contained in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded to constitute a part of this prospectus.

We incorporate by reference the documents listed below and all documents which we subsequently file with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with the SEC rules) pursuant to Section 13(a), 13(c), 14, or 15(d) Exchange Act until the termination of the offering of the securities under this prospectus:

Registration Statement on Form 40-F filed on May 3, 2002;

Report on Form 6-K filed on April 21, 2011; and

Annual Report on Form 40-F for the fiscal year ended October 31, 2012.

All subsequent annual reports we file on Form 40-F pursuant to the Exchange Act, prior to the termination of the applicable offering, shall be deemed to be incorporated by reference into this prospectus for purposes of said offering.

We may also incorporate any other Form 6-K that we submit to the SEC on or after the date of this prospectus and prior to the termination of this offering if the Form 6-K filing specifically states that it is incorporated by reference into the registration statement of which this prospectus forms a part.

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

The Bank of Nova Scotia

Scotia Plaza

44 King Street West

Toronto, Ontario

Canada M5H 1H1

Attention: Secretary

Telephone: (416) 866-3672

Table of Contents

RISK FACTORS

Investment in these securities is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any securities, you should consider carefully the risks set out herein and incorporated by reference in this prospectus (including subsequently filed documents incorporated by reference) and, if applicable, those described in the applicable prospectus supplements relating to a specific offering of securities. You should consider the categories of risks identified and discussed in the Bank's Annual Report on Form 40-F for the fiscal year ended October 31, 2012, which is incorporated herein by reference, including credit risk, market risk, liquidity risk, operational risk, reputational risk and environmental risk, those summarized under "Caution Regarding Forward-Looking Statements" above, as well as the following.

Foreign Accounts Tax Compliance Act Withholding

Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, or similar law implementing an intergovernmental approach thereto (" FATCA ") may affect payments on the securities. See " United States Taxation Foreign Accounts Tax Compliance Act Withholding " for a discussion of the effects of FATCA on the ownership of the securities.

Table of Contents

THE BANK OF NOVA SCOTIA

The Bank is a Canadian chartered bank under the Bank Act (Canada) (the Bank Act). The Bank Act is the charter of the Bank and governs its operations.

The Bank is a leading multinational financial services provider and Canada's most international bank. Through its team of more than 81,000 employees, the Bank and its affiliates offer a broad range of products and services, including personal, commercial, corporate and investment banking to over 19 million customers in more than 55 countries.

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2012 is incorporated by reference from the Bank's Annual Report on Form 40-F for the fiscal year ended October 31, 2012.

Certain Matters Relating to the Bank's Board of Directors

Under the Bank Act, the Bank's board of directors must have at least seven members and the Bank's board of directors may establish by by-law a minimum and maximum number of directors. Under the Bank's by-laws, the minimum number of directors is the minimum required by the Bank Act and the maximum number of directors is 35. The Bank's by-laws also provide that the number of directors to be elected at any annual meeting of shareholders of the Bank will be fixed by the board of directors before the meeting. The Bank currently has 13 directors. The Bank Act requires that no more than two-thirds of the directors may be affiliated with the Bank, and no more than 15% of the directors may be employees of the Bank or a subsidiary of the Bank, except that up to four employees may be directors if they constitute not more than 50% of the directors. Under the Bank Act, a majority of the directors of the Bank must be resident Canadians and, except in limited circumstances, directors may not transact business at a meeting of directors or a committee of directors at which a majority of the directors present are not resident Canadians. Subject to the Bank Act a quorum for the transaction of business at any meeting of the board of directors consists of 5 directors. The Bank Act also requires the directors of a bank to appoint from their members a chief executive officer who must ordinarily be resident in Canada.

Under the Bank Act, any director or the entire board of directors may be removed, with or without cause, with the approval of a majority of the votes cast at a special meeting of shareholders. A vacancy created by such removal may be filled at the meeting or by a quorum of the directors. Directors who were elected on or before April 1, 2011 (existing directors) must retire at the earlier of 10 years from April 1, 2011 or age 70, provided that if an existing director has not served a 10 year term at the time of achieving age 70, their term will be extended for additional years in order to complete a minimum 10 year term. For directors elected after April 1, 2011, retirement is the earlier of age 70 or a 15 year term, provided that if a director has not served a 10 year term at the time of achieving age 70, their term will be extended for additional years in order to complete a minimum 10 year term.

Conflicts of Interest

The Bank Act contains detailed provisions with regard to a director's power to vote on a material contract or material transaction in which the director is interested. These provisions include procedures for: disclosure of the conflict of interest and the timing for such disclosure; the presence of directors at board meetings where the contract or transaction giving rise to the conflict of interest is being considered, and voting with respect to the contract or transaction giving rise to the conflict of interest; and other provisions for dealing with such conflicts of interest. The Bank Act also contains detailed provisions regarding transactions with persons who are related parties of the Bank, including directors of the Bank. See **Borrowing Powers**.

Compensation

The by-laws of the Bank have provisions with regard to remuneration of directors. The board of directors may, from time to time, by resolution determine their remuneration that may be paid, but such remuneration may not exceed in each year an aggregate cap set out in the by-laws, and individually may be in such amounts as the board may determine by resolution. The directors may also be paid their reasonable out-of-pocket expenses incurred in attending meetings of the board, shareholders or committees of the board.

Directors are required to hold common shares and/or directors' deferred stock units (DDSU) with a value of not less than \$450,000. The redemption value of a DDSU is equal to the market value of a common share at the time of redemption. The value of DDSUs is tied to the future value of the common shares. However, DDSUs do not entitle the holder to voting or other shareholder rights.

Borrowing Powers

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The directors of the Bank may, without authorization of the shareholders, authorize the Bank to borrow money. The Bank Act, however, prohibits the Bank from entering into transactions with persons who are deemed to be related parties of the Bank, subject to certain exceptions. Related party transactions may include loans made on the credit of the Bank.

Table of Contents**CONSOLIDATED CAPITALIZATION OF THE BANK**

The following table sets forth the consolidated capitalization of the Bank at October 31, 2012:

| | As at October 31, 2012 (In millions of Canadian dollars) |
|--|---|
| Subordinated Debentures | 10,143 |
| Capital Instruments | 1,358 |
| Equity | |
| Common Equity | |
| Common Shares | 13,139 |
| Retained Earnings | 21,978 |
| Accumulated Other Comprehensive Loss | (31) |
| Other Reserves | 166 |
| Total Common Equity | 35,252 |
| Preferred Shares | 4,384 |
| Total Equity Attributable to Equity Holders of the Bank | 39,636 |
| Non-controlling Interests | |
| Non-controlling Interests in Subsidiaries | 966 |
| Capital Instrument Equity Holders | 777 |
| Total Non-controlling Interests | 1,743 |
| Total Equity | 41,379 |
| Total Capitalization | 52,880 |

Table of Contents**CONSOLIDATED EARNINGS RATIOS**

The following table provides the Bank's consolidated ratios of earnings to fixed charges, calculated in accordance with Canadian GAAP for each of years in the three year period ended October 31, 2010 and in accordance with IFRS for each of the years in the two year period ended October 31, 2012.

| | Years Ended October 31, | | | | |
|--|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2012⁽¹⁾ | 2011⁽¹⁾ | 2010⁽²⁾ | 2009⁽²⁾ | 2008⁽²⁾ |
| Consolidated Ratios of Earnings to Fixed Charges | | | | | |
| Excluding interest on deposits | 6.85 | 5.73 | 4.70 | 3.00 | 2.45 |
| Including interest on deposits | 2.05 | 1.91 | 1.70 | 1.44 | 1.26 |
| Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Dividends | | | | | |
| Excluding interest on deposits | 5.66 | 4.76 | 3.99 | 2.72 | 2.33 |
| Including interest on deposits | 1.97 | 1.84 | 1.64 | 1.41 | 1.25 |

(1) Calculated in accordance with IFRS.

(2) Calculated in accordance with Canadian GAAP.

For purposes of computing these ratios:

earnings represent income from continuing operations plus income taxes and fixed charges (excluding capitalized interest);

fixed charges, excluding interest on deposits, represent interest (including capitalized interest), estimated interest within rent, and amortization of debt issuance costs; and

fixed charges, including interest on deposits, represent all interest.

Table of Contents**COMPARATIVE PER SHARE MARKET PRICE**

The Bank's common shares are listed on the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange (the "NYSE") under the trading symbol "BNS".

The table below sets forth, for the periods indicated, the per share high and low closing sales prices for the Bank's common shares as reported on the NYSE and the TSX. TSX closing prices of the Bank's common shares are presented in Canadian dollars, and the NYSE closing prices of the Bank's common shares are presented in U.S. dollars.

| | BNS shares TSX (in C\$) | | BNS shares NYSE (in U.S.\$) | |
|---|----------------------------|-------|--------------------------------|-------|
| | High | Low | High | Low |
| Annual information for the past fiscal years | | | | |
| 2008 | 53.50 | 35.25 | 57.15 | 27.77 |
| 2009 | 49.19 | 23.99 | 46.13 | 19.24 |
| 2010 | 55.75 | 44.12 | 54.85 | 41.34 |
| 2011 | 61.28 | 49.01 | 62.33 | 46.02 |
| 2012 | 57.05 | 47.93 | 57.32 | 45.90 |
| Quarterly information for the past two fiscal years and subsequent quarters: | | | | |
| 2011, quarter ended | | | | |
| January 31 | 57.71 | 52.11 | 57.90 | 50.90 |
| April 30 | 61.28 | 56.25 | 62.33 | 56.81 |
| July 31 | 59.73 | 53.77 | 62.33 | 56.15 |
| October 31 | 54.96 | 49.01 | 57.64 | 46.02 |
| 2012, quarter ended | | | | |
| January 31 | 54.85 | 47.54 | 54.51 | 45.79 |
| April 30 | 57.17 | 50.60 | 57.57 | 50.72 |
| July 31 | 54.89 | 50.26 | 55.71 | 48.45 |
| October 31 | 54.75 | 51.36 | 55.86 | 51.02 |
| Monthly information for the most recent six months | | | | |
| June 2012 | 53.57 | 50.55 | 52.49 | 48.45 |
| July 2012 | 54.03 | 50.51 | 53.32 | 49.51 |
| August 2012 | 53.65 | 51.25 | 54.45 | 50.86 |
| September 2012 | 55.00 | 51.92 | 56.11 | 51.75 |
| October 2012 | 54.47 | 53.22 | 55.51 | 53.84 |
| November 2012 | 56.00 | 52.80 | 55.74 | 52.72 |

Fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar will affect any comparisons of the Bank's common shares traded on the TSX and the Bank's common shares traded on the NYSE.

Table of Contents

USE OF PROCEEDS

Unless otherwise specified in an applicable prospectus supplement, the net proceeds to the Bank from the sale of securities will be added to the general funds of the Bank and utilized for general banking purposes. The application of the proceeds will depend upon the funding requirements of the Bank at the time.

Table of Contents

DESCRIPTION OF COMMON SHARES AND PREFERRED SHARES

Set forth below is a summary of the material terms of the Bank's share capital and certain provisions of the Bank Act and the Bank's amended and restated by-laws as they relate to the Bank's share capital. The following summary is not complete and is qualified in its entirety by the Bank Act, the Bank's amended and restated by-laws and the actual terms and conditions of such shares.

Capital Stock

The authorized capital of the Bank consists of an unlimited number of common shares, without nominal or par value, and an unlimited number of preferred shares, without nominal or par value, issuable in series, in each case the aggregate consideration for which is also unlimited.

Common Shares

Voting. Holders of the Bank's common shares are entitled to vote at all meetings of the Shareholders of the Bank, except meetings at which only the holders of preferred shares of the Bank are entitled to vote. Holders of common shares are entitled to one vote per share on all matters to be voted on by holders of common shares. Unless otherwise required by the Bank Act, any matter to be voted on by holders of common shares shall be decided by a majority of the votes cast on the matter.

Liquidation Rights. Upon the liquidation, dissolution or winding up of the Bank, whether voluntary or involuntary, the holders of common shares are entitled to receive the remaining property of the Bank available after the payment of all debts and other liabilities and subject to the prior rights of holders of any outstanding preferred shares.

Preemptive, Subscription, Redemption and Conversion Rights. Holders of common shares, as such, have no preemptive, subscription, redemption or conversion rights.

Dividends. Holders of common shares are entitled to receive dividends as and when declared by the board of directors of the Bank, subject to the preference of the holders of the preferred shares of the Bank. The Bank's dividends have historically been declared on a quarterly basis in Canadian dollars. As a matter of practice, at the request of a shareholder to the transfer agent or broker, the Bank will pay dividends to a U.S. holder of common shares, if and when a dividend is declared, in U.S. dollars. The declaration and payment of dividends and the amount of the dividends is subject to the discretion of the board of directors, and will be dependent upon the results of operations, financial condition, cash requirements and future regulatory restrictions on the payment of dividends by the Bank and other factors deemed relevant by the board of directors.

Preferred Shares

This section describes the general terms and provisions of our preferred shares. The applicable prospectus supplement will describe the specific terms of the preferred shares offered through that prospectus supplement, as well as any general terms described in this section that will not apply to those preferred shares.

General. The board of directors is authorized, subject to the provisions of the Bank Act, without shareholder approval, to divide any unissued preferred shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions of each such series, and to change the rights, privileges, restrictions and conditions attached to unissued preferred shares of any series.

Priority. The preferred shares, as a class, are entitled to preference over common shares and over any other shares ranking junior to the preferred shares with respect to the payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding-up of the Bank, or any other distribution of the assets among shareholders for the purpose of winding-up the affairs of the Bank. The preferred shares of each series rank on a parity with the preferred shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Bank, or any other distribution of the assets among shareholders for the purpose of winding-up the affairs of the Bank.

Restriction. Under the terms of the Bank Act, the approval of the holders of the preferred shares is required for the creation of any class of shares ranking prior to or on a parity with the preferred shares.

Voting. Except as required under the Bank Act or in the rights, privileges, restrictions or conditions attached to any series before the issue thereof, the holders of preferred shares are not entitled to receive notice, to attend or to vote at any meeting of the shareholders of the Bank. Any

approval to be given by the holders of preferred shares may be given by a resolution carried by the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of holders of preferred shares at which a majority of the outstanding preferred shares is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

Limitations Affecting Holders of Common and Preferred Shares

Restraints on Bank Shares Under the Bank Act

In accordance with the Bank Act, no person or group of associated persons may own more than 10% of any class of shares of the Bank without the approval of the Minister of Finance (Canada) (the Minister). No person may be a major shareholder of a bank if the bank has equity of \$12 billion or more (which would include the Bank). A person is a major shareholder of a bank if: (a) the aggregate number of shares of any class of voting shares beneficially owned by that person and that are beneficially owned by any entities controlled by that person is more than 20% of that class of voting shares; or (b) the aggregate number of shares of any class of non-voting shares beneficially owned by that person and that are beneficially owned by any entities controlled by that person is

Table of Contents

more than 30% of that class of non-voting shares. Ownership of the Bank's shares by Canadian or foreign governments is prohibited under the Bank Act. However, in 2009 certain amendments were made to the Bank Act that would permit the Canadian federal government to acquire shares of a bank, including the Bank, if the Minister and Governor in Council were to conclude that to do so was necessary to promote stability in the financial system. While the government holds any shares of a bank, including the Bank, the Minister may impose certain terms and conditions, including conditions on the payment by the Bank of dividends on any of its shares.

The Minister may only approve the acquisition of up to 30% of the shares of any class of non-voting shares and up to 20% of the shares of a class of voting shares of the Bank, provided, in each case, that the person acquiring those shares does not have direct or indirect influence over the Bank that, if exercised, would result in that person having control in fact of the Bank. No person may have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister. In addition, the Bank is not permitted to record any transfer or issue of any shares of the Bank if the transfer or issue would cause the person to have a significant interest in a class of shares, unless the prior approval of the Minister is obtained. No person who has a significant interest in the Bank may exercise any voting rights attached to the shares held by that person, unless the prior approval of the Minister for the acquisition of the significant interest is obtained. For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank. If a person contravenes any of these restrictions, the Minister may, by order, direct that person to dispose of all or any portion of those shares. Holders of securities of the Bank may be required to furnish declarations relating to ownership in a form prescribed by the Bank.

Bank Act and Government Restrictions and Approvals

Under the Bank Act, the Bank cannot redeem or purchase any of its shares, including its common shares, unless the consent of the Office of the Superintendent of Financial Institutions (Canada) (OSFI) has been obtained. In addition, the Bank Act prohibits a payment to purchase or redeem any shares or the declaration and payment of a dividend if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the capital adequacy and liquidity regulations of the Bank Act or any capital or liquidity directions of OSFI. The Bank is prohibited from declaring dividends on its preferred or common shares when it would be, as a result of paying such a dividend, in contravention of the capital adequacy and liquidity regulations of the Bank Act or any capital or liquidity directions of OSFI.

The government of Canada placed a moratorium on mergers among Canada's largest financial institutions in 2003, including the Bank and its peers, pending a further review of Canada's bank merger policy. The current Minister has previously stated that a review of the government's bank merger policy is not currently a priority, and as a result, it is unlikely that the Minister would grant an approval for a merger between any large Canadian financial institutions at this time.

The restrictions contained in the Bank Act and the Canadian government's policies may deter, delay or prevent a future amalgamation involving the Bank and will prevent the acquisition of control of the Bank, including transactions that could be perceived as advantageous to the Bank's shareholders.

Amendments to the Rights, Privileges, Restrictions and Conditions of the Bank's Share Capital

Under the Bank Act, the rights of holders of the Bank's shares can be changed by the board of directors of the Bank by making, amending or repealing the by-laws of the Bank. The board of directors of the Bank must submit such a by-law, or amendment to or repeal of a by-law, to the shareholders of the Bank in accordance with the procedures of the Bank Act and the Bank's by-laws, and the shareholders must approve the by-law, amendment to or repeal of the by-law by special resolution to be effective. Under the Bank Act, a special resolution is a resolution passed by not less than two-thirds of the votes cast by or on behalf of the shareholders who voted in respect of that resolution or signed by all the shareholders entitled to vote on that resolution. In some circumstances, the Bank Act mandates that holders of shares of a class or a series are entitled to vote separately as a class or series on a proposal to amend the by-laws of the Bank.

Meetings of the Shareholders***Quorum***

The Bank Act permits a bank to establish by by-law the quorum requirement for meetings of shareholders. The Bank's by-laws provide that a quorum at any meeting of shareholders will be any shareholders present in person or represented by proxy of at least 10% of the outstanding shares of the Bank entitled to vote at the meeting.

Annual Meetings; Shareholder Proposals

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The Bank is required to hold an annual meeting of shareholders not later than six months after the end of each financial year on such day and at such time as its directors shall determine.

Proposals by shareholders of a bank may be made by certain registered or beneficial holders of shares that are entitled to vote at an annual meeting of shareholders. To be eligible to submit any shareholder proposal, a shareholder must satisfy certain eligibility criteria set forth in the Bank Act. Under the Bank Act, shareholder proposals may only be submitted at annual meetings of shareholders. A shareholder eligible to submit a proposal and entitled to vote at an annual meeting of shareholders may submit to the Bank notice of any matter that the shareholder proposes to raise at the meeting provided that, among other things, the proposal is submitted to the Bank at least 90 days before the anniversary date of the notice of meeting that was sent to shareholders in respect of the Bank's previous annual meeting of shareholders.

Table of Contents

If the Bank solicits proxies for such annual meeting, it is required to set out in the management proxy a proposal submitted by a shareholder for consideration at such meeting. If so requested by a shareholder who submits a proposal to the Bank, the Bank is required to include in the management proxy circular, or attach thereto, a statement by the shareholder in support of the proposal and the name and address of the shareholder. The proposal and the statement together are not to exceed 500 words. Under the Bank Act, a proposal may include nominations for the election of directors if it is signed by one or more holders of shares representing in the aggregate not less than 5% of the issued and outstanding shares of the Bank or 5% of the issued and outstanding shares of a class of shares of the Bank entitled to vote at the meeting at which the proposal is to be presented.

The Bank is not required to comply with the obligations to include the proposal, or a statement of the shareholder submitting a proposal, in its management proxy circular, if

the proposal is not submitted to the Bank at least 90 days before the anniversary date of the notice of meeting that was sent to shareholders in respect of the previous annual meeting of shareholders;

it clearly appears that the primary purpose of the proposal is to enforce a personal claim or redress a personal grievance against the Bank or its directors, officers or security holders;

it clearly appears that the proposal does not relate in a significant way to the business or affairs of the Bank;

the person submitting the proposal failed within the prescribed period before the Bank receives their proposal to present, in person or by proxy, at a meeting of shareholders a proposal that at their request had been set out in or attached to a management proxy circular;

substantially the same proposal was set out in or attached to a management proxy circular or dissident's proxy circular relating to, and presented to shareholders at, a meeting of shareholders of the Bank held within the prescribed period before the receipt of the proposal and did not receive the prescribed minimum amount of support at the meeting; or

the rights to submit a proposal as described above are being abused to secure publicity.

If the Bank refuses to include a proposal in a management proxy circular, it is obligated to notify the shareholder in writing of such refusal and its reasons for such refusal. The shareholder may apply to a court if such shareholder claims it has been aggrieved by such refusal, and the court may restrain the holding of the meeting at which the proposal is sought to be presented and may make such further order it thinks fit. In addition, if the Bank claims to be aggrieved by the proposal, it may apply to a court for an order permitting the Bank to omit the proposal from the management proxy circular.

Special Meetings

Under the Bank Act, special meetings of shareholders may be called at any time by the board of directors. In addition, subject to certain provisions of the Bank Act, the holders of not less than 5% of the issued and outstanding shares of the Bank that carry the right to vote at a meeting may requisition that the directors call a meeting of shareholders for the purpose stated in the requisition and may call the special meeting if the directors do not do so within 21 days after receiving the request.

Size of Board of Directors

The Bank Act requires that the number of directors on the Bank's board of directors be at least seven. All directors of the Bank are elected annually. The Bank Act also requires that at least a majority of the directors must be, at the time of each director's election or appointment, resident Canadians.

Anti-Takeover Provisions and Ownership Provisions

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Rules and policies of certain Canadian securities regulatory authorities, including Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions, contain requirements in connection with related party transactions. A related party transaction means, among other things, any transaction in which an issuer directly or indirectly engages in the following with a related party: acquires, sells, leases or transfers an asset, acquires the related party, acquires or issues securities, amends the terms of a security if the security is owned by the related party or assumes or becomes subject to a liability or takes certain other actions with respect to debt.

Related party includes directors, senior officers and holders of more than 10% of the voting rights attached to all outstanding voting securities of the issuer or holders of a sufficient number of any securities of the issuer to materially affect control of the issuer.

If a transaction is determined to be a related party transaction, Multilateral Instrument 61-101 requires, subject to certain exceptions, the preparation of a formal valuation relating to certain aspects of the transaction and more detailed disclosure in the proxy material sent to security holders in connection with the related party transaction, including disclosure related to the valuation.

Multilateral Instrument 61-101 also requires, subject to certain exceptions, that an issuer not engage in a related party transaction unless the shareholders of the issuer, other than the related parties, approve the transaction by a simple majority of the votes cast.

In addition, under the Bank Act, a sale of all or substantially all of the Bank's assets to another financial institution or an amalgamation must also be approved by the shareholders by a vote of not less than two-thirds of the votes cast by shareholders who voted in respect of the special resolution, with each share carrying the right to vote whether or not it otherwise carries the right to vote. The holders of each class or series of shares which is affected differently by the sale from the shares of any other class or series are entitled to vote separately as a class or series. The Minister must also approve any such sale or amalgamation involving the Bank.

Table of Contents

These restrictions, in addition to those imposed by the Bank Act relating to the purchase or other acquisition, issue, transfer and voting of shares of the Bank's common shares may deter, delay or prevent a future amalgamation involving the Bank and will prevent the acquisition of control of the Bank, including transactions that could be perceived as advantageous to the Bank's shareholders. See Limitations Affecting Holders of Common and Preferred Shares.

Rights of Inspection

Any person is entitled to a basic list of the Bank's shareholders and may request the Bank to furnish such list within 10 days after receipt by the Bank of an affidavit, swearing that the list will not be used except in accordance with a permitted purpose, and payment of a reasonable fee. Further, shareholders and creditors of the Bank and their personal representatives may examine certain limited records of the Bank during its usual business hours and may take extracts therefrom, free of charge, or have copies made thereof on payment of a reasonable fee.

Transfer Agent and Registrar

The registrar and transfer agent for the Bank's common and preferred shares is Computershare Trust Company of Canada at the following addresses: Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 and Computershare Trust Company N.A., 250 Royall Street, Canton, Massachusetts, 02021, U.S.A.

Table of Contents

DESCRIPTION OF THE DEBT SECURITIES WE MAY OFFER

References to the Bank, us, we or our in this section mean The Bank of Nova Scotia, and do not include the subsidiaries of The Bank of Nova Scotia. Also, in this section, references to holders mean those who own debt securities registered in their own names, on the books that we or the applicable trustees maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositaries. When we refer to you in this prospectus, we mean all purchasers of the debt securities being offered by this prospectus, whether they are the holders or only indirect owners of those debt securities. Owners of beneficial interests in the debt securities should read the section below entitled Legal Ownership and Book-Entry Issuance.

The following description sets forth certain general terms and provisions of the debt securities. We will provide particular terms and provisions of a series of debt securities and a description of how the general terms and provisions described below may apply to that series in a prospectus supplement. Prospective investors should rely on information in the applicable prospectus supplement if it is different from the following information.

Debt Securities May Be Senior or Subordinated

We may issue debt securities which may be senior or subordinated in right of payment. Neither the senior debt securities nor the subordinated debt securities will be secured by any of our property or assets or the property or assets of our subsidiaries. Thus, by owning a debt security, you are one of our unsecured creditors.

The senior debt securities will be issued under our senior debt indenture described below and will be unsubordinated obligations that rank equally with all of our other unsecured and unsubordinated debt, including deposit liabilities, other than certain governmental claims in accordance with applicable law.

The subordinated debt securities will be issued under our subordinated debt indenture described below and will be subordinate in right of payment to all of our senior indebtedness, as defined in the subordinated debt indenture. Neither indenture limits our ability to incur additional indebtedness.

In the event we become insolvent, our governing legislation provides that priorities among payments of our deposit liabilities (including payments in respect of the senior debt securities) and payments of all of our other liabilities (including payments in respect of the subordinated debt securities) are to be determined in accordance with the laws governing priorities and, where applicable, by the terms of the indebtedness and liabilities. In addition, our right to participate in any distribution of the assets of our banking or non-banking subsidiaries, upon a subsidiary's dissolution, winding-up, liquidation or reorganization or otherwise, and thus your ability to benefit indirectly from such distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that we may be a creditor of that subsidiary and our claims are recognized. There are legal limitations on the extent to which some of our subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, us or some of our other subsidiaries. Accordingly, the debt securities will be structurally subordinated to all existing and future liabilities of our subsidiaries, and holders of debt securities should look only to our assets for payments on the debt securities.

Neither the senior debt securities nor the subordinated debt securities will constitute deposits insured under the Canada Deposit Insurance Corporation Act (Canada) or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

When we refer to debt securities or debt security in this section, we mean both the senior debt securities and the subordinated debt securities.

The Senior and Subordinated Debt Indentures

The senior debt securities and the subordinated debt securities are each governed by an indenture—the senior debt indenture, in the case of the senior debt securities, and the subordinated debt indenture, in the case of the subordinated debt securities. When we refer to the indentures, we mean both the senior debt indenture and the subordinated debt indenture, and when we refer to the indenture, we mean either the senior debt indenture or the subordinated debt indenture, as applicable. Each indenture is a contract between us, Computershare Trust Company, N.A., as U.S. trustee, and Computershare Trust Company of Canada, as Canadian trustee, which act as trustees. When we refer to the trustees, we mean both the U.S. trustee and the Canadian trustee, and when we refer to the trustee, we mean either the U.S. trustee or the Canadian trustee, as applicable. The indentures are subject to and governed by the U.S. Trust Indenture Act of 1939, as amended, and applicable Canadian trust indenture legislation. The indentures are substantially identical, except for the provisions relating to:

the events of default, which are more limited in the subordinated debt indenture; and

subordination, which are included only in the subordinated debt indenture.

Reference to the indenture or the trustees, with respect to any debt securities, means the indenture under which those debt securities are issued and the trustees under that indenture.

The trustees have two main roles:

The trustees can enforce the rights of holders against us if we default on our obligations under the terms of the indenture or the debt securities. There are some limitations on the extent to which the trustees act on behalf of holders, described below under Events of Default Remedies If an Event of Default Occurs.

The trustees perform administrative duties for us, such as sending interest payments and notices to holders and transferring a holder's debt securities to a new buyer if a holder sells.

Table of Contents

The indentures and their associated documents contain the full legal text of the matters described in this section. The indentures and the debt securities will be governed by New York law, except that the subordination provisions in the subordinated debt indenture and certain provisions relating to the status of the senior debt securities, which will be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. A copy of each of the senior debt indenture and the subordinated debt indenture is an exhibit to the registration statement of which this prospectus forms a part. See [Available Information](#) above for information on how to obtain a copy.

General

We may issue as many distinct series of debt securities under either indenture as we wish. The provisions of the senior debt indenture and the subordinated debt indenture allow us not only to issue debt securities with terms different from those previously issued under the applicable indenture, but also to re-open a previous issue of a series of debt securities and issue additional debt securities of that series. We may issue debt securities in amounts that exceed the total amount specified on the cover of your applicable prospectus supplement at any time without your consent and without notifying you. In addition, we may issue additional debt securities of any series at any time without your consent and without notifying you. We may also issue other securities at any time without your consent and without notifying you. The indentures do not limit our ability to incur other indebtedness or to issue other securities, and we are not subject to financial or similar restrictions under the indentures.

This section summarizes the material terms of the debt securities that are common to all series, subject to any modifications contained in an applicable prospectus supplement. Most of the specific terms of your series will be described in the applicable prospectus supplements accompanying this prospectus. As you read this section, please remember that the specific terms of your debt security as described in the applicable prospectus supplements will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between the information in the applicable prospectus supplements and this prospectus, the information in the most recent applicable prospectus supplement will control. Accordingly, the statements we make in this section may not apply to your debt securities. Because this section is a summary, it does not describe every aspect of the debt securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the indentures and the applicable series of debt securities, including definitions of certain terms used in the indentures and the applicable series of debt securities. In this summary, we describe the meaning of only some of the more important terms. You must look to the indentures or the applicable series of debt securities for the most complete description of what we describe in summary form in this prospectus.

We may issue the debt securities as original issue discount securities, which will be offered and sold at a substantial discount below their stated principal amount. An applicable prospectus supplement relating to the original issue discount securities will describe U.S. federal income tax consequences and other special considerations applicable to them. An applicable prospectus supplement relating to specific debt securities will also describe any special considerations and any material tax considerations applicable to such debt securities.

When we refer to a series of debt securities, we mean a series issued under the indenture pursuant to which the debt securities will be issued. Each series is a single distinct series under the indenture pursuant to which they will be issued and we may issue debt securities of each series in such amounts, at such times and on such terms as we wish. The debt securities of each series will differ from one another, and from any other series, in their terms, but all debt securities of a series together will constitute a single series for all purposes under the indenture pursuant to which they will be issued.

We may issue debt securities up to an aggregate principal amount as we may authorize from time to time. The applicable prospectus supplements will describe the terms of any debt securities being offered, including:

the title of the series of debt securities;

whether it is a series of senior debt securities or a series of subordinated debt securities;

any limit on the aggregate principal amount of the series of debt securities;

the person to whom interest on a debt security is payable, if other than the holder on the regular record date;

the date or dates on which the series of debt securities will mature;

the rate or rates (which may be fixed or variable) per annum, at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

the dates on which such interest, if any, will be payable and the regular record dates for such interest payment dates;

the place or places where the principal of, premium, if any, and interest on the debt securities is payable;

any mandatory or optional sinking funds or similar provisions or provisions for redemption at our option or the option of the holder;

if applicable, the date after which, the price at which, the periods within which and the terms and conditions upon which the debt securities may, pursuant to any optional or mandatory redemption provisions, be redeemed and other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

Table of Contents

if applicable, the terms and conditions upon which the debt securities may be repayable prior to final maturity at the option of the holder thereof (which option may be conditional);

the portion of the principal amount of the debt securities, if other than the entire principal amount thereof, payable upon acceleration of maturity thereof;

if the debt securities may be converted into or exercised or exchanged for other of our securities, the terms on which conversion, exercise or exchange may occur, including whether conversion, exercise or exchange is mandatory, at the option of the holder or at our option, the period during which conversion, exercise or exchange may occur, the initial conversion, exercise or exchange price or rate and the circumstances or manner in which the amount of our securities issuable upon conversion, exercise or exchange may be adjusted;

if other than denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof, the denominations in which the series of debt securities will be issuable;

the currency of payment of principal, premium, if any, and interest on the series of debt securities;

if the currency of payment for principal, premium, if any, and interest on the series of debt securities is subject to our election or that of a holder, the currency or currencies in which payment can be made and the period within which, and the terms and conditions upon which, the election can be made;

the applicability of the provisions described under **Defeasance** below;

any event of default under the series of debt securities if different from those described under **Events of Default** below;

if the series of debt securities will be issuable only in the form of a global debt security, the depositary or its nominee with respect to the series of debt securities and the circumstances under which the global debt security may be registered for transfer or exchange in the name of a person other than the depositary or the nominee; and

any other special feature of the series of debt securities.

Market-Making Transactions

One or more of our subsidiaries may purchase and resell debt securities in market-making transactions after their initial issuance. We may also, subject to applicable law and any required regulatory approval, purchase debt securities in the open market or in private transactions to be held by us or cancelled.

Covenants

Except as described in this sub-section or as otherwise provided in an applicable prospectus supplement with respect to any series of debt securities, we are not restricted by the indentures from incurring, assuming or becoming liable for any type of debt or other obligations, from paying dividends or making distributions on our capital stock or purchasing or redeeming our capital stock. The indentures do not require the maintenance of any financial ratios or specified levels of net worth or liquidity, nor do they contain any covenants or other provisions that would limit our or our subsidiaries' right to incur additional indebtedness, enter into any sale and leaseback transaction or grant liens on our or our subsidiaries' assets. The indentures do not contain any provisions that would require us to repurchase or redeem or otherwise modify the terms of any of the debt securities upon a change in control or other events that may adversely affect the creditworthiness of the debt securities, for

example, a highly leveraged transaction, except as otherwise specified in this prospectus or any applicable prospectus supplement.

Mergers and Similar Events

Each of the indentures provide that we are permitted to merge, amalgamate, consolidate or otherwise combine with another entity, or to sell or lease substantially all of our assets to another entity, as long as the following conditions are met:

When we merge, amalgamate, consolidate or otherwise are combined with another entity, or sell or lease substantially all of our assets, the surviving, resulting or acquiring entity is a duly organized entity and is legally responsible for and assumes, either by agreement, operation of law or otherwise, our obligations under such indenture and the debt securities issued thereunder.

The merger, amalgamation, consolidation, other combination, or sale or lease of assets, must not result in an event of default under such indenture. A default for this purpose would include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specified period of time were disregarded.

If the conditions described above are satisfied, we will not need to obtain the consent of the holders of the debt securities in order to merge, amalgamate, consolidate or otherwise combine with another entity or to sell or lease substantially all of our assets.

We will not need to satisfy the conditions described above if we enter into other types of transactions, including:

any transaction in which we acquire the stock or assets of another entity but in which we do not merge, amalgamate, consolidate or otherwise combine;

any transaction that involves a change of control but in which we do not merge, amalgamate, consolidate or otherwise combine; and

any transaction in which we sell less than substantially all of our assets.

Table of Contents

It is possible that this type of transaction may result in a reduction in our credit rating, may reduce our operating results or may impair our financial condition. Holders of debt securities, however, will have no approval right with respect to any transaction of this type.

Modification and Waiver of the Debt Securities

There are four types of changes we can make to the indenture and the debt securities issued under that indenture.

Changes Requiring Consent of All Holders. First, there are changes that cannot be made to the indenture or the debt securities without the consent of each holder of a series of debt securities affected in any material respect by the change under a particular indenture. Following is a list of those types of changes:

change the stated maturity of the principal or reduce the interest on a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a debt security (including the amount payable on an original issue discount security) following a default;

change the currency of payment on a debt security;

change the place of payment for a debt security;

impair a holder's right to sue for payment;

impair a holder's right to require repurchase on the original terms of those debt securities that provide a right of repurchase;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults; or

modify any other aspect of the provisions dealing with modification and waiver of the indenture.

Changes Requiring a Majority Consent. The second type of change to the indenture and the debt securities is the kind that requires the consent of holders of debt securities owning not less than a majority of the principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and certain other changes that would not adversely affect in any material respect holders of the debt securities. We may also obtain a waiver of a past default from the holders of debt securities owning a majority of the principal amount of the particular series affected. However, we cannot obtain a waiver of a payment default or any other aspect of the indenture or the debt securities listed in the first category described above under *Changes Requiring Consent of All Holders* unless we obtain the individual consent of each holder to the waiver.

Changes Not Requiring Consent. The third type of change to the indenture and the debt securities does not require the consent by holders of debt securities. This type is limited to the issuance of new series of debt securities under the indenture, clarifications and certain other changes that

would not adversely affect in any material respect the interests of the holders of the debt securities of any series.

We may also make changes or obtain waivers that do not adversely affect in any material respect a particular debt security, even if they affect other debt securities. In those cases, we do not need to obtain the consent of the holder of the unaffected debt security; we need only obtain any required approvals from the holders of the affected debt securities.

Modification of Subordination Provisions. The fourth type of change to the indenture and the debt securities is the kind that requires the consent of the holders of a majority of the principal amount of all affected series of subordinated debt securities, voting together as one class. We may not modify the subordination provisions of the subordinated debt indenture in a manner that would adversely affect in any material respect the outstanding subordinated debt securities of any one or more series without the consent of the holders of a majority of the principal amount of all affected series of subordinated debt securities, voting together as one class.

Further Details Concerning Voting. When seeking consent, we will use the following rules to decide how much principal amount to attribute to a debt security:

For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the debt securities were accelerated to that date because of a default.

For debt securities whose principal amount is not known, we will use a special rule for that debt security described in the applicable prospectus supplement.

For debt securities denominated in one or more non-U.S. currencies or currency units, we will use the U.S. dollar equivalent. Debt securities will not be considered outstanding, and therefore not eligible to vote or take other action under the applicable indenture, if we have given a notice of redemption and deposited or set aside in trust for the holders money for the payment or redemption of those debt securities. Debt securities will also not be considered outstanding, and therefore not eligible to vote or take other action under the applicable indenture, if they have been fully defeased as described below under **Defeasance Full Defeasance** or if we or one of our affiliates is the beneficial owner of the debt securities.

Table of Contents

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities that are entitled to vote or take other action under the applicable indenture. In certain limited circumstances, the trustees will be entitled to set a record date for action by holders. If the trustees or we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding debt securities of that series on the record date. We or the trustees, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action.

Book-entry and other indirect holders should consult their banks, brokers or other financial institutions for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Special Provisions Related to the Subordinated Debt Securities

The subordinated debt securities issued under the subordinated debt indenture will be our direct unsecured obligations constituting subordinated indebtedness for the purpose of the Bank Act and will therefore rank subordinate to our deposits. Holders of subordinated debt securities should recognize that contractual provisions in the subordinated debt indenture may prohibit us from making payments on these debt securities.

If we become insolvent or are wound-up, the subordinated debt securities issued and outstanding under the subordinated debt indenture will rank equally with, but not prior to, all other subordinated indebtedness and subordinate in right of payment to the prior payment in full of all other indebtedness of the Bank then outstanding, other than liabilities which, by their terms, rank in right of payment equally with or subordinate to the subordinated indebtedness, and in accordance with the terms of such liabilities or such other indebtedness under certain circumstances.

For these purposes, indebtedness at any time means:

1. the deposit liabilities of the Bank at such time; and
2. all other liabilities and obligations of the Bank which in accordance with the accounting rules established for Canadian chartered banks issued under the authority of the Superintendent of Financial Institutions (Canada) or with generally accepted accounting principles (the primary source of which is the Handbook of the Canadian Institute of Chartered Accountants Part V pre-changeover accounting standards; IFRS replaced current Canadian GAAP for the Bank commencing November 1, 2011 which is Part I of the Handbook of the Canadian Institute of Chartered Accountants), as the case may be, would be included in determining the total liabilities of the Bank, other than liabilities for paid-up capital, contributed surplus, retained earnings and general reserves of the Bank.

Subordinated indebtedness at any time means:

1. the liability of the Bank in respect of the principal of and premium, if any, and interest on its outstanding subordinated indebtedness outlined above;
2. any indebtedness which ranks equally with and not prior to the outstanding subordinated indebtedness, in right of payment in the event of the insolvency or winding up of the Bank and which, pursuant to the terms of the instrument evidencing or creating the same, is expressed to be subordinate in right of payment to all indebtedness to which the outstanding subordinated indebtedness is subordinate in right of payment to at least the same extent as the outstanding subordinated indebtedness is subordinated thereto pursuant to the terms of the instrument evidencing or creating the same;
3. any indebtedness which ranks subordinate to and not equally with or prior to the outstanding subordinated indebtedness, in right of payment in the event of the insolvency or winding-up of the Bank and which, pursuant to the terms of the instrument evidencing or creating the same, is expressed to be subordinate in right of payment to all indebtedness to which the outstanding subordinated indebtedness is subordinate in right of payment to at least the same extent as the outstanding subordinated indebtedness is subordinate pursuant to the terms of the instrument evidencing or creating the same; and

4. the subordinated debt securities, which will rank equally to the Bank's outstanding subordinated indebtedness. The subordination provisions of the subordinated debt indenture are governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Conversion or Exchange of Debt Securities

If and to the extent mentioned in the applicable prospectus supplements, any debt securities may be optionally or mandatorily convertible or exchangeable for other securities of the Bank, into the cash value therefor or into any combination of the above. The specific terms on which any debt securities may be so converted or exchanged will be described in the applicable prospectus supplements. These terms may include provisions for conversion or exchange, either mandatory, at the holder's option or at our option, in which case the amount or number of securities the holders of the debt securities would receive would be calculated at the time and manner described in the applicable prospectus supplements.

Defeasance

The following discussion of full defeasance and covenant defeasance will be applicable to each series of debt securities that is denominated in U.S. dollars and has a fixed rate of interest and will apply to other series of debt securities if we so specify in the applicable prospectus supplements.

Table of Contents

Full Defeasance. If there is a change in U.S. federal income tax law, as described below, we can legally release ourselves from any payment or other obligations on the debt securities of a series, called full defeasance, if we put in place the following other arrangements for holders to be repaid:

We must deposit in trust for the benefit of all holders of the debt securities of that series a combination of money and notes or bonds of (i) the U.S. government or (ii) a U.S. government agency or U.S. government-sponsored entity, the obligations of which, in each case, are backed by the full faith and credit of the U.S. government, that will generate enough cash to make interest, principal and any other payments on the debt securities of that series on their various due dates.

There must be a change in current U.S. federal income tax law or a ruling by the United States Internal Revenue Service that lets us make the above deposit without causing the holders to be taxed on the debt securities of that series any differently than if we did not make the deposit and just repaid the debt securities of that series ourselves. (Under current U.S. federal income tax law, the deposit and our legal release from the obligations pursuant to the debt securities would be treated as though we took back your debt securities and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on the debt securities you give back to us.)

We must deliver to the trustees a legal opinion of our counsel confirming the tax-law change described above and that the holders of the debt securities of that series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would be the case if such deposit, defeasance and discharge had not occurred.

In the case of the subordinated debt securities, the following requirement must also be met:

No event or condition may exist that, under the provisions described under Special Provisions Related to the subordinated debt securities above, would prevent us from making payments of principal, premium or interest on those subordinated debt securities on the date of the deposit referred to above or during the 90 days after that date.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment on the debt securities. You could not look to us for repayment in the event of any shortfall.

Covenant Defeasance. Even without a change in current U.S. federal income tax law, we can make the same type of deposit as described above, and we will be released from the restrictive covenants under the debt securities of a series that may be described in the applicable prospectus supplements. This is called covenant defeasance. In that event, you would lose the protection of these covenants but would gain the protection of having money and U.S. government, U.S. government agency or U.S. government-sponsored entity notes or bonds set aside in trust to repay the debt securities. In order to achieve covenant defeasance, we must do the following:

Deposit in trust for the benefit of all holders of the debt securities of that series a combination of money and notes or bonds of (i) the U.S. government or (ii) a U.S. government agency or U.S. government-sponsored entity, the obligations of which, in each case, are backed by the full faith and credit of the U.S. government, that will generate enough cash to make interest, principal and any other payments on the debt securities of that series on their various due dates.

Deliver to the trustees a legal opinion of our counsel confirming that the holders of the debt securities of that series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would be the case if such deposit and covenant defeasance had not occurred.

If we accomplish covenant defeasance, certain provisions of the indentures and the debt securities would no longer apply:

Covenants applicable to the series of debt securities and described in the applicable prospectus supplements.

Any events of default relating to breach of those covenants.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit. In fact, if one of the remaining events of default occurs (such as a bankruptcy) and the debt securities become immediately due and payable, there may be such a shortfall.

Events of Default

You will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What is an Event of Default?

Under the senior debt indenture, the term event of default means in respect of any series of debt securities any of the following:

We do not pay the principal of or any premium on a debt security of that series within five days of its due date.

We do not pay interest on a debt security of that series for more than 30 days after its due date.

We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.

Any other event of default described in an applicable prospectus supplement occurs.

Table of Contents

Under the subordinated debt indenture, the term "event of default" in respect of any series of debt securities means any of the following:

We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.

Any other event of default described in an applicable prospectus supplement occurs.

Remedies If an Event of Default Occurs. If an event of default occurs, the trustees will have special duties. In that situation, the trustees will be obligated to use those of their rights and powers under the applicable indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs. If an event of default has occurred and has not been cured, the trustees or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of (or, in the case of original issue discount securities, the portion of the principal amount that is specified in the terms of the affected debt security) and interest on all of the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. The declaration of acceleration of maturity is not, however, an automatic right upon the occurrence of an event of default, and for such acceleration to be effective, the trustees must take the aforementioned action or the holders must direct the trustees to act as described in this section below. Furthermore, a declaration of acceleration of maturity may be cancelled, but only before a judgment or decree based on the acceleration has been obtained, by the holders of at least a majority in principal amount of the debt securities of the affected series. If you are the holder of a subordinated debt security, the principal amount of the subordinated debt security will not be paid and may not be required to be paid at any time prior to the relevant maturity date, except in the event of our insolvency or winding-up. If any provisions of applicable Canadian banking law prohibit the payment of any amounts due under the debt securities before a specified time, then the Bank's ability to make such payment could be adversely affected.

You should read carefully the applicable prospectus supplements relating to any series of debt securities which are original issue discount securities for the particular provisions relating to acceleration of the maturity of a portion of the principal amount of original issue discount securities upon the occurrence of an event of default and its continuation.

Except in cases of default in which the trustees have the special duties described above, the trustees are not required to take any action under the indenture at the request of any holders unless the holders offer the trustees reasonable protection from expenses and liability called an indemnity reasonably satisfactory to the trustees. If such an indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustees. These majority holders may also direct the trustees in performing any other action under the applicable indenture with respect to the debt securities of that series.

Before you bypass the trustees and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities the following must occur:

the holder of the debt security must give the trustees written notice that an event of default has occurred and remains uncured;

the holders of not less than 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustees take action because of such event of default;

such holder or holders must offer reasonable indemnity to the trustees against the cost and other liabilities of taking that action;

the trustees must have not taken action for 90 days after receipt of the above notice and offer of indemnity; and

the trustees have not received any direction from a majority in principal amount of all outstanding debt securities that is inconsistent with such written request during such 90-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date.

BOOK-ENTRY AND OTHER INDIRECT HOLDERS SHOULD CONSULT THEIR BANKS, BROKERS OR OTHER FINANCIAL INSTITUTIONS OR INFORMATION ON HOW TO GIVE NOTICE OR DIRECTION TO OR MAKE A REQUEST OF THE TRUSTEES AND TO MAKE OR CANCEL A DECLARATION OF ACCELERATION

We will give to the trustees every year a written statement of certain of our officers certifying that to their knowledge we are in compliance with the applicable indenture and the debt securities issued under it, or else specifying any default.

Form, Exchange and Transfer

Unless we specify otherwise in an applicable prospectus supplement, the debt securities will be issued:

only in fully-registered form;

without interest coupons; and

in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.

If a debt security is issued as a registered global debt security, only the depositary such as DTC, Euroclear and Clearstream, each as defined below under Legal Ownership and Book-Entry Issuance will be entitled to transfer and exchange the debt security as described in this subsection because the depositary will be the sole registered holder of the debt security and is referred to

Table of Contents

below as the holder. Those who own beneficial interests in a global debt security do so through participants in the depositary's securities clearance system, and the rights of these indirect owners will be governed by the applicable procedures of the depositary and its participants. We describe book-entry procedures below under Legal Ownership and Book-Entry Issuance.

Holders of debt securities issued in fully-registered form may have their debt securities broken into more debt securities of smaller authorized denominations or combined into fewer debt securities of larger authorized denominations, as long as the total principal amount is not changed. This is called an exchange.

Holders may exchange or register the transfer of debt securities at the office of the applicable trustee. Debt securities may be transferred by endorsement. Holders may also replace lost, stolen or mutilated debt securities at that office. The trustees act as our agents for registering debt securities in the names of holders and registering the transfer of debt securities. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also record transfers. The applicable trustee may require an indemnity before replacing any debt securities.

Holders will not be required to pay a service charge to register the transfer or exchange of debt securities, but holders may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The registration of a transfer or exchange will only be made if the security registrar is satisfied with your proof of ownership.

If we designate additional agents, they will be named in the applicable prospectus supplements. We may cancel the designation of any particular agent. We may also approve a change in the office through which any agent acts.

If the debt securities are redeemable and we redeem less than all of the debt securities of a particular series, we may block the registration of transfer or exchange of debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders entitled to receive the mailing. We may also refuse to register transfers or exchanges of debt securities selected for redemption, except that we will continue to permit registration of transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

The Trustees

Computershare Trust Company, N.A. and Computershare Trust Company of Canada serve as the trustees for our senior debt securities.

Computershare Trust Company, N.A. and Computershare Trust Company of Canada also serve as the trustees for the subordinated debt securities.

The trustees make no representation or warranty, whether express or implied, with respect to the Bank or the debt securities and other matters described in this prospectus. The trustees have not prepared or reviewed any of the information included in this prospectus, except the trustees have consented to the use of their names. Such approval does not constitute a representation or approval by the trustees of the accuracy or sufficiency of any information contained in this prospectus.

Payment and Paying Agents

We will pay interest to the person listed in the trustees' records at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and will be stated in an applicable prospectus supplement. Holders buying and selling debt securities must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sale price of the debt securities to prorate interest fairly between buyer and seller. This prorated interest amount is called accrued interest.

We will pay interest, principal and any other money due on the debt securities at the corporate trust office of Computershare Trust Company, N.A. or such other office as may be agreed upon. Holders must make arrangements to have their payments picked up at or wired from that office or such other office as may be agreed upon. We may also choose to pay interest by mailing checks.

BOOK-ENTRY AND OTHER INDIRECT HOLDERS SHOULD CONSULT THEIR BANKS, BROKERS OR OTHER FINANCIAL INSTITUTIONS FOR INFORMATION ON HOW THEY WILL RECEIVE PAYMENTS

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We may also arrange for additional payment offices and may cancel or change these offices, including our use of the trustees' corporate trust offices. These offices are called paying agents. We may also choose to act as our own paying agent or choose one of our subsidiaries to do so. We must notify holders of changes in the paying agents for any particular series of debt securities.

Notices

We and the trustees will send notices regarding the debt securities only to registered holders, using their addresses as listed in the trustees' records. With respect to who is a registered holder for this purpose, see Legal Ownership and Book-Entry Issuance.

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to holders will be repaid to us. After that two-year period, holders may look to us for payment and not to the trustees or any other paying agent.

Table of Contents**LEGAL OWNERSHIP AND BOOK-ENTRY ISSUANCE**

In this section, we describe special considerations that will apply to registered debt securities issued in global i.e., book-entry, form. First we describe the difference between registered ownership and indirect ownership of registered debt securities. Then we describe special provisions that apply to global debt securities.

Who is the Legal Owner of a Registered Security?

Each debt security will be represented either by a certificate issued in definitive form to a particular investor or by one or more global debt securities representing debt securities. We refer to those who have debt securities registered in their own names, on the books that we or the trustees maintain for this purpose, as the registered holders of those debt securities. Subject to limited exceptions, we and the trustees are entitled to treat the registered holder of a debt security as the person exclusively entitled to vote, to receive notices, to receive any interest or other payment in respect of the debt security and to exercise all the rights and power as an owner of the debt security. We refer to those who own beneficial interests in debt securities that are not registered in their own names as indirect owners of those debt securities. As we discuss below, indirect owners are not registered holders, and investors in debt securities issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners. Unless otherwise noted in an applicable prospectus supplement, we will issue each debt security in book-entry form only. This means debt securities will be represented by one or more global debt securities registered in the name of a financial institution that holds them as depository on behalf of other financial institutions that participate in the depository's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities on behalf of themselves or their customers.

Under each indenture (and the Bank Act in the case of subordinated indebtedness), subject to limited exceptions and applicable law, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in global form, we will recognize only the depository as the holder of the debt securities and we will make all payments on the debt securities, including deliveries of any property other than cash, to the depository. The depository passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depository and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global debt security, through a bank, broker or other financial institution that participates in the depository's book-entry system or holds an interest through a participant. As long as the debt securities are issued in global form, investors will be indirect owners, and not registered holders, of the debt securities.

Street Name Owners. We may issue debt securities initially in non-global form or we may terminate an existing global debt security, as described below under *Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated*. In these cases, investors may choose to hold their debt securities in their own names or in street name. Debt securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those debt securities through an account he or she maintains at that institution.

For debt securities held in street name, we will, subject to limited exceptions and applicable law, recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities, and we will make all payments on those debt securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect owners, not registered holders, of those debt securities.

Registered Holders. Subject to limited exceptions, our obligations, as well as the obligations of the trustees under any indenture and the obligations, if any, of any other third parties employed by us, run only to the registered holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global debt securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a debt security or has no choice because we are issuing the debt securities only in global form.

For example, once we make a payment or give a notice to the registered holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the indenture for a series of debt securities or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture—we would seek the approval only from the registered holders, and not the indirect owners, of the relevant debt securities. Whether and how the registered holders contact the indirect owners is up to the registered holders.

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When we refer to "you" in this prospectus, we mean all purchasers of the debt securities being offered by this prospectus and the applicable prospectus supplements, whether they are the registered holders or only indirect owners of those debt securities. When we refer to "your debt securities" in this prospectus, we mean the debt securities in which you will hold a direct or indirect interest.

Table of Contents

Special Considerations for Indirect Owners. If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for the holders' consent, if ever required;

how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the debt securities are in book-entry form, how the depository's rules and procedures will affect these matters.

What is a Global Security?

Unless otherwise noted in the applicable prospectus supplement, we will issue each debt security in book-entry form only. Each debt security issued in book-entry form will be represented by a global debt security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any debt security for this purpose is called the depository for that debt security. A debt security will usually have only one depository but it may have more. Each series of debt securities will have one or more of the following as the depositories:

The Depository Trust Company, New York, New York, which is known as DTC ;

Euroclear Bank S.A./N.V., as operator of the Euroclear System, which is known as Euroclear ;

Clearstream Banking, société anonyme, which is known as Clearstream ; or

any other clearing system or financial institution named in the applicable prospectus supplements.

The depositories named above may also be participants in one another's systems. Thus, for example, if DTC is the depository for a global debt security, investors may hold beneficial interests in that debt security through Euroclear or Clearstream, as DTC participants. The depository or depositories for your debt securities will be named in the applicable prospectus supplements; if none is named, the depository will be DTC.

A global debt security may represent one or any other number of individual debt securities. Generally, all debt securities represented by the same global debt security will have the same terms. We may, however, issue a global debt security that represents multiple debt securities of the same kind, such as debt securities that have different terms and are issued at different times. We call this kind of global debt security a master global debt security. The applicable prospectus supplements will not indicate whether your debt securities are represented by a master global debt security.

A global debt security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. We describe those situations below under Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated. As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global debt security, and investors will be permitted to own only indirect interests in a global debt

security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that does. Thus, an investor whose debt security is represented by a global debt security will not be a holder of the debt security, but only an indirect owner of an interest in the global debt security.

If an applicable prospectus supplement for a particular debt security indicates that the debt security will be issued in global form only, then the debt security will be represented by a global debt security at all times unless and until the global debt security is terminated. We describe the situations in which this can occur below under *Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated*. If termination occurs, we may issue the debt securities through another book-entry clearing system or decide that the debt securities may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities. As an indirect owner, an investor's rights relating to a global debt security will be governed by the account rules of the depository and those of the investor's bank, broker, financial institution or other intermediary through which it holds its interest (such as Euroclear or Clearstream, if DTC is the depository), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of debt securities and instead deal only with the depository that holds the global debt security.

If debt securities are issued only in the form of a global debt security, an investor should be aware of the following:

an investor cannot cause the debt securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the debt securities, except in the special situations we describe below;

an investor will be an indirect holder and must look to his or her own bank, broker or other financial institution for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe above under *Who is the Legal Owner of a Registered Security?* ;

an investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their debt securities in non-book-entry form;

an investor may not be able to pledge his or her interest in a global debt security in circumstances in which certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

Table of Contents

the depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global debt security, and those policies may change from time to time. We and the trustees will have no responsibility for any aspect of the depositary's policies, actions or records of ownership interests in a global debt security. We and the trustees also do not supervise the depositary in any way;

the depositary may require that those who purchase and sell interests in a global debt security within its book-entry system use immediately available funds and your bank, broker or other financial institution may require you to do so as well; and

financial institutions that participate in the depositary's book-entry system and through which an investor holds its interest in the global debt securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the debt securities, and those policies may change from time to time. For example, if you hold an interest in a global debt security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, may require those who purchase and sell interests in that debt security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We and the trustees do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated. If we issue any series of debt securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global debt securities, any beneficial owner entitled to obtain non-global debt securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner's bank, broker or other financial institution through which that owner holds its beneficial interest in the debt securities. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global debt security will be terminated and interests in it will be exchanged for certificates in non-global form representing the debt securities it represented. After that exchange, the choice of whether to hold the debt securities directly or in street name will be up to the investor. Investors must consult their own banks, brokers or other financial institutions, to find out how to have their interests in a global debt security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under "Who is the Legal Owner of a Registered Security?".

The special situations for termination of a global debt security are as follows:

if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global debt security and we do not appoint another institution to act as depositary within 60 days;

if we notify the trustees that we wish to terminate that global debt security; or

if an event of default has occurred with regard to these debt securities and has not been cured or waived.

If a global debt security is terminated, only the depositary, and neither we nor the trustees for any debt securities, is responsible for deciding the names of the institutions in whose names the debt securities represented by the global debt security will be registered and, therefore, who will be the registered holders of those debt securities.

Considerations Relating to DTC

DTC has informed us that it is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that DTC participants deposit with DTC. DTC also facilitates the settlement among DTC participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC participants' accounts, thereby eliminating the need for physical movement of certificates. DTC participants include securities brokers and dealers, banks, trust companies and

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clearing corporations, and may include other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc. and the Financial Industry Regulatory Authority, Inc. Indirect access to the DTC system also is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and DTC participants are on file with the SEC.

Purchases of debt securities within the DTC system must be made by or through DTC participants, who will receive a credit for the debt securities on DTC's records. Transfers of ownership interests in the debt securities are accomplished by entries made on the books of participants acting on behalf of beneficial owners.

Redemption notices will be sent to DTC's nominee, Cede & Co., as the registered holder of the debt securities. If less than all of the debt securities are being redeemed, DTC will determine the amount of the interest of each direct participant to be redeemed in accordance with its then-current procedures.

In instances in which a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to the debt securities. Under its usual procedures, DTC would mail an omnibus proxy to the relevant trustee as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts such debt securities are credited on the record date (identified in a listing attached to the omnibus proxy).

Table of Contents

Distribution payments on the debt securities will be made by the relevant trustee to DTC. DTC's usual practice is to credit direct participants accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participants and not of DTC, the relevant trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the relevant trustee, and disbursements of such payments to the beneficial owners are the responsibility of direct and indirect participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be accurate, but we assume no responsibility for the accuracy thereof. We do not have any responsibility for the performance by DTC or its participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Considerations Relating to Clearstream and Euroclear

Clearstream and Euroclear are securities clearance systems in Europe. Clearstream and Euroclear have respectively informed us that Clearstream and Euroclear each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Clearstream and Euroclear provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream and Euroclear also deal with domestic securities markets in several countries through established depository and custodial relationships. Clearstream and Euroclear have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Clearstream and Euroclear customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream and Euroclear is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Euroclear and Clearstream may be depositaries for a global debt security. In addition, if DTC is the depository for a global debt security, Euroclear and Clearstream may hold interests in the global debt security as participants in DTC.

As long as any global debt security is held by Euroclear or Clearstream, as depository, you may hold an interest in the global debt security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depository for a global debt security and there is no depository in the United States, you will not be able to hold interests in that global debt security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the debt securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depository, would also be subject to DTC's rules and procedures.

Special Timing Considerations Relating to Transactions in Euroclear and Clearstream. Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any debt securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other financial institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the debt securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

Table of Contents

UNITED STATES TAXATION

This section describes the material United States federal income tax consequences to a United States holder (as defined below) of owning the securities we are offering. It is the opinion of Allen & Overy LLP, counsel to the Bank. It applies to you only if you acquire your securities at their original issuance, and you hold your securities as capital assets for United States federal income tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies,

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,

a bank,

a life insurance company,

a tax-exempt organization,

a person that actually or constructively owns 10% or more of our voting stock,

a person that holds securities as part of a straddle or a hedging or conversion transaction, or

a person whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the *Code*), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, as well as the income tax treaty between the United States and Canada (the *Treaty*), all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the securities, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the securities should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the securities. This summary does not address tax consequences applicable to holders of equity interests in a holder of the securities, U.S. federal estate, gift or alternative minimum tax considerations, or non-U.S., state or local tax considerations.

Please consult your own tax advisor concerning the consequences of owning these securities in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

You are a United States holder if you are a beneficial owner of a security and you are:

a citizen or individual resident of the United States,

a domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

Tax consequences to holders of our shares

This subsection discusses tax consequences relevant to the purchase, ownership and disposition of our shares. Additional United States federal income tax consequences relevant to certain preferred shares are not described in this prospectus and will be discussed in an applicable prospectus supplement.

Taxation of Dividends

The gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate United States holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that (i) the Bank is a qualified foreign corporation and (ii) you hold the shares for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date (or, in the case of preferred stock, if the dividend is attributable to a period or periods aggregating over 366 days, provided that you hold the shares for more than 90 days during the 181 day period beginning 90 days before the ex-dividend date) and meet other holding period requirements. The Bank generally will be a qualified foreign corporation if (1) it is either (a) eligible for the benefits of the Treaty, or (b) if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States, and (2) it is not a PFIC (as defined below) in the taxable year of the distribution or the immediately preceding taxable year. The Bank expects to be eligible for the benefits of the Treaty. In addition, as discussed below under PFIC Rules, the Bank does not believe it should be treated as a PFIC for the current year or any future years.

The dividend is taxable to you when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a United States holder will be the U.S. dollar value of the Canadian payments made, determined at the spot Canadian dollar/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend

Table of Contents

payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits (as determined for United States federal income tax purposes) will be treated as a non-taxable return of capital to the extent of your basis in the shares and thereafter as capital gain. We do not expect to maintain calculations of earnings and profits for U.S. federal income tax purposes. Therefore, a United States holder should expect that such distribution will generally be treated as a dividend.

For foreign tax credit limitation purposes, dividends will be income from sources outside the United States and will, depending on your circumstances, be either passive or general income for foreign tax credit limitation purposes. The rules relating to the determination of the U.S. foreign tax credit, or deduction in lieu of the U.S. foreign tax credit, are complex and you should consult your tax advisors with respect to these rules.

Sale or Exchange of Shares

If you are a United States holder and you sell or otherwise dispose of your shares, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares. Capital gain of a noncorporate United States holder is generally taxed at preferential rates where the property is held for more than one year. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules

We believe that our shares should not be treated as stock of a Passive Foreign Investment Company (a PFIC) for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. Any subsequent determinations that we make with respect to our PFIC status will be discussed in an applicable prospectus supplement.

In general, if you are a United States holder, we will be a PFIC with respect to you if for any taxable year in which you held our shares:

at least 75% of our gross income for the taxable year is passive income, or

at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income. For this purpose, income derived in the active conduct of our banking business should not be treated as passive income.

Tax consequences to holders of our debt securities

This subsection deals only with debt securities that are due to mature 30 years or less from the date on which they are issued and whose terms are described in this prospectus. The United States federal income tax consequences of owning debt securities that are due to mature more than 30 years from their date of issue and debt securities whose terms are not described in this prospectus will be discussed in an applicable prospectus supplement.

Payments of Interest

Except as described below in the case of interest on a discount debt security that is not qualified stated interest, each as defined below under

Original Issue Discount General, you will be taxed on any interest on your debt security, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes.

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Interest that we pay on the debt securities and original issue discount, if any, accrued with respect to the debt securities (as described below under **Original Issue Discount**) is income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a United States holder. Under the foreign tax credit rules, interest and original issue discount and additional amounts will, depending on your circumstances, be either **passive** or **general** income for purposes of computing the foreign tax credit.

Cash Basis Taxpayers. If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a foreign currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Accrual Basis Taxpayers. If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

Table of Contents

If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the Internal Revenue Service.

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your debt security, denominated in, or determined by reference to, a foreign currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Original Issue Discount

General. If you own a debt security, other than a short-term debt security with a term of one year or less, it will be treated as a discount debt security issued at an original issue discount if the amount by which the debt security's stated redemption price at maturity exceeds its issue price is more than a de minimis amount. Generally, a debt security's issue price will be the first price at which a substantial amount of debt securities included in the issue of which the debt security is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A debt security's stated redemption price at maturity is the total of all payments provided by the debt security that are not payments of qualified stated interest. Generally, an interest payment on a debt security is qualified stated interest if it is one of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the debt security. There are special rules for variable rate debt securities that are discussed under [Variable Rate Debt Securities](#).

In general, your debt security is not a discount debt security if the amount by which its stated redemption price at maturity exceeds its issue price is less than the de minimis amount of 1/4 of 1% of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your debt security will have de minimis original issue discount if the amount of the excess is less than the de minimis amount. If your debt security has de minimis original issue discount, you must include the de minimis amount in income as stated principal payments are made on the debt security, unless you make the election described below under [Election to Treat All Interest as Original Issue Discount](#). You can determine the includible amount with respect to each such payment by multiplying the total amount of your debt security's de minimis original issue discount by a fraction equal to:

the amount of the principal payment made
divided by:

the stated principal amount of the debt security.

Generally, if your discount debt security matures more than one year from its date of issue, you must include original issue discount, or OID, in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your debt security. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount debt security for each day during the taxable year or portion of the taxable year that you hold your discount debt security. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount debt security and you may vary the length of each accrual period over the term of your discount debt security. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount debt security must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

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multiplying your discount debt security's adjusted issue price at the beginning of the accrual period by your debt security's yield to maturity, and then

subtracting from this figure the sum of the payments of qualified stated interest on your debt security allocable to the accrual period. You must determine the discount debt security's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you determine your discount debt security's adjusted issue price at the beginning of any accrual period by:

adding your discount debt security's issue price and any accrued OID for each prior accrual period, and then

subtracting any payments previously made on your discount debt security that were not qualified stated interest payments. If an interval between payments of qualified stated interest on your discount debt security contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you

Table of Contents

must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

the amount payable at the maturity of your debt security, other than any payment of qualified stated interest, and

your debt security's adjusted issue price as of the beginning of the final accrual period.

Acquisition Premium. If you purchase your debt security for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your debt security after the purchase date but is greater than the amount of your debt security's adjusted issue price, as determined above under General, the excess is acquisition premium. If you do not make the election described below under Election to Treat All Interest as Original Issue Discount, then you must reduce the daily portions of OID by a fraction equal to:

the excess of your adjusted basis in the debt security immediately after purchase over the adjusted issue price of the debt security divided by:

the excess of the sum of all amounts payable, other than qualified stated interest, on the debt security after the purchase date over the debt security's adjusted issue price.

Pre-Issuance Accrued Interest. An election may be made to decrease the issue price of your debt security by the amount of pre-issuance accrued interest if:

a portion of the initial purchase price of your debt security is attributable to pre-issuance accrued interest,

the first stated interest payment on your debt security is to be made within one year of your debt security's issue date, and

the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your debt security.

Debt Securities Subject to Contingencies Including Optional Redemption. Your debt security is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your debt security by assuming that the payments will be made according to the payment schedule most likely to occur if:

the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and

one of such schedules is significantly more likely than not to occur.

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If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your debt security in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in an applicable prospectus supplement.

Notwithstanding the general rules for determining yield and maturity, if your debt security is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the debt security under an alternative payment schedule or schedules, then:

in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your debt security, and

in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your debt security.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your debt security for the purposes of those calculations by using any date on which your debt security may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your debt security as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your debt security is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your debt security by treating your debt security as having been retired and reissued on the date of the change in circumstances for an amount equal to your debt security's adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount. You may elect to include in gross income all interest that accrues on your debt security using the constant-yield method described above under General, with the modifications described below. For purposes of this election, interest will include stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium, described below under Debt Securities Purchased at a Premium, or acquisition premium.

Table of Contents

If you make this election for your debt security, then, when you apply the constant-yield method:

the issue price of your debt security will equal your cost,

the issue date of your debt security will be the date you acquired it, and

no payments on your debt security will be treated as payments of qualified stated interest.

Generally, this election will apply only to the debt security for which you make it; however, if the debt security has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount debt security, you will be treated as having made the election discussed below under **Debt Securities Purchased with Market Discount** to include market discount in income currently over the life of all debt instruments having market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke any election to apply the constant-yield method to all interest on a debt security or the deemed elections with respect to amortizable bond premium or market discount debt securities without the consent of the Internal Revenue Service.

Variable Rate Debt Securities. Your debt security will be a variable rate debt security if:

your debt security's issue price does not exceed the total noncontingent principal payments by more than the lesser of:

1. 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or
2. 15% of the total noncontingent principal payments; and

your debt security provides for stated interest, compounded or paid at least annually, only at:

1. one or more qualified floating rates,
2. a single fixed rate and one or more qualified floating rates,
3. a single objective rate, or
4. a single fixed rate and a single objective rate that is a qualified inverse floating rate; and

your debt security satisfies certain other conditions.

Your debt security will have a variable rate that is a qualified floating rate if:

variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your debt security is denominated; or

the rate is equal to such a rate multiplied by either:

5. a fixed multiple that is greater than 0.65 but not more than 1.35, or
6. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your debt security provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the debt security, the qualified floating rates together constitute a single qualified floating rate.

Your debt security will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the debt security or are not reasonably expected to significantly affect the yield on the debt security.

Your debt security will have a variable rate that is a single objective rate if:

the rate is not a qualified floating rate,

the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party, and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Your debt security will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your debt security's term will be either significantly less than or significantly greater than the average value of the rate during the final half of your debt security's term.

Table of Contents

An objective rate as described above is a qualified inverse floating rate if:

the rate is equal to a fixed rate minus a qualified floating rate, and

the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

Your debt security will also have a single qualified floating rate or an objective rate if interest on your debt security is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

the fixed rate and the qualified floating rate or objective rate have values on the issue date of the debt security that do not differ by more than 0.25 percentage points, or

the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if your variable rate debt security provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your debt security is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your debt security.

If your variable rate debt security does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and OID accruals on your debt security by:

determining a fixed rate substitute for each variable rate provided under your variable rate debt security,

constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,

determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and

adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate debt security, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your debt security.

If your variable rate debt security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and OID accruals by using the method described in the previous paragraph. However, your variable rate debt security will be treated, for purposes of the first three steps of the determination, as if your debt security had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate debt security as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-Term Debt Securities. In general, if you are an individual or other cash basis United States holder of a short-term debt security, you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue OID on short-term debt securities on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term debt security will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue OID on your short-term debt securities, you will be required to defer deductions for interest on borrowings allocable to your short-term debt securities in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term debt security, including stated interest, in your short-term debt security's stated redemption price at maturity.

Foreign Currency Discount Debt Securities. If your discount debt security is denominated in, or determined by reference to, a foreign currency, you must determine OID for any accrual period on your discount debt security in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under Tax consequences to holders of our debt securities Payments of Interest. You may recognize ordinary income or loss when you receive an amount attributable to OID in connection with a payment of interest or the sale or retirement of your debt security.

Debt Securities Purchased at a Premium

If you purchase your debt security for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year

Table of Contents

with respect to interest on your debt security by the amount of amortizable bond premium allocable to that year, based on your debt security's yield to maturity. If your debt security is denominated in, or determined by reference to, a foreign currency, you will compute your amortizable bond premium in units of the foreign currency and your amortizable bond premium will reduce your interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your debt security is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the Internal Revenue Service. See also Original Issue Discount Election to Treat All Interest as Original Issue Discount.

Debt Securities Purchased with Market Discount

You will be treated as if you purchased your debt security, other than a short-term debt security, at a market discount, and your debt security will be a market discount debt security if:

In the case of an initial purchaser, you purchase your debt security for less than its issue price as determined above under Original Issue Discount General, and

the difference between the debt security's stated redemption price at maturity or, in the case of a discount debt security, the debt security's revised issue price, and the price you paid for your debt security is equal to or greater than 1/4 of 1% of your debt security's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the debt security's maturity. To determine the revised issue price of a discount debt security for these purposes, you generally add any OID that has accrued on the notes prior to your acquisition of the notes to its issue price.

If your debt security's stated redemption price at maturity or, in the case of a discount debt security, its revised issue price, exceeds the price you paid for the debt security by less than 1/4 of 1% multiplied by the number of complete years to the debt security's maturity, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount debt security as ordinary income to the extent of the accrued market discount on your debt security. Alternatively, you may elect to include market discount in income currently over the life of your debt security. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the Internal Revenue Service. If you own a market discount debt security and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your debt security in an amount not exceeding the accrued market discount on your debt security until the maturity or disposition of your debt security.

You will accrue market discount on your market discount debt security on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the debt security with respect to which it is made and you may not revoke it.

Purchase, Sale and Retirement of the Debt Securities

Your tax basis in your debt security will generally be the U.S. dollar cost, as defined below, of your debt security, adjusted by:

adding any OID or market discount previously included in income with respect to your debt security, and then

subtracting any payments on your debt security that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your debt security.

If you purchase your debt security with foreign currency, the U.S. dollar cost of your debt security will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your debt security is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of your debt security

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will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your debt security equal to the difference between the amount you realize on the sale or retirement and your tax basis in your debt security. If your debt security is sold or retired for an amount in foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date the debt security is disposed of or retired, except that in the case of a debt security that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the foreign currency on the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your debt security, except to the extent:

described above under Original Issue Discount Short-Term Debt Securities or Debt Securities Purchased with Market Discount,

attributable to accrued but unpaid interest,

the rules governing contingent payment obligations apply, or

attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States holder is generally taxed at preferential rates where the property is held for more than one year.

Table of Contents

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a debt security as United States source ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

Exchange of Amounts in Other Than U.S. Dollars

If you receive foreign currency as interest on your debt security or on the sale or retirement of your debt security, your tax basis in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase foreign currency, you generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of your purchase. If you sell or dispose of a foreign currency, including if you use it to purchase debt securities or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Indexed Debt Securities, Exchangeable Debt Securities and Contingent Payment Debt Securities

An applicable prospectus supplement will discuss any special United States federal income tax rules with respect to debt securities the payments on which are determined by reference to any index, debt securities that are exchangeable at our option or the option of the holder into debt securities of an issuer other than the Bank or into other property and debt securities that are subject to the rules governing contingent payment obligations which are not subject to the rules governing variable rate debt securities.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a *Reportable Transaction*). Under these regulations, if the debt securities are denominated in a foreign currency, a United States holder that recognizes a loss with respect to the debt securities that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is \$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of debt securities.

Other Considerations

Information with Respect to Foreign Financial Assets

Individuals that own specified foreign financial assets with an aggregate value in excess of \$50,000 will generally be required to file an information report with respect to such assets with their tax returns. Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stock or securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. The securities may be subject to these rules. United States holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the securities.

Backup Withholding and Information Reporting

If you are a noncorporate United States holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

dividend payments or payments of principal and interest on a security or other taxable distributions made to you within the United States, including payments made by wire transfer from outside the United States to an account you maintain in the United States, and

the payment of the proceeds from the sale of a security effected at a United States office of a broker.

Additionally, backup withholding will apply to such payments if you are a noncorporate United States holder that:

fails to provide an accurate taxpayer identification number,

is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or

in certain circumstances, fails to comply with applicable certification requirements.

Payment of the proceeds from the sale of a security effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a security that is effected at a foreign office of a broker will generally be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations.

Table of Contents

In addition, a sale of a security effected at a foreign office of a broker will generally be subject to information reporting if the broker is:

a United States person,

a controlled foreign corporation for United States tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a United States trade or business.

Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

Foreign Accounts Tax Compliance Act Withholding

Pursuant to Sections 1471 through 1474 of the Code or similar law implementing an intergovernmental approach thereto (FATCA), the Bank and other financial institutions through which payments on the securities are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after December 31, 2016, in respect of (i) any securities treated as debt for U.S. federal tax purposes that are issued or materially modified more than six months after the relevant regulations are finalized and (ii) any securities treated as equity or that do not have a fixed term for U.S. federal tax purposes, whenever issued if (a) the Bank is a foreign financial institution (FFI) (as defined in FATCA) that, in order to avoid withholding on payments to it, enters into and complies with an agreement with the Internal Revenue Service to provide certain information about its account holders (so that the Issuer would be a Participating FFI) and (b)(x) any FFI to or through which payment on such securities is made is not a Participating FFI or otherwise exempt from FATCA withholding or (y) a holder does not provide information sufficient for the Bank to determine whether the holder is a U.S. person or should otherwise be treated as holding a United States account of the Bank.

The application of FATCA to interest, principal or other amounts paid with respect to your securities is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the securities, neither the Bank nor any paying agent, nor any other person would, pursuant to the conditions of the securities, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, you may, if FATCA is implemented as currently proposed by the Internal Revenue Service, receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. You should consult your own tax advisers on how these rules may apply to payments you receive under the securities.

Table of Contents**CANADIAN TAXATION**

In the opinion of Osler, Hoskin & Harcourt LLP, our Canadian federal income tax counsel, the following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires securities, including entitlement to all payments thereunder, as a beneficial owner pursuant to this prospectus and who, at all relevant times, for purposes of the application of the *Income Tax Act* (Canada) (the Tax Act), (i) is not, and is not deemed to be, resident in Canada; (ii) deals at arm's length with us and with any transferee resident or deemed to be resident in Canada to whom the purchaser disposes of debt securities, (iii) is not affiliated with us, (iv) does not receive any payment of interest on the debt securities in respect of a debt or other obligation to pay an amount to a person with whom we do not deal at arm's length, and (v) does not use or hold the securities in a business carried on in Canada and, where the relevant securities are debt securities, is not a specified shareholder of the Bank and is not a person who does not deal at arm's length with a specified shareholder of the Bank for purposes of subsection 18(5) of the Tax Act (a Holder). Special rules, which are not discussed in this summary, may apply to a non-Canadian holder that is an insurer that carries on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Tax Act and the regulations thereunder and on counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister prior to the date hereof (the Proposed Amendments) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

Canadian federal income tax considerations applicable to securities may be described more particularly when such securities are offered (and then only to the extent material) in a prospectus supplement or pricing supplement related thereto if they are not addressed by the comments following and, in that event, the following will be superseded thereby to the extent indicated in such prospectus supplement or pricing supplement. These Canadian federal income tax considerations may also be supplemented, amended and/or replaced in a prospectus supplement or pricing supplement.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers of securities should consult their own tax advisors having regard to their own particular circumstances.

Currency Conversion

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the securities not denominated in Canadian dollars must be converted into Canadian dollars based on the exchange rates as determined in accordance with the Tax Act. The amounts subject to withholding tax and any capital gains or capital losses realized by a Holder may be affected by fluctuations in the relevant exchange rate.

Shares***Dividends on the Shares***

Dividends paid or credited on the shares or deemed to be paid or credited on the shares to a Holder will be subject to Canadian non-resident withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Holder is entitled under any applicable income tax convention between Canada and the country in which the Holder is resident. For example, under the Canada-U.S. Income Tax Convention (1980) (the Convention), where dividends on the shares are considered to be paid to or derived by a Holder that is the beneficial owner of the dividends and a U.S. resident for the purposes of, and is entitled to benefits in accordance with, the provisions of the Convention, the applicable rate of Canadian non-resident withholding tax is generally reduced to 15%.

Disposition of the Shares

A Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of shares, unless the shares are taxable Canadian property to the Holder for purposes of the Tax Act and the Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Holder is resident.

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Generally, the shares will not constitute taxable Canadian property to a Holder at a particular time provided that the shares are listed at that time on a designated stock exchange (which includes the Toronto Stock Exchange), unless at any particular time during the 60-month period that ends at that time (i) the Holder, persons with whom the Holder does not deal with at arm's length, or the Holder together with all such persons, has owned 25% or more of the issued shares of any class or series of our capital stock and (ii) more than 50% of the fair market value of the shares was derived directly or indirectly from one or any combination of: (a) real or immovable properties situated in Canada, (b) Canadian resource properties (as defined in the Tax Act), (c) timber resource properties (as defined in the Tax Act), and (d) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, shares could be deemed to be taxable Canadian property. Holders whose shares may constitute taxable Canadian property should consult their own tax advisors.

Table of Contents

Debt Securities

Interest paid or credited or deemed for purposes of the Act to be paid or credited on a debt security (including any amount paid at maturity in excess of the principal amount and interest deemed to be paid on the debt security in certain cases involving the assignment, deemed assignment or other transfer of a debt security to the Bank or any other resident or deemed resident of Canada) to a Holder will not be subject to Canadian non-resident withholding tax unless any portion of such interest (other than on a prescribed obligation described below) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation (Participating Debt Interest). A prescribed obligation is a debt obligation the terms or conditions of which provide for an adjustment to any amount payable in respect of the obligation for a period during which the obligation was outstanding which adjustment is determined by reference to a change in the purchasing power of money where no amount payable in respect of such obligation, other than an amount determined by reference to a change in the purchasing power of money, is contingent or dependent upon any of the criteria described in the definition of Participating Debt Interest. If any interest paid or credited or deemed to be paid or credited on a debt security is to be Participating Debt Interest, the Canadian non-resident withholding tax implications of the issuance of such debt securities will be described particularly in the relevant prospectus supplement or pricing supplement for such debt securities.

No other Canadian federal taxes on income or gains will be payable by a Holder on interest or principal, or on proceeds received by a Holder on the disposition of a debt security, including on a redemption, payment on maturity, repurchase or purchase of cancellation.

Table of Contents**EMPLOYEE RETIREMENT INCOME SECURITY ACT**

A fiduciary of a pension, profit-sharing or other employee benefit plan (a plan) subject to the United States Employee Retirement Income Security Act of 1974, as amended (ERISA), should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in the securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Internal Revenue Code (also plans), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code (parties in interest) with respect to the plan or account. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (non-ERISA arrangements) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (similar laws).

The acquisition of the securities by a plan with respect to which the Bank or certain of our affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those securities are acquired pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions where neither the Bank nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the plan involved in the transaction and the plan pays no more and receives no less than adequate consideration in connection with the transaction (the service provider exemption). Moreover, the United States Department of Labor has issued five prohibited transaction class exemptions, or PTCEs, that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the securities. These exemptions are:

PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;

PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;

PTCE 91-38, an exemption for transactions involving bank collective investment funds;

PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and

PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

The securities may not be purchased or held by (i) any plan, (ii) any entity whose underlying assets include plan assets by reason of any plan's investment in the entity (a plan asset entity) or (iii) any person investing plan assets of any plan, unless in each case the purchaser or holder is eligible for the exemptive relief under one or more of the PTCEs listed above, the service provider exemption or another applicable similar exemption. Any purchaser or holder of the securities or any interest in the securities will be deemed to have represented by its acquisition and holding of the securities that it either (i) is not a plan or a plan asset entity and is not purchasing those securities on behalf of or with plan assets of any plan or plan asset entity or (ii) with respect to the acquisition, holding or disposition, is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption. In addition, any purchaser or holder of the securities or any interest in the securities which is a non-ERISA arrangement will be deemed to have represented by its acquisition and holding of the securities that its acquisition, holding and disposition will not violate the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the securities on behalf of or with plan assets of any plan, plan asset entity or

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non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in the securities, you should consult your legal counsel.

Table of Contents

PLAN OF DISTRIBUTION

We may sell any of the securities at any time after effectiveness of the registration statement of which this prospectus forms a part in one or more of the following ways from time to time:

through underwriters or dealers;

through agents; or

directly to one or more purchasers.

The offered securities may be distributed periodically in one or more transactions at:

a fixed price or prices, which may be changed;

market prices prevailing at the time of sale;

prices related to the prevailing market prices; or

negotiated prices.

The applicable prospectus supplements will include:

the initial public offering price;

the names of any investment dealer;

the purchase price of the securities;

our proceeds from the sale of the securities;

any underwriting discounts or commissions or agency fees and other underwriters' or agents' compensation;

any discounts or concessions allowed or reallowed or paid to dealers;

the place and time of delivery of the securities; and

any securities exchange on which the securities may be listed.

If underwriters are used in the sale, they will buy the securities for their own account. The underwriters may then resell the securities in one or more transactions, at any time or times at a fixed public offering price or at varying prices. The underwriters may change from time to time any fixed public offering price and any discounts or commissions allowed or re-allowed or paid to dealers. If dealers are utilized in the sale of the securities, we will sell the securities to the dealers as principals. The dealers may then resell the securities to the public at varying prices to be determined by such dealers.

In connection with the offering of securities, we may grant to the underwriters an option to purchase additional securities to cover over-allotments, if any, at the initial public offering price (with an additional underwriting commission), as may be set forth in the applicable prospectus supplements for such securities. If we grant any over-allotment option, the terms of the option will be set forth in the applicable prospectus supplements for the securities.

This prospectus may be delivered by underwriters and dealers in connection with short sales undertaken to hedge exposures under commitments to acquire our securities to be issued on a delayed or contingent basis.

Investment dealers that participate in the distribution of the securities may be underwriters as defined in the Securities Act. Any discounts or commissions that we pay them and any profit they receive when they resell the securities may be treated as underwriting discounts and commissions under the Securities Act. We may have agreements with investment dealers to indemnify them against certain civil liabilities, including liabilities under the Securities Act, to contribute with respect to payments which they may be required to make in respect of such liabilities and to reimburse them for certain expenses.

Investment dealers and their affiliates or associates, may engage in transactions with us or perform services for us in the ordinary course of business and receive compensation from us.

Each series of offered debt securities and preferred shares will be a new issue of securities and will have no established trading market. Securities may or may not be listed on a national or foreign securities exchange or automated quotation system. Our common shares are currently listed on the NYSE and the TSX under the trading symbol BNS . Any underwriters or agents to whom securities are sold for public offering or sale may make, but are not required to make, a market in the securities, and the underwriters or agents may discontinue making a market in the securities at any time without notice. No assurance can be given as to the liquidity or the existence of trading markets for any securities.

Any underwriters utilized may engage in stabilizing transactions and syndicate covering transactions in accordance with Rule 104 of Regulation M under the Exchange Act. Stabilizing transactions permit bids to purchase the offered securities or any underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover syndicate short positions. Such stabilizing transactions and syndicate covering transactions may cause the price of the offered securities to be higher than would be the case in the absence of such transactions.

Table of Contents

Selling Restrictions Outside the United States

Except as described in an applicable prospectus supplement, the Bank has taken no action that would permit a public offering of the securities or possession or distribution of this prospectus or any other offering material in any jurisdiction outside the United States where action for that purpose is required. Accordingly, each underwriter will be required to represent, warrant and agree, that it will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells securities or possesses or distributes this prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Bank shall have no responsibility in relation to this.

With regard to each security, the relevant purchaser will be required to comply with those restrictions that the Bank and the relevant purchaser shall agree and as shall be set out in an applicable prospectus supplement.

Conflicts of Interest

Our affiliates, Scotia Capital Inc. and Scotia Capital (USA) Inc., may participate in the distribution of the securities as an underwriter, dealer or agent. Any offering of securities in which Scotia Capital Inc. or Scotia Capital (USA) Inc. participates will be conducted in compliance with the applicable requirements of FINRA Rule 5121, a rule of the Financial Industry Regulatory Authority, Inc. (FINRA). Scotia Capital Inc. and Scotia Capital (USA) Inc. will not participate in the distribution of an offering of securities that do not have a bona fide public market within the meaning of Rule 5121 or are not investment grade rated within the meaning of Rule 5121 or securities in the same series that have equal rights and obligations as investment grade rated securities unless either (i) each member firm responsible for managing the public offering does not have a conflict of interest within the meaning of Rule 5121, is not an affiliate of any member that does have a conflict of interest, and meets the requirements of Rule 5121 with respect to disciplinary history or (ii) a qualified independent underwriter has participated in the preparation of the prospectus supplement or other offering document for the offering of securities and has exercised the usual standards of due diligence with respect thereto. Neither Scotia Capital Inc., Scotia Capital (USA) Inc. nor any other FINRA member participating in an offering of these securities that has a conflict of interest will confirm initial sales to any discretionary accounts over which it has authority without the prior specific written approval of the customer.

In compliance with the guidelines of FINRA, the maximum commission or discount to be received by the participating FINRA members may not exceed 8% of the aggregate principal amount of securities offered pursuant to this prospectus. We anticipate, however, that the maximum commission or discount to be received in any particular offering of securities will be significantly less than this amount.

Market-Making Resale by Affiliates

This prospectus may be used by Scotia Capital Inc., Scotia Capital (USA) Inc. or one more of our affiliates in connection with offers and sales of the securities in market-making transactions. In a market-making transaction, Scotia Capital Inc., Scotia Capital (USA) Inc. or one of our affiliates may resell a security it acquires from other holders, after the original offering and sale of security. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of resale or at related or negotiated prices. In these transactions, Scotia Capital Inc., Scotia Capital (USA) Inc. or one of our affiliates may act as principal or agent, including as agent for the counterparty in a transaction in which Scotia Capital Inc., Scotia Capital (USA) Inc. or one of our affiliates, as applicable, acts as principal, or as agent for both counterparties in a transaction in which Scotia Capital Inc., Scotia Capital (USA) Inc. or such affiliate, as applicable, does not act as principal. Scotia Capital Inc., Scotia Capital (USA) Inc. or one of our affiliates may receive compensation in the form of discounts and commissions, including from both counterparties in some cases.

The securities to be sold in market-making transactions include securities to be issued after the date of this prospectus, as well as securities previously issued. We do not expect to receive any proceeds from market-making transactions. We do not expect that Scotia Capital Inc., Scotia Capital (USA) Inc. or any other affiliate that engages in these transactions will pay any proceeds from its market-making resales to us.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale.

Unless we or an agent informs you in your confirmation of sale that your security is being purchased in its original offering and sale, you may assume that you are purchasing your security in a market-making transaction.

Table of Contents**LIMITATIONS ON ENFORCEMENT OF U.S. LAWS****AGAINST THE BANK, OUR MANAGEMENT AND OTHERS**

The Bank is incorporated under the laws of Canada pursuant to the Bank Act. Substantially all of our directors and executive officers, including many of the persons who signed the registration statement on Form F-3, of which this prospectus forms a part, and some or all of the experts named in this document, reside outside the United States, and all or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may be difficult for you to affect service of process within the United States upon such persons, or to realize upon judgments rendered against the Bank or such persons by the courts of the United States predicated upon, among other things, the civil liability provisions of the federal securities laws of the United States. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United States, among other things, civil liabilities predicated upon such securities laws.

We have been advised by our Canadian counsel, Osler, Hoskin & Harcourt LLP, that a judgment of a United States court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We have also been advised by such counsel, however, that there is substantial doubt whether an original action could be brought successfully in Canada predicated solely upon such civil liabilities.

VALIDITY OF SECURITIES

The validity of the debt securities will be passed upon by Osler, Hoskin & Harcourt LLP, Toronto, Ontario, as to matters of Canadian law and applicable matters of Ontario law, and by Allen & Overy LLP, New York, New York, as to matters of New York law.

EXPERTS

The consolidated financial statements of the Bank which comprise the consolidated statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010 and the consolidated statements of income, changes in shareholders' equity, comprehensive income and cash flows for each of the years in the two year period ended October 31, 2012, and management's assessment of the effectiveness of internal control over financial reporting as of October 31, 2012 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following is a statement of the expenses (all of which are estimated), other than underwriting discounts and commissions, to be incurred in connection with the issuance and distribution of the securities registered under the registration statement of which this prospectus forms a part. Additional information about the estimated or actual expenses in connection with a particular offering of securities under the shelf will be provided in the applicable prospectus supplements.

| | | |
|-----------------------------------|--------|-----------|
| Registration statement filing fee | U.S.\$ | 2,455,200 |
| Trustees' fees and expenses | U.S.\$ | 5,000 |
| Legal fees and expenses | U.S.\$ | 125,000 |
| FINRA fees and expenses | U.S.\$ | 225,500 |
| Accounting fees and expenses | U.S.\$ | 40,000 |
| Printing costs | U.S.\$ | 15,000 |
| Miscellaneous | U.S.\$ | 35,000 |
| Total | U.S.\$ | 2,900,700 |

U.S.\$1,000,000,000

The Bank of Nova Scotia

U.S.\$500,000,000 0.950% Senior Notes due 2016

U.S.\$500,000,000 Floating Rate Senior Notes due 2016

PROSPECTUS SUPPLEMENT

March 8, 2013

Joint Book-Running Managers

Barclays

Scotiabank

Citigroup

BofA Merrill Lynch

J.P. Morgan

Co-Managers

Deutsche Bank Securities

Goldman, Sachs & Co.

HSBC

Morgan Stanley

RBS

Standard Chartered Bank

Table of Contents

UBS Investment Bank

Wells Fargo Securities

eased in fiscal 2009. The long-term debt include Rs. 90,776 million as at March 31, 2009 and Rs. 91, 866 million as at March 31, 2008 by way of collateralized debt obligation representing finance receivables securitized which do not meet derecognition criteria as per IFRS. The outstanding foreign currency convertible note have increased from Rs. 37,504 million as at March 31, 2008 to Rs. 46,437 million as at March 31, 2009, mainly due to exchange fluctuations. The company continued its investment plan in expansion and product development.

Table of Contents

Current liabilities other than short-term debt increased from Rs.106,581 million as of March 31, 2008 to Rs.262,530 million as of March 31, 2009, primarily due to liabilities assumed as part of the acquisitions. We assumed current liabilities of Rs. 217,039 million excluding short term debt.

As of March 31, 2009, we had cash and cash equivalents of Rs.22,827 million, compared to Rs.11,416 million as of March 31, 2008. The increase mainly relates to Jaguar Land Rover.

Finance receivables (net of allowances) were Rs.158,803 million as of March 31, 2009 compared to Rs. 163,960 million as of March 31, 2008.

As of March 31, 2009, inventories stood at Rs.107,956 million compared to Rs.34,337 million as of March 31, 2008, which included inventory on acquisition of Jaguar Land Rover business of Rs.98,404 million. Due to lower volumes and reduction actions, the inventory has been lowered in fiscal 2009.

Trade receivables increased from Rs. 30,041 million as of March 31, 2008 to Rs.51,697 million as of March 31, 2009. As part of acquisitions we acquired Rs.50,212 million of trade receivables. Our focus on improved collections to meet liquidity requirements helped us to reduce our accounts receivables towards the later part of the fiscal year.

Our investment (short term and long term investments) declined from Rs.40,659 million as of March 31, 2008 to Rs.9,265 million as of March 31, 2009. In fiscal 2009, we sold investments of Rs.9,595 million available for sale securities and Rs.9,673 million investment in mutual fund to repay bridge loan, meet our capital expenditure and other business requirements. A significant part of our investments are in available for sale equity shares whose fair value as on March 31, 2009 is Rs.5,502 million. Due to the significant fall in market prices in fiscal 2009 the value of available for sale equity shares declined by Rs. 10,798 million. Equity investments recognized at cost (due to lack of readily determinable market value), investment in mutual funds, corporate bonds and other debt, loans and receivables etc accounted for the balance amount. More than 90% of investments are non-current in nature.

Our investments in equity accounted investees was Rs.8,012 million as of March 31, 2009, compared to Rs.9,784 million as of March 31, 2008. Decline is primarily due to losses in some of our associates.

Our other current assets increased from Rs.11,072 million as of March 31, 2008 to Rs.27,714 million as March 31, 2009. The increase is attributable to the Jaguar Land Rover acquisition. Our current tax receivables increased from Rs.5,792 million as of March 31, 2008 to Rs.7,466 million as of March 31, 2009.

Our other financial assets including non-current financial assets increased from Rs.22,966 million as of March 31, 2008 to Rs.28,790 million as of March 31, 2009. A major portion of our other financial assets is margin money (Rs.19,037 million and Rs.15,999 as at March 31, 2009 and 2008 respectively) with banks in the nature of restricted cash, and consists of collateral provided in support of guarantees issued by banks towards securitization of finance receivables on the Company's behalf as may be required in the transaction of transfer of finance receivables.

Capital Expenditure

Capital expenditure increased from Rs.51,386 million during fiscal 2008 to Rs.101,197 million in fiscal 2009. Our automotive operations accounted for majority of this capital expenditure. Within automotive segment capital expenditure in Tata vehicle business was Rs.52,577 million in fiscal 2009, compared to Rs.49,925 million in fiscal 2008. Our capital expenditures during the past two years related mostly to capacity expansion of our production facilities, the introduction of new products such as the Ace Magic, Winger, Sumo Grande, Indica Vista and development of planned future products and technologies as well as quality and reliability improvements aimed at operating cost reductions. During the fiscal 2009, we announced that the mother plant for the Nano will be relocated from Singur in West Bengal to Sanand in Gujarat. The integrated project, comprising the mother plant and the vendor park, will come up on an area of about 1100 acres. The plant, to begin with, will produce 250,000 cars per annum. The capacity is expandable up to 500,000 cars per annum.

Capital expenditure in the Jaguar Land Rover business amounted to Rs.46,090 million for the period post our acquisition mainly representing product development projects. Jaguar Land Rover continues to invest in new technologies through its research and development activities to develop products that meet the requirements of the premium segment including developing sustainable technologies to improve fuel economy and reduce CO2 emissions. Jaguar Land Rover has committed to comply with European emissions legislation and has announced an £800million program specifically aimed at reducing CO2 emissions which is supported by a carbon offset programme balancing emissions from the manufacture of all Land Rover vehicles as well as the first 45,000 miles of Land Rover customer vehicle use in the UK and other countries. The UK government has recently offered a grant of £27million to help enable the development.

Table of Contents

We will continue to invest in our business units and research and development over the next several years, including committed capital expenditure for our ongoing projects, new projects, product development programs, mergers, acquisitions and strategic alliances to build and expand our presence in the passenger vehicle and commercial vehicle categories.

Liabilities and Sources of Financing

We fund our short-term working capital requirements with cash generated from operations, overdraft facilities with banks, short and medium term borrowings from lending institutions, banks and commercial paper. The maturities of these short and medium term borrowings and debentures are generally matched to particular cash flow requirements. We had short-term borrowings (including the current portion of long-term debt) of Rs. 319,629 million and Rs.112,320 million as of March 31, 2009 and 2008 respectively. We had unused short-term credit facilities of Rs.10,422 million and Rs.41,052 million as of March 31, 2009 and 2008, respectively.

On April 27, 2004, Tata Motors raised US\$ 100 million by way of Zero Coupon Convertible Notes due for redemption on April 27, 2009. The noteholders have an option to convert these Notes into ordinary shares or ADSs determined at an initial conversion price of Rs. 573.106 per share with a fixed rate of exchange on conversion of Rs.43.85 per USD, from and including June 7, 2004 to and including March 28, 2009. The conversion price will be subject to certain adjustments. Further, Tata Motors has a right to redeem in whole, but not in part, these Notes at any time on or after April 27, 2005, subject to certain conditions. Unless previously converted, redeemed or purchased and cancelled, these Notes will be due for redemption on April 27, 2009, at 95.111% of the principal amount. 7,313,842 ordinary shares were allotted during the period April 27, 2004 to March 31, 2008, consequent to conversion of 95,590 Notes with carrying value of Rs. 5,792 million. During the year ended March 31, 2009, 153,025 ordinary shares were allotted consequent to conversion of 2,000 Notes with carrying value, net of Rs. 0.1 million being stamp duty expenses on conversion, of Rs. 100 million (US\$ 1.7 million). Further, 2,410 Notes with carrying value of Rs. 148.6 million (US\$ 2.9 million) outstanding as at March 31, 2009 have been redeemed on maturity.

On April 27, 2004, Tata Motors also raised US\$ 300 million by way of one percent Convertible Notes due for redemption on April 27, 2011. The note holders have an option to convert these Notes into ordinary shares / ADSs determined at an initial conversion price of Rs. 780.40 per share at a fixed rate of conversion of Rs. 43.85 per USD, from and including June 7, 2004 to and including March 28, 2011. The conversion price of the notes was reset to a price of Rs.737.29 per share at a fixed rate of conversion of Rs. 43.85 per USD, on account of our Rights Issue in fiscal 2009. The conversion price will be subject to certain adjustments. In the event of certain changes affecting taxation, Tata Motors has an option to redeem in whole but not in part, these Notes at any time. Unless previously converted, redeemed or purchased and cancelled, these Notes will be due for redemption on April 27, 2011 at 121.781% of the principal amount. There have been no conversions during the year ended March 31, 2009. Outstanding notes may at the option of the Note holders be converted into 17,842,482 ADSs or shares at any time upto March 28, 2011.

In March 2006, Tata Motors issued Yen 11,760 million (Rs. 4,500.3 million) Zero Coupon Convertible Notes due for redemption on March 21, 2011. The noteholders have an option to convert these Notes into ordinary shares or ADSs determined at an initial conversion price of Rs.1,001.39 per share with a fixed rate of exchange on conversion of Rs.1.00 per Yen 2.66, from and including May 2, 2006 to and including February 19, 2011. The conversion price of the notes was subsequently reset to a price of Rs.946.07 per share at a fixed rate of conversion of Rs.1.00 per Yen 2.66, on account of our Rights Issue in fiscal 2009. The conversion price will be subject to certain adjustments. Further, Tata Motors has a right to redeem in whole, or in part, these Notes at any time on or after March 20, 2009 but prior to February 8, 2011, subject to certain conditions. In the event of certain changes affecting taxation, Tata Motors has an option to redeem in whole but not in part, these Notes at any time. Unless previously converted, redeemed or purchased and cancelled, these Notes will be due for redemption on March 21, 2011, at 99.253% of the principal amount. During the year, the company bought back and cancelled 30 notes (Principal value of JPY 300 million). There has been no conversion during the year ended March 31, 2009. Further 1146 outstanding notes may at the option of the Note holders be converted into 4,553,878 ADSs or shares at any time upto February 19, 2011.

In July 2007, Tata Motors has raised funds aggregating US\$ 490 million (Rs. 19,927.1 million at issue) by issue of Zero Coupon Convertible Alternative Reference Securities (CARS) due on July 12, 2012. The noteholders have an option, subject to the terms and conditions of the issue, to convert these notes into Qualified Securities or the Company's newly issued ordinary shares or ADSs. The conversion may be made by the noteholders from and including October 11, 2011 to and including June 12, 2012 at an initial conversion price of Rs. 960.96 per Share (equivalent to US\$23.67 at a fixed rate of exchange on conversion of Rs. 40.59 = US\$1.00) that is subject to adjustment in certain circumstances. The conversion price of the notes was reset to a price of Rs.907.87 per share at a fixed rate of conversion of Rs. 40.59 per USD, on account of our Rights Issue in fiscal 2009. The Company has a right to redeem in whole, but not in part, these notes at any time on or after October 11, 2011, subject to certain conditions. Unless previously converted, redeemed or purchased and cancelled as per the terms of issue, these will be redeemed on July 12, 2012 at 131.82% of the outstanding principal amount. During the year, the company bought back and cancelled 170 notes (Principal value of US\$ 17 million).

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On June 2, 2008, we completed the acquisition of Jaguar Land Rover from Ford Motor Company for a purchase consideration of US\$ 2.5 billion in an all cash transaction from Ford Motor Company, which contributed about US\$600 million to the Jaguar Land Rover pension plans. The purchase consideration of US\$ 2.5 billion paid by JaguarLandRover Limited was financed through a capital contribution of US\$ 500 million and a short term bridge loan of US\$ 3,000 million from a group of lenders including the Bank of

Tokyo-Mitsubishi UFJ Limited, Citigroup Global Markets Asia Limited, ING Bank N.V., Singapore Branch, J.P. Morgan Securities (Asia Pacific) Limited, Mizuho Corporate Bank Limited, Standard Chartered Bank, State Bank of India and BNP Paribas, Singapore Branch. As on March 31, 2009 US \$ 2,016 million of bridge loan is outstanding.

Table of Contents

In October 2008, we raised an aggregate of Rs.41,393.3 million through a simultaneous but unlinked rights issue of ordinary shares and A ordinary shares of 64,276,164 ordinary shares of Rs.10 each at a premium of Rs.330/- per share aggregating Rs.21,854 million in the ratio of one Ordinary Share for every six ordinary shares; and 64,276,164 A ordinary shares of Rs.10 each at a premium of Rs.295/- per A ordinary share aggregating Rs.19,604 million in the ratio of one A ordinary share for every six ordinary shares. Proceeds of rights issue were used to prepay part of bridge loan availed by us for the acquisition of Jaguar Land Rover business.

Subsequent to March 31, 2009, in May 2009 we raised funds through secured non-convertible credit enhanced rupee debentures in four tranches, having tenors up to 7 years, aggregating Rs.42,000 million on a private placement basis. Proceeds were used to repay part of the short term bridge loan availed for acquisition of Jaguar Land Rover.

The following table sets forth our short-term and long-term debt position:

| | Fiscal 2009 | Fiscal 2008 |
|---|-------------------|----------------|
| | (Rs. in millions) | |
| Total short-term debt (excluding current portion of long-term debt) | 251,253 | 55,645 |
| Total current portion of long-term debt | 68,376 | 56,675 |
| Long-term debt net of current portion | 116,186 | 108,028 |
| Total Debt | 435,815 | 220,348 |

During fiscal 2009 and 2008, the effective weighted average interest rate on our long-term debt was 9.4% and 8.4% per annum, respectively.

As of March 31, 2009, approximately 68.7% of our long-term debt (including current portion) was denominated in rupees and the balance was denominated in dollars and other non-rupee currencies. During fiscal 2009, our effective cost of borrowing increased due to increase in interest rates in India and severe global credit crunch during the fiscal year.

The following table sets forth a summary of the maturity profile for our outstanding long-term debt obligations as of March 31, 2009

| Payments Due by Period | Rs. in millions |
|-------------------------------------|-----------------|
| Within one year | 68,376 |
| After one year and up to two years | 46,558 |
| After two year and up to five years | 69,628 |
| After five year and up to ten years | |
| Total | 184,562 |

Some of the long-term debt agreements contain financial covenants that require us to satisfy and/or maintain financial ratios and other specified conditions on a non-consolidated basis under Indian GAAP, including debt service coverage ratio, long term debt to equity ratio, minimum net worth and external liabilities to net worth ratio level of capital expenditure, dividend payout and maintaining non-performing assets of less than 3% of finance receivables. The terms of certain of our long-term debt agreements require us to obtain prior consent for certain specified actions including amendment of our charter documents and for creation of any lien on our properties other than for specified purposes.

As a result of our increase in our long-term debt during fiscal 2009 as compared to fiscal 2008, the ratio of net debt to shareholders' equity (total debt less cash and cash equivalents and liquid marketable securities divided by total shareholders' equity) under IFRS increased from 1.68 as of March 31, 2008 to 10.64 as of March 31, 2009. Details of the calculation of this ratio are set forth in Exhibit 7.1 to this annual report.

(1) The following table sets forth our contingent liabilities as of the dates indicated.

| Fiscal 2009 | Fiscal 2008 |
|-------------------|-------------|
| (Rs. in millions) | |

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| | | |
|---------------|-------|-------|
| Income Tax | 4,454 | 4,563 |
| Excise Duties | 1,821 | 1,062 |

Table of Contents

| | | |
|-------------------------|--------|--------|
| Sales Tax | 5,424 | 3,138 |
| Other Taxes and Claims* | 2,045 | 1,208 |
| Other Contingencies | 54 | 50 |
| Total | 13,798 | 10,021 |

* Other taxes and claims include claims by other revenue authorities and distributors. See Item 4.B Business Overview Legal Proceedings , of this annual report.

(2) Rs.46,314 million and Rs.35,732 million in fiscal 2009 and 2008, respectively, represent executory contracts on capital accounts not otherwise provided for.

On an ongoing basis, our legal department reviews pending cases, claims by third parties against us and other contingencies. For the purposes of financial reporting, we periodically classify these matters into gain contingencies and loss contingencies. Gain contingencies are not recognized until the contingency has been resolved and amounts are received or receivable. For loss contingencies that are considered probable, an estimated loss is recorded as an accrual in our accounts and, if the matter is material, the estimated loss is disclosed in our financial statements. We do not consider any of these matters to be individually sufficiently material to warrant disclosure in our financial statements. Loss contingencies that are considered reasonably possible are not provided for in our financial statements, but if we consider such contingencies to be material, individually or in the aggregate, they are disclosed in our financial statements. Most loss contingencies are classified as reasonably possible unless clearly frivolous, in which case they are classified as remote and are monitored by our legal department on an ongoing basis for possible deterioration. We do not disclose remote matters in our financial statements. See note 38 of our audited consolidated financial statements for additional information regarding our material claims and contingencies.

Since fiscal 1997, we have benefited from participation in the Export Promotion Capital Goods Scheme, or the EPCG Scheme, which permits us to import capital equipment under a special license at a substantially reduced customs duty, subject to us fulfilling an obligation to export goods manufactured or produced by the use of capital equipment imported under the EPCG Scheme to the value of a multiple of the cost insurance and freight value of these imports or customs duty saved, over a period of 8 or 12 years from the date of obtaining the special license. We currently hold 57 licenses that require us to export our products of a value of approximately Rs.105 million between 2002 and 2017 and we carefully monitor our progress in meeting our incremental milestones. After fulfilling some of the export obligations, the remaining obligation to exports products of value is Rs.17 million by March 2017. In the event that the export obligation under the EPCG Scheme is not fulfilled, we would have to pay the differential between the reduced and normal duty on the goods imported along with interest. In view of our past record of exceeding our export milestones, and our current plans with respect to our export markets, we do not currently foresee any impediments to meeting our export obligations in the required time frame.

Finance Receivables

In fiscal 2009 and fiscal 2008, 31% and 34%, respectively, of our sales volumes were financed under loan contracts to our dealer s customers. As of March 31, 2009 and 2008, our customer finance receivable portfolio was comprised 588,055 and 528,307 contracts, respectively, with gross finance receivable of approximately Rs.195,445 million, and Rs.196,640 million respectively. We follow specified internal procedures including quantitative guidelines for selection of our finance customers to assist in managing default and repayment risk in our portfolio. We originate all the contracts through our authorized dealers and direct marketing agents with whom we have agreements. All our marketing, sales and collection activities are undertaken through dealers or directly by us including our division known as Tata Motor finance and our subsidiary company Tata Motors Finance Limited.

We securitize or sell most of our finance receivables in the normal course of business. We undertake a sale of the receivables in respect of finance agreements due from pools of purchasers. The constitution of these pools is based on criteria that are decided by credit rating agencies and/or based on the advice that we receive as to the marketability of a pool. We undertake these securitizations of our receivables in either or both of the following forms:

assignment of the receivables due from purchasers under hire-purchase / loan agreements; and

securitization of receivables due from purchasers by means of private placement.

We act as collection agent on behalf of the investors, representatives, special purpose vehicles or banks in whose favor the receivables have been assigned, for the purpose of collecting receivables from the purchasers on the terms and conditions contained in the applicable deeds of

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securitization in respect of which pass-through certificates are issued to investors in case of special purpose vehicles, or SPVs. We also secure the payments to be made by the purchasers of amounts constituting the receivables under the hire-purchase/loan agreements to the extent specified by rating agencies by any one or all of the following methods:

Table of Contents

by furnishing to the investors collateral, in respect of the obligations of the purchasers and the undertakings to be provided by us;

by furnishing, in favor of the investors, 10% to 30% of the gross receivables as cash collateral either by way of a fixed deposit or bank guarantee to secure the obligations of the purchasers and our obligations as the collection agent, based on the quality of receivables and rating assigned to the individual pool of receivables by the rating agency (ies); and

by way of over-collateralization or by investing in subordinate pass-through certificates to secure the obligations of the purchasers. The following table sets forth details of the transfer of finance receivables undertaken by us as of the periods indicated:

| | Fiscal 2009 | Fiscal 2008 |
|--------------------------------------|----------------|-------------|
| | (Rs. million) | |
| Securitized value | 277,341 | 218,635 |
| Balance payable | 111,779 | 111,345 |
| Overdue as a % of amount securitized | 2.6% | 1.7% |

See Note 40(c) of our audited consolidated financial statements for accounting of finance receivables.

Recent Developments**New Product Launches**

In April 2009, Jaguar Land Rover revealed the 2010 model year Range Rover, Range Rover Sport and Discovery 4 models which feature a range of powertrain changes together with exterior and interior modification. The new models are intended to go on sale in the second half of 2009 starting with the Range Rover in July 2009, with Discovery 4 and Range Rover Sport in September 2009.

In May 2009, we unveiled a new range of trucks, that we believe match the best in the world in performance at a lower life-cycle cost, termed as Prima , to be gradually introduced in South Korea, South Africa, the SAARC countries and the Middle East.

In May 2009, Jaguar Land Rover introduced the Freelander 2 TD4_e, with intelligent stop-start and effects a 7% improvement in CO2 emissions and giving up to a 20% improvement in fuel economy in real world test. The new Freelander 2 TD4_e is Land Rover s most fuel efficient to date featuring a new intelligent Stop/Start system, it is the first production vehicle to incorporate technologies from the company s programme of sustainable engineering initiatives, collectively named e TERRAIN TECHNOLOGIES .

Refinancing of Bridge Loan

In May 2009, we raised Rs. 42,000 million through issue of secured non-convertible rupee debentures. The debentures, issued in four tranches with maturities ranging from 23 to 83 months, carry a coupon of 2% and will be redeemed at varying premia on maturity. Proceeds of the debenture issue were used to prepay part of the bridge loan raised to finance Jaguar Land Rover acquisition. We also amended our original acquisition finance facility of US\$3 billion via the amendment and restatement of acquisition facility arrangement of US\$1 billion to be repaid in four tranches by December 2010. The facilities carry certain covenants in terms of certain financial ratios and minimum earnings levels as per Indian GAAP and limitations on capital expenditure and dividends.

EIB Loan

We along with Jaguar Land Rover have been in discussions with commercial banks for Jaguar Land Rover funding facilities, Tata Motors and Jaguar Land Rover also expect that the long term loan from the European Investment Bank (EIB) of GBP 340 million, sanctioned to Jaguar Land Rover, can also be successfully secured through appropriate commercial arrangements. With the positive trend in the external environment in financial markets and improvement in general liquidity, these arrangements have been and are expected to be concluded without necessitating guarantees from the UK Government, for which discussions had been ongoing for some time.

Table of Contents**Working Capital Lines**

In August 2009, we increased our short term working capital limits from Rs.8,000 crores to Rs.12,000 crores from a consortium of 25 bankers. These limits are in the form of fund based and non fund based limits and as a market practice in India are uncommitted short tem lines which are renewed every year.

Board of Directors

Mr Ravi Kant superannuated as Managing Director on June 1, 2009 as per our Retirement Policy and the terms of his appointment. He has been appointed as the Non-Executive Vice-Chairman on the Board of Directors of the Company with effect from June 2, 2009. Mr P M Telang, Executive Director (Commercial Vehicles Business Unit) was appointed as the Managing Director-India Operations with effect from June 2, 2009.

C. Research and Development, Patents and Licenses, etc.

Please see Item 4.B of this annual report for the information required by this item.

D. Trend Information.

Please see Item 5.A of this annual report for the information required by this item.

E. Off-balance Sheet Arrangements

We have provided guarantees aggregating Rs 8,565.3 million as of March 31, 2009 to banks and others in respect of loans/credit facilities availed by our joint venture.

Tabular Disclosure of Contractual Obligations

| Type | Payment due by period | | | | |
|-------------------------------|-----------------------|------------------|------------------|------------------|----------------|
| | Total | Less than 1 year | 1 year to 3 year | 3 year to 5 year | 5 year or more |
| Long Term Debts | 184,562 | 68,376 | 89,381 | 26,805 | |
| Capital Lease | 3,186 | 551 | 963 | 752 | 920 |
| Operating Lease | 10,867 | 668 | 921 | 298 | 8,980 |
| Capital Commitments | 46,314 | 20,573 | 25,240 | 501 | |
| Purchase Commitments | 159,641 | 29,393 | 66,338 | 42,659 | 21,251 |
| Other Non Current Liabilities | 14,870 | 539 | 13,687 | 420 | 224 |
| Provisions | 20,753 | 382 | 14,954 | 1,826 | 3,591 |
| Total | 440,193 | 120,482 | 211,484 | 73,261 | 34,966 |

Item 6. Directors, Senior Management and Employees.**A. Directors and Senior Management.****Board of Directors.**

Under our Articles of Association, the number of our Directors cannot be less than three nor more than fifteen. At present, there are twelve Directors, including a nominee Director of Tata Steel Limited, or Tata Steel. Our Board of Directors, or the Board, has the power to appoint Managing Directors and Executive Directors.

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Our Articles of Association provide that the Board of Directors of Tata Steel, which, with its subsidiary, owns, as of March 31, 2009, 8.62% of our Ordinary shares and 8.63% of A Ordinary shares, has the right to nominate one Director (the Steel Director) to the Board. Dr. J.J. Irani is the current nominee Director of Tata Steel.

Table of Contents

In addition, our Articles of Association provide that (a) our debenture holders have the right to nominate one Director (the Debenture Director) if the trust deeds relating to outstanding debentures require the holders to nominate a Director; and (b) Financial Institutions in India, have the right to nominate two Directors, (the Financial Institutions Director) to the Board pursuant to the terms of loan agreements. Currently, there is no Debenture Director or Financial Institutions Director on the Board.

The Directors may be appointed by the Board or by a General Meeting of the shareholders. The Board may appoint any person as an additional Director, but such a Director must retire at the next Annual General Meeting unless re-elected by the shareholders after complying with the provisions of the Companies Act. A casual vacancy caused on the Board due to death or resignation of a sitting member can be filled by the Board; but such a person can remain in office only for the unexpired term of the person in whose place he was appointed. On the expiry of the term, he will retire unless re-elected by the shareholders. The Board may appoint an Alternate Director in accordance with the provisions of the Companies Act to act for a Director during his absence, which period of absence shall not be less than three months.

Under the Companies Act, 1956 at least two-thirds of the total numbers of Directors on the Board are subject to retirement by rotation, and of these Directors, one third must retire every year. The Directors to retire are those who have been the longest in office. Our Directors are not required to hold any of our shares by way of qualification shares.

As of March 31, 2009, our Directors and Executive Officers, in their sole and joint names, beneficially held an aggregate of 2,00,391 Ordinary shares (approximately 0.04% of our issued share capital) and 24,212 A Ordinary shares (approximately 0.03% of our issued share capital). In addition, some of our Directors hold as trustees for various non-affiliated trusts, an aggregate of 354,976 shares (representing approximately 0.09% of our issued share capital).

The following table provides information about our current Directors, Executive Officers and Chief Financial Officer as at June 30, 2009:

| Name | Position | Date of Birth/ Business Address ⁽¹⁾ | Year appointed as Director or Executive Officer or Chief Financial Officer | Expiration of Term | Number of Ordinary shares beneficially owned as of June 30, 2009, | Number of A Ordinary shares beneficially owned as of June 30, 2009 |
|-------------------|---|--|---|-----------------------|---|---|
| Ratan N. Tata | Chairman | Dec. 28, 1937 | 1981 | 2011 | 187346 | 21836 |
| Ravi Kant | Non-Executive | | | | | |
| | Vice-Chairman | Jun. 1, 1944 | 2000 | 2013 | NIL | NIL |
| N.A. Soonawala | Director | Jun. 27, 1935 | 1989 | 2010 | NIL | NIL |
| J.J. Irani | Director | Jun. 2, 1936 | 1993 | Non-rotational | 4815 | 1300 |
| R. Gopalakrishnan | Director | Dec. 25, 1945 | 1998 | 2011 | 3750 | NIL |
| N.N. Wadia | Director | Feb. 15, 1944 | 1998 | 2011 | NIL | NIL |
| S. M. Palia | Director | Apr. 25, 1938 | 2006 | 2012 | 300 | NIL |
| R.A. Mashelkar | Director | Jan. 1, 1943 | 2007 | 2010 | NIL | NIL |
| Nasser Munjee | Director | Nov 18, 1952 | 2008 | 2012 | NIL | NIL |
| Subodh Bhargava | Director | Mar 30, 1942 | 2008 | 2012 | NIL | NIL |
| V K Jairath | Director | Dec. 12, 1958 | 2009 | 2013 | NIL | NIL |
| P. M. Telang | Managing Director- India Operations | Jun. 21, 1947 | 2007 | Non-rotational | 3180 | 500 |
| C. Ramakrishnan | Chief Financial Officer | Jun. 27, 1955 | 2007 | | 1 000 | 576 |

- (1) The business address of each of our Directors, Executive Officers and Chief Financial Officer, other than as described immediately below, is Bombay House, 24 Homi Mody Street, Mumbai 400 001. The business address of N.N. Wadia is The Bombay Dyeing & Manufacturing Co. Ltd., Hemming Building Office, Pandurang Budhkar Marg, Prabhadevi, Mumbai 400 025, India, the business address of S. M. Palia is 16, Ruchir Bungalows, Vastrapur, Beyond Sarathi Hotel, Ahmedabad-380054, the business address of R. A. Mashelkar is Raghunath, D-4, Varsha Park, Baner, Pune 411045, India, the business address of

Table of Contents

Mr. Nasser Munjee is Benedict Villa, House No.471, Saudevado, Chorao Island, Tiswadi, Goa - 403102, India, the business address of Mr. Subhod Bhargava is Tata Communications Limited, VSB Bangla Sahib Road, New Delhi - 110001, India, the business address of Mr V K Jairath is Room Nos. 308/309 The Taj Mahal Palace & Tower, Apollo Bunder, Mumbai-400 01.

(2) Each of our Directors, Executive Officers and Chief Financial Officer beneficially owns less than 1% of our shares as of March 31, 2009.

Biographies

Set forth below is a short biography of each of our Directors, Executive Officers and Chief Financial Officer:

Mr Ratan N Tata (Chairman), Mr Tata holds a B.Sc. (Architecture) degree with structural engineering from Cornell University, USA and has completed the Advanced Management Program at Harvard Business School, USA. He joined the Tata Group in 1962. As Chairman of Tata Industries Limited since 1981, he was responsible for transforming the company into a Group strategy think-tank and a promoter of new ventures in high technology businesses. In 1991, Mr Tata was appointed Chairman of Tata Sons Limited, the holding company of the Tata Entities and currently holds the chairmanships of major Tata companies. During his tenure, the Group's revenues have grown over ten-fold to annualized Group revenues of \$70.8 billion

Mr Tata is on the Central Board of the Reserve Bank of India, a Member of the Prime Minister's Council on Trade and Industry besides being a member of various global councils. He is also the chairman of two of the largest private sector promoted philanthropic trusts in India. Mr Tata is associated with various organizations in India and abroad.

The Government of India honored Mr Tata with its second highest civilian award, the Padma Vibhushan, in 2008. Mr Tata was conferred with NDTV Automotive Man of the Year 2008 award. He has also been conferred an honorary doctorate in business administration by the Ohio State University, an honorary doctorate in technology by the Asian Institute of Technology, Bangkok, an honorary doctorate in science by the University of Warwick, and an honorary fellowship by the London School of Economics. Mr Tata has been on the Company's Board since August 14, 1981 including 14 years in an executive capacity and is actively involved with product development and other business strategies pursued by the Company. One of his achievements include designing and developing an indigenous Indian car - Indica which besides creating a record of sorts, is one of the leading products in its category in the car market. The Nano -the fuel efficient, low-cost, eco-friendly people's car envisioned by Mr Tata was commercially launched in March 2009 and deliveries have commenced in July 2009. The Company was also awarded the Wall Street Journal Technology Innovation Award for the Tata Nano, in the transportation sector.

Mr. Ravi Kant (Vice-Chairman): Mr. Ravi Kant holds a Bachelor of Technology degree from the Indian Institute of Technology, Kharagpur and a Masters in Science from the University of Aston, Birmingham, UK. Mr. Kant has wide and varied experience in the manufacturing and marketing field, particularly in the automobile industry. Prior to joining the Company, he was with Philips India Limited as director of Consumers Electronics business and prior to which with LML Limited as senior executive director (marketing) and Titan Watches Limited as vice president (sales & marketing). Mr. Kant was also employed with Kinetic Engineering Limited and Hawkins Cookers Limited. Mr. Kant has been with the Company since July 2000 as the executive director (commercial vehicle business unit) responsible for manufacturing & marketing of the Commercial Vehicle Business Unit and was appointed as the Managing Director on July 29, 2005. Mr Kant superannuated on June 1, 2009 as per the Company's Retirement Policy and the terms of his appointment. Taking into consideration, the contribution made by Mr Kant during his tenure and the critical phase through which the Company was passing, the Board decided to continue availing the benefit of Mr Kant's counsel and have appointed him as the Non-Executive Vice-Chairman on the Board of Directors of the Company with effect from June 2, 2009.

Mr. N A Soonawala: Mr. N A Soonawala is a commerce graduate from the University of Bombay and a Chartered Accountant from the Institute of Chartered Accountants of India. He has wide exposure in the field of Finance, having worked with ICICI, the World Bank and the International Finance Corporation, Washington. He joined Tata Sons Limited in 1968 and is a director of various Tata Companies and committees. Mr. Soonawala has been on the Board of the Company since May 1989.

Dr. J J Irani: Dr. Jamshed Irani obtained a B.Sc. degree from Science College, Nagpur in 1956 with a Gold Medal in Geology and a M.Sc. (Geology) degree from the Nagpur University in 1958, both with first class. He also obtained M.Met. and Ph.D. degrees from the University of Sheffield, UK, in 1960 and 1963 respectively, with a Gold Medal for the Ph.D. Thesis. In 1993, the University of Sheffield conferred upon him the honorary degree of Doctor of Metallurgy. In 1996, the Royal Academy of Engineering, London elected him as a foreign member and he is amongst the five Indians who have been bestowed with this honour. Dr. Irani was conferred honorary knighthood in 1997 by the Queen of England for his contribution towards strengthening the Indo-British Partnership. He is also on the boards of various Tata Companies and has been on the Company's Board as a Tata Steel Nominee since June 1993.

Mr. R Gopalakrishnan: Mr. Gopalakrishnan holds a Bachelor's degree in Science and a B.Tech (Electronics) degree from the IIT, Kharagpur. He is also an executive director of Tata Sons Limited and a member of the group executive office of Tata Sons Limited, besides being on the Boards of various Tata Companies. Prior to joining the Tata Group in August 1998, Mr. Gopalakrishnan was the vice chairman of Hindustan Lever Limited. Mr. Gopalakrishnan has been a non-executive Director on the Board of the Company since December 22, 1998.

Table of Contents

Mr. Nusli N Wadia: Educated in the UK, Mr. Wadia is the chairman of Bombay Dyeing & Manufacturing Company Limited and heads the Wadia Group. He is also the chairman/trustee of various charitable institutions and non-profit organizations. Mr. Wadia has been on the Company's Board since December 22, 1998.

Mr. S M Palia: Mr S M Palia, a B.Com., LLB., CAIIB and AIB (London) is a Development Banker by profession. He was with IDBI from 1964-1989 during which period he held various responsible positions including that of an executive director. He has also acted as an advisor to Industrial Bank of Yeman, Saana (North Yeman) and Industrial Bank of Sudan, Khartoum (Sudan) under World Bank Assistance programmes. He was also the managing director of Kerala Industrial and Technical Consultancy Organisation Limited, set up to provide consultancy services to micro enterprises and small and medium enterprises. Mr. Palia is on the Boards of various companies in the industrial and financial service sectors and is also actively involved as a trustee in various NGOs and Trusts. He was appointed as a Director of the Company on May 19, 2006.

Dr. R A Mashelkar: Dr. Mashelkar is an eminent chemical engineering scientist and has recently retired from the post of director general from the Council of Scientific & Industrial Research. Dr. Mashelkar is the President of Indian National Science Academy, National Innovation Foundation, Institution of Chemical Engineers, UK and Global Research Alliance, a network of 60,000 scientists from five continents and has been honoured with honorary doctorates from 26 universities, including Universities of London, Salford, Pretoria, Wisconsin and Delhi. Dr. Mashelkar has also been elected as Fellow/Associate of Royal Society, London, National Academy of Science, USA, US National Academy of Engineering, Royal Academy of Engineering, U.K. and World Academy of Art & Science, USA. Dr. Mashelkar has won over 50 awards and medals at national and international levels, including the JRD Tata Corporate Leadership Award and the Stars of Asia Award (2005). Dr. Mashelkar through leadership of various organizations/ Government Committees has propagated innovation and intellectual property rights and India's science and technology policies. He is a Padmashri (1991) and Padmabhushan (2000) winner. He was appointed as a Director of the Company on August 28, 2007.

Mr. Nasser Munjee: Mr. Munjee holds a Bachelor's degree and a Master's degree from the London School of Economics, UK. His journey in financial sector began with HDFC where he served for over 20 years at various positions including as its executive director. He was the managing director of Infrastructure Development Finance Company Limited till March 2004. Presently he is the chairman of Development Credit Bank since June 2005 and is also on the board of directors of various multinational companies and trusts. Mr. Munjee is a technical advisor on the World Bank-Public Private Partnership Infrastructure and Advisory Fund. He is also associated with several public and private institutions as chairman and member of the board or trustee. He was appointed as a Director of the Company on July 25, 2008.

Mr. Subodh Bhargava: Mr. Subodh Bhargava holds a degree in Mechanical Engineering from the University of Roorkee and retired from Eicher Group of Companies as group chairman and chief executive in March 2000. He was the past president of the confederation of Indian Industry and the Association of Indian Automobile Manufacturers and the vice president of the Tractor Manufacturers Association. He was also a member of the Insurance Tariff Advisory Committee, the Economic Development Board of the government of Rajasthan. He has held various prominent positions on various Chambers/Associations in the field of research in engineering and technology and technical and management education and is currently associated as a director of several Indian corporates, including Tata Communications Limited and Tata Steel Limited. He was appointed as a Director of the Company on July 25, 2008.

Mr V K Jairath: Mr V K Jairath holds Bachelor of Arts Degree in Public Administration and Bachelor of Laws Degree, both, from the Punjab University, Masters in Economics from the University of Manchester, U K and joined Indian Administrative Service in 1982. Mr Jairath has over 25 years of experience in public administration, rural development, poverty alleviation, infrastructure, finance, industry, urban development, environmental Management and a touch of the private sector occupying various important positions in the Government of India and the State Government of Maharashtra. He has held various positions as the Managing Director of SICOM, Secretary to the Governor of Maharashtra, Municipal Commissioner of Kolhapur, Collector of Wardha, besides being an Independent Director on the Boards of Public Sector Companies and Banks. He is currently on the Boards of Maharashtra Airport Development Company and Avantha Power and Infrastructure Limited. He was appointed as a Director of the Company w.e.f. March 31, 2009.

Mr. P M Telang: Mr. Prakash Telang holds a Bachelor's Degree in Mechanical Engineering and a MBA from IIM, Ahmedabad. Mr. Telang has over three decades of functional expertise in the automotive industry and machinery manufacturing. After spending the first three years of his career with M/s Larsen & Toubro, he joined the Tata Group through the Tata administrative service cadre. He is responsible for product development, manufacturing, sales and marketing functions of the strategic business unit of light & small commercial vehicles. Mr. Telang had been appointed as Executive Director (Commercial Vehicles) of the Company on May 18, 2007 and now has been appointed as the Managing Director - India Operations with effect from June 2, 2009.

Mr. C. Ramakrishnan (Chief Financial Officer). Mr. C. Ramakrishnan, aged 52 years, joined Tata Motors Limited in 1980. He handled corporate treasury and accounting functions as well as management accounting. After a two- year company-wide IT project responsibility covering R&D, manufacturing, sourcing and sales & service, he had worked in the Chairman's Office. Mr. Ramakrishnan holds a B.Com. degree and is a qualified Chartered Accountant and Cost Accountant. Mr. Ramakrishnan was appointed as the Chief Financial Officer of Tata Motors

with effect from September 18, 2007.

Table of Contents

There is no family relationship between any of our Directors, Executive officers or Chief Financial Officer.

Table of Contents**B. Compensation.**

The following table provides the annual compensation paid to our Directors and Executive Officers for fiscal 2009.

| Name | Position | Remuneration ² (in Rupees) |
|------------------------------|------------------------------------|---------------------------------------|
| Ratan N. Tata | Chairman | 3,45,000 |
| Ravi Kant ¹ | Non Executive Vice Chairman | 43,148,000 |
| N.A. Soonawala | Director | 3,45,000 |
| J.J. Irani | Director | 2,60,000 |
| V.R. Mehta ^{3,4} | Director | 17,85,000 |
| R. Gopalakrishnan | Director | 2,80,000 |
| N.N. Wadia | Director | 2,60,000 |
| S.M. Palia | Director | 4,05,000 |
| R A Mashelkar | Director | 3,40,000 |
| N Munjee | Director | 1,45,000 |
| S.Bhargava | Director | 1,00,000 |
| V K Jairath | Director | NIL |
| P.M.Telang ⁵ | Managing Director-India Operations | 28,604,000 |
| C. Ramakrishnan ⁶ | Chief Financial Officer | 14,178,000 |

- 1 Retired from position of Managing Director w.e.f June 1, 2009 and appointed as Vice Chairman in Non Executive capacity with effect from June 2, 2009.
- 2 Includes salary, allowance, taxable value of perquisites, commission and our contribution to provident fund and superannuation fund for Managing/Executive Directors/Chief Financial Officer and sitting fees and commission for Non-Executive Directors.
- 3 The remuneration paid to Mr. V. R. Mehta includes sitting fees and commission paid by Telco Construction Equipment Company Limited and sitting fees paid by Tata Motors Finance Ltd.
- 4 Ceased to be Director with effect from January 30, 2009.
- 5 Appointed as Managing Director - India Operations with effect from June 2, 2009.
- 6 Rounded to nearest thousands of rupees and excludes provision for encashable leave and gratuity as a separate actuarial valuation is not available.

Apart from the above, the Managing Director is also eligible to receive special retirement benefits at the discretion of the Board on their retirement, which include housing, monthly pension and medical benefits. Mr. Ravi Kant our non-executive Vice Chairman retired as Managing Director w.e.f June 1, 2009 and is paid retiring benefits as per the Company's policy.

Our Managing Director is entitled to six months' salary as severance fees upon termination of their contracts by us.

C. Board Practices.

The Board size of twelve directors is commensurate with our size and in line with the industry. The Board consists of executive, non-executive and independent directors. Appointments of new directors are considered by the full Board and our shareholders at each year's Annual General Meeting.

The roles of the Chairman and the Chief Executive Officer are distinct and separate with appropriate powers being delegated to the Managing Director to perform the day to day activities of the Company.

The Board, along with its Committees, provides leadership and guidance to our management, in particular with respect to corporate governance, business strategies and growth plans, the identification of risks and their mitigation strategies, entry into new businesses, product launches, demand fulfillment and capital expenditure requirements, and the review of our plans and targets.

The Board has delegated powers to the Committees of the Board through written/stated terms of reference and oversees the functioning operations of the Committees through various circulars/minutes circulated to it. The Board also undertakes our subsidiaries' oversight functions through review of their performance against their set targets, advises them on growth plans and, where necessary, gives strategic guidelines.

Committees.

The Audit Committee comprises the following three independent directors: Mr. V. R. Mehta, Chairman (up to January 2009), Mr. S. M. Palia, Dr. R. A. Mashelkar and Mr. N Munjee, Chairman (with effect from March 26, 2009). The scope of the Audit Committee includes:

Reviewing the quarterly financial statements before submission to the Board, focusing primarily on:

any changes in accounting policies and practices and reasons for any such change;

Table of Contents

major accounting entries involving estimates based on an exercise of judgment by Management;

qualifications in draft audit reports;

significant adjustments arising out of audits;

compliance with accounting standards;

analysis of the effects of alternative GAAP requirements on the financial statements;

compliance with listing and other legal requirements concerning financial statements;

disclosure of related party transactions;

review Reports on the Management Discussion and Analysis of financial condition Report, Results of Operations and the Directors Responsibility Statement;

overseeing our financial reporting process and the disclosure of its financial information, including any earnings press release, to ensure that the financial statements are correct, sufficient and credible; and

disclosures made under the CEO and CFO certification to the Board and investors.

Reviewing with the management, external auditor and internal auditor the adequacy of our internal control systems and recommending improvements to the management.

Reviewing, with the management, the statement of uses / application of funds raises through an issue (public issue, rights issue, preferential issue, etc.) , the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

Recommending the appointment / removal of the statutory auditor, fixing audit fees and approving non-audit, consulting services provided by the firms of statutory auditors to us and our subsidiaries; evaluating auditors performance, qualifications and independence.

Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, coverage and frequency of internal audits, appointment, removal, performance and terms of remuneration of the chief internal auditor.

Oversight of the companies external financial reporting and monitoring components of internal control over financial reporting.

Discussing with the internal auditor and senior management, significant internal audit findings and follow-up thereon.

Reviewing the findings of any internal investigation by the internal auditor into matters involving suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting any such matters to the Board.

Discussing with the external auditor before the audit commences the nature and scope of such audit, as well as conducting post-audit discussions to ascertain any area of concern.

Reviewing our financial and risk management policies.

Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.

Initiating investigations into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Reviewing the functioning of the Whistle-Blower mechanism (which is an extension of the Tata Code of Conduct).

Reviewing the financial statements and investments made by our subsidiary companies.

Look into the reasons for any substantial defaults in payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividend) and creditors, if any;

The Committee has also adopted policies for the approval of services to be rendered by our independent statutory auditor, based on a procedure for ensuring such auditor's independence and objectivity, as well as for the oversight of audit work for streamlining the audit process across our subsidiaries.

The Remuneration Committee is empowered to review the remuneration of whole-time directors, retirement benefits to be paid to them and dealing with matters pertaining to Employees' Stock Option Scheme.

We have not issued any stock options to our directors/employees. The Remuneration Committee comprises two independent and two non-executive directors, namely N.N. Wadia, Chairman, V.R. Mehta (part of the year), Ratan N. Tata, N.A. Soonawala and S.Bhargava (part of the year).

Table of Contents

The Investor Grievance Committee oversees the redressing of investors' complaints pertaining to securities transfers, interest/dividend payments, non-receipt of annual reports, issue of duplicate certificates and other miscellaneous complaints. Its scope also includes delegation of powers to the executives of the Company or the share transfer agents to process share transfers and other investor-related matters. The Investor Grievance Committee comprises R. Gopalakrishnan, S. M. Palia and Ravi Kant.

The Executive Committee of the Board is comprised of Ratan N. Tata, Chairman, Ravi Kant, Vice Chairman Non Executive Director, N. A. Soonawala, J. J. Irani, R. Gopalakrishnan, N. N. Wadia, Directors, PM Telang Managing Director-India Operations. This Committee came into effect from July 25, 2006, upon the dissolution of the Finance Committee and the Committee of the Board. The Committee reviews revenue and capital expenditure budgets, long-term business strategy, the organizational structure, raising of finance, property related issues, review and sale of investments and the allotment of securities within established limits.

The Ethics and Compliance Committee sets forth policies relating to the implementation of the Tata Code of Conduct for Prevention of Insider Trading, and takes on record the monthly reports and dealings in securities by the Specified Persons. It also implements appropriate actions in respect of violations of the Tata Code of Conduct. The Ethics and Compliance Committee comprises S.M. Palia, Chairman and R. Gopalakrishnan. Mr. C. Ramakrishnan, our Chief Financial Officer, is the Compliance Officer under the said Code.

The Nominations Committee was constituted with the objective of identifying independent directors to be inducted on the Board from time to time to refresh its constitution. The Nominations Committee comprised N. N. Wadia, Chairman, Ratan N. Tata, N. A. Soonawala and S. M. Palia.

Apart from the Committees described above, the Board of Directors also constitutes committee(s) of directors with specific terms of reference as it may deem fit.

D. Employees.

We consider our human capital as a critical factor to our success. Under the aegis of Tata Sons and the Tata Sons promoted entities, we have drawn up a comprehensive human resource strategy that addresses key aspects of human resource development such as:

Code of conduct and fair business practices.

A fair and objective performance management system linked to the performance of the businesses which identifies and differentiates high performers while offering separation avenues for non-performers.

Creation of a common pool of talented managers across Tata Sons and the Tata Sons promoted entities with a view to increasing their mobility through inter-company job rotation.

Evolution of performance based compensation packages to attract and retain talent within Tata Sons and the Tata Sons promoted entities.

Development of comprehensive training programs to impart and continuously upgrade the industry/function specific skills. In line with the Human Resource strategy, we, in turn, have recently implemented various initiatives in order to build better organizational capability that we believe will enable us to sustain competitiveness in the global market place. Our human resources focus is to attract talent, retain the better and advance the best.

Some of the initiatives to meet this objective include:

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Recruitment across the country to meet the requirements of the expansion plans.

Extensive process mapping exercise to benchmark and align the human resource processes with global best practices.

Introduction of a globally benchmarked employee engagement survey.

Succession planning through identification of second level of managers for all units, locations, functions.

Implementation of a Fast Track Selection Scheme , which is a system for identifying potential talent in the areas of general, commercial and operations management and offering them opportunities for growth within the organization. Our human resources team has been invited to replicate this system in other Tata Companies.

Our Talent Management Scheme which includes the identification of high performers and high potentials through various routes such as our Performance Management System and Development Centers. Subsequent to the identification process, we provide them with challenging assignments for faster development.

Introduction of performance rating based salary review and quality linked variable payment for supervisory category of employees.
Other initiatives include:

Extensive brand building initiatives at university campuses to increase recruiting from premium universities

Introduction of an employee self service portal and employee help desk for the benefit of employees.

Table of Contents

We employed approximately 36,364 and 49,473 (includes Jaguar Land Rover) permanent employees as of March 31, 2008 and 2009 respectively. The average number of temporary employees for the fiscal year ended March 31, 2009, was approximately 16,693.

The following table set forth a breakdown of persons employed by our business segments and by geographic location as of March 31, 2009.

| Segment | No. of Employees | Location | No. of Employees |
|----------------|-------------------------|-----------------|-------------------------|
| Automotive | 43,875 | India | 31,475 |
| Other | 5,598 | Abroad | 17,998 |
| Total | 49,473 | Total | 49,473 |

Training and Development

We are committed to building the competences of our employees and improving their performance through training and development. Our focus is on identifying gaps in our employees' competencies and preparing employees for changes in competitive environments, as well as to meet organizational challenges.

Some of the focus areas in training in the last year centered on leadership, innovation management and internationalization besides other training programmes to drive a change in our employees' outlook as we continue to develop as a global competitor. Developmental initiatives for our senior leadership were undertaken through international programs at various premier institutions around the world. The entire senior leadership was also taken through cultural sensitivity programme conducted by world renowned faculty. Certain employees have also been selected for the Fulbright fellowships for leadership in management. In addition, in order to emphasize the sharing of skills across our locations and functions extensive technical training programs were organized in Pune, Jamshedpur and Lucknow. The technical exposure was enhanced further through international training and participation at international seminars.

At Jamshedpur, Pune and Lucknow in India, we have also established training divisions that impart basic skills in various trades like milling, grinding and welding to our young apprentices. We received the National Best Training Establishment award from the Government of India for the eighth time.

Union Wage Settlements

All our regular employees in India, other than management, are members of labor unions. We have generally enjoyed cordial relations with our employees at our factories and offices.

Employee wages are paid in accordance with wage agreements that have varying terms (typically three years) at different locations. The expiration dates of the wage agreements with respect to various locations are as follows:

| Location | Wage Agreement valid until |
|-------------------|-----------------------------------|
| Pune CVBU | August 31, 2009* |
| Pune PCBU | March 31, 2010 |
| Jamshedpur | March 31, 2010 |
| Mumbai | December 31, 2009 |
| Lucknow | March 31, 2011 |
| Jaguar Land Rover | October 31, 2010 |

* Negotiations are in process.

A cordial industrial relations environment prevailed in all our manufacturing units.

The performance rating system, introduced for the first time, for the bargainable category in Mumbai and PCBU, has completed two full cycles and the feedback of the process received from all the quarters has been encouraging. Return-ability in wage settlements was built in by introducing quality linked payments based on a quality index as perceived by the customer.

Table of Contents

Operatives support in the outsourcing low value added activities and in the implementation of other reforms that impact quality, cost cutting and productivity improvements across all locations.

E. Share Ownership.

The information required by this item is set forth in Item 6.A of this annual report.

Item 7. Major Shareholders and Related Party Transactions.**A. Major Shareholders**

We are a widely held, listed company with approximately 389,541 shareholders for Ordinary Shares and 7673 shareholders for A Ordinary Shares of record. To our knowledge, as of June 30, 2009, the following persons beneficially owned 1% or more of 449,832,659 Ordinary Shares and 64,175,655 outstanding at that time:

| Ordinary Shares | | |
|--|----------------|-------------------|
| Name of Shareholder | Holding | Percentage |
| Tata Sons and subsidiaries | 136,872,752 | 30.43 |
| Citibank N.A., as Depositary(1) | 58,924,712 | 13.10 |
| Life Insurance Corporation of India Ltd. | 49802224 | 11.07 |
| Tata Steel and subsidiaries | 38,764,112 | 8.62 |
| DaimlerChrysler AG | 25,596,476 | 5.69 |

| A Ordinary Shares | | |
|------------------------------------|----------------|-------------------|
| Name of Shareholder | Holding | Percentage |
| Tata Sons and subsidiaries | 47,094,639 | 73.38 |
| IFCI Ltd | 8,196,720 | 12.77 |
| Tata Steel and subsidiaries | 5,537,729 | 8.63 |
| JM Financial Consultants Pvt. Ltd. | 1406255 | 2.19 |
| Tata Industries Ltd | 1289042 | 2.01 |

- (1) Citibank, N.A. as depositary for our ADRs, was the holder on record on June 30, 2009 of 58,924,712 shares on behalf of the beneficial owners of deposited shares.

From March 31, 2006 to March 31, 2009, the holdings of our largest shareholder, Tata Sons Limited (together with its subsidiaries), have increased from 22.11% to 36.10%, in view of them subscribing to the Rights Issue 2008 including any subscribed portion thereto. Tata Steel Ltd. (together with its subsidiaries) has substantially increased its shareholdings by subscribing to its rights entitlement in the Rights Issue 2008, but its percentage shareholding has decreased marginally from 8.68% as of March 31, 2006 to 8.62% as of March 31, 2009. Daimler Chrysler AG has kept its shareholdings steady, but its percentage shareholding has declined from 6.69% to 4.98%. Citibank N.A. as depositary for our ADRs, has increased its shareholding from 8.02% to 11.46% because of the ADR holders utilizing the headroom available under the two-way fungibility of Depositary Receipts and Ordinary Shares. Life Insurance Corporation of India Ltd. has increased its shareholding and has seen its shareholding percentage increase from 5.30% to 8.98%.

According to our register of shareholders and register of beneficial shareholders, as of July 24, 2009, there were 78 record holders of our shares with addresses in the United States, whose shareholdings represented approximately 0.03% of our outstanding Ordinary Shares on that date, excluding any of our shares held by United States residents in the form of depositary shares. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States may be fewer than the number of beneficial owners in the United States.

The total permitted holding of Foreign Institutional Investors, or FIIs, in our paid up share capital has been increased to 35% by a resolution passed by our shareholders on January 22, 2004. The holding of FIIs in us as of June 30, 2009, was approximately 7.62%. See Item 10.D Exchange Controls for further details.

None of our shares of common stock entitles the holder to any preferential voting rights.

Under the Takeover Regulations of India, any person who acquires more than 5%, 10% , 14%, 54% or 74% of our shares or who is entitled to exercise voting rights with respect to more than 5%, 10%, 14%, 54% or 74% of our shares must file a report concerning the shareholding or the voting rights with us and the stock exchanges on which our ordinary shares are traded. Please see Item 9.A The Offer and Listing Markets for information with respect to these stock exchanges. Similar disclosures would be applicable under the Insider Trading Regulations of India with respect to any person who acquires more than 5% of our shares or voting rights with respect to the shares. Any increases or decreases by 2% or more in the shareholding by such persons must also be disclosed. Furthermore, under our listing agreement with the stock exchanges where our shares are listed, we are required to periodically

Table of Contents

disclose to such stock exchanges the name and percentage of shares held by persons or entities that hold more than 1% of our Ordinary Shares. For the purposes of the above, reporting and takeover requirements under our listing agreements, shares withdrawn from our ADS facility will be included as part of a person's shareholding in us.

To our knowledge, we are not, directly or indirectly, owned or controlled by any other corporation or by any government or by any other natural or legal persons severally or jointly. We are not aware of any arrangements the operation of which may at a later time result in our change of control.

For details regarding voting rights, please refer to Item 10.B Memorandum and Articles of Association Voting Rights .

B. Related Party Transactions.

Business Relationships

We purchase materials, supplies, assets and services from numerous suppliers throughout the world in the ordinary course of business, including from our affiliates and firms with which certain members of our board of directors are interested. We purchased materials, supplies, fixed assets and services from these entities in the amount of Rs.30,703 million and Rs.29,500 million in fiscals 2009 and 2008, respectively. We also sell our products, assets and services to our affiliates and firms with which certain members of our board of directors are interested. We sold products, assets and services to these entities in the amount of Rs.3,290 million and Rs.2,320 million in fiscals 2009 and 2008, respectively. In fiscal 2008, we sold equity interest in subsidiaries (15% holding in both HVAL and HVTL) for a consideration of Rs 1,643 million and recorded a gain of Rs.1,100 million. In fiscal 2008 we sold certain finance receivables for a consideration of Rs 10,226 million and recorded a gain of Rs.924 million.

See note 42 of our audited consolidated financial statements for additional information regarding our related party transactions with our affiliates and other related parties. The foregoing do not include transactions with and among our consolidated subsidiaries, the amounts of which are eliminated upon consolidation when preparing our financial statements.

Loans

We regularly have trade accounts and other receivables payable by, and accounts payable to, our affiliates and firms with which certain members of our board of directors are interested. We had outstanding trade accounts and other receivables by these entities in the amount of Rs.1,437 million and Rs.629 million as of March 31, 2009 and 2008, respectively. We had accounts payable to these entities in the amount of Rs.3,148 million and Rs.2,134 million as of March 31, 2009 and 2008, respectively.

From time to time, we provide short to medium-term loans to our affiliates, as well as loans under a loan program established by us and our affiliates to assist executives and directors with the purchase of housing. We believe that each of these loans was entered into in the ordinary course of business. As of March 31, 2009, the total amount receivable by us in respect of outstanding related party loans was Rs. 2,937 million. We had amounts payable for medium term loans taken from our affiliates to the tune of Rs.2,850 million and Rs.Nil as at March 31, 2009 and 2008, respectively. The interest rates for these loans range from 11% to 19%.

From time to time, we also provide security deposits to the lessors of residential properties that we lease for our employees, including our Executive Directors. No extension of credit has been made, arranged or renewed by us, directly or indirectly, in the form of a personal loan to or for any of our directors or executive officers, nor has there been any material modification to any term of any such extension of credit or any renewal of any such extension of credit on or after July 30, 2002.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information. Financial Statements.

The information required by this item is set forth beginning on page F-1 of this annual report.

Legal or Arbitration Proceedings.

The information on legal or arbitration proceedings required by this item is set forth in Item 4.B of this annual report.

Dividend Policy.

Based on the net income available for appropriation, dividends are recommended by the Board of Directors for approval by the shareholders at our Annual General Meeting. Further, the Board of Directors may also pay an interim dividend at its discretion. Since fiscal year 1956, we have had an uninterrupted dividend distribution except for the fiscal years 2001 and 2002. We returned to dividend distribution in fiscal 2003. In view of our profitable performance, we declared dividends (excluding dividend tax) totaling Rs5,781 million and Rs.5,784 million for fiscal 2008 and 2009 to the shareholders.

Table of Contents

B. Significant Changes.

Other than as set forth in this annual report, no significant change has occurred with respect to us since the date of our audited consolidated IFRS financial statements included elsewhere in this annual report.

Item 9. The Offer and Listing

A. Offer and Listing Details.

There has been no SEC-registered offering of our shares in the United States.

The details on our share and ADS price history are included in Item 9.C Markets below.

B. Plan of Distribution.

Not applicable.

Table of Contents**C. Markets.**

Our ADSs have been listed on the New York Stock Exchange or NYSE, since September 27, 2004. Each ADS represents one ordinary share. Our shares are listed on The Bombay Stock Exchange Limited, which is also referred to as the Bombay Stock Exchange, Mumbai or the BSE, and the National Stock Exchange of India, or NSE. The following table shows closing price and trading volume data for our ordinary shares on the NSE and BSE and for our ADSs on the NYSE:

| | NSE | | | BSE | | | NYSE | | |
|----------------|-------------------------|------------|---------------------------|-------------------------|------------|---------------------------|-----------------------|------------|---------------------------|
| | Closing Price per Share | | Avg. Daily Trading Volume | Closing Price per Share | | Avg. Daily Trading Volume | Closing Price per ADS | | Avg. Daily Trading Volume |
| | Period High | Period Low | | Period High | Period Low | | Period High | Period Low | |
| | (Rs. Per Share) | | (in 000) | (Rs. Per Share) | | (in 000) | (\$ Per ADS) | | (in 000) |
| Fiscal | | | | | | | | | |
| 2009 | 691.55 | 126.20 | 1734.36 | 690.45 | 126.45 | 318.40 | 17.15 | 3.14 | 412.22 |
| 2008 | 830.55 | 609.4 | 1311.0 | 778.15 | 623.45 | 274.54 | 20.85 | 14.98 | 515.74 |
| 2007 | 986.25 | 659.2 | 1590.12 | 985.35 | 658.05 | 435.96 | 22.1 | 14.27 | 417.14 |
| 2006 | 941.35 | 406.4 | 2003.55 | 939.00 | 406.2 | 659.20 | 21.5 | 9.3 | 282.99 |
| 2005 | 525.2 | 366.7 | 3837.70 | 524.8 | 366.6 | 1604.90 | 12.1 | 8.7 | 237.92 |
| Fiscal | | | | | | | | | |
| 2010 | | | | | | | | | |
| 1st Quarter | 389.20 | 180.00 | 5552.20 | 389.05 | 179.85 | 1404.08 | 10.58 | 5.36 | 515.26 |
| 2nd Quarter | 614.85 | 262.65 | 6184.83 | 614.50 | 262.05 | 1600.82 | 13.16 | 7.64 | 454.06 |
| Fiscal | | | | | | | | | |
| 2009 | | | | | | | | | |
| 1st Quarter | 691.55 | 426.05 | 796.30 | 690.45 | 426.50 | 150.67 | 17.15 | 9.97 | 400.06 |
| 2nd Quarter | 447.95 | 343.90 | 821.47 | 447.20 | 344.20 | 209.73 | 10.75 | 7.29 | 531.32 |
| 3rd Quarter | 339.65 | 126.20 | 2243.90 | 339.25 | 126.45 | 500.17 | 7.41 | 3.64 | 394.67 |
| 4th Quarter | 188.90 | 130.80 | 3184.92 | 188.80 | 131.50 | 419.94 | 5.33 | 3.14 | 313.01 |
| 2008 | | | | | | | | | |
| 1st Quarter | 766.6 | 641.2 | 1615.1 | 766.9 | 641.35 | 362.3 | 19.09 | 15.94 | 630.40 |
| 2nd Quarter | 776.9 | 619.5 | 1432.2 | 778.15 | 618.95 | 382.2 | 19.14 | 15.56 | 511.89 |
| 3rd Quarter | 830.5 | 684.3 | 1105.6 | 830.4 | 684.95 | 684.9 | 20.85 | 16.75 | 449.09 |
| 4th Quarter | 793.5 | 609.4 | 1090.4 | 794.25 | 606.35 | 606.3 | 19.95 | 14.98 | 482.94 |
| 2007 | | | | | | | | | |
| 1st Quarter | 986.25 | 660.45 | 1981.12 | 985.35 | 659.9 | 620.93 | 21.96 | 14.91 | 538.69 |
| 2nd Quarter | 899.5 | 659.2 | 1600.88 | 898 | 658.05 | 473.04 | 19.5 | 14.27 | 308.81 |
| 3rd Quarter | 912.2 | 802.1 | 1349.76 | 911.75 | 802.2 | 353.57 | 20.83 | 17.92 | 307.75 |
| 4th Quarter | 964.75 | 716.45 | 1416.47 | 964.55 | 715.1 | 298.32 | 22.1 | 16.21 | 516.57 |
| Month | | | | | | | | | |
| September 2009 | 614.85 | 508.30 | 5719.64 | 614.50 | 508.20 | 1473.70 | 13.16 | 11.47 | 394.85 |
| August 2009 | 499.70 | 414.70 | 7486.40 | 498.65 | 400.95 | 1964.83 | 12.10 | 10.65 | 483.22 |
| July 2009 | 414.35 | 262.65 | 5399.85 | 421.55 | 262.05 | 1278.99 | 10.55 | 7.64 | 482.74 |
| June 2009 | 389.20 | 313.90 | 4550.46 | 389.05 | 324.25 | 1231.75 | 10.58 | 8.52 | 492.84 |
| May 2009 | 363.25 | 243.80 | 4780.97 | 363.90 | 256.90 | 1074.69 | 10.11 | 7.17 | 553.01 |
| April 2009 | 281.50 | 180.00 | 7814.81 | 281.20 | 179.85 | 2024.73 | 7.72 | 5.36 | 502.75 |

On October 06, 2009, the reported closing price of our shares on the BSE and the NSE was Rs.558.35 per share and Rs.558 per share, respectively. On October 06, 2009, the ADS closing price on the NYSE was \$12.81 per ADS.

Table of Contents

D. Selling shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the issue.

Not applicable.

Additional Information.

A. Share Capital

Our Authorized Share Capital is Rs.39,000,000,000 divided into 700,000,000 Ordinary Shares of Rs.10/- each, 200,000,000 A Ordinary Shares of Rs.10/- each (The Ordinary Shares and the A Ordinary Shares are hereinafter together referred to as Ordinary Shares or shares unless otherwise specifically mentioned to the contrary) and 300,000,000 Convertible Cumulative Preference Shares of Rs.100/- each.

Under the Companies Act, as well as our Articles of Association, if our share capital is divided into different classes of shares, all or any of the rights or privileges attached to each class of shares may be varied, modified or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class. Our Articles of Association further provide that the rights conferred upon the holders of the shares of any class issued with preferential or other rights shall not, unless otherwise expressly prohibited by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* thereto.

In accordance with the Articles and under the Companies Act, we may issue Ordinary Shares with differential rights as to voting and/or dividend (A Ordinary Shares) up to an amount not exceeding 25% of the total issued Ordinary Share Capital of the Company or such other limit as may be prescribed by applicable laws/regulations.

B. Memorandum and Articles of Association

Objects and Purposes

Our principal objects, as provided by Clause 3 of our Memorandum of Association, include:

manufacturing, marketing, import, export, hiring and letting on hire of commercial vehicles, automobile cars, two wheeler vehicles, heavy and construction equipment including components, accessories and spare parts in relation thereto;

to carry on the business as manufacturers and dealers of machinery articles and goods of all classes;

to carry on the business of manufacturing materials which may be usefully combined with our manufacturing and engineering business; and

to carry on the business of financing and re-financing of all types of vehicles, construction equipment, capital equipment and services by way of credit, hire purchases, leases and loans.

Directors

Under the Companies Act, as well as our Articles of Association, each of our Directors, who is in any way directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on our behalf is required to disclose the nature of his interest at a meeting of the first meeting of the Board held after the Director becomes concerned. Under the Companies Act, as well as the Articles of Association, an interested Director is not allowed to take part in the discussion of, or vote on, any contract, arrangement or proposal in which the Director is interested.

Under the Companies Act and our Articles of Association, we are restricted from making loans to Directors and the prior approval of the Central Government is required before we can make any loans, directly or indirectly, to any Director or provide, directly or indirectly, any guarantees or security in connection with any loan made by a third party to a Director.

Under our Articles of Association, a director is not required to hold any qualification shares. Our Articles of Association do not prescribe an age limit for the retirement of the Directors. As per the policy adopted by our Board, executive directors retire at the age of 65 and non-executive directors retire at the age of 75.

Under our Articles of Association, the number of our Directors cannot be less than three nor more than fifteen.

Table of Contents

Dividends

Under the Companies Act, unless the Board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Companies Act, no dividend can be declared or paid by a company for any fiscal year except out of the profits of the company calculated in accordance with the provisions of the Companies Act or out of the profits of the company for any previous fiscal year(s) calculated pursuant to the provisions of the Companies Act.

Under our Articles of Association, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as on the record date for which such dividend is payable. In addition, the Board may declare and pay interim dividends. The shares to be issued upon the conversion of the ADSs will be fully paid-up when delivered as provided herein. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the record date or book closure date. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of their shares is outstanding.

Shares issued upon conversion of ADSs will rank *pari passu* with our existing Ordinary Shares of Rs. 10/- each in all respects including entitlement of the dividend declared.

Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by us to the Investor Education and Protection Fund established by the Government pursuant to which no claim shall lie against us or the said Fund.

Under the Companies Act, we may only pay a dividend in excess of 10% of paid-up capital in respect of any year out of the profits of that year after we have transferred to our reserves a percentage of our non consolidated Indian GAAP profits for that year ranging between 2.5% to 10% depending on the rate of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of the non consolidated Indian GAAP accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital; (ii) the total amount to be drawn from the accumulated profits from previous years may not exceed an amount equivalent to 10% of paid-up capital and free reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital.

A Ordinary shareholders will receive dividend for any financial year at five percentage points more than the aggregate rate of dividend declared on Ordinary Shares for that financial year.

Capitalization of Reserves and Issue of Bonus Shares

Our Articles of Association permit us by a resolution of our shareholders in a general meeting to resolve that amounts standing to the credit of reserves or securities premium can be capitalized by the issue of fully paid bonus shares (also referred to as a stock dividend) or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings. Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard.

Calls on Shares, Pre-Emptive Rights and Alteration of Share Capital

Under the Companies Act, as well as our Articles of Association, the Board of Directors may from time to time make such calls as they think fit upon the members of the Company in respect of all moneys unpaid on the shares held by them respectively and each member is required to pay the amount of every call so made on him to the Company.

Subject to the provisions of the Companies Act, we may increase our share capital by issuing new shares on such terms and with such rights as we, by action of shareholders in a general meeting, determine. These new shares will be offered to existing shareholders listed on the members register on the record date in proportion to the amount paid-up on these shares at that date. The offer will be made by notice specifying the number of shares offered and the date (being not less than 15 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After this date, the Board may dispose of the shares offered in respect of which no acceptance has been received, in such manner as the Board thinks most beneficial to us. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to such person in favor of any other person provided that the person in whose favor these shares have been renounced is

approved by the Board in their absolute discretion.

Under the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of the company in a general meeting. The issuance of shares upon

conversion of our outstanding Convertible Notes has been duly approved by a special resolution of our shareholders and our shareholders have waived their pre-emptive rights with respect to these shares.

Table of Contents

The Company can also alter its share capital by way of a reduction of capital or by undertaking a buy-back of shares under the prescribed SEBI guidelines.

Our Articles of Association provide that, by a special resolution passed at the general meeting, we may consolidate or sub-divide our share capital, convert all or any of our fully paid-up shares into stock and re-convert that stock into fully paid-up shares or cancel shares which have not been taken up by any person. The Company may also from time to time by special resolution reduce its capital.

General Meetings of Shareholders

We must hold our Annual General Meeting each year within 15 months of the previous Annual General Meeting and in any event not later than six months after the end of each accounting year, unless extended by the Registrar of Companies at our request for any special reason. Our Board of Directors may convene an Extraordinary General Meeting of shareholders when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than 10% of our capital. Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received from all shareholders in the case of an Annual General Meeting, and from shareholders holding not less than 95% of our paid-up capital in the case of any other general meeting. Currently, we give written notices to all members and, in addition, give public notice of general meetings of shareholders in a daily newspaper of general circulation in Mumbai. General meetings are generally held at some place in Mumbai. The quorum for a general meeting of the company is five shareholders personally present.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum, buy back of shares under the Companies Act, giving loans or extending guarantee in excess of limits prescribed under the Companies Act, and guidelines issued thereunder, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot voting also allows shareholders to cast their votes by electronic means.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion as the capital paid-up on each share held by such holder bears to the total paid-up capital. Voting is by show of hands, unless a poll is ordered by the Chairman of the meeting or demanded by shareholder or shareholders holding at least 10% of the voting rights in respect of the resolution or by those holding paid-up capital of at least Rs.50,000. The Chairman of the meeting has a casting vote.

Holders of ADSs may exercise voting rights with respect to the Ordinary Shares represented by ADSs only in accordance with the provisions of our ADS deposit agreement and Indian law. Holders of ADSs are not entitled to attend or vote at shareholders meetings. A holder of ADSs may withdraw from the ADS facility the related underlying shares and vote as a direct shareholder, but there may not be sufficient time to do so after the announcement of an upcoming vote. If requested by us, the depository will notify holders of ADSs of upcoming votes and arrange to deliver our voting materials to holders of ADSs. The materials will describe the matters to be voted on and explain how holders of ADSs on a record date specified by the depository may instruct the depository to vote on the deposited securities underlying the ADSs as directed by the holders of ADSs. For the instructions to be valid, the depository must receive them in writing on or before a date specified by the depository. The depository will try, insofar as practicable, subject to Indian laws and the provisions of our Articles of Association, to vote or have its agents vote the deposited securities as instructed. The depository will only vote as instructed and is not entitled to exercise any voting discretion. If the depository timely receives voting instructions from a holder of ADSs and which fails to specify the manner in which the depository is to vote the shares underlying such holder's ADSs, such holder will be deemed to have instructed the depository to vote in favor of the items set forth in such voting instructions. If the depository does not receive timely instructions from a holder of ADSs, the holder shall be deemed to have instructed the depository to give a discretionary proxy to a person designated by us, subject to the conditions set forth in the deposit agreement. If requested by us, the depository is required to represent all shares underlying the outstanding ADSs, regardless whether timely instructions have been received from the holders of such ADSs, for the sole purpose of establishing a quorum at a meeting of shareholders.

Ordinary resolutions may be passed by simple majority of those shareholders present and voting at the meeting. Special resolutions require that the votes cast in favor of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that in order to amend the Articles of Association, a special resolution is required to be passed in a general meeting. Dissolutions, mergers or consolidations, transfers of the whole or a significant part of our business to another company or taking over the whole of the business of any other company and, in any case where shareholding of public financial institutions and banks exceeds 25%, appointment of statutory auditors, each require a special resolution. Our Articles of Association do not permit cumulative voting for the election of our directors.

Table of Contents

A shareholder may exercise his voting rights by proxy to be given in the form required by our Articles of Association. The instrument appointing a proxy is required to be lodged with the company at least 48 hours before the time of the meeting. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any of our shareholders may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorized representative who can vote in all respects as if a shareholder both on a show of hands and a poll.

The Companies Act allows for a company to issue shares with differential rights as to dividend, voting or otherwise subject to other conditions prescribed under applicable law. In this regard, the laws require that for a company to issue shares with differential voting rights the company must have had distributable profits in terms of the Companies Act for a period of three financial years, the company has not defaulted in filing annual accounts and annual returns for the immediately preceding three years, the articles of association of such company must allow for the issuance of such shares with differential voting rights and such other conditions set forth in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001 must be fulfilled.

In the case where a resolution is put to vote on a poll, such voting entitlement (excluding fractions, if any), will be applicable to holders of A Ordinary Shares. As per the terms of issue, the outstanding A Ordinary Shares shall be entitled to one vote for every ten A Ordinary Shares held.

In the case where a resolution is put to vote in the meeting and is to be decided on a show of hands, the holders of A Ordinary Shares shall be entitled to the same number of votes as available to holders of Ordinary Shares.

Convertible Securities/Warrants

We may issue from time to time debt instruments that are partly and fully convertible into shares and/or warrants to purchase shares.

Register of Shareholders and Record Dates

We are obliged to maintain a register of shareholders at our registered office in Mumbai or at some other place in the same city. The register and index of our beneficial owners maintained by a depository under the Depositories Act, 1996 is deemed to be a part of the index of members and register of shareholders. We recognize as shareholders only those persons who appear on our register of shareholders and we cannot recognize any person holding any Share or part of it upon any trust, express, implied or constructive, except as permitted by law. In the case of shares held in physical form, we register transfers of shares on the register of shareholders upon lodgment of the share transfer form duly complete in all respects accompanied by a share certificate or if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, we enter the name of the depository in our records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares that are held by the depository.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time. In order to determine the shareholders entitled to dividends, we keep the register of shareholders closed for approximately 21 days, generally in June or July of each year. Under the listing regulations of the stock exchanges on which our outstanding shares are listed, we may, upon at least 15 days advance notice to these stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders entitled to the dividend. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Table of Contents

Annual Report and Financial Results

Our Indian GAAP audited financial statements for the relevant fiscal year, the directors' report and the auditors' report, (collectively the Annual Report), must be laid before the Annual General Meeting. These also include other financial information, a corporate governance section and management's discussion and analysis report and general shareholders' information and are also made available for inspection at our registered office during normal working hours for 21 days prior to our annual general meeting.

Under the Companies Act, we must file the Annual Report with the Registrar of Companies within seven months from the close of the accounting year or within 30 days from the date of the annual general meeting, whichever is earlier. As required under listing agreements with the applicable stock exchanges, copies are required to be simultaneously sent to all the stock exchanges on which our shares are listed. We must also publish our financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where our registered office is situated.

We submit information, including our Annual Report, half yearly financial statements, report on corporate governance and the shareholding pattern statement, in accordance with the requirements of the listing agreement with the Singapore Stock Exchange.

Transfer of Shares

Shares held through depositories are transferred in book-entry form or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. We have entered into an agreement for these depository services with National Securities Depository Limited and the Central Depository Services (India) Limited.

The SEBI requires that all investors hold our shares in book-entry form for trading and settlement purposes, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

The requirement to hold shares in book-entry form will apply to ADS holders when the shares are withdrawn from the depository facility upon surrender of the ADSs. In order to trade in our shares in the Indian market, the withdrawing ADS holder will be required to comply with the procedures above.

Our ordinary shares are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it or any other law for the time being in force or the Sick Industrial Companies (Special Provisions) Act, 1985, or SICA, or any other similar law, the Indian Company Law Board may, on an application made by the company, a depository incorporated in India, an investor, the SEBI or other parties, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date on which the instrument of transfer is delivered to the company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of equity shares. The Indian Company Law Board may in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act, 2002, the operative provisions of which are yet to come into force, the Indian Company Law Board is proposed to be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal.

Pursuant to the Listing Agreement, in the event we have not effected the transfer of shares within one month or where the Issuer has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Issuer is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay.

The Companies Act provides that the shares or debentures of the public listed company (like the Issuer) shall be freely transferable. Our Articles of Association provide for restrictions on the transfer of shares, including granting power to the board of directors in certain circumstances to refuse to register or acknowledge transfer of shares or other securities issued by us. However, under the Companies Act the enforceability of these transfer restrictions is unclear.

Table of Contents

Acquisition of Our Own Shares

The Company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders voting on the matter in accordance with the Companies Act, 1956 and is also sanctioned by a High Court of competent jurisdiction. Moreover, subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company or its holding company. However, pursuant to amendments to the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to the following conditions:

- (i) the buy back should be authorized by the Articles of Association;
- (ii) a special resolution has been passed at our general meeting authorizing the buy back;
- (iii) the buy back is limited to 25% of the total paid up capital and free reserves;
- (iv) the debt owed by us (including all amounts of unsecured and secured debt) is not more than twice the capital and free reserves after the buy back; and
- (v) the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998.

The condition mentioned above in (ii) would not be applicable if the buy-back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that this buy-back has been authorized by the board of directors of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy-back any securities for a period of one year from the buy-back and to issue securities for six months. The aforesaid restriction relating to the one year period does not apply to a buyback authorized by a special resolution of the shareholders in general meeting. Every buy-back has to be completed within a period of one year from the date of passing of the special resolution or resolution of the Board, as the case may be.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company (other than a purchase of shares in accordance with a scheme for the purchase of shares by trustees of or for shares to be held by or for the benefit of employees of the company) or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with other provisions of the Companies Act.

Liquidation Rights

Subject to the rights of creditors, workmen and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of our winding up, the holders of our shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on these shares, or in case of shortfall, proportionately. All surplus assets after payments due to workmen, the holders of any preference shares and other creditors belong to the holders of the equity shares in proportion to the amount paid up or credited as paid-up on these shares respectively at the commencement of the winding-up.

C. Material Contracts.

Except as given below, neither Tata Motors Limited nor any of its consolidated subsidiaries or associated companies is a party to any material contract other than contracts entered into in the ordinary course of business:

the Tata Brand Equity and Business Promotion Agreement incorporated by reference into this annual report as Exhibit 4.1, which is described in Item 4.C of this annual report;

the agreement entered into by us with Mr. P.M. Telang for his appointment as Managing Director, which is included as Exhibit 4.2 in this annual report; and

the agreement for the sale and purchase of Jaguar and Land Rover, which is incorporated by reference in this annual report as Exhibit 4.3.

Table of Contents

D. Exchange Controls.

General

Prior to June 1, 2000, foreign investment in Indian securities, including the acquisition, sale and transfer of securities of Indian companies, was regulated by the Foreign Exchange Regulation Act, 1973, or FERA, and the notifications issued by the Reserve Bank of India or RBI thereunder.

With effect from June 1, 2000, foreign investment in Indian securities is regulated by the Foreign Exchange Management Act 1999, or FEMA (as amended from time to time), and the rules, regulations and notifications made under FEMA. A person resident outside India can transfer any security of an Indian company or any other security to an Indian resident only under the terms and conditions specified in FEMA and the rules and regulations made thereunder or as permitted by the RBI.

The RBI issued the Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations 2000, or the Regulations, to regulate the issue of Indian securities including American depository receipts to persons resident outside India and the transfer of Indian securities by or to persons resident outside India.

The Regulations provide that an Indian entity may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only in the manner set forth in FEMA and the rules and regulations made thereunder or as permitted by the RBI.

Foreign Direct Investment

The Government of India, pursuant to its liberalization policy, set up the Foreign Investment Promotion Board, or the FIPB, to regulate all foreign direct investment into India. Foreign Direct Investment, means investment by way of subscription and/or purchase of securities of an Indian company by a non resident investor. FIPB approval is required for investment in some sectors, including housing, petroleum (other than refining), defense and strategic industries. Also, the following investments would require the prior permission of the FIPB:

investments, including a transfer of shares, in excess of specified sectoral caps;

investments by a foreign investor who has an existing joint venture or technology transfer/trade mark agreement in the same field as at January 12, 2005. However, prior FIPB approval will not be required in case of investment made by a venture capital fund registered with SEBI or where the investment in the existing joint venture is less than 3.0 per cent. or where the existing joint venture is defunct or sick;

investments by an unincorporated entity;

investment in industries for which industrial licensing is compulsory; and

all proposals relating to acquisition of shares of an Indian company by a foreign investor (including individuals of Indian nationality or origin residing outside India (a Non-Resident Indian), the activities of which company are not under the automatic route under existing Indian foreign investment policy or where the Indian company is engaged in the financial services sector or where the acquisition of shares attracts the provisions of the Takeover Code. However, pursuant to a recent Press Note issued by the Government of India, the prior permission of the FIPB would not be required for the transfer of shares from residents to non-residents in the financial services sector or, in transactions subject to the Indian Takeover Code in cases where approvals are required from the RBI, under the Takeover Code, or the Insurance Regulatory and Development Authority.

Subject to certain exceptions, Foreign Direct Investment and investment by individuals of Indian nationality or origin residing outside India, or Non-Resident Indians, in Indian companies does not require the prior approval of the FIPB or the RBI. The Government has indicated that in all cases where Foreign Direct Investment is allowed on an automatic basis without FIPB approval the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is

required, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies.

The Government has set up the Foreign Investment Implementation Authority, or the FIIA in the Ministry of Commerce and Industry. The FIIA has been mandated to (i) translate foreign direct investment approvals into implementation, (ii) provide a proactive one-stop after-care service to foreign investors by helping them obtain necessary approvals, (iii) sort out operational problems and (iv) meet with various Government agencies to find solutions to foreign investment problems and maximize opportunities through a co-operative approach.

Pricing

The price of shares of a listed Indian company issued to non-residents under the foreign direct investment scheme on an automatic basis cannot be less than the price worked out in accordance with the guidelines issued by the SEBI for the preferential

Table of Contents

allotment of shares where the shares of such company are listed. Where an Indian company is not listed on any recognized stock exchange in India the minimum issue price of the shares would be based on a fair valuation of shares done by a chartered accountant as per the guidelines issued by the erstwhile Controller of Capital Issues.

Every Indian company issuing shares or convertible debentures in accordance with the Regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser. The above description applies only to an initial issue of shares or convertible debentures by an Indian company.

The above description applies only to a fresh issue of shares or convertible debentures by an Indian company.

Portfolio Investment by Foreign Institutional Investors

In September 1992, the Government issued guidelines that enable foreign institutional investors, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers referred to as Foreign Institutional Investors, or FIIs, to make portfolio investments in all securities of listed and unlisted companies in India. Investments by registered Foreign Institutional Investors or Non-Resident Indians made through a stock exchange are known as Portfolio Investments. Foreign investors wishing to invest and trade in Indian securities in India under these guidelines are required to register with the SEBI and obtain a general permission from the RBI under the Foreign Exchange Management Act, 1999. However, since the SEBI provides a single window clearance, a single application must be made to the SEBI. Foreign investors are not necessarily required to register with the SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 (the Foreign Institutional Investor Regulations) as Foreign Institutional Investors and may invest in securities of Indian companies pursuant to the Foreign Direct Investment route discussed above.

Foreign Institutional Investors who are registered with the SEBI are required to comply with the provisions of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, or Foreign Institutional Investor Regulations. A registered foreign institutional investor may buy, subject to the ownership restrictions discussed below, and sell freely securities issued by any Indian company, realize capital gains on investments made through the initial amount invested in India, subscribe to or renounce rights offerings for shares, appoint a domestic custodian for custody of investments made and repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights offerings of shares. A Foreign Institutional Investor may not hold more than 10% of the total issued capital of a company in its own name; a corporate/individual sub-account of the Foreign Institutional Investor may not hold more than 5% of the total issued capital of a company, and a broad based sub-account may not hold more than 10% of the total issued capital of a company. The total holding of all Foreign Institutional Investors in a company is subject to a cap of 24% of the total paid up capital of a company, which can be increased to the relevant sectoral cap/ceiling applicable to the said company under the Foreign Direct Investment Regime with the passing of a special resolution by the shareholders of the company in a general meeting.

FIIs are permitted to purchase shares and convertible debentures, subject to the FII limits, of an Indian company either through:

a public offer, where the price of the shares to be issued is not less than the price at which the shares are issued to Indian residents, or

a private placement, where the price of the shares to be issued is not less than the price according to the terms of the relevant guidelines or the guidelines issued by the former Controller of Capital Issues.

Registered FIIs are generally subject to tax under Section 115AD of the Income Tax Act of 1961. There is uncertainty under Indian law as to the tax regime applicable to FIIs that hold and trade in ADSs and Shares. See Item 10.E Taxation Taxation of Capital Gains and Losses Indian Taxation .

Portfolio Investment by Non-Resident Indians

A variety of methods for investing in shares of Indian companies are available to Non-Resident Indians. These methods allow Non-Resident Indians to make Portfolio Investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. In addition to Portfolio Investments in Indian companies, non-resident Indians may also make foreign direct investments in Indian companies pursuant to the Foreign Direct Investment route discussed above.

Transfer of shares and convertible debentures of an Indian company by a person resident outside India

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The sale of shares of an Indian company from a non-resident to a resident required RBI approval, unless the sale was made on a stock exchange at the market price. The Government has granted general permission to persons residing outside India to transfer shares and convertible debentures held by them to an Indian resident, subject to compliance with certain terms and conditions and reporting requirements. A resident who wishes to purchase shares from a non-resident must, pursuant to the relevant notice requirements, file a declaration with an authorised dealer in the prescribed Form FC-TRS, together with the relevant documents and file an acknowledgment thereof with the Indian company to effect transfer of the shares to his name. However, in such cases, the

person to whom the shares are being transferred is required to obtain the prior permission of the Central Government of India to acquire the shares if such person has an existing venture in the same field as at January 12, 2005 (subject to the exceptions set out above). Further, a non-resident may transfer any security held by such resident to a person resident in India by way of gift.

Table of Contents

Moreover, the transfer of shares between an Indian resident and a non-resident (except NRI) does not require the prior approval of the Government or RBI, provided that: (i) the activities of the investee company are under the automatic route pursuant to FDI Policy and the transfer is not subject to regulations under the Indian Takeover Code; (ii) the non-resident shareholding complies with sector limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by SEBI and RBI.

Indirect Foreign Investment

In February 2009, the Indian Government issued three press notes setting out guidelines for foreign investment in India. Press Note 2 of 2009 prescribes the guidelines for the calculation of total indirect foreign investment in Indian companies. Press Note 3 of 2009 prescribes the guidelines for transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities. Additionally, Press Note 4 of 2009 issued on 25 February 2009 clarifies the guidelines on downstream investments by Indian companies. Pursuant to Press Note 2 of 2009 for the purposes of computation of indirect foreign investment in an Indian company, foreign investments in its parent company, by FIIs (holding as on 31 March), NRIs, ADRs, GDRs, FCCBs, FDI, convertible preference shares and convertible currency debentures are required to be taken together.

Sponsored ADR Schemes

By notification dated November 23, 2002, the RBI has permitted existing shareholders of Indian companies to sell their shares through the issuance of ADRs against the block of existing shares of the Indian company, subject to the following conditions:

The facility to sell the shares would be available *pari passu* to all categories of shareholders.

The sponsoring company whose shareholders propose to divest existing shares in the overseas market through issue of ADRs will give an option to all its shareholders indicating the number of shares to be divested and the mechanism how the price will be determined under the ADR norms. If the shares offered for divestment are more than the pre-specified number to be divested, shares would be accepted from the existing shareholders in proportion to their existing shareholdings.

The proposal for divestment of the shares would have to be approved by a special resolution of the Indian company.

The proceeds of the ADR issue raised abroad shall be repatriated into India within a period of one month from the closure of the issue. However, the proceeds of the ADR issue can also be retained abroad to meet the future foreign exchange requirements of the company and by a recent notification this facility has been extended indefinitely until further notice.

The issue related expenses in relation to public issue of ADRs under this scheme would be subject to a ceiling of 4% of the issue size in the case of public issues and 2% of the issue size in the case of private placements. The issue related expenses would include underwriting commissions, lead managers charges, legal expenses and reimbursable expenses. The issue expenses shall be passed on to the shareholders participating in the sponsored issue on a *pro rata* basis.

Transfer of ADRs by Non-residents

The Ministry of Finance, Government of India, has granted general permission for the transfer of ADRs outside India and also permitted non-resident holders of ADRs to surrender ADRs in exchange for the underlying shares. Pursuant to the terms of the Deposit Agreement an investor who surrenders ADRs and withdraws shares is permitted to re-deposit such shares subject to the total issued ADRs and obtain ADRs at a later time.

Fungibility of ADRs/GDRs

In March 2001, the RBI permitted the re-conversion of shares of Indian Companies into ADRs/GDRs, subject to the following conditions:

the Indian company has issued ADRs/GDRs;

the shares of the Indian company are purchased by a registered stock broker in India in the name of the Depository, on behalf of the non-resident investor who wishes to convert such shares into ADRs/GDRs;

shares are purchased on a recognized stock exchange;

the shares are purchased with the permission of the custodian of the ADRs/GDRs of the Indian company and are deposited with the custodian;

the issuer company has authorized the custodian to accept shares from non-resident investors for re-issuance of ADRs/GDRs;

the number of shares so purchased do not exceed the ADRs/GDRs converted into underlying shares, and are in compliance with the sectoral caps applicable under the Foreign Direct Investment regime; and

Table of Contents

the non-resident investor, broker, custodian and the overseas depository comply with the provisions of the Depository Receipt Mechanism and the guidelines issued thereunder from time to time.

Also the RBI has prescribed that the domestic custodians are the entity required to ensure compliance with the RBI guidelines and to file reports with the RBI from time to time. The domestic custodian is also required to perform the following functions:

provide a certificate to the RBI and the SEBI stating that the sectoral caps for foreign investment in the relevant company have not been breached;

monitor the total number of ADRs/GDRs that have been converted into underlying shares by non-resident investors;

liaise with the issuer company to ensure that the foreign investment restrictions, if any, are not being breached; and

file a monthly report about the ADRs/GDRs transactions under the two-way fungibility arrangement with the RBI and the SEBI.

E. Taxation

This section describes the material U.S. federal income tax consequences to U.S. holders (as defined below) and the Indian stamp duty and income and service tax consequences to non-residents (as defined below) of owning shares or ADSs. It applies to you only if you hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

a dealer in securities,

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,

a person that actually or constructively owns 10% or more of our voting stock,

a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction, or

a U.S. holder (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and the laws of India, all as currently in effect, as well as on the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with

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Respect to Taxes on Income (the Treaty). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depository and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

With regard to United States tax, the following discussion addresses only the material U.S. federal income tax consequences for persons that are U.S. holders . You are a U.S. holder if you are a beneficial owner of shares or ADSs and you are, for U.S. federal income tax purposes:

a citizen or resident of the United States,

a domestic corporation,

an estate whose income is subject to U.S. federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

With regard to Indian tax, the following discussion addresses only the tax consequences for persons that are non-residents of India, as defined in the Indian Income Tax Act of 1961 (the Income Tax Act), and is based on the provisions of Section 115AC and other applicable provisions of the Income Tax Act and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 promulgated by the Government of India (together, the Section 115AC Regime).

Table of Contents

If a partnership holds shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. If you hold shares or ADSs as a partner in a partnership, you should consult your tax advisor with regard to the U.S. federal income tax treatment of an investment in our shares or ADSs.

This discussion addresses only U.S. federal income taxation and Indian stamp duty and income and service taxation.

In general, and taking into account the earlier assumptions, for U.S. federal income and Indian tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to U.S. federal income tax or to Indian tax, but such exchange may give rise to Indian stamp duty as described below under Indian Stamp Duty .

Taxation of Dividends

Indian Taxation

Dividends paid to non-residents of India will not be subject to Indian tax. However, the Company will be liable to pay a dividend distribution tax , currently at the rate of 15% (plus a surcharge at 10% and an additional education tax (cess) at the rate of 3% on the sum of the dividend distribution tax and surcharge) on the total amount distributed as a dividend. The effective rate of dividend distribution tax is 17%.

Distributions to non-residents of India of additional ADSs or shares or rights to subscribe for such shares made with respect to ADSs or shares are not subject to Indian tax.

U.S. Federal Income Taxation

Under the U.S. federal income tax laws, and subject to the passive foreign investment company (PFIC) rules described below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2011, that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to our shares or ADSs generally will be qualified dividend income.

The dividend is taxable to you when you, in the case of shares, or the Depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the rupee payments made, determined at the spot rupee/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on your circumstances, be either passive or general income for purposes of computing the foreign tax credit limitation allowable to you.

Distributions of additional shares to you with respect to shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Table of Contents

Taxation of Capital Gains and Losses

Indian Taxation

Capital Gains. Under Section 115AC and other applicable provisions of the Income Tax Act, any gain realized on the sale outside India of the ADSs from one non-resident of India to another non-resident of India is not subject to Indian capital gains tax. However, it is unclear whether a capital gain derived from the sale of rights by a non-resident of India to another non-resident of India outside of India may be subject to Indian capital gains tax.

Capital gains arising to the non-resident investor on the transfer of the equity shares (including shares received in exchange of the ADSs) whether in India or outside India to a non-resident investor or Indian resident, will be liable for income tax under the provisions of the Income Tax Act.

Equity shares (including shares issuable on the exchange of the ADSs) held by the non-resident investor for a period of more than 12 months are treated as long-term capital assets. If the equity shares are held for a period of 12 months or less, the capital gains arising on the sale thereof are to be treated as short-term capital gains. A non-resident holder's holding period (for purposes of determining the applicable Indian capital gains tax rate) in respect of shares received in exchange for ADSs commences on the date of the advice of withdrawal of such shares by the relevant depository to its custodian.

For the purpose of computing capital gains tax on the sale of the equity shares, the cost of acquisition of equity shares received in exchange for ADSs will be determined on the basis of the prevailing price of the shares on the Indian Stock Exchanges as on the date on which the relevant depository gives notice to its custodian for the delivery of such equity shares upon redemption of the ADSs, while the cost of acquisition of shares directly converted from the ADSs will be determined on the basis of the price prevailing on the Indian Stock Exchanges on the date of conversion into equity shares.

Gain realized on the sale of listed equity shares held for more than 12 months will not be subject to Indian capital gains tax if the Securities Transaction Tax (STT) has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold at the rate of 0.025% to 0.125% depending upon the nature of the transaction.

Any gain realized on the sale of equity shares held for more than 12 months on which no STT has been paid will be subject to Indian capital gains tax at the rate of 10% plus applicable surcharge on income tax and education cess at the applicable rates.

Capital gains realized in respect of equity shares held (calculated in the manner set forth in the prior paragraph) for 12 months or less (short-term gain) on which STT is paid in the manner and rates set out above, is subject to tax at the rate of 10% plus applicable surcharge on income tax and an education cess at the applicable rate. In the event that no STT is paid, short term gain is subject to tax at variable rates with the maximum rate of 40% plus applicable rate of surcharge on income tax and education cess at the rate of 3% of the tax and surcharge. The actual rate of tax on short term gains depends on a number of factors, including the legal status of the non-resident holder and the type of income chargeable in India.

Tax on capital gains is to be deducted at source by the person paying for the shares in accordance with the relevant provisions of the Income Tax Act.

Capital Losses. The Section 115AC Regime does not deal with capital losses arising on a transfer of shares. In general terms, losses arising from a transfer of a capital asset in India can only be set off against capital gains and not against any other income. A short-term capital loss can be set off against a capital gain, whether short-term or long-term. However, long-term capital loss can only be set off against long-term capital gain and not against short-term capital gain. To the extent that the losses are not absorbed in the year of transfer, they may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off capital losses in this manner, the non-resident investor would be required to file appropriate and timely tax returns in India. The long-term capital loss arising on a sale of equity shares in respect of which STT is paid may not be available for set-off against any capital gains.

U.S. Federal Income Taxation

Generally. Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the dollar value of the amount that you realize and your tax basis, determined in dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder that is recognized in

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taxable years beginning before January 1, 2011, is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive Foreign Investment Companies. We believe that shares and ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, then unless you elect to be taxed annually on a mark-to-market basis with respect to your shares or ADSs, gain realized on the sale or other disposition of your shares or ADSs would in general not be treated as capital gain. Instead, if

Table of Contents

you are a U.S. holder, you would be treated as if you had realized such gain and certain excess distributions ratably over your holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charged in respect of the tax attributable to each such year. With certain exceptions, your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

Indian Tax Treaties

The provisions of the tax treaty entered into by India and the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor.

Dividend income is not subject to tax in India in the hands of the non-resident holder of the shares. If any shares are held by a non-resident investor following withdrawal thereof from the depository facility under the Deposit Agreement, the provisions of a tax treaty, if any, entered into by India and the country of residence of such non-resident investor will be applicable to determine the taxation of any capital gain arising from a transfer of such shares.

However, during the period of fiduciary ownership of shares in the hands of the overseas depository bank, the provisions of the tax treaty entered into by India and the country of residence of the overseas depository bank will be applicable to determine the taxation of any capital gains in respect of ADSs.

Indian Stamp Duty

Under Indian law, any transfer of ADSs will be exempt from liability to Indian stamp duty. Purchasers of shares who seek to register such shares on the share register of the company are required to pay Indian stamp duty at the rate of Rs. 0.25 for every Rs. 100 or part thereof of the market value of such shares. In order to register a transfer of shares in physical form with the company, it is necessary to present a stamped deed of transfer. An acquisition of shares in physical form from the Depository in exchange for ADSs representing such shares will not render an investor liable to Indian stamp duty but the company will be required to pay stamp duty at the applicable rate on the share certificate. However, since our shares are compulsorily deliverable in dematerialized form (except for trades of up to 500 shares which may be delivered in physical form), no stamp duty is payable on the acquisition or transfer of shares in dematerialized form.

Indian Service Tax

Brokerage or commission fees paid to stockbrokers in India in connection with the sale or purchase of shares are now subject to an Indian service tax of 12% (plus a 2% education cess). A stockbroker is responsible for collecting such service tax at such rate and for paying the same to the relevant authority.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display.

You may review a copy of this annual report at the Securities and Exchange Commission's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-732-0330 for additional information on how to obtain copies of all or any portion of the documents we file with or furnish to the SEC. The Securities and Exchange Commission also maintains a web site www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the Securities and Exchange Commission.

We are subject to the information requirements of the Securities Exchange Act of 1934 and, in accordance therewith, will file annual reports on Form 20-F within the time specified by the Securities and Exchange Commission and furnish other reports and information on Form 6-K with

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the Securities and Exchange Commission. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission. You can also obtain copies of this material from the public reference room or by calling or writing the Securities and Exchange Commission upon payment of a prescribed fee. As a foreign private issuer, we are exempt from the rules under the Securities Exchange Act of 1934 prescribing the furnishing and content of proxy statements to shareholders.

Table of Contents

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to financial risks derives primarily from changes in interest rates and foreign exchange rates. To mitigate these risks, we utilize derivative financial instruments, including interest rate option contracts and currency swap agreements, the application of which is primarily for hedging purposes and not for speculative purposes.

Commodity price risk

Commodity price risk is the possibility of impact from changes in the price of commodities, such as non-ferrous metals (like aluminum), ferrous alloys (like steel) and others (like rubber), which we use in production of automotive vehicles and their components. We do not use derivative instruments to hedge the price risk associated with the purchase of these commodities.

See Note 40 of our audited consolidated financial statements for additional disclosures on financial instruments

Item 12. Description of Securities Other than Equity Securities.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15: Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 20-F, we carried out an evaluation, under the supervision and with the participation of our management, including our Managing Director until June 1, 2009 and Vice-Chairman with effect from June 2, 2009, Mr. Ravi Kant, Managing Director and Chief Executive Officer with effect from June 2, 2009, Mr. P M Telang and Chief Financial Officer, Mr. C Ramakrishnan, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934).

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of March 31, 2009, to provide reasonable assurance that the information required to be disclosed in filings and submissions under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with IFRS issued by the International Accounting Standards Board. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that our internal control over financial reporting as at March 31, 2009 is effective.

Our management excluded from its assessment of the effectiveness of the internal control over financial reporting, the internal controls of Jaguar Cars Limited and Land Rover and their subsidiaries, which were acquired on June 2, 2008 and whose financial statements constitute Rs.91,442 million and Rs.311,490 million of net assets and total assets, respectively, Rs.390,889 million of revenues and Rs.32,616 million of net loss of the consolidated financial statements of the Company as of and for the year ended March 31, 2009. Such exclusion was in accordance with Securities and Exchange Commission guidance that an assessment of a recently acquired business may be omitted in management's report on internal controls over financial reporting (ICFR) in the year of acquisition.

Changes to certain processes, information technology systems, and other components of internal control resulting from the acquisition of Jaguar Cars Limited and Land Rover and their subsidiaries may occur and will be evaluated by management as such integration activities are implemented.

The effectiveness of our internal control over financial reporting as at March 31, 2009 has been audited by Deloitte Haskins and Sells, an independent registered public accounting firm, as stated in their report appearing on the accompanying consolidated financial statements in Item 18, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as at March 31, 2009.

Changes in Internal Control Over Financial Reporting

During the period covered by this annual report, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Table of Contents

Item 16A. Audit Committee Financial Expert.

Our Board has determined that Mr. Palia, an independent director and a member of our Audit Committee, is an audit committee financial expert as defined under the applicable rules of the SEC issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002.

Item 16B. Code of Ethics

We have adopted the Tata Code of Conduct (hereinafter referred to as the Code) a written Code of Ethics which is applicable to all our employees, including the chief executive officer, chief financial officer, principal accounting officer, senior management, as well as all officers working in accounts, finance, treasury, internal audit, taxation, legal, secretarial, investor relations, Disclosure Committee, Audit Committee, Board of Directors and other departments. We have a separate Code of Conduct applicable to Non-Executive Directors. The Codes are available at all our offices and are publicly available on our website.

In August 2004, our Audit Committee adopted a Policy (the Whistle Blower Policy) that provided a formal mechanism for all our employees to approach our Management (or the Audit Committee in cases where the concern involves the Senior Management) and make protective disclosures to the Management about unethical behaviour, actual or suspected fraud or violations of the Company's Code of Conduct or ethics policy. The Whistle Blower Policy is an extension of the Tata Code of Conduct, which requires every employee to promptly report to the Management any actual or possible violation of the Code or an event such employee becomes aware of that could affect our business or reputation. The disclosures reported are addressed in the manner and within the time frames prescribed in the Whistle Blower Policy.

Item 16C. Principal Accountant Fees and Services.

Our financial statements prepared in accordance with IFRS, are audited by Deloitte Haskins and Sells, or DHS, a firm registered with the Public Company Accounting Oversight Board (PCAOB) in the United States and an Indian firm of Chartered Accountants registered with the Institute of Chartered Accountants of India (ICAI).

DHS has served as our independent public accountant for each of the years ended March 31, 2009 and March 31, 2008, for which audited financial statements appear in this annual report.

Table of Contents

The following table presents the aggregate fees for professional services and other services rendered by DHS and the various member firms of Deloitte to us including some of our subsidiaries in fiscal 2009 and 2008.

| | 2009 US\$ in million | 2009 Rs. in million | 2008 | |
|----------------|----------------------------|------------------------|--------------|---|
| Audit Fees | 5.2 | 263.5 | 124.3 | Audit and review of financial statements |
| Tax Fees | 0.3 | 16.0 | 8.7 | Tax audit, certification of foreign remittances and tax advisory services |
| All Other Fees | 0.2 | 8.0 | 8.9 | Other certifications and advisory services |
| Total | 5.7 | 287.5 | 141.9 | |

Audit Committee pre-approval for services rendered by independent accountants:

We have adopted a policy for pre-approval of services to be rendered by our independent accountants for us and our subsidiaries based on an elaborate procedure for ensuring auditor independence and objectivity.

At the beginning of each year, the Audit Committee approves the proposed services, including the nature, type and scope of services contemplated and/or the related fees to be rendered by these firms during the year.

In addition, Audit committee pre-approval is also required for those engagements that may arise during the course of the year that are outside the scope of the initial services and such fees are pre-approved by the audit Committee.

We do not engage our independent accountants for prohibited services .

Our Audit Committee recommends the appointment and compensation of independent accountants.

In case of urgent requirements, our CFO and the Chairman of our Audit Committee jointly approve any services that may be rendered by our independent accountants or their member firms and such services are subsequently ratified at the next Audit Committee meeting.

The pre-approval is not required where the fees proposed to be paid for the non-audit services do not exceed 5% of the total amount of fees paid by us to our independent accountants and their member firms during the fiscal year, provided that such services were not recognized as non audit services at the time of the engagement of services. Such services are also brought to the attention of the Audit Committee at the next meeting.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

None.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

The following is a summary comparison of significant differences between our corporate governance practices and those required by the NYSE for non-U.S. issuers.

Independent directors: The Board has determined the independence of its directors pursuant to applicable Indian listing requirements. Six directors of the Board of Directors are independent directors pursuant to such requirements. Under such requirements, a non-executive director is considered independent if he:

apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with us or our promoters, our directors, our senior management or our holding company, its subsidiaries and associates which may affect the independence of the director;

Table of Contents

is not related to promoters or person occupying management position at the board level or at one level below the board;

has not been our executive in the immediately preceding three financial years;

is not a partner or an executive or was not a partner or an executive during the preceding three years, of our statutory audit firm or internal audit firm or a legal/consulting firm that has a material association with us.

is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect their independence; and

is not our substantial shareholders, owning two percent or more of our voting shares.

is not below 21 years of age.

Non-management directors meetings: There is no such requirement under applicable Indian legal requirements.

Remuneration Committee and the Audit Committee: The requisite number of members of our Remuneration Committee are independent, as defined under applicable Indian legal requirements. All members of our Audit Committee are independent as defined under Rule 10A-3 under the Exchange Act. The constitution and main functions of these committees as approved by our Board are described above and, we believe, comply with the spirit of the NYSE requirements for non-U.S. issuers.

Item 17. Financial Statements.

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

Item 18. Financial Statements.

The information required by this item is set forth beginning on page F-1 of this annual report.

Item 19. EXHIBITS.

| Exhibit Number | Description |
|-----------------------|--|
| 1.1 | Our Certificate of Incorporation*** |
| 1.2 | Our Memorandum and Articles of Association, as amended.**** |
| 2.2 | Form of Amended and Restated Deposit Agreement among Tata Motors Limited, Citibank, N.A. as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt** |
| 4.1 | Tata Brand Equity & Business Promotion Agreement, dated December 18, 1998, between Tata Sons Limited and Tata Engineering and Locomotive Company Limited (now Tata Motors Limited)* |
| 4.2 | Agreement for appointment of Mr. P M Telang as our Managing Director |
| 4.3 | Agreement for the sale and purchase of Jaguar and Land Rover, dated March 25, 2008, among Ford Motor Company, TML Holdings Limited and Tata Motors Limited**** |
| 7.1 | Computation of Net Debt to Shareholders Equity Ratio |
| 8.1 | List of our Subsidiaries |

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- 11.1 The Tata Code of Conduct*
- 12.1 Certification of the Principal Executive Officer required by Rule 13a 14(a)
- 12.2 Certification of the Principal Executive Officer required by Rule 13a 14(a)
- 12.3 Certification of the Principal Financial Officer required by Rule 13a 14(a)
- 13 Certification of the Chief Executive Officer and Chief Financial Officer required by Rule 13a 14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code

We have not included as exhibits certain instruments with respect to our long-term debt, the amount of debt authorized under each of which does not exceed 10% of our total assets, and we agree to furnish a copy of any such instrument to the Securities Exchange Commission upon request.

Table of Contents

- * Incorporated by reference to our Registration Statement on Form 20-F File No. 001-32294 filed on September 15, 2004
- ** Incorporated by reference to our Registration Statement on Form F-6 (File no 333-119066) filed on September 16, 2004
- *** Incorporated by reference to our Annual Report on Form 20-F File No. 001-32294 filed on September 27, 2005
- **** Incorporated by reference to our Annual Report on Form 20-F File No. 001-32294 filed on September 28, 2008

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

October 7, 2009

TATA MOTORS LIMITED

By /s/ Ravi Kant
Name: Ravi Kant
Title: Managing Director (until June 1, 2009 and
Vice-Chairman with effect from June 2, 2009)

By /s/ P. M. Telang
Name: P. M. Telang
Title: Managing Director - India Operations

(with effect from June 2, 2009)

By /s/ C. Ramakrishnan
Name: C. Ramakrishnan
Title: Chief Financial Officer

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| | Page |
|---|-------------|
| Consolidated Financial Statements of Tata Motors Limited and its subsidiaries | |
| <u>Reports of independent registered public accounting firm</u> | F-2-F-3 |
| <u>Consolidated balance sheets as of March 31, 2009 and 2008</u> | F-4 |
| <u>Consolidated statements of operations for the years ended March 31, 2009 and 2008</u> | F-5 |
| <u>Consolidated statements of recognized income and expense for the years ended March 31, 2009 and 2008</u> | F-5 |
| <u>Consolidated statements of cash flows for the years ended March 31, 2009 and 2008</u> | F-6 |
| <u>Notes to consolidated financial statements</u> | F-8 |

F-1

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Tata Motors Limited

Mumbai, India

We have audited the accompanying consolidated balance sheets of Tata Motors Limited and subsidiaries (the Company or Tata Motors) as of March 31, 2009 and 2008, and the related consolidated statements of operations, recognized income and expense, and cash flows for each of the two years in the period ended March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Tata Motors Limited and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2009, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2009, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 7, 2009, expressed an unqualified opinion on the Company's internal control over financial reporting.

Our audit for the year ended and as of March 31, 2009, also comprehended the translation of Indian rupee amounts into United States dollar amounts and in our opinion, such translation has been made in conformity with the basis stated in Note 2(x). The translation of the consolidated financial statements amounts into United States dollars has been made solely for the convenience of the readers.

Deloitte Haskins & Sells
Mumbai, India
October 7, 2009

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Tata Motors Limited

Mumbai, India

We have audited the internal control over financial reporting of Tata Motors Limited and subsidiaries (the Company) as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Item 15 under Controls and Procedures of the accompanying Form 20-F titled Management’s Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Jaguar Cars Limited and Land Rover and their subsidiaries, which were acquired on June 2, 2008 and whose financial statements constitute Rs.91,442 million and Rs.311,490 million of net assets and total assets, respectively, Rs.390,889 million of revenues and Rs.32,616 million of net loss of the consolidated financial statements as of and for the year ended March 31, 2009. Accordingly, our audit did not include the internal control over financial reporting at Jaguar Cars Limited and Land Rover and their subsidiaries. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 15 under Controls and Procedures of the accompanying Form 20-F titled Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company has maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2009 of the Company and our report dated October 7, 2009, expressed an unqualified opinion on those financial statements.

Deloitte Haskins & Sells

Mumbai, India

October 7, 2009

F-3

Table of Contents

Tata Motors Limited and subsidiaries

Consolidated Balance Sheets

| | Notes | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|-------|----------------------|--|----------------------|
| ASSETS: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 5 | US\$ 450.1 | Rs. 22,827.2 | Rs. 11,415.8 |
| Short-term deposits with banks | | 8.1 | 408.4 | 14.8 |
| Finance receivables | 6 | 1,380.7 | 70,027.9 | 65,863.5 |
| Trade receivables | | 1,019.3 | 51,697.1 | 30,040.9 |
| Investments | 8 | 16.4 | 834.1 | 730.7 |
| Other financial assets | 9 | 155.6 | 7,889.6 | 5,131.3 |
| Inventories | 10 | 2,128.5 | 107,955.7 | 34,336.5 |
| Other current assets | 11 | 546.4 | 27,713.5 | 11,071.7 |
| Current tax assets | | 147.2 | 7,466.0 | 5,792.0 |
| Total current assets | | 5,852.3 | 296,819.5 | 164,397.2 |
| Finance receivables | 6 | 1,750.3 | 88,774.9 | 98,096.0 |
| Investments | 8 | 166.2 | 8,430.6 | 39,928.6 |
| Restricted deposit with banks | 12 | | | 11,224.0 |
| Other financial assets | 12 | 412.1 | 20,900.8 | 17,835.0 |
| Property, plant and equipment | 13 | 4,354.4 | 220,854.2 | 103,384.8 |
| Goodwill | 15 | 105.5 | 5,350.8 | 4,029.6 |
| Intangible assets | 16 | 2,452.1 | 124,370.3 | 20,137.7 |
| Investment in equity accounted investees | 17 | 158.0 | 8,012.2 | 9,784.1 |
| Deferred income taxes | 18 | 84.4 | 4,279.2 | 875.6 |
| Other non-current assets | 19 | 95.4 | 4,836.9 | 4,443.1 |
| Total non-current assets | | 9,578.4 | 485,809.9 | 309,738.5 |
| Total assets | | US\$ 15,430.7 | Rs. 782,629.4 | Rs. 474,135.7 |
| LIABILITIES AND EQUITY: | | | | |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | | US\$ 2,891.0 | Rs. 146,618.4 | Rs. 44,548.0 |
| Acceptances | | 926.5 | 46,991.3 | 41,420.5 |
| Short-term borrowings and current portion of long-term debt | 20 | 6,301.8 | 319,628.6 | 112,319.9 |
| Other financial liabilities | 21 | 158.0 | 8,016.2 | 6,620.0 |
| Provisions | 22 | 751.4 | 38,109.4 | 2,681.9 |
| Other current liabilities | 23 | 373.8 | 18,957.1 | 8,692.8 |
| Current tax liabilities | | 75.7 | 3,837.6 | 2,617.6 |
| Total current liabilities | | 11,478.2 | 582,158.6 | 218,900.7 |
| Long-term debt | 24 | 2,290.7 | 116,185.9 | 108,028.1 |
| Other financial liabilities | 25 | 216.3 | 10,968.2 | 5,506.5 |
| Deferred income taxes | 18 | 154.2 | 7,822.9 | 11,341.9 |
| Provisions | 22 | 409.2 | 20,752.6 | 5,272.6 |
| Other liabilities | 26 | 118.6 | 6,015.4 | 769.4 |
| Total non-current liabilities | | 3,189.0 | 161,745.0 | 130,918.5 |

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| | | | | |
|---|----|---------------|-----------------|------------------|
| Total liabilities | | 14,667.2 | 743,903.6 | 349,819.2 |
| Equity: | | | | |
| Ordinary shares | 27 | 88.7 | 4,498.7 | 3,855.4 |
| A Ordinary shares | 27 | 12.7 | 641.8 | |
| Additional paid-in capital | 28 | 1,541.2 | 78,169.6 | 38,258.1 |
| Reserves/(accumulated deficit) | 28 | (552.2) | (28,003.7) | 54,653.3 |
| Other components of equity | 28 | (409.3) | (20,761.1) | 21,197.7 |
| Equity attributable to equity holders of the parent | 28 | 681.1 | 34,545.3 | 117,964.5 |
| Minority interest | 28 | 82.4 | 4,180.5 | 6,352.0 |
| Total equity | | 763.5 | 38,725.8 | 124,316.5 |
| Total liabilities and equity | | US\$ 15,430.7 | Rs. 782,629.4 | Rs. 474,135.7 |

See accompanying notes to consolidated financial statements

F-4

Table of Contents

Tata Motors Limited and subsidiaries

Consolidated Statements of Operations

| | Notes | Year ended March 31, | | |
|--|-------|---|----------------|---------------|
| | | 2009 | 2009 | 2008 |
| | | (In millions, except per share amounts) | | |
| Revenues | | US\$ 13,853.2 | Rs. 702,636.0 | Rs. 352,688.2 |
| Finance revenues | | 397.7 | 20,170.3 | 17,566.6 |
| Total revenues | | 14,250.9 | 722,806.3 | 370,254.8 |
| Change in inventories of finished goods and work -in -progress | | 311.4 | 15,793.3 | (202.2) |
| Purchase of products for sale | | 1,405.0 | 71,260.2 | 24,056.8 |
| Raw materials and consumables | | 7,919.6 | 401,679.9 | 223,388.8 |
| Employee cost | 30 | 1,482.6 | 75,199.7 | 28,763.6 |
| Depreciation and amortization | | 552.8 | 28,039.8 | 8,275.5 |
| Other expenses | 31 | 3,462.4 | 175,613.6 | 57,920.9 |
| Interest income | | (61.1) | (3,097.2) | (1,653.1) |
| Interest expense (net) | 32 | 674.7 | 34,222.3 | 16,463.5 |
| Expenditure capitalized | | (893.3) | (45,310.9) | (9,799.6) |
| Other income (net) | 33 | (309.5) | (15,699.5) | (7,678.0) |
| Excess of fair value of net assets acquired over cost of acquisition | 37(a) | (129.5) | (6,569.6) | |
| Foreign exchange (gain)/ loss (net) | | 949.2 | 48,142.8 | (1,902.4) |
| Share of (profit)/ loss of equity accounted investees | 17 | 68.3 | 3,464.0 | (52.1) |
| Net income/(loss) before tax | | US\$ (1,181.7) | Rs. (59,932.1) | Rs. 32,673.1 |
| Income tax expense | 18 | (16.6) | (841.8) | (9,470.1) |
| Net income/(loss) | | US\$ (1,198.3) | Rs. (60,773.9) | Rs. 23,203.0 |
| Attributable to: | | | | |
| Equity holders of the parent | | (1,185.8) | (60,142.3) | 21,976.6 |
| Minority interest | | (12.5) | (631.6) | 1,226.4 |
| Earnings/(loss) per share: | 44 | | | |
| Basic | | US\$ (2.7) | Rs. (136.5) | Rs. 57.0 |
| Diluted | | US\$ (2.7) | Rs. (136.5) | Rs. 50.3 |

Consolidated statements of recognized income and expense

| | 2009 | For the years ended March 31, | |
|--|----------------|-------------------------------|---------------|
| | | 2009 | 2008 |
| | | (In millions) | |
| Currency translation differences | US\$ (413.7) | Rs. (20,980.7) | Rs. (1,086.3) |
| Loss on cash flow hedges (net of tax) | (17.3) | (875.1) | |
| Actuarial gains and (losses) (net of tax) | (310.5) | (15,747.8) | (459.1) |
| Available- for -sale securities (net of tax) gain/(loss) | (396.2) | (20,102.4) | 7,366.3 |
| Total income and expense recognized directly in equity | (1,137.7) | (57,706.0) | 5,820.9 |
| Net income/(loss) | (1,198.3) | (60,773.9) | 23,203.0 |
| Total recognized income and expense for the year | US\$ (2,336.0) | Rs. (118,479.9) | Rs. 29,023.9 |

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Attributable to:

| | | | |
|------------------------------|-----------|-------------|----------|
| Minority interest | (12.5) | (630.5) | 1,210.7 |
| Equity holders of the parent | (2,323.5) | (117,849.4) | 27,813.2 |

See accompanying notes to consolidated financial statements

F-5

Table of Contents

Tata Motors Limited and its subsidiaries

Consolidated Statements of Cash Flows

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|--|----------------|---|-----------------|
| Cash flows from operating activities: | | | |
| Net income/(loss) | US\$ (1,198.3) | Rs. (60,773.9) | Rs. 23,203.0 |
| Adjustments for: | | | |
| Depreciation and amortization | 552.8 | 28,039.8 | 8,275.5 |
| Inventory write-down | 97.1 | 4,923.2 | 438.4 |
| Allowances for finance receivables | 141.0 | 7,153.2 | 4,343.4 |
| Allowances for trade and other receivables | 27.0 | 1,371.9 | 1,610.1 |
| Share of (profit)/ loss of equity accounted investees | 68.3 | 3,464.0 | (52.1) |
| Loss/(gain)on sale of property, plant and equipment | 1.2 | 60.6 | (173.1) |
| Write off of goodwill | 0.3 | 17.0 | |
| Gain on sale of investment in associates / equity interests in subsidiary | (27.2) | (1,377.8) | (1,391.7) |
| Loss/ (gain) on shares issued by subsidiary | 0.1 | 3.1 | (45.0) |
| Gain on sale of investments | (119.5) | (6,058.0) | (175.0) |
| Gain on conversion option | (55.3) | (2,806.5) | (3,155.5) |
| Profit on buy back of convertible alternative reference securities/ foreign currency convertible notes | (9.7) | (493.9) | |
| Excess of fair value of net assets acquired over cost of acquisition | (129.5) | (6,569.6) | |
| Foreign Exchange (gain)/ loss | 685.5 | 34,765.6 | (1,225.4) |
| Income tax expense | 16.6 | 841.8 | 9,470.1 |
| Interest expense (net) | 674.7 | 34,222.3 | 16,463.5 |
| Interest income | (61.1) | (3,097.2) | (1,653.1) |
| Dividend income | (14.6) | (741.9) | (797.0) |
| Non-cash dividend income on mutual funds | (0.8) | (41.7) | (421.0) |
| Cash flows from operating activities before changes in following assets and liabilities | 648.6 | 32,902.0 | 54,715.1 |
| Trade receivable | 384.2 | 19,486.8 | (13,632.4) |
| Finance receivable | (33.9) | (1,720.7) | (33,709.9) |
| Other financial assets | (24.0) | (1,215.9) | 1,822.4 |
| Other current assets | (68.7) | (3,484.2) | (2,186.0) |
| Inventories | 296.7 | 15,048.8 | (1,405.1) |
| Other non-current assets | 176.5 | 8,953.4 | (400.1) |
| Accounts payable | 113.3 | 5,748.8 | 4,644.1 |
| Acceptances | 112.4 | 5,703.0 | 17,118.9 |
| Other current liabilities | (761.2) | (38,609.7) | 1,128.2 |
| Other financial liabilities | 90.3 | 4,580.9 | 1,281.5 |
| Other non-current liabilities | 105.6 | 5,357.1 | (1,799.3) |
| Provisions | (431.5) | (21,887.6) | 2,389.8 |
| Cash generated from operations | 608.3 | 30,862.7 | 29,967.2 |
| Income tax paid | (111.8) | (5,668.4) | (6,852.5) |
| Net cash provided by operating activities | 496.5 | 25,194.3 | 23,114.7 |
| Cash flows from investing activities: | | | |
| Short-term deposits with banks | (3.3) | (168.1) | 158.3 |
| Loans given to equity accounted investees and others | (62.6) | (3,177.6) | (533.6) |
| Realization/(deposit) of foreign currency deposits with banks | 223.5 | 11,338.0 | (11,224.0) |

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| | | | |
|---|---------|------------|------------|
| Purchases of available-for-sale investments | (0.4) | (22.3) | (12,032.9) |
| Purchases of other investments | | | (372.7) |
| Proceeds from sale of available-for-sale investments | 317.9 | 16,125.3 | 1,050.0 |
| Proceeds from sale of investments classified as loans and receivables | 0.1 | 7.1 | 13.7 |
| Proceeds from sale of equity interests in subsidiary, net of cash | 27.2 | 1,379.3 | 1,993.9 |
| Proceeds from sale of investments in equity accounted investees | 0.3 | 16.8 | 183.9 |
| Proceeds from sale of other investments | 16.2 | 820.7 | 350.0 |
| Deposits of margin money | (306.8) | (15,564.4) | (13,750.1) |
| Realization of margin money | 243.9 | 12,371.3 | 1,831.3 |
| Investments in equity accounted investees | (59.7) | (3,027.4) | (7,259.2) |
| Dividends received from equity accounted investees | 5.8 | 296.3 | 337.8 |
| Interest received | 78.6 | 3,984.7 | 1,479.0 |
| Dividend received | 14.6 | 741.9 | 797.0 |
| Purchases of property, plant and equipment | (938.6) | (47,608.3) | (40,558.7) |

F-6

Table of Contents

Tata Motors Limited and subsidiaries

Consolidated Statements of Cash Flows

| | 2009 | Years ended March 31, 2009 | | 2008 |
|--|-------------------|-------------------------------|-----|---------------------|
| | | (In millions) | | |
| | US\$ | Rs. | Rs. | Rs. |
| Proceeds from sale of property, plant and equipment | 16.4 | 832.4 | | 471.8 |
| Purchase of intangible assets | (829.7) | (42,081.5) | | (10,208.2) |
| Payments for acquisitions, net of cash acquired | (1,944.9) | (98,643.7) | | (89.7) |
| Net cash used in investing activities | (3,201.5) | (162,379.5) | | (87,362.4) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of shares, net of issue expenses | 810.3 | 41,096.5 | | |
| Proceeds from issue of shares by a subsidiary to minority shareholders | 0.1 | 3.4 | | 645.0 |
| Dividend paid (including dividend tax) | (133.4) | (6,766.3) | | (6,763.2) |
| Interest paid | (631.8) | (32,046.5) | | (16,232.2) |
| Dividends paid to minority shareholders of subsidiaries | (14.3) | (725.3) | | (253.0) |
| Proceeds from issuance of short-term debt | 3,577.7 | 181,460.6 | | 23,808.8 |
| Repayment of short term debt | (1,550.5) | (78,642.2) | | (25,925.7) |
| Net change in other short -term debt (with maturity upto three months) | 814.2 | 41,297.2 | | 22,603.3 |
| Proceeds from issuance of long-term debt | 1,406.6 | 71,343.3 | | 111,160.3 |
| Repayments of long-term debt | (1,214.2) | (61,584.0) | | (41,054.2) |
| Net cash provided by financing activities | 3,064.7 | 155,436.7 | | 67,989.1 |
| Net change in cash and cash equivalents | 359.7 | 18,251.5 | | 3,741.4 |
| Effect of foreign exchange on cash flows | (134.7) | (6,840.1) | | 19.8 |
| Cash and cash equivalents, beginning of the year | 225.1 | 11,415.8 | | 7,654.6 |
| Cash and cash equivalents, end of the year | US\$ 450.1 | Rs. 22,827.2 | | Rs. 11,415.8 |
| Non-cash transactions: | | | | |
| Zero coupon foreign currency convertible notes due 2009 converted into 153,025 and 130,069 ordinary shares | US\$ 2.0 | Rs. 100.0 | | Rs. 78.4 |

Table of Contents

Tata Motors Limited and subsidiaries

Notes to Consolidated Financial Statements

1. Background and operations

Tata Motors Limited and its subsidiaries, collectively referred to as (the Company or Tata Motors), designs, manufactures and sells a wide range of automotive vehicles. The Company provides financing for the vehicles sold by it in certain markets. The Company also manufactures engines for industrial and marine applications, as well as construction equipment, including hydraulic excavators, cranes and wheel loaders, aggregates such as axles and transmissions for commercial vehicles and factory automation equipment, and provides information technology services.

The Company is a public limited company incorporated and domiciled in India and has its registered office at Mumbai, Maharashtra, India.

On June 2, 2008, the Company acquired Jaguar Land Rover businesses (referred to as JLR) which includes three manufacturing facilities and two advanced engineering centers in the UK, and a worldwide sales network.

Tata Sons Limited (or Tata Sons), together with its subsidiaries, owns 30.78% of ordinary shares and 73.39% of A ordinary shares of Tata Motors, and has the ability to significantly influence the Company s operations.

2. Significant accounting policies

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (referred to as IFRS) as issued by the International Accounting Standards Board (referred to as IASB).

The Company changed its accounting policies from Indian GAAP (referred to as Previous GAAP) to comply with IFRS from April 1, 2008. The transition from Previous GAAP to IFRS has been accounted for in accordance with IFRS 1- First time Adoption of International Financial Reporting Standards, with April 1, 2007 as the transition date. The reconciliation of effects of transition from Previous GAAP on the equity as of April 1, 2007 and March 31, 2008, and on the net income and cash flows for the year ended March 31, 2008, is disclosed in note 4 to these financial statements.

In previous years, the Company s consolidated financial statements filed on Form 20-F were prepared in accordance with accounting principles generally accepted in the United States of America (referred to as U.S. GAAP). Consequently, in note 4.1 the Company has presented reconciliation of the effects of differences between Previous GAAP and U.S .GAAP on equity, net income and cash flows for the same periods as the effect of transition from Previous GAAP to IFRS.

Table of Contents

b. *Basis of preparation*

The consolidated financial statements have been prepared on historical cost basis except for revaluation of certain financial instruments.

c. *Basis of consolidation*

Subsidiaries

The consolidated financial statements include Tata Motors Limited and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the Jaguar Land Rover acquisition process, certain distribution divisions / National Sales Companies were carved out of Ford entities and are to be transferred by Ford Motor Company upon completion of formalities and receipt of local regulatory approvals. As per the sale and purchase agreement, the Company is entitled to receive / liable to post acquisition profits and losses and therefore, the results of operations and financial position of such divisions / companies are incorporated in the consolidated financial statements.

Inter-company transactions and balances including unrealized profits are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Company's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities (equity accounted investees) are accounted for using the equity method and are recognized initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

d. *Business combination*

Acquisitions of subsidiaries and businesses are recorded using the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at fair values.

Purchase consideration in excess of the Company's interest in the acquiree's net fair value of identifiable assets, liabilities and contingent liabilities is recognized as goodwill. Excess of the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the purchase consideration is recognized, after reassessment of fair value of net assets acquired, in the statement of operations.

Minority interest in an acquiree is initially measured at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Table of Contents
e. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- i) Note 2(m) and note 13 Useful life of property, plant and equipment
- ii) Note 15 Impairment of goodwill
- iii) Note 16(1) Impairment of indefinite useful life intangible assets
- iv) Note 13(4) Property, Plant and equipment

f. Revenue recognition

Revenue is measured at fair value of consideration received or receivable.

i. Sale of products

The Company recognizes revenues on the sale of products, net of discounts, sales incentives, customer bonuses and rebates granted, when products are delivered to dealers or when delivered to a carrier for export sales, which is when title and risks and rewards of ownership pass to the customer. Sale of products includes export and other recurring and non-recurring incentives from Governments at the national and state levels. Sale of products is presented net of excise duty where applicable, and other indirect taxes.

Revenues are recognized when collectibility of the resulting receivable is reasonably assured.

ii. Revenue from sale of vehicles with guaranteed repurchase option/repurchase arrangement

Some of the subsidiary companies sell vehicles to rental car companies and other fleet customers subject to guaranteed repurchase options and to Ford Motor Group management employees, with repurchase arrangements. At the time of sale, the proceeds are recorded as deferred revenue in other current liabilities and the cost of the vehicles are recorded as inventories. The difference between the proceeds and the guaranteed repurchase amount is recognized in revenue over the term of the arrangement, using the straight-line method. The difference between the cost of the vehicle and the estimated auction value is amortized as changes in finished stocks and work in-progress over the term.

iii. Finance revenues

Finance and service charges are accrued on the unpaid principal balance of finance receivables using the effective interest method.

Table of Contents

g. Cost recognition

Costs and expenses are recognized when incurred and are classified according to their nature.

Expenditure capitalized represents employee costs, stores and other manufacturing supplies, and other expenses incurred for construction including product development undertaken by the Company.

h. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Product warranty expenses

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidences based on actions on product failures. The timing of outflows will vary as and when warranty claim will arise- being typically up to five years.

ii) Residual risk

In certain markets, the Company is responsible for the residual risk arising on vehicles sold by dealers under leasing arrangements. The provision is based on the latest available market expectations of future residual value trends. The timing of the outflows will be at the end of the lease arrangements being typically up to three years.

i. Foreign currency

The functional currency of the Company is Indian Rupees and subsidiaries functional currencies are determined on the basis of the primary economic environment in which they operate.

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are remeasured into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in the statement of operations except to the extent that exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings are capitalized as cost of assets under construction.

For the purpose of consolidation, the assets and liabilities of the Company's foreign operations, are translated to Indian Rupee at the exchange rate prevailing on the balance sheet date, and the income and expenses at the average rate of exchange for the period. Exchange differences arising are classified as equity and recognized as currency translation reserve under equity.

j. Income taxes

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the statement of operations except to the extent it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income taxes are determined based on respective taxable income of each taxable entity and tax rules applicable for respective tax jurisdictions.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Such deferred tax

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assets and liabilities are computed separately for each taxable entity and for each taxable jurisdiction. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

F-11

Table of Contents

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

k. Earnings per share

Basic earnings per share has been computed by dividing net income by the weighted average number of shares outstanding during the year. Partly paid up shares are included as fully paid equivalents according to the fraction paid up. Diluted earnings per share has been computed using the weighted average number of shares and weighted average number of shares outstanding, for the effects of all dilutive potential shares.

l. Inventories

Inventories (other than those recognized consequent to the sale of vehicles with a guaranteed repurchase option) are valued at the lower of cost and net realizable value. Cost of raw materials and consumables are ascertained on a first in first out basis. Cost, including variable and fixed overheads, are allocated to work-in-progress and finished goods determined on a full absorption cost basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

m. Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation.

Freehold land is measured at cost and is not depreciated.

Cost includes purchase price, taxes and duties, labor cost and direct overheads for self constructed assets and other direct costs incurred up to the date the asset is ready for its intended use.

Interest cost incurred for constructed assets is capitalized up to the date the asset is ready for its intended use, based on borrowings incurred specifically for financing the asset or the weighted average rate of all other borrowings, if no specific borrowings have been incurred for the asset.

Depreciation is provided on a straight-line basis over estimated useful lives of the assets. Estimated useful lives of the assets are as follows:

| | Estimated useful life (years) |
|------------------------|----------------------------------|
| Buildings | 20 to 40 |
| Plant and equipment | 9 to 30 |
| Computers | 3 to 6 |
| Vehicles | 3 to 10 |
| Furniture and fixtures | 3 to 20 |

Depreciation on finance lease assets is recorded over the shorter of the estimated useful life of the asset or the period of the lease.

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Capital-work-in-progress includes capital advances.

Table of Contents**n. Intangible assets**

Intangible assets purchased including acquired in business combinations, are measured at cost or fair value, as of the date of acquisition where applicable less accumulated amortization. Intangible assets with indefinite lives are reviewed annually to determine whether indefinite-life assessment continues to be supportable. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates.

Customer related intangible consists of order backlog and dealer network.

| | Estimated amortization period |
|------------------------------------|--|
| Patents and technological know-how | 2 to 12 years |
| Order backlog | 3 months |
| Dealer network | 20 years |
| Intellectual property rights | 7 to 9 years |
| Software | 2 to 8 years |

Internally generated intangible asset

Research costs are charged to the statement of operations in the year in which they are incurred.

Product development costs incurred on new vehicle platform, engines, transmission and new products are recognized as intangible assets, when feasibility has been established, the Company has committed technical, financial and other resources to complete the development and it is probable that asset will generate probable future economic benefits.

The costs capitalized include the cost of materials, direct labor and directly attributable overhead expenditure incurred up to the date the asset is available for use.

Interest cost incurred is capitalized up to the date the asset is ready for its intended use, based on borrowings incurred specifically for financing the asset or the weighted average rate of all other borrowings if no specific borrowings have been incurred for the asset.

Product development cost is amortized over a period of 36 months to 120 months or on the basis of actual production to planned production volume over such period.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment loss.

o. Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

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Leases other than finance leases, are operating leases, and the leased assets are not recognized on the Company's balance sheet. Payments under operating leases are recognized in statement of operations on a straight-line basis over the term of the lease.

F-13

Table of Contents**p. Impairment****i) Goodwill**

Cash generating unit to which goodwill is allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to that unit and then to the other assets of the unit pro rata on the basis of carrying amount of each asset in the unit. Goodwill impairment loss recognized is not reversed in subsequent period.

ii) Property, plant and equipment and other intangible assets

At each balance sheet date, the Company assesses whether there is any indication that any property, plant and equipment and intangible assets with finite lives may be impaired. If any such impairment exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, or earlier, if there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

As of March 31, 2009 and 2008, none of the Company's property, plant and equipment and intangible assets were considered impaired.

q. Employee benefits**i) Pension plans**

One of the major subsidiary group, Jaguar Land Rover, operates several defined benefit pension plan, which are contracted out of the second state pension scheme. The assets of the plan are held in separate trustee administered funds. The plans provide for monthly pension after retirement as per salary drawn and service period as set out in rules of each fund.

Contributions to the plans by the subsidiary group take into consideration the results of actuarial valuations. The plans with a surplus position at the year end have been limited to the maximum economic benefit available from unconditional rights to refund from the scheme or reduction in future contributions. Where the subsidiary group is considered to have a contractual obligation to fund the pension plan above the accounting value of the liabilities, an onerous obligation is recognized.

A separate defined contribution plan is available to employees of a major subsidiary group, Jaguar Land Rover. Costs in respect of this plan are charged to the statement of operations as incurred.

ii) Gratuity

Tata Motors and some of its subsidiaries in India have an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 to 30 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. Tata Motors and such subsidiaries make annual contributions to gratuity funds established as trusts. Some subsidiaries have

obtained insurance policies with the Life Insurance Corporation of India. Tata Motors and some of its subsidiaries in India account for the liability for gratuity benefits payable in the future based on an actuarial valuation.

iii) Superannuation

Tata Motors and some of its subsidiaries in India have two superannuation plans, a defined benefit plan and a defined contribution plan. An eligible employee on April 1, 1996 could elect to be a member of either plan.

Table of Contents

Employees who are members of the defined benefit superannuation plan are entitled to benefits depending on the years of service and salary drawn. The monthly pension benefits after retirement range from 0.75% to 2% of the annual basic salary for each year of service. Tata Motors and such subsidiaries account for superannuation benefits payable in future under the plan based on an actuarial valuation.

With effect from April 1, 2003, this plan was amended and benefits earned by covered employees have been protected as at March 31, 2003. Employees covered by this plan are prospectively entitled to benefits computed on a basis that ensures that the annual cost of providing the pension benefits would not exceed 15% of salary.

Separate irrevocable trusts are maintained for employees covered and entitled to benefits. Tata Motors and its subsidiaries contribute up to 15% of the eligible employees' salary to the trust every year. Such contributions are recognized as an expense when incurred. Tata Motors and such subsidiaries have no further obligation beyond this contribution.

iv) Bhavishya kalyan yojana (BKY)

Bhavishya Kalyan Yojana is an unfunded defined benefit plan for employees of Tata Motors and some of its subsidiaries. The benefits of the plan accrue to an eligible employee at the time of death or permanent disablement, while in service, either as a result of an injury or as certified by the appropriate authority. The monthly payment to dependents of the deceased/disabled employee under the plan equals 50% of the salary drawn at the time of death or accident or a specified amount, whichever is higher. Tata Motors and these subsidiaries account for the liability for BKY benefits payable in the future based on an actuarial valuation.

v) Provident fund and family pension

In accordance with Indian law, eligible employees of Tata Motors and some of its subsidiaries are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary). The contributions, as specified under the law, are made to the provident fund and pension fund set up as an irrevocable trust by Tata Motors and its subsidiaries or to respective Regional Provident Fund Commissioner and the Central Provident Fund under the State Pension scheme. Tata Motors and its subsidiaries are generally liable for any shortfall in the fund assets based on the government specified minimum rates of return or pension and recognizes such shortfall, if any, as an expense in the year incurred.

vi) Severance indemnity

Tata Daewoo Commercial Vehicle Company Limited (TDCV) a subsidiary company incorporated in Korea has an obligation towards severance indemnity, a defined benefit retirement plan, covering eligible employees. The plan provides for a lump sum payment to all employees with more than one year of employment equivalent to 30 days' salary payable for each completed year of service.

vii) Post-retirement medicare scheme

Under this unfunded scheme, employees of Tata Motors and some of its subsidiaries receive medical benefits subject to certain limits of amount, periods after retirement and types of benefits, depending on their grade and location at the time of retirement. Employees separated from the Company as part of an Early Separation Scheme, on medical grounds or due to permanent disablement are also covered under the scheme. Tata Motors and such subsidiaries account for the liability for post-retirement medical scheme based on an actuarial valuation.

viii) Compensated absences

The Company and some of its subsidiaries provide for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an actuarial valuation.

Table of Contents

Actuarial gains and losses

Actuarial gains and losses relating to retirement benefit plans are recognized directly in statement of recognized income and expense in the period in which they arise. Actuarial gains and losses relating to long-term employee benefits are recognized in the statements of operations in the period in which they arise.

Measurement date

The measurement date of retirement plans is March 31.

r. *Dividends*

Any dividend declared by Tata Motors is based on the profits available for distribution as reported in the unconsolidated statutory financial statements of Tata Motors prepared in accordance with Indian GAAP. Further, Indian law mandates that dividend be declared out of distributable profits only after the transfer of a specified percentage of net income computed in accordance with current regulations to a general reserve. Accordingly, in certain years the net income reported in these financial statements may not be fully distributable. As of March 31, 2009 and March 31, 2008, the amounts available for distribution were Rs.60,213.0 million and Rs. 64,190.3 million respectively.

s. *Segments*

The Company primarily operates in the automotive segment. The automotive segment comprises of two reportable segments i.e. Tata vehicles and Jaguar Land Rover. Other operating segments do not meet the quantitative thresholds for disclosure and have been aggregated.

t. *Financial instruments*

i) Classification, initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified into categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial instruments are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Initially, a financial instrument is recognized at its fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in determining the carrying amount, if it is not classified as at fair value through profit or loss. Subsequently, financial instruments are measured according to the category in which they are classified.

Financial assets and financial liabilities at fair value through profit or loss: Derivatives, including embedded derivatives separated from the host contract, unless they are designated as hedging instruments, for which hedge accounting is applied, are classified into this category. These are measured at fair value with changes in fair value recognized in the statements of operations.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale. Subsequently, these are measured at amortized cost using the effective interest method less any impairment losses.

These includes trade receivables, finance receivables, balances with banks, short-term deposits with banks, other financial assets and investments with fixed or determinable payments.

Table of Contents

Available-for-sale financial assets: Available-for-sale financial assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial asset categories. Subsequently, these are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in statement of recognized income and expense, net of applicable deferred income taxes.

Dividends from available-for-sale debt securities are recognized in the statement of operations when the right to receive payment has been established.

Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

When the financial asset is derecognized, the cumulative gain or loss in equity is transferred to the statement of operations.

Foreign currency convertible notes: Convertible notes issued in foreign currency are convertible at the option of the holder into ordinary shares of the Company as per the terms of the issue. Conversion option which is not settled by exchanging a fixed amount of cash for a fixed number of shares is accounted for separately from the liability component as derivative and initially accounted for at fair value. The liability component is recognized initially at the difference between the fair value of the note and the fair value of the conversion option. Directly attributable costs are allocated to the liability component and the conversion option in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The conversion option is subsequently measured at fair value at each reporting date, with changes in fair value recognized in statement of operations.

The conversion option is presented together with the related liability.

Equity instruments: An equity instrument is any contract that evidences residual interests in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities: These are measured at amortized cost using the effective interest method.

ii) Determination of fair value:

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets) or quoted ask prices (financial liabilities) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method and other valuation models.

iii) Derecognition of financial assets and financial liabilities:

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when these are extinguished, that is when the obligation is discharged, cancelled or has expired.

iv) Impairment of financial assets:

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The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

F-17

Table of Contents

Loans and receivables:

Impairment loss in respect of loans and receivables is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Such impairment loss is recognised in the statement of operations. If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The reversal is recognized in the statement of operations.

Available-for-sale financial asset:

If the available-for-sale financial asset is impaired, the difference between the financial asset's acquisition cost (net of any principal repayments and amortization) and the current fair value, less any previous impairment loss recognized in the statement of operations, is reclassified from equity to statements of operations. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed. The reversal is recognized in the statement of operations. Reversal of impairment loss on equity investments classified as available-for-sale, are not recognized in the statement of operations. Increases in their fair value after impairment is recognized in equity.

Impairment loss on equity investments carried at cost is not reversed.

u. *Hedge accounting:*

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates these forward contracts in a cash flow hedging relationship by applying the hedge accounting principles.

These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized in equity (net of tax), and the ineffective portion is recognized immediately in the statement of operations. Amounts accumulated in equity are reclassified to the statement of operations in the periods in which the forecasted transactions occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained until the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is immediately transferred to the statement of operations for the period.

v. *Repossessed vehicles:*

Vehicles repossessed from delinquent financing customers and held for auction are recorded at the lower of the unpaid principal balance and estimated realizable value. Gains or losses on disposal are recorded when the vehicles are sold.

w. *New accounting pronouncements:*

In September 2007, IASB issued revised IAS 1, *Presentation of Financial Statements* which is applicable for annual periods beginning on or after January 1, 2009. This standard replaced IAS 1 revised in 2003. The revised standard aims to improve users' ability to analyze and compare information given in the financial statements. The adoption of the revised standard will have no effect on the reported results. It will, however, result in changes in the presentation of financial statements.

In January 2008, IASB issued revised IFRS 3, *Business Combinations* which is applicable to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after July 1, 2009. This standard replaced IFRS 3 issued in 2004. The main changes are:

Acquisition-related costs are recognized as expenses in the statement of operations in the period in which these are incurred.

F-18

Table of Contents

In business combinations achieved in stages, any previously held equity interest in the acquiree is re measured to its acquisition date fair value and the resulting gain or loss is recognized in the statement of operations.

Any change in contingent consideration classified as a liability at the acquisition date is recognized in the statement of operations.

Non-controlling interests in the entity acquired may be measured either at fair value, or at the proportionate share of the acquiree's net identifiable assets.

The Company is evaluating the impact of adoption of this Standard.

In January 2008, IASB amended IAS 27 *Consolidated and Separate Financial Statements* which is applicable for annual periods beginning on or after July 1, 2009. The main changes are:

Changes in the ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions, not affecting the statement of operations.

At the date control is lost, any retained equity interests are remeasured to fair value.

Total comprehensive income is allocated to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Company is evaluating the impact of adoption of the amendments.

In November 2006, IASB issued IFRS 8 *Operating Segments* which is applicable for annual periods beginning on or after January 1, 2009. This standard replaced IAS 14 *Segment Reporting*. This standard specifies how an entity should disclose information about its segments, which enables users to evaluate the nature and financial effects of its business activities and the economic environments in which it operates. The Company is evaluating the application of this Standard.

IFRIC 13 *Customer Loyalty Programmes* was issued in June 2007 which is applicable for annual periods beginning on or after July 1, 2008. IFRIC 13 addresses how companies that grant their customers loyalty award credits (often called "points") when buying goods or services should account for their obligation to provide free or discounted goods and services, if and when the customers redeem the points. IFRIC 13 requires an entity to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue when they have fulfilled their obligations to provide goods or services. The Company is evaluating the application of this Interpretation.

IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, was issued in July, 2008, which is applicable for annual periods beginning on or after October 1, 2008. IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. The Company is evaluating the application of this Interpretation.

IAS 23, *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's consolidated financial statements for the year ended March 31, 2010. As the Company currently follows a policy of capitalizing borrowing costs, this new standard will not have any material impact on the Company's consolidated financial statements.

In May 2008 and April 2009, the IASB issued *Improvements to IFRS* a collection of amendments to certain International Financial Reporting Standards as part of its program of annual improvements to its standards, which is intended to make necessary, but non-urgent, amendments to standards that will not be included as part of another major project. The amendments resulting from these improvements mainly have effective dates for annual periods beginning on or after January 1, 2009, although entities are permitted to adopt them earlier. The Company is evaluating the application of improvements.

x. Convenience translation

The consolidated financial statements have been expressed in Indian rupees (Rs.), Tata Motors functional currency. For the convenience of the reader, the financial statements as at and for the year ended March 31, 2009 have been translated into U.S. dollars at US\$1.00 = Rs. 50.72 based on fixing rate in the City of Mumbai on March 31, 2009 for cable transfers in Indian rupees as published by the FEDAI.

Such translation should not be construed as representation that the rupee amounts have been or could be converted into U.S. dollars at that or any other rate, or at all.

Table of Contents

3. Transition to IFRS

The Company's consolidated financial statements for the year ended March 31, 2009 are the first annual financial statements to comply with IFRS. In preparing these financial statements, the Company has applied following exemptions and exceptions in accordance with IFRS 1.

I. Exemptions from retrospective application

a Business combinations

Business combinations prior to April 1, 2007 have been accounted in accordance with Indian GAAP. Goodwill arising from business combination has been stated at the carrying amount under Previous GAAP. Intangible assets which were subsumed in goodwill under Previous GAAP, have not been recognized in the opening statement of financial position as at April 1, 2007, since these did not qualify for recognition in the separate statement of financial position of the acquired entities.

b Employee benefits

The Company has applied the exemption as provided in IFRS 1 relating to application of recognizing cumulative actuarial gains and losses on defined benefit pension plans and other post retirement benefits in reserves as of the transition date.

II. Exceptions from full retrospective application

a Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognized before January 1, 2004 are not re-recognized under IFRS. The Company has chosen not to apply the IAS 39 derecognition criteria to an earlier date.

b Estimates exception

Upon an assessment of the estimates made under Previous GAAP, the Company has concluded that there was no necessity to revise such estimates under IFRS, except where estimates were required by IFRS and not required by Previous GAAP.

Table of Contents**4. Reconciliations between Indian GAAP and IFRS****i) Equity reconciliation**

| | As of March 31, 2008 | | As of April 1, 2007 | |
|--|-------------------------|----------------------|------------------------|----------------------|
| | | | (In millions) | |
| | Rs. | | Rs. | |
| Equity under Indian GAAP | | 86,975.2 | | 77,216.7 |
| (a) Consolidation of subsidiaries and equity accounted investees | | (1,861.6) | | (1,925.5) |
| (b) Property, plant and equipment | | | | |
| Foreign exchange (net of depreciation) | (219.7) | | (351.4) | |
| Pre-operative expenses (net of depreciation) | (553.2) | | (446.1) | |
| Interest capitalized (net of depreciation) | 684.7 | (88.2) | 301.2 | (496.3) |
| (c) Employee separation cost | | (63.7) | | (104.3) |
| (d) Interest including debt issue expenses | | 3,173.1 | | 1,055.3 |
| (e) Foreign currency convertible notes conversion options | | 2,584.1 | | (571.2) |
| (f) Deferred taxes | | 233.1 | | 884.3 |
| (g) Transfer of finance receivables | | 89.7 | | (246.5) |
| (h) Investments | | 20,639.0 | | 13,251.8 |
| (i) Dividends | | 6,596.8 | | 6,763.2 |
| (j) Foreign currency translation adjustment | | 52.0 | | 456.5 |
| (k) Others, (net) | | (365.0) | | 592.2 |
| (l) Minority interest | | 6,352.0 | | 4,374.8 |
| Equity under IFRS | | Rs. 124,316.5 | | Rs. 101,251.0 |

ii) Net Income

| | For the year ended March 31, 2008 | |
|--|--------------------------------------|---------------------|
| | (In millions) | |
| | | Rs. |
| Net income under Indian GAAP | | 21,677.0 |
| (a) Consolidation of subsidiaries and equity accounted investees | | 324.0 |
| (b) Property, plant and equipment | | |
| Foreign exchange (net of depreciation) | 131.7 | |
| Pre-operative expenses (net of depreciation) | (107.1) | |
| Interest capitalized (net of depreciation) | 383.5 | 408.1 |
| (c) Employee separation cost | | 40.6 |
| (d) Interest including debt issue expenses | | (1,941.7) |
| (e) Foreign currency convertible notes conversion option | | 3,155.5 |
| (f) Deferred taxes | | (857.8) |
| (g) Transfer of finance receivables | | 336.2 |
| (h) Others, (net) | | 61.1 |
| Net income under IFRS | | Rs. 23,203.0 |

iii) *Notes to reconciliations between Indian GAAP to IFRS*

a. *Consolidation of subsidiaries and equity accounted investees*

While both IFRS and Indian GAAP require consolidation of subsidiaries, the basis for determining whether an investee is a subsidiary is different. IFRS requires the consolidation of entities where the Company has control over another entity. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power. The existence and effect of potential voting rights is also taken into consideration for the purpose of determining control. Indian GAAP requires the consolidation of entities where the Company exercises

Table of Contents

control through a direct holding or through another subsidiary of more than one half of the voting power so as to obtain economic benefit from its activities. These differences have resulted into consolidation of three entities (Hispano Carrocera S.A. , Tata Autocomp Systems Ltd and Tata Precision Industries Pte. Ltd.) as subsidiaries in IFRS, which were considered to be Equity method investees under Indian GAAP.

b. Property, plant and equipment

Under IFRS, all foreign exchange transaction gains and losses are included in net income except to the extent these are treated as an adjustment to interest cost and considered for capitalization. Under Indian GAAP, foreign exchange gains and losses arising on foreign currency denominated borrowings that are incurred to acquire property, plant and equipment are included in the cost of the asset and depreciated over their remaining useful life.

Further under Indian GAAP, the cost of property, plant and equipment also includes indirectly attributable expenses that are incurred before a property, plant and equipment is ready for its intended use. Under IFRS, such costs are expensed as incurred.

Under IFRS, interest costs are higher than under Indian GAAP resulting into higher interest capitalization (refer to note (d) and (e) below).

Consequently, depreciation relating to the above differences in the cost of property, plant and equipment under IFRS and Indian GAAP has also been adjusted.

c. Employee separation cost

Under IFRS, expenses relating to voluntary employee separation programs are expensed when the Company is demonstrably committed to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Under Indian GAAP, such costs are deferred and amortized.

d. Interest including debt issue expenses

Under IFRS, redemption premium and debt issue expenses are recognized as interest cost over the life of the debt instrument / borrowing using the effective interest method. Further interest costs under IFRS are higher because of accounting for conversion option embedded in foreign currency convertible notes (refer to note (e) below).

Under Indian GAAP, entire redemption premium associated with the notes is charged directly to additional paid-in capital and issue expenses are either charged directly to the additional paid-in capital and/or are deferred and amortized over the life of the notes. Further, there is no requirement under Indian GAAP to account for conversion option separately.

e. Foreign currency convertible notes

Under IFRS, conversion option embedded in foreign currency convertible notes is accounted for separately as derivative instrument. At the inception, issue proceeds from notes are allocated to conversion option with residual allocated to the notes to establish its initial carrying cost. Subsequently the conversion option is measured at fair value through profit or loss with changes in fair value recognized in the statement of operations and the notes are carried at amortized cost. Under Indian GAAP conversion option is not separately accounted for and full proceeds are allocated to the notes. This results into following differences between IFRS and Indian GAAP in addition to fair value movements of conversion option recorded in the statement of operations under IFRS:

- i) Higher interest costs under IFRS as described above (refer to note (d)); and
- ii) Higher interest capitalization as described above (refer to note (b)).

Table of Contents

f. Deferred taxes

Under IFRS, deferred taxes are recognized for future tax consequences of temporary differences between the carrying value of assets and liabilities and their respective tax bases. Under Indian GAAP, deferred taxes are recognized for the tax effect of timing differences between book and tax income for the year. Additionally, no deferred taxes are recorded for consolidation adjustments under Indian GAAP.

Deferred taxes have been recorded under IFRS for undistributed earnings of subsidiaries and associates, consolidation adjustments and certain other temporary differences, which were not recorded under Indian GAAP.

Further, in the IFRS financial statements, consequential tax effect of other IFRS to Indian GAAP differences are recognized.

g. Transfer of finance receivable

The Company transfers finance receivables in securitization transactions / direct assignments. In such transactions the Company surrenders control over the receivables though continues to act as an agent for the collection of receivables. In most of the transactions, the Company also provides credit enhancements to the transferee.

Consequent to existence of credit enhancements in such transactions, the Company continues to have the obligation to pay to the transferee, limited to the extent of credit enhancement, even if it does not collect the equivalent amounts from the original asset and continues to retain substantially all risks and rewards associated with the receivables, and hence under IFRS such transfer /assignments do not meet the derecognition criteria resulting into the transfer not being recorded as sale. Consequently, the proceeds received from the transfer are recorded as collateralized debt obligation.

Under Indian GAAP, the de-recognition criteria are different and are based on surrender of control. The Company meets the criteria under Indian GAAP for de-recognition and accordingly records such transfers as sale.

h. Investments

Under IFRS, available-for-sale investments consisting of debt securities and equity securities are measured at fair value at each reporting date except for investment in equity instruments which do not have quoted market price in an active market and whose fair value cannot be reliably measured. Unrealized gains or losses (net of tax) are recognized directly in statement of recognized income and expense.

Under Indian GAAP, investments are classified into current and long-term investments. Current investments are carried at the lower of cost or market value, while long-term investments are carried at cost less any impairment that is other than temporary.

i. Dividends

Under IFRS, dividends payable are recorded as a liability in the year in which these are declared and approved. Under Indian GAAP, dividends payable are recorded as a liability in the year to which they relate.

j. Foreign currency translation adjustment

These are consequential translation adjustments on Indian GAAP to IFRS adjustments.

Table of Contents***l. Minority interest***

Under IFRS, minority interest is presented as part of equity. Under Indian GAAP minority interest is presented outside equity.

iv) Explanation of material adjustments to cash flow statement for the year ended March 31, 2008

Under Previous GAAP, restricted cash of Rs 27,300.7 million and Rs 4,047.5 million as of March 31, 2008 and March 31, 2007 respectively, was considered as cash and cash equivalents. Under IFRS, these have been reclassified as investing cash flows.

The Company transfers finance receivables in securitization transaction /direct assignments. Most of these transactions do not meet derecognition criteria under IFRS. Consequently, proceeds received from these transactions are recorded as collateralized debt obligation and the finance receivables continue to be recognized in the financial statements. Under Indian GAAP, such transactions meet the derecognition criteria and accordingly, recorded as sale. As a result, the cash flows from operating activities under IFRS are lower by Rs 41,649.9 million and cash flows from financing activities are higher by Rs 41,649.9 million.

Under Indian GAAP, there are certain financial assets and financial liabilities permitted to be offset. Under IFRS, these financial assets and financial liabilities do not meet the criteria to offset and hence, presented gross in the balance sheet. As a result, the cash flows from operating activities under IFRS are lower by Rs 5,242.5 million and cash flows from financing activities are higher to the same extent.

4.1 Reconciliations between U.S.GAAP and Indian GAAP***i) Equity reconciliation***

| Particulars | As of March 31, | | As of April 1, | |
|--|-----------------|---------------------|----------------|--------------------|
| | 2008 | 2008 | 2007 | 2007 |
| | (In millions) | | | |
| Equity under U.S.GAAP | | Rs.105,264.1 | | Rs.91,368.9 |
| (a) Consolidation of subsidiaries, equity accounted investees and accounting for business combinations | | 1,064.0 | | 1,188.5 |
| (b) Property, plant and equipment | | | | |
| Foreign exchange (net of depreciation) | 219.7 | | 351.4 | |
| Pre-operative expenses (net of depreciation) | 553.2 | | 446.1 | |
| Interest capitalized (net of depreciation) | (163.1) | 609.8 | (45.3) | 752.2 |
| (c) Product development cost | | 17,512.4 | | 9,061.4 |
| (d) Employee separation cost | | 63.7 | | 104.3 |
| (e) Compensated absences | | 2,691.6 | | 2,256.6 |
| (f) Interest including debt issue expenses | | (4,846.8) | | (1,949.0) |
| (g) Deferred taxes | | (7,827.8) | | (5,033.0) |
| (h) Investments | | (20,572.4) | | (13,166.3) |
| (i) Dividends | | (6,596.8) | | (6,763.2) |
| (j) Foreign currency translation adjustment | | (166.8) | | (475.0) |
| (k) Others, (net) | | (219.8) | | (128.7) |
| Equity under Indian GAAP | | Rs. 86,975.2 | | Rs.77,216.7 |

Table of Contents**ii) Net income**

| | For the year ended March 31, 2008 | |
|--|--|---------|
| | (In millions) | |
| Net income under U.S. GAAP | Rs.14,205.9 | |
| (a) Consolidation of subsidiaries, equity accounted investees and accounting for business combinations | 778.6 | |
| (b) Property, plant and equipment | | |
| Foreign exchange (net of depreciation) | (131.7) | |
| Pre-operative expenses (net of depreciation) | 107.1 | |
| Interest capitalized (net of depreciation) | (117.8) | (142.4) |
| (c) Product development cost | 8,451.0 | |
| (d) Employee separation cost | (40.6) | |
| (e) Compensated absences | 435.0 | |
| (f) Interest including debt issue expenses | 1,161.7 | |
| (g) Deferred taxes | (2,633.6) | |
| (h) Others, (net) | (538.6) | |
| Net income under Indian GAAP | Rs.21,677.0 | |

iii) Notes to reconciliations between U.S. GAAP to Indian GAAP:**a. Consolidation of subsidiaries and equity accounted investees and accounting for business combinations**

While both U.S. GAAP and Indian GAAP require consolidation of subsidiaries, the basis for determining whether an investee is a subsidiary or an equity accounted investee is different. U.S. GAAP requires the consolidation of entities where there is a direct or indirect majority voting interest or if the company is a primary beneficiary in a variable interest entity. Indian GAAP requires the consolidation of entities where the Company exercises control through a direct holding or through another subsidiary. These differences have resulted into consolidation of three entities (Hispano Carrocera S.A. , Tata Autocomp Systems Ltd and Tata Precision Industries Pte. Ltd.) as subsidiaries in U.S. GAAP which were considered to be Equity method investees under Indian GAAP.

Further as per U.S. GAAP, business combinations are accounted for using the purchase method, and the net assets acquired are recorded at fair values. Purchase consideration paid in excess of the fair value of net assets acquired is recognized as goodwill. The excess of fair value over the purchase consideration is first allocated to reduce the amounts otherwise assigned to the eligible acquired long-term assets, and any excess remaining is recognized as an extraordinary gain in the income statement in the period in which the business combination is consummated. Under Indian GAAP business combination are recorded at cost. Purchase consideration paid in excess of the cost of net assets acquired is recognized as goodwill. The excess of cost of net assets over the purchase consideration is recognized as capital reserve under equity.

b. Property, plant and equipment

Under U.S. GAAP, all foreign exchange transaction gains and losses are included in net income. Under Indian GAAP, foreign exchange gains and losses arising on foreign currency denominated borrowings that are incurred to acquire property, plant and equipment are included in the cost of the asset and depreciated over their remaining useful life.

In addition, under Indian GAAP, the cost of property, plant and equipment also includes indirectly attributable expenses that are incurred before a property, plant and equipment is ready for its intended use. Under U.S. GAAP, such costs are expensed as incurred.

Under U. S. GAAP, interest costs are higher than under Indian GAAP resulting into higher interest capitalization (refer to note (f) below).

Table of Contents

Consequently, depreciation relating to the above differences in the cost of property, plant and equipment between U.S. GAAP and Indian GAAP have also been adjusted.

c. Product development costs

Under U.S. GAAP, expenses relating to the product development cost are expensed when incurred. Under Indian GAAP, product development costs that meet certain specified criteria are recognized as intangible assets.

d. Employee separation cost

Under U.S. GAAP, expenses relating to voluntary employee separation programs are expensed when incurred. Under Indian GAAP, such costs are deferred and amortized.

e. Compensated absences

Under U.S. GAAP, a liability for compensated absences is established based on leave earned but not utilized at each balance sheet date, and changes in the liability are included in net income. Under Indian GAAP, a liability is established for the actuarially determined present value of the amount of long-term leave.

f. Interest including debt issue expenses

Under U.S. GAAP, redemption premium and debt issue expenses are recognized as interest cost over the life of the debt instrument / borrowing, using the effective interest method.

Under Indian GAAP, entire redemption premium associated with the notes is charged directly to additional paid-in capital and issue expenses are either charged directly to the additional paid-in capital and/or are deferred and amortized over the life of the notes.

g. Deferred tax

Under U.S. GAAP, deferred taxes are recognized for future tax consequences of temporary differences between the carrying value of assets and liabilities and their respective tax bases. The tax rate used to establish deferred tax assets and liabilities is the enacted tax rate expected to apply when the temporary differences reverse. Under Indian GAAP, deferred taxes are recognized for the tax effect of timing differences between book and tax income for the year at the substantively enacted tax rate applicable on the balance sheet date. Additionally, deferred taxes are not recorded for consolidation adjustments under Indian GAAP.

Deferred taxes have been recorded under U.S. GAAP for undistributed earnings of subsidiaries and associates, consolidation adjustments and certain other temporary differences which were not recorded under Indian GAAP.

In U.S. GAAP financial statements, the consequent deferred tax effect of other U.S. GAAP to Indian GAAP differences is recognized.

h. Investments

Under U.S. GAAP, investments are classified into trading or held to maturity or available-for-sale categories, based on nature and management's holding intent on the date of acquisition. The Company does not have any trading investments. Available-for-sale, consisting of debt securities and equity securities with readily determinable market values are carried at their fair values with the unrealized gains or losses recorded in other component of equity. Held-to-maturity investments are carried at amortized cost. Equity securities without a readily determinable market value are carried at cost. An impairment loss is recognized for any impairment that is other than temporary.

Table of Contents

Under Indian GAAP, investments are classified into current and long-term investments. Current investments are carried at the lower of cost or market value, while long-term investments are carried at cost less any impairment that is other than temporary.

i. Dividends

Under U.S. GAAP, dividends payable are recorded as a liability in the year in which these are declared and approved. Under Indian GAAP, upon declaration dividends payable are recorded as a liability in the year to which they relate.

j. Foreign currency translation adjustment

These are consequential translation adjustments on Indian GAAP to U.S. GAAP adjustments.

iv) Explanation of material adjustments to cash flow statement for the year ended March 31, 2008 Indian GAAP to U.S. GAAP

Under Indian GAAP, restricted cash of Rs 27,300.7 million and Rs 4,047.5 million as at March 31, 2008 and March, 31 2007 was considered as cash and cash equivalents. Under U.S. GAAP, these have been reclassified as cash flows from investing activities.

Under U.S. GAAP, all expenses relating to product development are expensed when incurred. Under Indian GAAP, the product development costs are capitalised as intangible assets. Consequently cash flows from operating activities under U.S. GAAP were lower by Rs 9,143.2 million and cash flows from investing activities were higher to the same extent.

Under Indian GAAP, interest paid was shown as part of cash flows from financing activities, whereas under U.S. GAAP, these were considered as cash flows from operating activities. As a result, cash flows from operating activities under U.S. GAAP were lower by Rs 10,947.9 million and cash flows from financing activities were higher to the same extent.

Under Indian GAAP, there are certain financial assets and financial liabilities permitted to be offset. Under U.S. GAAP, these financial assets and financial liabilities do not meet the criteria for offset and hence, presented gross in the balance sheet. As a result, the cash flows from operating activities under U.S. GAAP were lower by Rs 5,242.5 million and cash flows from financing activities were higher to the same extent.

5. Cash and cash equivalents

Cash and cash equivalents consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---------------------|-------------------|--|---------------------|
| Cash balances | US\$ 7.5 | Rs. 379.0 | Rs. 52.0 |
| Balances with banks | 442.6 | 22,448.2 | 11,363.8 |
| Total | US\$ 450.1 | Rs. 22,827.2 | Rs. 11,415.8 |

Table of Contents**6. Finance receivables**

Finance receivables primarily consist of loans, the details of which are as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--|---------------------|--|----------------------|
| Total loan installments to be received | US\$ 3,853.4 | Rs. 195,445.2 | Rs. 196,639.6 |
| Less: unearned interest income | 576.2 | 29,227.2 | 29,892.1 |
| | 3,277.2 | 166,218.0 | 166,747.5 |
| Less: allowance for credit losses | 146.2 | 7,415.2 | 2,788.0 |
| Total | US\$ 3,131.0 | Rs. 158,802.8 | Rs. 163,959.5 |
| Current portion | 1,380.7 | 70,027.9 | 65,863.5 |
| Non-current portion | 1,750.3 | 88,774.9 | 98,096.0 |
| Total | US\$ 3,131.0 | Rs. 158,802.8 | Rs. 163,959.5 |

Changes in the allowance for credit losses in finance receivables are as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---------------------------------|-------------------|--|--------------------|
| Beginning balance | US\$ 55.0 | Rs. 2,788.0 | Rs. 1,809.4 |
| Allowances made during the year | 141.0 | 7,153.2 | 4,343.4 |
| Written off | (49.8) | (2,526.0) | (3,364.8) |
| Ending balance | US\$ 146.2 | Rs. 7,415.2 | Rs. 2,788.0 |

7. Allowances for trade and other receivables

Changes in the allowances for trade and other receivables are as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--|------------------|--|--------------------|
| Beginning balance | US\$ 38.2 | Rs. 1,937.0 | Rs. 1,712.6 |
| Acquisition/sale of subsidiary (net) | 14.1 | 713.3 | |
| Allowance made during the year | 27.0 | 1,371.9 | 1,610.1 |
| Written off | (22.4) | (1,135.2) | (1,372.4) |
| Foreign exchange translation differences | (1.7) | (88.2) | (13.3) |
| Ending balance | US\$ 55.2 | Rs. 2,798.8 | Rs. 1,937.0 |

8. Investments

Investments consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--------------------------------------|-------------------|---|---------------------|
| Available-for-sale, at fair value | US\$ 126.6 | Rs. 6,418.8 | Rs. 37,447.7 |
| Unquoted equity investments, at cost | 46.8 | 2,376.0 | 2,695.0 |
| Loans and receivables | 9.2 | 469.9 | 516.6 |
| Total | US\$ 182.6 | Rs 9,264.7 | Rs. 40,659.3 |

F-28

Table of Contents

Available-for-sale, financial assets are as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--|-------------------|--|---------------------|
| Quoted equity shares | US\$ 108.4 | Rs. 5,501.6 | Rs. 27,273.9 |
| Mutual funds | 15.1 | 765.5 | 9,672.9 |
| Corporate bonds and other debt instruments | 3.1 | 151.7 | 500.9 |
| Total | US\$ 126.6 | Rs. 6,418.8 | Rs. 37,447.7 |

The contractual maturity of the Company's available-for-sale corporate bonds and other debt instruments as of March 31, 2009 is as follows:

| | Amortized Cost (In millions) | Fair value |
|------------------------------|------------------------------------|------------------|
| Due in year ending March 31, | | |
| 2010 | Rs. 10.1 | Rs. 13.3 |
| 2011 | 11.8 | 21.0 |
| 2012 | 13.8 | 26.5 |
| 2013 | 15.8 | 22.4 |
| 2014 | 18.4 | 18.9 |
| Thereafter | 62.1 | 49.6 |
| | Rs. 132.0 | Rs. 151.7 |
| | US\$ 2.6 | US\$ 3.1 |

The contractual maturity of the Company's loans and receivables as of March 31, 2009 is as follows:

| | In millions |
|------------------------------|------------------|
| Due in year ending March 31, | |
| 2010 | Rs. 67.3 |
| 2011 | 237.5 |
| 2012 | 7.5 |
| 2013 | 157.6 |
| | Rs. 469.9 |
| | US\$ 9.2 |

The current and non-current classification of investments are as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|-------------------------|-----------|--|-----------|
| Current investments | US\$ 16.4 | Rs. 834.1 | Rs. 730.7 |
| Non-current investments | 166.2 | 8,430.6 | 39,928.6 |

| | | | |
|--------------|-------------------|--------------------|---------------------|
| Total | US\$ 182.6 | Rs. 9,264.7 | Rs. 40,659.3 |
|--------------|-------------------|--------------------|---------------------|

Unrealized gains of Rs. 8,011.5 million and Rs. 17.0 million were reclassified from equity to statement of operations on sale of available for sale securities for the years ended March 31, 2009 and 2008 respectively.

The fair value of the unquoted equity investments cannot be reliably measured as the variability in the range of fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

Table of Contents**9. Other financial assets-current**

Other financial assets consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--|-------------------|--|--------------------|
| Derivative financial instruments | US\$ 2.7 | Rs. 137.6 | Rs. 204.0 |
| Advances and other receivables recoverable in cash | 24.0 | 1,215.5 | 2,864.7 |
| Inter corporate deposits | 56.5 | 2,864.9 | 633.0 |
| Margin money (see note 12) | 16.5 | 838.2 | 1,151.0 |
| Others | 55.9 | 2,833.4 | 278.6 |
| Total | US\$ 155.6 | Rs. 7,889.6 | Rs. 5,131.3 |

Others as of March 31, 2009 and March 31, 2008 include Rs. 2,447.9 million and Rs. Nil due from Ford Motor Company, in respect of national sales companies, which are being transferred, to the Company.

10. Inventories

Inventories consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|-------------------------------|---------------------|--|---------------------|
| Raw materials and consumables | US\$ 390.7 | Rs. 19,815.9 | Rs. 16,378.3 |
| Work-in-progress | 222.1 | 11,261.1 | 4,031.5 |
| Finished goods | 1,515.7 | 76,878.7 | 13,926.7 |
| Total | US\$ 2,128.5 | Rs. 107,955.7 | Rs. 34,336.5 |

Inventories of finished goods include Rs. 7,301.2 million and Rs. Nil as of March 31, 2009 and March 31, 2008, respectively relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase options.

During the years ended March 31, 2009 and March 31, 2008, the Company recorded inventory write-down of Rs. 4,923.2 million and Rs. 438.4 million respectively.

11. Other current assets

Other current assets consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|-----------|--|-------------|
| Advances to suppliers, contractors and others | US\$ 39.6 | Rs. 2,004.4 | Rs. 1,492.1 |
| Statutory deposits | 235.7 | 11,952.8 | 3,640.4 |
| Prepaid expenses | 103.4 | 5,244.2 | 1,544.8 |
| Others | 167.7 | 8,512.1 | 4,394.4 |

| | | | |
|--------------|-------------------|---------------------|---------------------|
| Total | US\$ 546.4 | Rs. 27,713.5 | Rs. 11,071.7 |
|--------------|-------------------|---------------------|---------------------|

Others as of March 31, 2008 include Rs.1,380.6 million of debt issue costs incurred for arranging a financing facility for the acquisition of Jaguar Land Rover businesses, being amortized over the tenor of the loan.

F-30

Table of Contents**12. Other financial assets-non-current**

Restricted deposits with banks

The unutilized proceeds from issuance of Zero Coupon Convertible Alternative Reference Securities due 2012 (CARS) of Rs.11,224.0 million as of March 31,2008 have been classified as non-current since these were held for the acquisition of Jaguar Land Rover businesses.

Other financial assets-non-current consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--------------------|-------------------|--|---------------------|
| Margin money | US\$ 358.8 | Rs. 18,198.4 | Rs. 14,847.5 |
| Loans to employees | 16.7 | 849.1 | 943.2 |
| Others | 36.6 | 1,853.3 | 2,044.3 |
| Total | US\$ 412.1 | Rs. 20,900.8 | Rs. 17,835.0 |

Margin money with banks is restricted cash, and consists of collateral provided in exchange of guarantees issued by banks for transfer of finance receivables.

13. Property, plant and equipment

| | Land and buildings | Plant and equipment | Vehicles | Computers | Furniture and fixtures | Total |
|---|-----------------------|------------------------|-------------|-------------|---------------------------|----------------------|
| | (In millions) | | | | | |
| Cost as of April 1, 2007 | Rs. 16,338.2 | Rs. 73,846.3 | Rs. 1,338.8 | Rs. 5,100.7 | Rs. 1,388.5 | Rs. 98,012.5 |
| Addition | 3,030.1 | 17,943.0 | 402.4 | 1,810.9 | 431.0 | 23,617.4 |
| Acquisitions through business combinations | 52.0 | 125.2 | 5.8 | 5.7 | 3.0 | 191.7 |
| Currency translation differences | (562.9) | (273.6) | (2.3) | (48.6) | 74.4 | (813.0) |
| Disposal | (334.3) | (1,452.7) | (282.2) | (166.7) | (125.9) | (2,361.8) |
| Cost as of March 31, 2008 | 18,523.1 | 90,188.2 | 1,462.5 | 6,702.0 | 1,771.0 | 118,646.8 |
| Accumulated depreciation (Net of Rs. 1,281.7 million in respect of disposals) | (3,606.2) | (43,923.7) | (757.7) | (4,138.6) | (731.1) | (53,157.3) |
| Net carrying amount as of March 31, 2008 | Rs. 14,916.9 | Rs. 46,264.5 | Rs. 704.8 | Rs. 2,563.4 | Rs. 1,039.9 | Rs. 65,489.5 |
| Capital work-in -progress | | | | | | 37,895.3 |
| Total | | | | | | Rs. 103,384.8 |
| Depreciation for the year | Rs. (437.7) | Rs. (5,876.4) | Rs. (210.0) | Rs. (607.4) | Rs. (178.6) | Rs. (7,310.1) |

Table of Contents

| | Land and buildings | Plant and equipment | Vehicles | Computers | Furniture and fixtures | Total |
|---|-----------------------|------------------------|-------------|---------------|---------------------------|----------------------|
| (In millions) | | | | | | |
| Cost as of April 1, 2008 | Rs. 18,523.1 | Rs. 90,188.2 | Rs. 1,462.5 | Rs. 6,702.0 | Rs. 1,771.0 | Rs. 118,646.8 |
| Addition | 3,999.7 | 35,663.3 | 341.1 | 1,684.9 | 372.9 | 42,061.9 |
| Acquisitions through business combinations | 28,180.8 | 71,362.3 | 119.1 | 2,588.1 | 546.5 | 102,796.8 |
| Currency translation differences | (3,251.1) | (9,775.9) | 93.2 | (203.6) | 627.9 | (12,509.5) |
| Disposal | (1,086.2) | (7,296.6) | (372.6) | (915.7) | (378.0) | (10,049.1) |
| Cost as of March 31, 2009 | 46,366.3 | 180,141.3 | 1,643.3 | 9,855.7 | 2,940.3 | 240,946.9 |
| Accumulated depreciation (net of Rs. 7,231.1 million in respect of disposals) | (4,668.9) | (58,023.5) | (815.6) | (5,158.8) | (1,048.1) | (69,714.9) |
| Net carrying amount as of March 31, 2009 | Rs. 41,697.4 | Rs. 122,117.8 | Rs. 827.7 | Rs. 4,696.9 | Rs. 1,892.2 | Rs. 171,232.0 |
| Capital work-in-progress | | | | | | 49,622.2 |
| Total | | | | | | Rs. 220,854.2 |
| | | | | | | US\$ 4,354.4 |
| Depreciation for the year | Rs. (1,247.4) | Rs. (19,905.4) | Rs. (247.1) | Rs. (1,140.1) | Rs. (268.8) | Rs. (22,808.8) |

Notes:

- Net carrying amounts of property, plant and equipment under lease arrangements were as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|------------------------|------------------|--|------------------|
| Buildings | US\$ 7.9 | Rs. 402.2 | Rs. 344.2 |
| Plant and equipment | 51.6 | 2,619.1 | 232.1 |
| Computers | 6.7 | 340.3 | 263.1 |
| Furniture and fixtures | 0.3 | 12.9 | 11.0 |
| Total | US\$ 66.5 | Rs. 3,374.5 | Rs. 850.4 |

- Land and building includes freehold land of Rs. 9,841.4 million and Rs. 3,355.8 million as of March 31, 2009 and March 31, 2008 respectively.
- Property, plant and equipment with a carrying amount of Rs. 18,627.6 million and Rs. 5,903.5 million as of March 31, 2009 and March 31, 2008, respectively are pledged as collateral against borrowings.
- Property, plant and equipment as of March 31, 2009 includes building under construction of Rs. 3,620 million for the purposes of manufacturing automobiles. Consequent to the decision to relocate and construct a similar manufacturing facility at another location, the management is in the process of evaluating several options, under all of which, no adjustment to the carrying amount of the

building is considered necessary based on the information available at the balance sheet date.

F-32

Table of Contents**14. Leases**

The Company has taken land and buildings, plant and equipment, computers, furniture and fixtures and vehicles under operating and finance leases. The following is a summary of future minimum lease rental payments under non-cancelable operating leases and finance leases entered into by the Company:

| | As of March 31, | | | | | |
|--|------------------------|------------------------|---|------------------------|------------------------|---|
| | 2009 | | | 2008 | | |
| | Operating | Finance | Present value of minimum lease payments | Operating | Finance | Present value of minimum lease payments |
| Minimum Lease Payments | Minimum Lease Payments | Minimum Lease Payments | Minimum Lease Payments | Minimum Lease Payments | Minimum Lease Payments | |
| Not later than one year | Rs. 668.2 | Rs. 550.9 | Rs. 534.1 | Rs. 280.4 | Rs. 110.8 | Rs. 95.3 |
| Later than one year but not later than five years | 1,218.6 | 1,715.9 | 1,474.3 | 789.9 | 224.4 | 206.2 |
| Later than five years | 8,980.2 | 919.3 | 664.1 | 8,692.6 | | |
| Total minimum lease commitments | Rs. 10,867.0 | Rs. 3,186.1 | Rs. 2,672.5 | Rs. 9,762.9 | Rs. 335.2 | Rs. 301.5 |
| | US\$ 214.3 | US\$ 62.8 | US\$ 52.7 | | | |
| Less: future finance charges | | (513.6) | | | (33.7) | |
| Present value of minimum lease payments | | Rs. 2,672.5 | Rs. 2,672.5 | | Rs. 301.5 | Rs. 301.5 |
| Included in the financial statements as: | | | | | | |
| Other current financial liabilities (included as others) | | | Rs. 534.1 | | | Rs. 95.3 |
| Other non-current financial liabilities: | | | 2,138.4 | | | 206.2 |
| | | | Rs. 2,672.5 | | | Rs. 301.5 |

Total operating lease rental expense was Rs. 1,167.5 million and Rs.293.2 million in the years ended March 31, 2009 and March 31, 2008 respectively.

Significant leasing arrangements include lease of land under operating lease for a period of 90 years with a renewal option for a further period of 90 years.

Table of Contents**15. Goodwill**

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--|-------------------|--|--------------------|
| Balance at the beginning | US\$ 79.4 | Rs. 4,029.6 | Rs. 4,407.6 |
| Goodwill arising on business combination | 28.4 | 1,440.3 | |
| Write off of goodwill | (0.3) | (17.0) | |
| On sale of subsidiary | (0.2) | (13.0) | (106.5) |
| Currency translation differences | (1.8) | (89.1) | (271.5) |
| Balance at the end | US\$ 105.5 | Rs 5,350.8 | Rs. 4,029.6 |

As of March 31, 2009, goodwill of Rs. 180.7 million and Rs. 5,170.1 million relates to the automotive and related activity segment and other segment respectively. As of March 31, 2008 goodwill of Rs. 154.7 million and Rs. 3,874.9 million relates to the automotive segment and other segment respectively.

The Company tests annually whether goodwill suffered any impairment. As of March 31, 2009, goodwill has been allocated to the following cash generating units: a) Software consultancy and services Rs 3,678.2 million and b) construction equipment Rs 1,485.4 million.

The recoverable amount of the cash generating units has been determined based on value in use. Value in use has been determined based on future cash flows after considering current economic conditions and trends, estimated future operating results, growth rates and anticipated future economic conditions and availability of necessary technology and network infrastructure.

As of March 31, 2009, the estimated cash flows for a period of 5 years were developed using internal forecasts, and a pre-tax discount rate of 14.08% and 9% for software consultancy and services, and construction equipment division respectively. The cash flows beyond 5 years have been extrapolated assuming zero growth rates. The management believes that any possible change in the key assumptions would not cause the carrying amounts to exceed the recoverable amounts of the cash generating units.

16. Intangible assets

Intangible assets consist of the following:

| | Software | Patents and technological know how | Intellectual property rights and other intangibles (In millions) | Product development | Total |
|--|---------------|--|---|------------------------|---------------|
| Cost as of April 1,2007 | Rs. 1,686.4 | Rs. 430.3 | Rs. 15.8 | Rs. 2,356.6 | Rs. 4,489.1 |
| Additions through internal development | | | | 1,605.7 | 1,605.7 |
| Other additions | 1,044.3 | 30.1 | 26.5 | | 1,100.9 |
| Currency translation differences | (10.3) | (3.6) | | (27.9) | (41.8) |
| Disposal | (46.8) | (42.5) | (0.2) | | (89.5) |
| Cost as of March 31,2008 | 2,673.6 | 414.3 | 42.1 | 3,934.4 | 7,064.4 |
| Accumulated amortization | Rs. (1,229.8) | Rs. (411.6) | Rs. | Rs. (1,564.4) | Rs. (3,205.8) |
| Net carrying amount as of March 31,2008 | Rs. 1,443.8 | Rs. 2.7 | Rs. 42.1 | Rs. 2,370.0 | Rs. 3,858.6 |
| Capital work-in-progress-product development | | | | | 16,279.1 |

Total

Rs. 20,137.7

| | | | | | |
|---------------------------|-------------|-----------|-----|-------------|-------------|
| Amortization for the year | Rs. (533.3) | Rs. (1.2) | Rs. | Rs. (430.9) | Rs. (965.4) |
|---------------------------|-------------|-----------|-----|-------------|-------------|

F-34

Table of Contents

| | Software | Patents and technological know how | Customer related | Intellectual property rights and other intangibles (In millions) | Product development | Indefinite life trade marks and brands | Total |
|--|-------------|------------------------------------|------------------|---|---------------------|--|----------------------|
| Cost as of April 1,2008 | Rs. 2,673.6 | Rs. 414.3 | Rs. | Rs. 42.1 | Rs. 3,934.4 | Rs. | Rs. 7,064.4 |
| Additions through internal development | | | | | 10,527.3 | | 10,527.3 |
| Other additions | 461.3 | | | | | | 461.3 |
| Acquisitions through business combinations | | 12,553.7 | 7,398.9 | 1,418.3 | | 51,570.2 | 72,941.1 |
| Currency translation differences | 21.3 | (1,578.3) | (951.8) | 108.7 | (366.6) | (6,639.0) | (9,405.7) |
| Disposal | (172.4) | (29.6) | | | (261.5) | | (463.5) |
| Cost as of March 31,2009 | 2,983.8 | 11,360.1 | 6,447.1 | 1,569.1 | 13,833.6 | 44,931.2 | 81,124.9 |
| Accumulated amortization | (1,796.7) | (1,323.0) | (2,209.1) | (199.1) | (2,453.6) | | (7,981.5) |
| Net carrying amount as of March 31,2009 | Rs. 1,187.1 | Rs. 10,037.1 | Rs. 4,238.0 | Rs. 1,370.0 | Rs. 11,380.0 | Rs. 44,931.2 | Rs. 73,143.4 |
| Capital work-in progress-product development | | | | | | | 51,226.9 |
| Total | | | | | | | Rs. 124,370.3 |
| | | | | | | | US\$ 2,452.1 |
| Amortization for the year | Rs. (678.5) | Rs. (998.5) | Rs. (2,351.0) | Rs. (193.2) | Rs. (1,009.8) | Rs. | Rs. (5,231.0) |

Notes:

- 1) The useful life of trade marks and brands in respect of the acquired Jaguar Land Rover businesses have been determined to be indefinite as the Company expects to generate future economic benefits indefinitely from these assets.

The indefinite life intangible assets have been allocated to the Jaguar Land Rover businesses. The recoverable amount of the cash generating units has been determined based on value in use. Value in use has been based on future cash flows after considering current economic conditions and trends, estimated future operating results, growth rates and anticipated future economic conditions.

The estimated cash flows for a period of five years were developed using internal forecasts, and a pre-tax discount rate of 9.3%. The cash flows beyond five years have been extrapolated assuming zero growth rate. The management believes that any possible change in the key assumptions would not cause the carrying amounts to exceed the recoverable amounts of the cash generating units.

- 2) In -process development project of Rs. 1,903.2 million was acquired on business combination (refer note 37(a)).

- 3) The weighted average remaining useful lives of product development cost, patents and technological know how and customer related intangibles as of March 31, 2009 are approximately 91 months ,113 months and 230 months respectively.

F-35

Table of Contents**17. Investments in equity accounted investees:**

Summarized financial information in respect of the Company's associates is as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|------------|--|-------------|
| Total assets | US\$ 386.0 | Rs. 19,579.6 | Rs. 9,736.4 |
| Total liabilities | 279.5 | 14,177.9 | 4,240.2 |
| Carrying amount of investment in associates | US\$ 60.1 | Rs. 3,048.3 | Rs. 2,920.2 |

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|-------------------------------------|------------|--|--------------|
| Total revenue | US\$ 496.8 | Rs. 25,196.6 | Rs. 19,684.5 |
| Total profits/(loss) for the period | (10.6) | (540.1) | 1,403.4 |
| Company's share in profit/ (loss) | US\$ (1.7) | Rs. (88.4) | Rs. 653.8 |

During the year ended March 31, 2008, the Company acquired 27.79% equity shareholding of Automobile Corporation of Goa Ltd (ACGL), which is engaged in the business of bus body building, for a total cash consideration of Rs. 919.1 million. The Company's 27.79% share of the fair values of net assets of ACGL when acquired by the Company amounted to Rs. 499.1 million. With this acquisition, the Company's total ownership interest in ACGL is 37.79% as of March 31, 2008. The Company acquired additional equity shareholding and increased its ownership to 42.37% during the year ended March 31, 2009, for a total consideration of Rs. 68.8 million.

Fair value of investment in an equity accounted associate for which published price quotation is available was Rs. 364.4 million and Rs. 546.8 million as of March 31, 2009 and 2008, respectively.

Summarized financial information in respect of the Company's jointly controlled entities (adjusted for the percentage of the ownership held by the Company) is as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--|------------|--|-------------|
| Current assets | US\$ 145.6 | Rs. 7,384.2 | Rs. 3,974.2 |
| Non-current assets | 318.1 | 16,134.2 | 10,296.6 |
| Current liabilities | 395.0 | 20,034.6 | 6,987.4 |
| Non-current liabilities | 2.8 | 141.3 | 2,159.8 |
| Carrying amount of investment in jointly controlled entities | 97.9 | 4,963.9 | 6,863.9 |

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|-----------------------------------|-----------|--|-------------|
| Total revenue | US\$ 68.1 | Rs. 3,451.5 | Rs. 8,514.7 |
| Company's share of profit/ (loss) | (66.6) | (3,375.6) | (601.7) |

During the year ended March 31, 2008, the Company entered into a joint venture agreement with Fiat Group Automobiles SpA and acquired 49% share in the jointly controlled entity, Fiat India Automobiles Pvt. Ltd. (FIAPL) (now known as Fiat India Automobiles Limited (FIAL)), for a total consideration of Rs.4,420.9 million. The Company's 49% share of the fair value of net assets of the jointly controlled entity, when acquired by the Company amounted to Rs. 3,430.0 million. The Company increased its holding to 49.48% in FIAL in the year ended March 31, 2008 and to 50% in the year ended March 31, 2009.

Table of Contents**18. Income taxes**

The domestic and foreign components of net income/ (loss) before income tax:

| | 2009 | For the years ended March 31, 2009 | | 2008 |
|---|-----------------------|---------------------------------------|--|---------------------|
| | | (In millions) | | |
| Net income / (loss) before income taxes | | | | |
| Domestic | US\$ (69.5) | Rs. (3,527.0) | | Rs. 31,782.9 |
| Foreign | (1,112.2) | (56,405.1) | | 890.2 |
| Total | US\$ (1,181.7) | Rs. (59,932.1) | | Rs. 32,673.1 |

The domestic and foreign components of income tax expense:

| | 2009 | For the years ended March 31, 2009 | | 2008 |
|---------------------------------|------------------|---------------------------------------|--|--------------------|
| | | (In millions) | | |
| Current taxes | | | | |
| Domestic | US\$ 44.1 | Rs. 2,236.3 | | Rs. 5,355.6 |
| Foreign | 58.9 | 2,992.2 | | 971.8 |
| Deferred taxes | | | | |
| Domestic | (78.1) | (3,967.1) | | 3,073.7 |
| Foreign | (8.3) | (419.6) | | 69.0 |
| Total income tax expense | US\$ 16.6 | Rs. 841.8 | | Rs. 9,470.1 |

Income tax expense/(benefit) recognized in the statement of operations consist of the following:

| | 2009 | For the years ended March 31, 2009 | | 2008 |
|---------------------------------|------------------|---------------------------------------|--|--------------------|
| | | (In millions) | | |
| Current | US\$ 103.0 | Rs. 5,228.5 | | Rs. 6,327.4 |
| Deferred | (86.4) | (4,386.7) | | 3,142.7 |
| Total income tax expense | US\$ 16.6 | Rs. 841.8 | | Rs. 9,470.1 |

Table of Contents

The reconciliation of estimated income taxes to income tax expense is as follows:

| | 2009 | For the years ended March 31, | |
|---|------------------|-------------------------------|--------------------|
| | | 2009 | 2008 |
| | | (In millions) | |
| Net income/(loss) before income taxes | US\$ (1,181.7) | Rs. (59,932.1) | Rs. 32,673.1 |
| Expected income tax expense applicable to individual entities at respective tax rates | (317.0) | (16,078.2) | 10,969.3 |
| Additional deduction allowed for product development costs | (39.9) | (2,022.3) | (1,925.5) |
| Effect of lower tax rate on sale of investments and other capital gains | (34.2) | (1,733.2) | (429.8) |
| Undistributed earnings of subsidiaries and associates | 4.6 | 235.6 | 721.1 |
| Non-deductible foreign currency loss relating to loans and deposit (net) | 152.0 | 7,708.6 | (188.6) |
| Non-deductible interest and other expenses relating to borrowings for investment | 19.2 | 973.6 | |
| Loss in respect of which deferred tax assets not recognized due to uncertainty | 238.0 | 12,071.1 | 382.0 |
| Excess of fair value of net assets acquired over cost of acquisition | (36.3) | (1,839.5) | |
| Share of profit of equity accounted investees | 23.2 | 1,177.4 | (17.7) |
| Others | 7.0 | 348.8 | (40.7) |
| Income tax expense reported | US\$ 16.6 | Rs. 841.8 | Rs. 9,470.1 |

Significant components of deferred tax asset and liability are as follows:

| | 2009 | As of March 31, | |
|--|--------------------|----------------------|-----------------------|
| | | 2009 | 2008 |
| | | (In millions) | |
| Deferred tax assets: | | | |
| Depreciation carry forwards | US\$ 64.6 | Rs. 3,279.0 | Rs. 19.0 |
| Business loss carry forwards | 62.4 | 3,162.4 | |
| Expenses deductible in future years provisions, allowances for doubtful receivables, finance receivables | 79.4 | 4,031.5 | 1,634.6 |
| Interest including debt issuance costs | 48.2 | 2,444.3 | 1,178.7 |
| Exchange gain/loss on forward contracts | 9.1 | 460.6 | |
| Minimum alternate tax carry- forward | 43.4 | 2,200.5 | 1,365.2 |
| Compensated absences and retirement benefits | 21.3 | 1,079.5 | 1,242.4 |
| Property, plant and equipment | 168.3 | 8,534.8 | |
| Others | 26.0 | 1,317.8 | 739.3 |
| Total deferred tax asset | 522.7 | 26,510.4 | 6,179.2 |
| Deferred tax liabilities: | | | |
| Property, plant and equipment | 160.5 | 8,140.0 | 7,939.8 |
| Intangible assets | 342.9 | 17,394.1 | 5,517.8 |
| Undistributed earnings in subsidiaries and associates | 40.6 | 2,060.3 | 1,905.6 |
| Fair value gains on conversion options | 40.1 | 2,033.9 | 881.6 |
| Others | 8.4 | 425.8 | 400.7 |
| Total deferred tax liability | Rs. 592.5 | Rs. 30,054.1 | Rs. 16,645.5 |
| Net deferred tax liability | US\$ (69.8) | Rs. (3,543.7) | Rs. (10,466.3) |
| Deferred tax asset | US\$ 84.4 | Rs. 4,279.2 | Rs. 875.6 |
| Deferred tax liability | US\$ (154.2) | Rs. (7,822.9) | Rs. (11,341.9) |

Table of Contents

The movement in the deferred income tax account for the years ended March 31, 2009 and March 31, 2008

| | 2009 | For the Years ended March 31, 2009 (In millions) | 2008 |
|--|--------------------|--|-----------------------|
| Net deferred income tax liability at the beginning | US\$ (206.4) | Rs. (10,466.3) | Rs. (7,546.7) |
| (Expense) / benefit relating to temporary difference recognized in statement of operations | 86.4 | 4,386.7 | (3,142.7) |
| On acquisition of subsidiary | 35.3 | 1,781.3 | |
| Directly recognized in equity: | | | |
| Currency translation differences | (5.8) | (293.9) | 27.3 |
| Actuarial gains and losses | 0.7 | 38.0 | 228.6 |
| Available- for -sale securities | 9.4 | 477.8 | (60.3) |
| Loss on cash flow hedges | 8.9 | 450.6 | |
| Others | 1.7 | 82.1 | 27.5 |
| Net deferred income tax liability at the end | US\$ (69.8) | Rs. (3,543.7) | Rs. (10,466.3) |

Deferred tax assets and liabilities are offset if they arise in the same legal entity and taxing jurisdiction but not otherwise.

Temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognized amount to Rs 42,743.1 million as of March 31, 2009 .These relate primarily to business losses, capital allowances, which can be carried forward indefinitely. The deferred tax asset has not been recognized on the basis that its recovery is not sufficiently certain in the foreseeable future.

Tata Motors (on standalone basis, being its tax status) is liable to tax under Minimum Alternate Tax (MAT). Under the Indian Income tax laws, the tax paid under MAT provisions can be carried forward and set-off against future income tax liabilities computed under normal tax provisions within a period of ten years. Deferred tax assets as at March 31, 2009 of Rs 3,279 million towards depreciation and Rs 3,162.4 million towards business loss and Rs. 2,200.5 million towards credit for MAT paid has been recognized on the basis of estimated taxable income for future years and computation of tax liability.

Business loss carry forwards for which no deferred tax asset has been recognized expire unutilized based on the year of origination as follows:

| March 31, | In millions | |
|------------|-------------|-----------|
| | Rs. | US\$ |
| 2010 | 185.7 | 3.7 |
| 2011 | 212.6 | 4.2 |
| 2012 | 245.3 | 4.8 |
| 2013 | 5.2 | 0.1 |
| 2014 | 12.3 | 0.3 |
| 2015 | 15.9 | 0.3 |
| Thereafter | Rs. 1,013.6 | US\$ 20.0 |

19. Other non-current assets

Other non-current assets consist of the following:

| 2009 | As of March 31, 2009 (In millions) | 2008 |
|------|--|------|
|------|--|------|

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| | | | |
|--------------------|------------------|--------------------|--------------------|
| Statutory deposits | US\$ 12.3 | Rs. 623.0 | Rs. 544.2 |
| Others | 83.1 | 4,213.9 | 3,898.9 |
| Total | US\$ 95.4 | Rs. 4,836.9 | Rs. 4,443.1 |

Others as of March 31, 2009 include Rs. 2,616.0 million towards pension assets pertaining to Jaguar Land Rover businesses (As of March 31, 2008 Rs. Nil).

Others as of March 31, 2008 include Rs. 2,215.6 million in respect of acquisition expenses and Rs. 275.2 million of debt issue cost incurred for arranging a financing facility for the acquisition of Jaguar Land Rover businesses.

F-39

Table of Contents**20. Short-term borrowings and current portion of long-term debt**

Short-term borrowings and current portion of long-term debt consists of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|---------------------|--|----------------------|
| Inter-corporate deposits (unsecured) | US\$ 0.8 | Rs. 42.5 | Rs. 88.5 |
| Commercial paper (unsecured) | 298.9 | 15,157.9 | 1,196.0 |
| Bank loans (secured) | 1,559.3 | 79,089.9 | 52,357.6 |
| Non-convertible debentures (secured) | 59.2 | 3,000.0 | 1,000.0 |
| Bridge loan from syndicate of banks at floating rate(unsecured) | 2,012.6 | 102,078.0 | |
| Foreign currency loans from banks (secured) | 1,022.9 | 51,883.9 | 1,003.1 |
| Current portion of long-term debt (see note 24) | 1,348.1 | 68,376.4 | 56,674.7 |
| Total | US\$ 6,301.8 | Rs. 319,628.6 | Rs. 112,319.9 |

The Company had obtained an unsecured Bridge loan of US\$ 3,000 million for the acquisition of Jaguar Land Rover businesses. The loan is repayable by May 2009 and carries a variable rate interest based on one month LIBOR.

Bank loans are secured by hypothecation of existing and future stocks of inventories, book debts and outstanding amounts of finance receivables.

21. Other financial liabilities

Other current financial liabilities consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|------------------------------|-------------------|--|--------------------|
| Derivative liabilities | US\$ 41.1 | Rs 2,086.4 | Rs. 897.2 |
| Interest accrued but not due | 29.6 | 1,503.0 | 785.1 |
| Others | 87.3 | 4,426.8 | 4,937.7 |
| Total | US\$ 158.0 | Rs. 8,016.2 | Rs. 6,620.0 |

Others as of March 31, 2009 and March 31, 2008 include finance leases obligations less than one year amounting Rs.534.1 million and Rs. 95.3 million, respectively.

Others as of March 31, 2008 include Rs.2,215.6 million in respect of acquisition expenses and Rs. 1,655.8 million of debt issue cost incurred for arranging a financing facility for the acquisition of Jaguar Land Rover businesses.

22. Provisions

Provisions consist of the following:

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| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---------------------------------------|--------------------|--|--------------------|
| Current | | | |
| Warranty and product liability | US \$ 610.9 | Rs. 30,987.9 | Rs. 2,681.9 |
| Provision for residual risk | 110.6 | 5,605.9 | |
| Provision for environmental liability | 29.9 | 1,515.6 | |
| Total-Current | US \$ 751.4 | Rs. 38,109.4 | Rs. 2,681.9 |
| Non-current | | | |
| Employee benefit obligations | US \$ 109.5 | Rs. 5,550.1 | Rs. 5,272.6 |
| Warranty | 273.6 | 13,876.3 | |
| Provision for residual risk | 26.1 | 1,326.2 | |
| Total-Non-current | US \$ 409.2 | Rs. 20,752.6 | Rs. 5,272.6 |

F-40

Table of Contents**Product warranty and product liability**

| | Year ended March 31, 2009 | |
|--|------------------------------|---------------------|
| | (In millions) | |
| Balance at the beginning | US\$ 52.9 | Rs. 2,681.9 |
| Liability assumed on acquisition of a subsidiary | 929.7 | 47,153.3 |
| Provision made during the year | 470.5 | 23,862.0 |
| Provision used during the year | (498.5) | (25,284.5) |
| Impact of discounting | 18.1 | 918.6 |
| Impact of foreign exchange translation | (88.2) | (4,467.1) |
| Balance at the end | US\$ 884.5 | Rs. 44,864.2 |
| Current | US\$ 610.9 | Rs. 30,987.9 |
| Non-current | US\$ 273.6 | Rs. 13,876.3 |

| | Years ended March 31, 2009 | | | |
|--|-------------------------------|--------------------|---------------------------------------|--------------------|
| | Provision for residual risk | | Provision for environmental liability | |
| | (In millions) | | | |
| | US\$ | Rs. | US\$ | Rs. |
| Balance at the beginning | | | | |
| Liability assumed on acquisition | 123.2 | 6,244.9 | 33.5 | 1,697.9 |
| Provision made during the year | 115.1 | 5,840.8 | 2.4 | 119.6 |
| Provision used during the year | (83.7) | (4,246.6) | (1.6) | (80.8) |
| Impact of foreign exchange translation | (17.9) | (907.0) | (4.4) | (221.1) |
| Balance at the end | US\$ 136.7 | Rs. 6,932.1 | US\$ 29.9 | Rs. 1,515.6 |
| Current | US\$ 110.6 | Rs. 5,605.9 | US\$ 29.9 | Rs. 1,515.6 |
| Non-current | US\$ 26.1 | Rs. 1,326.2 | US\$ | Rs. |

23. Other current liabilities

Other current liabilities consist of the following:

| | 2009 | As of March 31, 2009 | 2008 |
|---------------------------------|-------------------|-------------------------|--------------------|
| | (In millions) | | |
| Liability for advances received | US\$ 58.1 | Rs. 2,945.7 | Rs. 3,932.8 |
| Others | 315.7 | 16,011.4 | 4,760.0 |
| Total | US\$ 373.8 | Rs. 18,957.1 | Rs. 8,692.8 |

Others as of March 31, 2009 and March 31, 2008 include Rs. 7,959.2 million and Rs. Nil, respectively, towards deferred income - relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase options.

Table of Contents**24. Long-term debt**

Long-term debt consists of the following:

| | | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|------------------------------|---------------------|--|----------------------|
| | Redemption/ Maturity date | | | |
| Debentures (secured): | | | | |
| 14.75% Non-convertible debentures | | Rs. | Rs. | Rs. 704.1 |
| 11.03% Non-convertible debentures-A | May 21, 2009 | US\$ 17.7 | 900.0 | 900.0 |
| 11.03% Non-convertible debentures-B | June 22, 2009 | 4.9 | 250.0 | 250.0 |
| 10.97% Non-convertible debentures-C | August 25, 2009 | 4.9 | 250.0 | 250.0 |
| 10.92% Non-convertible debentures-D | November 30, 2009 | 2.0 | 100.0 | 100.0 |
| 10.93% Non-convertible debentures-E | June 28, 2010 | 23.1 | 1,172.0 | 1,172.0 |
| 10.64% Non-convertible debentures-F | July 13, 2009 | 29.6 | 1,500.0 | 1,500.0 |
| 10.35% Non-convertible debentures-G | July 20, 2010 | 19.7 | 1,000.0 | 1,000.0 |
| 9.73% Non-convertible debentures-H | July 30, 2010 | 19.7 | 1,000.0 | 1,000.0 |
| Foreign currency convertible notes (including fair value of conversion option) (unsecured) | | | | |
| 1% Foreign currency convertible notes (USD) | | | | 3.2 |
| Zero coupon foreign currency convertible notes (USD) | April 27, 2009 | 2.9 | 148.6 | 206.2 |
| 1% Foreign currency convertible notes (USD) | April 27, 2011 | 332.7 | 16,876.8 | 13,418.9 |
| Zero coupon foreign currency convertible notes (JPY) | March 21, 2011 | 105.0 | 5,327.2 | 4,252.0 |
| Zero coupon convertible alternative reference securities (USD) | July 12, 2012 | 474.9 | 24,084.8 | 19,624.0 |
| Collateralized debt obligation (secured) | | 1,789.7 | 90,775.4 | 91,865.9 |
| Buyers credit from banks in foreign currency at floating interest rate (secured) | | 194.5 | 9,862.6 | 8,324.5 |
| Fixed deposits from public and shareholders (unsecured) | | 239.6 | 12,152.8 | |
| Others: | | | | |
| Loan from banks | | 338.8 | 17,183.2 | 15,801.6 |
| Others term loans | | | | 2,286.1 |
| Others | | 39.1 | 1,978.9 | 2,044.3 |
| Total | | US\$ 3,638.8 | Rs. 184,562.3 | Rs. 164,702.8 |
| Less: current portion | | 1,348.1 | 68,376.4 | 56,674.7 |
| Long-term debt | | US\$ 2,290.7 | Rs. 116,185.9 | Rs. 108,028.1 |

Table of Contents

The scheduled maturity of long-term debt as of March 31, 2009 is set out as below

| Due in the years ending March 31, | As of March 31, 2009 (In millions) | |
|-----------------------------------|---------------------------------------|----------------------|
| | US\$ | Rs. |
| 2010 | 1,348.1 | 68,376.4 |
| 2011 | 917.9 | 46,557.8 |
| 2012 | 844.3 | 42,823.0 |
| 2013 | 526.2 | 26,689.6 |
| 2014 | 2.3 | 115.5 |
| Thereafter | | |
| Total | US\$ 3,638.8 | Rs. 184,562.3 |

Foreign currency convertible notes*Zero coupon foreign currency convertible notes (USD) due 2009*

On April 27, 2004, Tata Motors raised US\$ 100 million by way of Zero coupon convertible notes due for redemption on April 27, 2009. The note holders have an option to convert these notes into ordinary shares or ADSs determined at an initial conversion price of Rs. 573.106 per share (converted at fixed rate of exchange on conversion of Rs.43.85 per USD), from and including June 7, 2004 to and including March 28, 2009. The conversion price will be subject to certain adjustments. Further, Tata Motors has a right to redeem in whole, but not in part, these Notes at any time on or after April 27, 2005, subject to certain conditions. Unless previously converted, redeemed or purchased and cancelled, these Notes will be due for redemption on April 27, 2009, at 95.111% of the principal amount.

7,183,773 ordinary shares were allotted during the period April 27, 2004 to March 31, 2007, consequent to conversion of 93,890 Notes with an aggregate value of Rs. 5,713.9 million.

During the year ended March 31, 2008, 130,069 ordinary shares were allotted consequent to conversion of 1700 notes with an aggregate value of Rs.78.4 million.

During the year ended March 31, 2009, 153,025 ordinary shares were allotted consequent to conversion of 2,000 Notes with an aggregate value, net of Rs. 0.1 million being stamp duty expenses on conversion, of Rs. 100 million (US\$ 1.7 million). Further, 2,410 Notes with an aggregate value of Rs. 148.6 million (US\$ 2.9 million) outstanding as at March 31, 2009 were redeemed on maturity.

1% Foreign Currency Convertible Notes (USD) due 2011

On April 27, 2004, Tata Motors also raised US\$ 300 million by way of 1% Convertible Notes due for redemption on April 27, 2011. The note holders have an option to convert these notes into ordinary shares / ADSs determined at an initial conversion price of Rs. 780.400 per share (converted at fixed rate of conversion of Rs. 43.85 per USD), from and including June 7, 2004 to and including March 28, 2011. The conversion price of the notes was reset to a price of Rs 737.29 per share at a fixed rate of conversion of Rs. 43.85 per USD, on account of our rights issue in fiscal 2009. The conversion price will be subject to certain adjustments. In the event of certain changes affecting taxation, Tata Motors has an option to redeem in whole but not in part, these Notes at any time. Unless previously converted, redeemed or purchased and cancelled, these Notes will be due for redemption on April 27, 2011 at 121.781% of the principal amount. There has been no conversion during the year ended March 31, 2009. Outstanding notes may at the option of the Note holders be converted into 17,842,482 ADSs or shares at any time up to March 28, 2011.

Zero coupon foreign currency convertible notes (JPY) due 2011

On March 20, 2006, Tata Motors issued Yen 11,760 million (Rs. 4,500.3 million) Zero Coupon Convertible Notes due for redemption on March 21, 2011. The note holders have an option to convert these Notes into ordinary shares or ADSs determined at an initial conversion price of Rs.1,001.39 per share (converted at fixed rate of exchange on conversion of Rs.1.00 per Yen 2.66), from and including May 2, 2006 to and including February 19, 2011. The conversion price of the notes was reset to a price of Rs 946.07 per share at a fixed rate of conversion of Rs. 1 per Yen 2.66, on account of our rights issue in fiscal 2009. The conversion price will be subject to certain adjustments. Further, Tata Motors

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has a right to redeem in whole, or in part, these Notes at any time on or after March 20, 2009 but prior to February 8, 2011, subject to certain conditions. In the event of certain changes affecting taxation, Tata Motors has an option to redeem in whole but not in part, these Notes at any time. Unless previously converted, redeemed or purchased and cancelled, these Notes will be due for redemption on March 21, 2011, at 99.253% of the principal amount.

There has been no conversion till March 31, 2009. During the year ended March 31, 2009 the Company bought back and cancelled 30 notes (Principal value of JPY 300 million). Further 1146 outstanding notes may at the option of the Note holders be converted into 4,553,878 ADSs or shares at any time up to February 19, 2011.

F-43

Table of Contents*Zero coupon convertible alternative references securities (USD) due 2012(CARS)*

On July 12, 2007, Tata Motors raised funds aggregating US\$ 490 million (Rs. 19,927.1 million at issue) by issue of Zero Coupon Convertible Alternative Reference Securities (CARS) due on July 12, 2012. The note holders have an option, subject to the terms and conditions of the issue, to convert these notes into Qualified Securities or the Company's newly issued ordinary shares or ADSs. The conversion may be made by the note holders from and including October 11, 2011 to and including June 12, 2012 at an initial conversion price of Rs. 960.96 per share (equivalent to US\$23.67 at a fixed rate of exchange on conversion of Rs. 40.59 per US\$1.00) that is subject to adjustment in certain circumstances. The conversion price of the notes was reset to a price of Rs 907.87 per share at a fixed rate of conversion of Rs. 40.59 per USD, on account of our rights issue in fiscal 2009. The Company has a right to redeem in whole, but not in part, these notes at any time on or after October 11, 2011, subject to certain conditions. Unless previously converted, redeemed or purchased and cancelled as per the terms of issue, these will be redeemed on July 12, 2012 at 131.82% of the outstanding principal amount.

During the year ended March 31, 2009, the Company bought back and cancelled 170 notes (Principal value of US\$ 17 million).

The embedded conversion options are not closely related to the host debt contracts as the conversion options will be settled by delivery of fixed number of shares for fixed amounts of foreign currency which represents variable amount of cash in Indian Rupees, the Company's functional currency. The fair values of the call options is insignificant. Changes in the fair value of the conversion options is recognized in the statement of operations.

Buyers credit

The buyers line of credit is from State Bank of India (SBI) and Hongkong and Shanghai Banking Corporation (HSBC) and is repayable at the end of three years from drawdown dates.

Collateralized debt obligation

These represent amount received against finance receivables securitized/ assigned which does not qualify for derecognition.

Fixed deposits from public and shareholders

These are unsecured deposit for a fixed tenor of up to three years bearing interest rates ranging from 10% to 12.25%

Others

One of the subsidiaries of the Company has to maintain a non performing asset ratio of less than 3%. The interest rates of bank loans range from 8.75% to 13.12%.

25. Other financial liabilities

Other financial liabilities non-current consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--|-------------------|--|--------------------|
| Insurance payable | US\$ 57.3 | Rs. 2,904.8 | Rs. 3,443.1 |
| Lease liabilities | 42.2 | 2,138.4 | 206.2 |
| Retention money, security deposit, marketing incentives and others | 116.8 | 5,925.0 | 1,857.2 |
| Total | US\$ 216.3 | Rs. 10,968.2 | Rs. 5,506.5 |

Table of Contents**26. Other liabilities**

Other liabilities consist of the following:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|------------------------------|-------------------|--|------------------|
| Employee benefit obligations | US\$ 118.3 | Rs. 6,001.9 | Rs. 649.3 |
| Others | 0.3 | 13.5 | 120.1 |
| Total | US\$ 118.6 | Rs. 6,015.4 | Rs. 769.4 |

27. Equity**Ordinary shares and A Ordinary shares**

The movement of number of shares and share capital is as follows.

| | 2009 | | As of March 31, 2009 | | 2008 | |
|--|--------------------|--------------------|-------------------------|------------------|--------------------|--------------------|
| | Ordinary shares | | A Ordinary shares | | Ordinary shares | |
| | No. of shares | Rs. in million | No. of shares | Rs. in million | No. of shares | Rs. in million |
| Shares at the beginning | 385,503,954 | Rs. 3,855.4 | | | 385,373,885 | Rs. 3,854.1 |
| Shares allotted for rights issue | 64,175,655 | 641.8 | 64,175,655 | 641.8 | | |
| Share issued on conversion of zero coupon foreign currency convertible notes | 153,025 | 1.5 | | | 130,069 | 1.3 |
| Shares issued, (abeyance right issue-2001) | 25 | | | | | |
| Shares at the end | 449,832,659 | Rs. 4,498.7 | 64,175,655 | Rs. 641.8 | 385,503,954 | Rs. 3,855.4 |
| | | US\$ 88.7 | | US\$ 12.7 | | |

Authorized share capital

Authorized share capital includes 700,000,000 and 450,000,000 ordinary shares of Rs 10 each as of March 31, 2009 and March 31, 2008, 200,000,000 A Ordinary shares as of March 31, 2009 of Rs. 10 each and 300,000,000 convertible cumulative preference shares of Rs. 100 each as of March 31, 2009.

Issued and subscribed

Issued and fully paid up share capital includes 449,818,909 and 385,490,204 ordinary shares as of March 31, 2009 and March 31, 2008 respectively and 64,175,655 A Ordinary shares as of March 31, 2009. Issued and partly paid up share capital includes 13,750 Ordinary shares for both the years.

A Ordinary shares

The shareholders of A Ordinary shares are entitled to receive dividend of five percentage points more than the aggregate rate of dividend determined by the company on Ordinary shares for the financial year.

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If any resolution at any general meeting of shareholders is put to vote on poll, or if any resolution is put to vote by postal ballot, each A Ordinary shareholders shall be entitled to one vote for every ten A Ordinary shares held.

F-45

Table of Contents

28. Reconciliation of movement in equity

Tata Motors Limited and subsidiaries

Reconciliation of movement in equity

For each of the years ended March 31, 2009 and 2008

| | Other components of equity | | | Reserves | | | | | Equity attributable to shareholders of the parent | Minority interest | Total equity | | |
|---|----------------------------|----------------------------|------------------------------|--------------------------------|----------------------------|------------------------------|--------------------------------------|-----------------|---|-------------------|--------------|---------------|--|
| | Share capital | Additional paid-in capital | Currency translation reserve | Available-for-sale investments | Capital redemption reserve | Debenture redemption reserve | Reserve for research and development | Special reserve | Earned surplus reserve | Retained earnings | | | |
| | (In million) | | | | | | | | | | | | |
| Balance as of March 31, 2007 | Rs. 3,854.1 | Rs. 38,181.0 | Rs. 1,618.4 | Rs. 13,297.9 | Rs. 52.8 | Rs. 3,343.6 | Rs. 633.2 | Rs. 665.6 | Rs. 35,229.6 | Rs. 96,876.2 | Rs. 4,374.8 | Rs. 101,251.1 | |
| Recognized gains and losses | | | (1,069.7) | 7,351.1 | | | | | 21,531.8 | 27,813.2 | 1,210.7 | 29,020.8 | |
| Shares issued | | | | | | | | | | | | | |
| Conversion of Coupon redeemable preference shares (Net of expenses) | 1.3 | 77.1 | | | | | | | | 78.4 | | 78.4 | |
| Shares issued to minority shareholders | | | | | | | | | | | 645.0 | 645.0 | |
| Including dividend tax | | | | | | | | | (6,763.2) | (6,763.2) | (253.0) | (7,016.2) | |
| Transfer to retained earnings | | | | | | | | | 13.9 | (13.9) | | | |
| Transfer to special reserve | | | | | | | | 122.0 | (122.0) | | | | |
| Transfer to reserve for research and development | | | | | | | 315.1 | | (315.1) | | | | |
| Transfer to subsidiary | | | | | (30.0) | | | | (10.1) | (40.1) | 459.9 | 419.8 | |
| Changes in equity | | | | | | | | | | | (85.4) | (85.4) | |
| Balance as of March 31, 2008 | Rs. 3,855.4 | Rs. 38,258.1 | Rs. 548.7 | Rs. 20,649.0 | Rs. 22.8 | Rs. 3,343.6 | Rs. 948.3 | Rs. 787.6 | Rs. 49,537.1 | Rs. 117,964.5 | Rs. 6,352.0 | Rs. 124,316.5 | |

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Rs. 21,197.7

Rs. 54,653.3

F-46

Table of Contents

Tata Motors Limited and subsidiaries

Reconciliation of movement in equity

For each of the years ended March 31, 2009 and 2008

| | | Other Components of equity | | | | Reserves / (accumulated deficit) | | | | | Equity attributable to shareholders of the parent | Minority interest |
|----------------------------|------------------------------|--------------------------------|-----------------|----------------------------|-------------------------|---|-----------------|-----------------------------|-------------------|---------------|---|-------------------|
| Additional paid-in capital | Currency translation reserve | Available-for-sale investments | Hedging Reserve | Capital redemption reserve | Debt redemption reserve | Reserve for research and human resource development | Special reserve | Earned surplus plus reserve | Retained earnings | | | |
| (In million) | | | | | | | | | | | | |
| 5.4 | Rs. 38,258.1 | Rs. 548.7 | Rs. 20,649.0 | Rs. 22.8 | Rs. 3,343.6 | Rs. 948.3 | Rs. 787.6 | Rs. 13.9 | Rs. 49,537.1 | Rs. 117,964.5 | Rs. 6,350.0 | |
| | | (20,981.3) | (20,102.4) | (875.1) | | | | | (75,890.6) | (117,849.4) | (6,350.0) | |
| 1.5 | 98.5 | | | | | | | | | 100.0 | | |
| 3.6 | 39,813.0 | | | | | | | | | 41,096.5 | | |
| | | | | | | | | | (6,766.3) | (6,766.3) | (720.0) | |
| | | | | | | | | 57.5 | (57.5) | | | |
| | | | | | | | 357.1 | | (357.1) | | | |
| | | | | | 2,678.0 | | | | (2,678.0) | | | |

Table of Contents***Capital redemption reserve***

The Indian Companies Act, 1956 (the Companies Act) requires that where a company purchases its own shares not out of proceeds of a fresh issue but out of free reserves, then a sum equal to the nominal value of the shares so purchased shall be transferred to a capital redemption reserve account, which may be applied to issue fully paid bonus shares. The Company established this reserve pursuant to the redemption of preference shares issued in earlier years.

Debenture redemption reserve

The Companies Act requires that where a company issues debentures, it shall create a debenture redemption reserve from profits every year until such debentures are redeemed. Manufacturing companies are required to maintain a minimum proportion of the outstanding redeemable debentures as a reserve. The amounts credited to the debenture redemption reserve may not be utilized by the Company except to redeem debentures.

Special reserve

The special reserve represents the reserve created by two subsidiaries of Tata Motors pursuant to the Reserve Bank of India Act, 1934 (the RBI Act) and related regulations applicable to those companies. Under the RBI Act, a non-banking finance company is required to transfer an amount not less than 20 per cent of its net profit to a reserve fund before declaring any dividend. Appropriation from this reserve fund is permitted only for the purposes specified by the RBI.

Earned surplus reserve

Under the Korean commercial code Tata Daewoo Commercial Vehicle Company Limited (TDCV, a subsidiary company) is required to appropriate at least 10% of cash dividend declared each year to a legal reserve until such reserves equal to 50% of capital stock. This reserve may not be utilized for cash dividends, but may only be used to offset against future deficit, if any, or may be transferred to capital stock.

Reserve for research and human resource development

In terms of Article 9 of the Act on Special Taxation Restriction in Korea, Tata Daewoo Commercial Vehicle Company Limited (TDCV, a subsidiary company) is entitled for deferment of tax in respect of expenditure incurred on product development cost subject to fulfillment of certain conditions, by way of deduction from the taxable income, provided TDCV appropriates an equivalent amount from Retained Earnings to Reserve for Research and Human Resource Development .

The deferment is for a period of three years and from the fourth year onwards one-third of the reserve is offered to tax and an equal amount is then transferred from the reserve to Retained earnings available for appropriation .

29. Dividends

Final dividends on equity shares (including dividend tax of Rs 982.0 million and Rs. 982.5 million for the year ended March 31, 2009 and 2008 respectively on distribution of such dividends) are recorded as a liability on the date of their approval by the shareholders. The Company paid dividends including dividend tax thereon of Rs. 6,766.3 million and Rs. 6,763.2 million during the years ended March 31, 2009 and March 31, 2008, respectively. The dividend per share was Rs. 15 for both the years ended March 31, 2009 and March 31, 2008. In the Company's Board of Directors meeting held on May 29, 2009, the Board recommended a dividend in the aggregate amount of Rs. 3,645.7 including dividend tax of Rs. 529.6 million on the distribution of such dividends amounting to Rs 6 per share for Ordinary shares and Rs 6.5 per share for A Ordinary shares.

Table of Contents**30. Employee Cost**

Employee cost consists of the following:

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|--|---------------------|--|---------------------|
| Salaries, wages and bonus | US\$ 1,316.0 | Rs. 66,748.9 | Rs. 24,141.0 |
| Contribution to provident fund and other funds | 51.5 | 2,611.3 | 2,200.9 |
| Workmen and Staff welfare Expenses | 115.1 | 5,839.5 | 2,421.7 |
| Total | US\$ 1,482.6 | Rs. 75,199.7 | Rs. 28,763.6 |

31. Other Expenses

Other expenses consist of the following:

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|--|---------------------|--|---------------------|
| Stores, spare parts and tools consumed | US\$ 157.4 | Rs. 7,984.0 | Rs. 5,547.1 |
| Freight, transportation and port charges | 475.7 | 24,129.1 | 10,472.4 |
| Product development cost | 68.5 | 3,474.2 | 661.6 |
| Warranty and product liability expenses | 470.5 | 23,862.0 | 3,256.7 |
| Works operation and other expenses * | 1,391.5 | 70,580.3 | 22,429.7 |
| Repairs to building, plant and machinery | 63.1 | 3,201.6 | 1,000.0 |
| Processing charges | 98.1 | 4,975.2 | 5,128.8 |
| Power and fuel | 136.0 | 6,898.1 | 4,077.7 |
| Rent, rates and taxes | 56.7 | 2,878.1 | 1,291.9 |
| Insurance | 29.1 | 1,476.6 | 579.7 |
| Publicity | 515.8 | 26,154.4 | 3,475.3 |
| Total | US\$ 3,462.4 | Rs. 175,613.6 | Rs. 57,920.9 |

* Includes allowance pertaining to trade and other receivables including finance receivables of Rs.8,525.1 million and Rs 5,953.5 million for the years ended March 31, 2009 and March 31, 2008 respectively.

32. Interest expense (net)

Interest expense (net) consists of the following:

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|------------------------------|-------------------|--|---------------------|
| Gross interest expense | US\$ 752.1 | Rs. 38,147.1 | Rs. 18,236.7 |
| Less: Interest capitalized * | (77.4) | (3,924.8) | (1,773.2) |
| Total | US\$ 674.7 | Rs. 34,222.3 | Rs. 16,463.5 |

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* Represents borrowings cost capitalized during the year on qualifying assets (property plant and equipment and product development cost). The rate for capitalization of interest relating to general borrowings was approximately 9.5% and 7% for the year ended March 31, 2009 and 2008 respectively.

F-49

Table of Contents**33. Other income**

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|--|-------------------|--|--------------------|
| Miscellaneous income * | US\$ 93.1 | Rs. 4,721.3 | Rs. 1,449.4 |
| Gain on sale of equity interest in subsidiaries and associates (net) | 27.1 | 1,374.7 | 1,436.7 |
| Dividends and income on mutual funds | 15.4 | 783.6 | 1,218.0 |
| Gain on sale of investments | 119.5 | 6,058.0 | 175.0 |
| Change in fair value of conversion options | 55.3 | 2,806.5 | 3,155.5 |
| Gain/(loss) on sale of assets and others | (0.9) | (44.6) | 243.4 |
| Total | US\$ 309.5 | Rs. 15,699.5 | Rs. 7,678.0 |

* Includes gain on buyback of foreign currency convertible notes of Rs.493.9 million and Rs Nil for the year ended March 31, 2009 and 2008 respectively.

34. Gain on sale of equity interests in subsidiary

During the year ended March 31, 2009, Tata Motors sold a part of its equity interest in its subsidiary Tata AutoComp Systems Ltd (TACO) to a related party for a cash consideration of Rs. 1,610.2 million. A gain of Rs.1,404.7 million has been recorded on this transaction. Subsequent to this TACO is an associate of Tata Motors.

During the year ended March 31, 2008, Tata Motors sold a part of its equity interest in its subsidiaries, HV Axles Limited (HVAL) and HV Transmission Limited (HVTL) to a related party for a cash consideration of Rs. 1,012.5 million and Rs. 630.0 million respectively. A gain of Rs.1,100.1 million has been recorded on these transactions. Consequently, Tata Motors' holding in both of these subsidiaries has been reduced from 100% to 85%.

During the year ended March 31, 2008, TACO the then subsidiary of Tata Motors Ltd sold part of its equity interest in its subsidiary, Automotive Stampings and Assemblies Ltd (ASAL) to Gestamp Auto (joint venture partner of TACO) for a cash consideration of Rs.364.3 million. A gain of Rs. 148.0 million has been recorded on this transaction. Consequently, TACO's holding in ASAL has been reduced from 81.35% to 43.86%.

35. Sale of finance receivables

During the year ended March 31, 2008, Tata Motors sold certain finance receivables and certain other rights related to this activity to a related party for a cash consideration of Rs10,226.0 million resulting in a gain of Rs.923.5 million.

Table of Contents**36. Employee benefits****Defined Benefit Plan****Pension and postretirement medical plans**

The following table sets out the funded and unfunded status and the amounts recognized in the financial statements for the pension and the post retirement medical plans in respect of Tata Motors and its Indian subsidiaries:

| | 2009 | Pension Benefits 2009 | As of March 31, | | Post retirement medical Benefits | |
|--|-------------------|--------------------------|--------------------|------------------|----------------------------------|------------------|
| | | | 2008 | 2009 | 2009 | 2008 |
| (In millions) | | | | | | |
| Change in defined benefit obligation: | | | | | | |
| Defined benefit obligation, beginning of the year | US\$ 110.5 | Rs. 5,606.4 | Rs. 5,196.4 | US\$ 13.9 | Rs. 704.9 | Rs. 614.4 |
| Divestments during the year | (0.6) | (30.5) | | | | |
| Service cost | 6.2 | 314.3 | 265.8 | 0.6 | 27.9 | 29.3 |
| Interest cost | 8.7 | 439.2 | 404.9 | 1.1 | 58.0 | 50.3 |
| Actuarial loss | 1.7 | 84.9 | 638.9 | 2.1 | 105.7 | 57.4 |
| Plan amendments | 0.6 | 30.7 | | | | |
| Benefits paid | (10.5) | (534.5) | (683.7) | (0.9) | (45.2) | (46.5) |
| Settlements | (3.5) | (178.7) | (215.9) | | | |
| Defined benefit obligation, end of the year | US\$ 113.1 | Rs. 5,731.8 | Rs. 5,606.4 | US\$ 16.8 | Rs. 851.3 | Rs. 704.9 |
| Change in plan assets: | | | | | | |
| Fair value of plan assets, beginning of the year | US\$ 98.3 | Rs. 4,985.9 | Rs. 4,360.4 | US\$ | Rs. | Rs. |
| Divestments during the year | (0.4) | (20.6) | | | | |
| Expected return on plan assets | 7.5 | 384.1 | 360.4 | | | |
| Actuarial gain / (loss) | 2.0 | 97.9 | 86.7 | | | |
| Employer's contributions | 7.3 | 370.9 | 1,029.3 | 0.9 | 45.2 | 46.5 |
| Benefits paid | (10.5) | (534.5) | (683.7) | (0.9) | (45.2) | (46.5) |
| Settlements | (2.6) | (135.2) | (167.2) | | | |
| Fair value of plan assets, end of the year | US\$ 101.6 | Rs. 5,148.5 | Rs. 4,985.9 | US\$ | Rs. | Rs. |

Table of Contents

| | As of March 31, | | | | | |
|---|--------------------|--------------------------|--------------------|--|--------------------|--------------------|
| | 2009 | Pension Benefits 2009 | 2008 | Post retirement medical Benefits 2009 | 2009 | 2008 |
| (In millions) | | | | | | |
| Amount recognized in the statement of financial position consist of: | | | | | | |
| Present value of defined benefit obligation | US\$ 113.1 | Rs. 5,731.8 | Rs. 5,606.4 | US\$ 16.8 | Rs. 851.3 | Rs. 704.9 |
| Fair value of plan assets | 101.6 | 5,148.5 | 4,985.9 | | | |
| Net liability | US\$ (11.5) | Rs. (583.3) | Rs. (620.5) | US\$ (16.8) | Rs. (851.3) | Rs. (704.9) |

| Amounts in the statement of financial position: | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Non-current assets | US\$ 1.4 | Rs. 69.8 | Rs. 17.1 | US\$ | Rs. | Rs. |
| Non-current liabilities | (12.9) | (653.1) | (637.6) | (16.8) | (851.3) | (704.9) |
| Net liability | US\$ (11.5) | Rs. (583.3) | Rs. (620.5) | US\$ (16.8) | Rs. (851.3) | Rs. (704.9) |

| Experience adjustments | | | | | | |
|---|------------|-------------|-------------|-----------|-----------|-----------|
| Present value of defined benefit obligation | US\$ 113.1 | Rs. 5,731.8 | Rs. 5,606.4 | US\$ 16.8 | Rs. 851.3 | Rs. 704.9 |
| Fair value of plan assets | 101.6 | 5,148.5 | 4,985.9 | | | |
| Surplus/ (deficit) | (11.5) | (583.3) | (620.5) | (16.8) | (851.3) | (704.9) |
| Experience adjustments on plan liabilities | (9.1) | (464.0) | 393.3 | 1.0 | 48.7 | 367.1 |
| Experience adjustments on plan assets | US\$ 2.1 | Rs. 105.7 | Rs. (80.7) | US\$ | Rs. | Rs. |
| Amount recognized in statements of recognized income and expense consists of: | | | | | | |

| | Years ended March 31, | | | | | |
|------------------------|-----------------------|--------------------------|------------------|--|------------------|-----------------|
| | 2009 | Pension Benefits 2009 | 2008 | Post retirement medical Benefits 2009 | 2009 | 2008 |
| (In millions) | | | | | | |
| Actuarial loss /(gain) | US\$ 10.6 | Rs. 539.2 | Rs. 552.2 | US\$ 3.2 | Rs. 163.1 | Rs. 57.4 |
| | US\$ 10.6 | Rs. 539.2 | Rs. 552.2 | US\$ 3.2 | Rs. 163.1 | Rs. 57.4 |

Information for funded plans with a defined benefit obligation in excess of plan assets:

| | As of March 31, Pension Benefits (In millions) | | |
|----------------------------|--|-----------|-----------|
| | 2009 | 2009 | 2008 |
| Defined benefit obligation | US\$ 14.7 | Rs. 744.5 | Rs. 873.0 |
| Fair value of plan assets | US\$ 12.3 | Rs. 621.6 | Rs. 670.0 |

Information for funded plans with a defined benefit obligation less than plan assets:

As of March 31,
Pension Benefits
(In millions)

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| | 2009 | 2009 | 2008 |
|----------------------------|-----------|-------------|-------------|
| Defined benefit obligation | US\$ 88.9 | Rs. 4,509.1 | Rs. 4,299.0 |
| Fair value of plan assets | US\$ 89.3 | Rs. 4,526.9 | Rs. 4,315.9 |

F-52

Table of Contents

Information for unfunded plans:

| | 2009 | Pension Benefits 2009 | As of March 31, | | 2009 | 2008 |
|----------------------------|----------|--------------------------|-----------------|----------------------------------|-----------|-----------|
| | | | 2008 | Post retirement medical Benefits | | |
| | | | | | | |
| Defined benefit obligation | US\$ 9.5 | Rs. 478.2 | Rs. 434.4 | US\$ 16.8 | Rs. 851.3 | Rs. 704.9 |
| Fair value of plan assets | | | | | | |

Net pension and post retirement medical cost consists of the following components:

| | 2009 | Pension Benefits 2009 | As of March 31, | | 2009 | 2008 |
|--------------------------------|-----------------|--------------------------|------------------|----------------------------------|-----------------|-----------------|
| | | | 2008 | Post retirement medical Benefits | | |
| | | | | | | |
| Service cost | US\$ 6.2 | Rs. 314.3 | Rs. 265.8 | US\$ 0.6 | Rs. 27.9 | Rs. 29.3 |
| Interest cost | 8.7 | 439.2 | 404.9 | 1.1 | 58.0 | 50.3 |
| Expected return on plan assets | (7.5) | (384.1) | (360.4) | | | |
| Cost/(gain) of settlement | (0.9) | (43.5) | (48.7) | | | |
| Past service cost | 0.6 | 30.7 | | | | |
| Net periodic cost | US\$ 7.1 | Rs. 356.6 | Rs. 261.6 | US\$ 1.7 | Rs. 85.9 | Rs. 79.6 |

Other changes in plan assets and benefit obligation recognized in statements of recognized income and expense.

| | 2009 | Pension Benefits 2009 | Years ended March 31, | | 2009 | 2008 |
|---|-------------------|--------------------------|-----------------------|----------------------------------|------------------|------------------|
| | | | 2008 | Post retirement medical Benefits | | |
| | | | | | | |
| Actuarial loss/(gain) | US\$ (0.3) | Rs. (13.0) | Rs. 552.2 | US\$ 2.1 | Rs. 105.7 | Rs. 57.4 |
| Total recognized in statement of recognized income and expense | US\$ (0.3) | Rs. (13.0) | Rs. 552.2 | US\$ 2.1 | Rs. 105.7 | Rs. 57.4 |
| Total recognized in net periodic cost and statement of recognized income and expense | US\$ 6.8 | Rs. 343.6 | Rs. 813.8 | US\$ 3.8 | Rs. 191.6 | Rs. 137.0 |

The assumptions used in accounting for the pension and post retirement medical plans are set out below:

| | Years ended March 31, | | Years ended March 31, | |
|---|--------------------------|--------------------------|--|--|
| | Pension Benefits 2009 | Pension Benefits 2008 | Post retirement medical Benefits 2009 | Post retirement medical Benefits 2008 |
| Discount rate | 6.75%-8.50% | 7.75%-8.50% | 8.50% | 8.50% |
| Rate of increase in compensation level of covered employees | 0.00%-7.50% | 5.00%-8.50% | NA | NA |
| Increase in health care cost | NA | NA | 4.00% | 4.00% |
| Expected long term rate of return on plan assets | 8.00% | 8.00% | NA | NA |

The expected return on plan assets is determined considering several applicable factors mainly including the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

Table of Contents**Plan Assets**

The Company's pension plan asset allocation as of March 31, 2009 and 2008 by category are as follows:

| Asset category: | Pension benefits Plan assets as of March 31, | |
|---------------------|---|-------------|
| | 2009 | 2008 |
| Debt securities | 78% | 69% |
| Balances with banks | 22% | 31% |
| | 100% | 100% |

The Company's policy is driven by considerations of maximizing returns while ensuring credit quality of the debt instruments. The asset allocation for plan assets is determined based on investment criteria prescribed under the Indian Income Tax Act, 1961, and is also subject to other exposure limitations. The Company evaluates the risks, transaction costs and liquidity for potential investments. To measure plan asset performance, the Company compares actual returns for each asset category with published bench marks.

The Company expects to contribute Rs. 417.4 million to the funded pension plans in fiscal 2010.

The table below outlines the effect on the service cost, the interest cost and the Defined benefit obligation in the event of an increase of 1% in the assumed rate of increase in health care cost:

| | Years ended March 31, | | |
|--|-----------------------|----------|----------|
| | 2009 | 2009 | 2008 |
| | (In millions) | | |
| Effect on defined benefit obligation | US\$ 1.7 | Rs. 85.6 | Rs. 16.1 |
| Effect on service cost and interest cost | 0.1 | 5.8 | 7.0 |

The table below outlines the effect on the service cost, the interest cost and the Defined benefit obligation in the event of a decrease of 1% in the assumed rate of decrease in health care cost:

| | Years ended March 31, | | |
|--|-----------------------|------------|------------|
| | 2009 | 2009 | 2008 |
| | (In millions) | | |
| Effect on defined benefit obligation | US\$ (1.5) | Rs. (73.9) | Rs. (58.1) |
| Effect on service cost and interest cost | (0.2) | (7.9) | (10.7) |

Table of Contents**Severance indemnity plan**

Severance indemnity is an unfunded plan of Tata Daewoo Commercial Vehicles Ltd (TDCV), a subsidiary of Tata Motors Ltd.

The following table sets out, the amounts recognized in the financial statements for the severance indemnity plan.

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|--------------------|--|----------------------|
| Change in defined benefit obligation: | | | |
| Defined benefit obligation, beginning of the year | US\$ 30.9 | Rs. 1,564.8 | Rs. 1,496.0 |
| Service cost | 2.9 | 147.5 | 189.0 |
| Interest cost | 1.5 | 76.4 | 68.7 |
| Actuarial loss | 3.9 | 199.6 | 76.9 |
| Benefits paid | (2.0) | (101.6) | (78.6) |
| Foreign currency translation | (2.7) | (138.6) | (187.2) |
| Defined benefit obligation, end of the year | US\$ 34.5 | Rs. 1,748.1 | Rs. 1,564.8 |
| Change in plan assets: | | | |
| Fair value of plan assets, beginning of the year | US\$ | Rs. | Rs. |
| Expected return on plan assets | | | |
| Actuarial (loss)/ gains | | | |
| Employer's contributions | 2.0 | 101.6 | 78.6 |
| Benefits paid | (2.0) | (101.6) | (78.6) |
| Fair value of plan assets, end of the year | US\$ | Rs. | Rs. |
| Amount recognized in the statement of financial position consist of: | | | |
| Present value of defined benefit obligation | US\$ 34.5 | Rs. 1,748.1 | Rs. 1,564.8 |
| Fair value of plan assets | | | |
| Net liability | US\$ (34.5) | Rs. (1,748.1) | Rs. (1,564.8) |
| Amounts in the statement of financial position: | | | |
| Non- current liabilities | US\$ (34.5) | Rs. (1,748.1) | Rs. (1,564.8) |
| Experience adjustments | | | |
| Present value of defined benefit obligation | US\$ 34.5 | Rs. 1,748.1 | Rs. 1,564.8 |
| Fair value of plan assets | | | |
| Surplus/ (deficit) | (34.5) | (1,748.1) | (1,564.8) |
| Experience adjustments on plan liabilities | (3.0) | (154.2) | (140.8) |
| Experience adjustments on plan assets | US\$ | Rs. | Rs. |
| Amount recognized in statements of recognized income and expense for severance indemnity consists of: | | | |

As of March 31,

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| | 2009 | 2009 (In millions) | 2008 |
|-----------------------|----------|-----------------------|----------|
| Actuarial loss (gain) | US\$ 5.5 | Rs. 276.5 | Rs. 76.9 |

F-55

Table of Contents

Net severance indemnity cost consists of the following components:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|----------------------------------|-----------------|--|------------------|
| Service cost | US\$ 2.9 | Rs. 147.5 | Rs. 189.0 |
| Interest cost | 1.5 | 76.4 | 68.7 |
| Net periodic pension cost | US\$ 4.4 | Rs. 223.9 | Rs. 257.7 |

Other changes in plan assets and benefit obligation recognized in statements of recognized income and expense for severance indemnity plan:

| | 2009 | Years ended March 31, 2009 (In millions) | 2008 |
|---|-----------------|--|------------------|
| Actuarial loss (gain) | US\$ 3.9 | Rs. 199.6 | Rs. 76.9 |
| Total recognized in statement of recognized income and expense | US\$ 3.9 | Rs. 199.6 | Rs. 76.9 |
| Total recognized in net periodic pension cost and statement of recognized income and expense | US\$ 8.3 | Rs. 423.5 | Rs. 334.6 |

The assumptions used in accounting for the Severance indemnity plan is set out below:

| | Years ended March 31, 2009 | 2008 |
|---|-------------------------------|-------|
| Discount rate | 5.00% | 5.38% |
| Rate of increase in compensation level of covered employees | 7.00% | 7.00% |

Jaguar Cars Ltd and Land Rover UK, have pension arrangements providing employees with defined benefits related to pay and service as set out in the rules of each fund. The following table sets out the disclosure pertaining to employee benefits of Jaguar Cars Limited and Land Rover, UK.

| | 2009 | Years ended March 31, 2009 | 2009 | 2009 |
|--|---------------------|-------------------------------|----------------------------------|-----------------|
| | Pension benefits | | Post retirement medical Benefits | |
| | (In millions) | | | |
| Change in defined benefit obligation: | | | | |
| Defined benefit obligation, beginning of the year | US\$ | Rs. | US\$ | Rs. |
| Liability on acquisition | 5,243.5 | 265,951.0 | \$ 1.5 | 75.9 |
| Service cost | 95.2 | 4,827.8 | 0.1 | 4.7 |
| Interest cost | 248.5 | 12,604.3 | 0.1 | 4.7 |
| Actuarial gain / (loss) | (518.3) | (26,288.6) | (0.2) | (10.9) |
| Benefits paid | (118.6) | (6,017.8) | | |
| Member contributions | 43.8 | 2,222.9 | | |
| Expenses paid | | (0.7) | | |
| Plan combinations | 11.3 | 574.1 | | |
| Foreign currency translation | (644.3) | (32,677.6) | 0.2 | 12.1 |
| Defined benefit obligation, end of the year | US\$ 4,361.1 | Rs. 221,195.4 | US\$ 1.7 | Rs. 86.5 |

| Change in plan assets: | | | | |
|---|---------------------|----------------------|-------------|------------|
| | US\$ | Rs. | US\$ | Rs. |
| Fair value of plan assets, beginning of the year | | | | |
| Asset on acquisition | 5,785.1 | 293,418.8 | | |
| Expected return on plan assets | 337.0 | 17,094.6 | | |
| Actuarial gain / (loss) | (1,029.5) | (52,215.7) | | |
| Employer s contributions | 109.0 | 5,526.4 | | |
| Members contributions | 43.8 | 2,222.9 | | |
| Benefits paid | (118.6) | (6,017.8) | | |
| Plan combinations | 10.7 | 545.0 | | |
| Foreign currency translation | (683.3) | (34,656.1) | | |
| Fair value of plan assets, end of the year | US\$ 4,454.2 | Rs. 225,918.1 | US\$ | Rs. |

F-56

Table of Contents

| | 2009 | Years ended March 31, | | 2009 | 2009 |
|---|-------------------|-----------------------|-------------------|-------------------|------|
| | | Pension benefits | 2009 | | |
| (In millions) | | | | | |
| Amount recognized in the statement of financial position consist of: | | | | | |
| Present value of defined benefit obligation | US\$ 4,361.1 | Rs. 221,195.4 | US\$ 1.7 | Rs. 86.5 | |
| Fair value of plan Assets | 4,454.2 | 225,918.1 | | | |
| | 93.1 | 4,722.7 | (1.7) | (86.5) | |
| Restriction of pension asset (as per IFRIC 14) | (57.2) | (2,903.1) | | | |
| Onerous obligation | (86.0) | (4,360.1) | | | |
| Net liability | Rs. (50.1) | Rs. (2,540.5) | US\$ (1.7) | Rs. (86.5) | |

Amount recognized in the statement of financial position consist of:

| | | | | |
|---------------------------------------|--------------------|----------------------|-------------------|-------------------|
| Non-current assets | US\$ 51.6 | Rs. 2,616.0 | US\$ | Rs. |
| Non-current liabilities | (101.7) | (5,156.5) | (1.7) | (86.5) |
| Prepaid/(Accrued) pension cost | US\$ (50.1) | Rs. (2,540.5) | US\$ (1.7) | Rs. (86.5) |

Experience adjustments

| | | | | |
|---|--------------|---------------|----------|----------|
| Present value of defined benefit obligation | US\$ 4,361.1 | Rs. 221,195.4 | US\$ 1.7 | Rs. 86.5 |
| Fair value of plan assets | 4,454.2 | 225,918.1 | | |
| Surplus/ (deficit) | 93.1 | 4,722.7 | (1.7) | (86.5) |
| Experience adjustments on plan liabilities | 47.6 | 2,412.6 | | |
| Experience adjustments on plan assets | US\$ 964.3 | Rs. 48,909.7 | US\$ | Rs. |

Amount recognized in statement of recognized income and expense

| | 2009 | Years ended March 31, | | 2009 | 2009 |
|--|-------------------|-----------------------|-------------------|-------------------|------|
| | | Pension benefits | 2009 | | |
| (In millions) | | | | | |
| Actuarial loss (gain) | US\$ 511.2 | Rs. 25,927.1 | US\$ (0.2) | Rs. (10.9) | |
| Restriction on pension asset (as per IFRIC 14) | (208.0) | (10,548.5) | | | |
| Onerous obligation | 3.2 | 162.1 | | | |
| | US\$ 306.4 | Rs. 15,540.7 | US\$ (0.2) | Rs. (10.9) | |

Net pension and post retirement cost consists of the following components:

| | 2009 | Years ended March 31, | | 2009 | 2009 |
|----------------------------------|-----------------|-----------------------|-----------------|----------------|------|
| | | Pension benefits | 2009 | | |
| (In millions) | | | | | |
| Service cost | US\$ 95.2 | Rs. 4,827.8 | US\$ 0.1 | Rs. 4.7 | |
| Interest cost | 248.5 | 12,604.3 | 0.1 | 4.7 | |
| Expected return on plan assets | (337.0) | (17,094.6) | | | |
| Net periodic pension cost | US\$ 6.7 | Rs. 337.5 | US\$ 0.2 | Rs. 9.4 | |

Table of Contents

Other changes in plan assets and benefit obligations recognized in statements of recognized income and expense:

| | Years ended March 31, | | | |
|---|-----------------------|---------------------|----------------------------------|-------------------|
| | 2009 | 2009 | 2009 | 2009 |
| | Pension benefits | | Post retirement medical benefits | |
| | (In millions) | | | |
| Actuarial loss (gain) | US\$ 511.2 | Rs. 25,927.1 | US\$ (0.2) | Rs. (10.9) |
| Restriction on pension asset (as per IFRIC 14) | (208.0) | (10,548.5) | | |
| Onerous obligation | 3.2 | 162.1 | | |
| Total recognized in statement of recognized income and expense | US\$ 306.4 | Rs. 15,540.7 | US\$ (0.2) | Rs. (10.9) |
| Total recognized in net periodic benefit cost and statement of recognized income and expense | US\$ 313.1 | Rs. 15,878.2 | US\$ | Rs. (1.5) |

The assumptions used in accounting for the pension and post retirement medical plans are set out below:

| | Years ended March 31, | |
|---|-----------------------|----------------------------------|
| | 2009 | 2009 |
| | Pension benefits | Post retirement medical benefits |
| Discount rate | 6.70%-7.16% | 7.77% |
| Rate of increase in compensation level of covered employees | 3.35%-3.80% | NA |
| Inflation increase | 2.52%-3.30% | NA |
| Increase in health care cost | NA | 4.90%-8.10% |
| Expected long term return on assets | 5.80%-6.40% | NA |

Pension plans asset allocation by category is as follows:

| Asset category: | Pension benefits |
|-----------------|----------------------------------|
| | Plan assets as of March 31, 2009 |
| Debt | 61.6% |
| Equities | 34.8% |
| Others | 3.6% |

The impact on the service cost, the interest cost and the defined benefit obligation in the event of an increase of 1% in the assumed rate of interest in annual post retirement benefit cost:

| | Years ended March 31, | |
|--|-----------------------|---------|
| | 2009 | 2009 |
| | (In millions) | |
| Effect on defined benefit obligation | US\$ | Rs. 1.1 |
| Effect on service cost and interest cost | | 0.1 |

The impact on the service cost, the interest cost and the defined benefit obligation in the event of a decrease of 1% in the assumed rate of decrease in annual post retirement benefit cost:

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| | Years ended March 31, | |
|--|-----------------------|-----------|
| | 2009 | 2009 |
| | (In millions) | |
| Effect on defined benefit obligation | US\$ | Rs. (1.3) |
| Effect on service cost and interest cost | | (0.1) |

F-58

Table of Contents**Defined contribution plan**

The Company's contribution to defined contribution plans aggregated Rs. 2,077.7 million and Rs.1,528.6 million for years ended March 31, 2009 and March 31, 2008 respectively.

37. Acquisitions

During the year ended March 31, 2009, the Company had the following acquisitions.

a) Jaguar Land Rover (JLR)

On June 2, 2008, the Company acquired Jaguar Land Rover businesses (JLR) from Ford Motor Company.

JLR is engaged in the design, development, manufacture and sale of high performance luxury saloons, specialist sports cars and four wheel drive off-road vehicles and related components. The JLR businesses includes three major manufacturing facilities and two advanced design and engineering centers in the United Kingdom, a worldwide sales and dealership network, intellectual property rights, patents and trade marks.

The consideration was Rs. 107,652 million (US\$ 2.5 billion) which was financed through a bridge loan facility provided by a syndicate of banks. The cost of acquisition includes Rs 2,159.6 million being expenses directly attributable to the acquisition.

The excess of fair value of net assets acquired over the cost of acquisition of Rs. 6,569.6 million represents 6% of the total acquisition cost. This excess is mainly attributable to significant potential value of two iconic brands Jaguar and Land Rover.

The Company has accounted for the acquisition under the purchase method in accordance with IFRS 3 Business Combinations. Accordingly the financial results of the acquired businesses for the period from June 2, 2008 to March 31, 2009 have been included in the consolidated financial statements of the Company.

The acquisition had the following effect on the Company's assets and liabilities on the acquisition date.

Allocation of purchase price of JLR

| Particulars | Book value | Fair value adjustment (In millions) | Recognized amount on acquisitions | Recognized amount on acquisition |
|--------------------------------|------------------|--|-----------------------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | Rs. 12,493.0 | | Rs. 12,493.0 | US\$ 246.3 |
| Short-term deposits with banks | 256.0 | | 256.0 | 5.0 |
| Trade receivables | 48,823.9 | | 48,823.9 | 962.6 |
| Inventories | 91,386.6 | 7,017.7 | 98,404.3 | 1,940.1 |
| Other current assets | 16,876.1 | | 16,876.1 | 332.7 |
| Total current assets | 169,835.6 | 7,017.7 | 176,853.3 | 3,486.7 |
| Property, plant and equipment | 93,146.8 | 10,067.0 | 103,213.8 | 2,035.0 |
| Intangible assets * | 1,348.8 | 71,783.2 | 73,132.0 | 1,441.9 |
| Investments | 27.0 | | 27.0 | 0.5 |
| Pension asset | 13,603.4 | | 13,603.4 | 268.2 |
| Deferred income taxes | 2,277.0 | | 2,277.0 | 44.9 |
| Total assets | 280,238.6 | 88,867.9 | 369,106.5 | 7,277.2 |

Liabilities**Current liabilities**

| | | | |
|-----------------------------|-----------|-----------|---------|
| Accounts payables | 102,428.4 | 102,428.4 | 2,019.5 |
| Short-term debts | 33,426.9 | 33,426.9 | 659.0 |
| Other financial liabilities | 531.0 | 531.0 | 10.5 |
| Provisions | 60,173.9 | 60,173.9 | 1,186.4 |
| Other current liabilities | 52,405.4 | 52,405.4 | 1,033.2 |
| Current tax liabilities | 125.1 | 125.1 | 2.5 |

| | | | |
|----------------------------------|------------------|------------------|----------------|
| Total Current liabilities | 249,090.7 | 249,090.7 | 4,911.1 |
|----------------------------------|------------------|------------------|----------------|

| | | | |
|-----------------------------|---------|---------|------|
| Long-term debt | 103.4 | 103.4 | 2.0 |
| Other financial liabilities | 2,674.0 | 2,674.0 | 52.7 |
| Other liabilities | 857.2 | 857.2 | 16.9 |

| | | | |
|--------------------------|------------------|------------------|----------------|
| Total Liabilities | 252,725.3 | 252,725.3 | 4,982.7 |
|--------------------------|------------------|------------------|----------------|

| | | | | |
|-------------------|---------------------|---------------------|----------------------|---------------------|
| Net Assets | Rs. 27,513.3 | Rs. 88,867.9 | Rs. 116,381.2 | US\$ 2,294.5 |
|-------------------|---------------------|---------------------|----------------------|---------------------|

| | | | |
|----------------------------|--|-----------|---------|
| Consideration paid in cash | | 107,652.0 | 2,122.5 |
| Direct acquisition costs | | 2,159.6 | 42.6 |

| | | | |
|---------------------------|--|-----------|---------|
| Total cost of acquisition | | 109,811.6 | 2,165.1 |
|---------------------------|--|-----------|---------|

| | | | |
|---|--|--------------------|-------------------|
| Excess of fair value of net assets acquired over cost of acquisition | | Rs. 6,569.6 | US\$ 129.5 |
|---|--|--------------------|-------------------|

Table of Contents

Since the date of acquisition, the acquired entities contributed loss of Rs 32,615.6 million to the consolidated net loss for the period.

- * Includes indefinite life trade marks and brands of Rs. 51,570.2 million, patents and technological know-how of Rs. 12,259.7 million, customer related intangibles of Rs. 7,398.9 million and in process research and development of Rs.1,903.2 million.

Deferred tax liability of Rs. 13,519.3 million has been recognized on the fair value adjustments. Also, a deferred tax of an equivalent amount has been recognized on unused tax losses and capital allowances. It is expected that any reversals of the deferred tax liability would be able to offset against the reversal of the deferred tax asset.

b) Serviplem S.A.

Telco Construction Equipment Co. Ltd. (TELCON), the Company's subsidiary on April 2, 2008, completed the acquisition of Serviplem S. A., Zaragoza, Spain (Serviplem) by acquiring 79% of its share capital, for a cash consideration of Rs 2,221.5 million. A part of the consideration of Rs 1,200 million is payable to the erstwhile shareholders in installments by 2011. The cost of acquisition includes Rs. 44.5 million being expenses directly attributable towards acquisition.

Serviplem is in the business of manufacturing Concrete Transit Mixers, Dry Bulk Tanks and Pumps with the brand name Baryval. Baryval Assistencia Tecnica S.L. is a 60% subsidiary of Serviplem S.A. engaged in the business of assembling transit mixers on trucks. Inner Mongolia North Baryval Engineering Special Vehicle Corporation Ltd (NBSV), a 56% subsidiary of Serviplem, has a manufacturing base in Baotou, China.

c) Comoplesa Lebrero, S. A.

On April 9, 2008, TELCON completed the acquisition of Comoplesa Lebrero, S. A., Zaragoza, Spain (Lebrero) by acquiring 60% of its ordinary shares for a cash consideration of Rs 226.6 million. The cost of acquisition includes Rs. 17.1 million being expenses directly attributable towards acquisition. Lebrero with whom TELCON was associated since 2002 as its technology partners, is in the business of manufacturing compactors and tandem rollers. Eurl Lebrero France is a 100% subsidiary of Comoplesa Lebrero S.A. (Lebrero) and is functioning as a trading office of compactors manufactured by Lebrero.

Table of Contents**Allocation of purchase price of Serviplem S.A. and Comoplesa Lebrero, S. A.**

| Particulars | Book value | Fair value adjustment | Recognized amount on acquisitions | Recognized amount on acquisitions |
|--|------------------|-----------------------|-----------------------------------|-----------------------------------|
| | | | (In millions) | |
| Assets | | | | |
| Cash and cash equivalents | Rs. 35.6 | | Rs. 35.6 | US\$ 0.7 |
| Trade receivables | 1,389.6 | (1.5) | 1,388.1 | 27.4 |
| Inventories | 932.4 | | 932.4 | 18.4 |
| Investments | 12.6 | (11.9) | 0.7 | |
| Other current assets | 31.0 | 1.4 | 32.4 | 0.6 |
| Total current assets | 2,401.2 | (12.0) | 2,389.2 | 47.1 |
| Property, plant and equipment | 737.9 | 29.9 | 767.8 | 15.1 |
| Intangible assets | 3.4 | 1,414.9 | 1,418.3 | 28.0 |
| Other non-current assets | 5.7 | (5.7) | | |
| Total Assets | 3,148.2 | 1,427.1 | 4,575.3 | 90.2 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 1,225.7 | 10.7 | 1,236.4 | 24.4 |
| Short-term debts | 1,229.3 | | 1,229.3 | 24.2 |
| Provisions | 28.8 | | 28.8 | 0.6 |
| Other current liabilities | 109.9 | | 109.9 | 2.2 |
| Total current liabilities | 2,593.7 | 10.7 | 2,604.4 | 51.4 |
| Deferred taxes liability | | 495.7 | 495.7 | 9.8 |
| Total liabilities | 2,593.7 | 506.4 | 3,100.1 | 61.2 |
| Net assets | Rs. 554.5 | Rs. 920.7 | Rs. 1,475.2 | US\$ 29.0 |
| Net interest acquired in net assets (79%) in Serviplem S.A and 60% in Comoplesa Lebrero S.A. | | | | |
| | | | 1,108.4 | 21.9 |
| Consideration paid | | | 2,448.1 | 48.3 |
| Direct acquisition costs | | | 61.6 | 1.2 |
| Total cost of acquisition | | | 2,509.7 | 49.5 |
| Goodwill | | | Rs. 1,401.3 | US\$ 27.6 |

The acquired entities contributed a loss of Rs 249.0 million to the consolidated net loss attributable to the equity holders of the Company.

d) Total consolidated revenue of the Company and net loss of the Company would have been Rs. 849,364.8 million (unaudited) and Rs.43,540.0 million (unaudited) respectively, had all the acquisitions been effective for the full year 2008-09.

38. Commitments and contingencies

In the normal course, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an ongoing basis, with the assistance of external legal counsel wherever necessary. The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered reasonably possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

The following is a description of claims and assertions where a potential loss is reasonably possible, but not probable. Management believes that none of the contingencies described below, either individually or in aggregate, would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Litigation

The Company is involved in legal proceedings in various states in India, both as plaintiff and as defendant. There are claims which management does not believe to be of material nature, other than those described below.

Income Tax

The Company has ongoing disputes with Income Tax authorities relating to tax treatment of certain items. These mainly include disallowed expenses, tax treatment of certain expenses claimed by the Company as deductions, and the computation of,

Table of Contents

or eligibility of, certain tax incentives or allowances. Some of the disputes relate to the year in which the tax consequences of financial transactions were recognized and in the event these disputes are not resolved in the Company's favor in that year, the tax consequences can be reflected in the tax year in which it is allowed by the income tax authorities and are, therefore, timing differences.

Most of these disputes/disallowances, being repetitive in nature, have been raised by the Income Tax authorities consistently in most of the years.

The Company has a right of appeal to the High Court or Supreme Court against adverse decisions by the appellate authorities for matters involving substantial question of law. The Income Tax authorities have similar rights of appeal.

As of March 31, 2009, the income tax demands by the Income Tax authorities aggregated Rs. 1,534 million (Rs.1,540 million as of March 31, 2008), (all figures are net of consequential relief) which are being contested by the Company in appeal and in respect of which the Company expects to succeed based on favorable decisions in earlier assessment years. There are matters aggregating Rs.1,072 million as of March 31, 2009 (Rs.1,031 million as of March 31, 2008) in respect of which the Company has won in appeals which have been further contested by the Income Tax authorities before the higher appellate authorities. There are other matters/disputes pending in appeal aggregating Rs. 1,848 million (Rs.1,993 million as of March 31, 2008).

Excise Duty and Service Tax

As of March 31, 2009, there were pending litigations on various counts relating to Excise Duty and Service Tax involving demand of Rs.1,821 million (Rs.1,062 million as of March 31, 2008). These demands challenged the basis of valuation of the Company's products and denial of the Central Value Added Tax (CENVAT) on inputs. The details of the demands involving more than Rs.200 million are as follows:

The excise authorities had denied CENVAT credit of Rs. 269 million as of March 31, 2009 (Rs.143 million as of March 31, 2008) in earlier years, on certain accessories supplied with the vehicles and on other technical grounds. The matter is being contested by the Company before the appellate authorities. On the basis of judicial precedents and favorable decisions in Company's own earlier cases, the Company believes that it has a strong case. Further, valuation dispute of Tata Motors Limited amounting to Rs.219 million includes an amount of Rs.205 million pertaining to valuation of chassis sent to body builders for building body on its enroute to regional sales offices.

The excise authorities have raised a demand of Rs 371 million as of March 31, 2009 (Rs.371 million as of March 31, 2008). This is a Classification Dispute wherein the excise department had alleged that certain models of the Company's commercial vehicle- Tippers will attract NCCD (National Calamity Cess Duty) of 1% on the ground that there are similarities between Tippers and Dumpers. The Company is contending that there are many technical differences between the two products. The appeal is pending before the Tribunal.

Sales Tax

The total sales tax demands (including interest and penalty), which are being contested by the Company amount to Rs.5,424 million as of March 31, 2009 (Rs.3,138 million as of March 31, 2008). The details of the demands for more than Rs.200 million are as follows:

The Sales Tax authorities in certain states have raised disputes totaling up to Rs.721 million as of March 31, 2009 (Rs.529 million as of March 31, 2008), treating the stock transfers of vehicles from the Company's manufacturing plants to sales offices and the transfers between two sales offices as sales liable for levy of sales tax.

Under the notification issued by the sales tax authority, Jharkhand, the rate of sales tax was reduced to 4%. Consequently, the interstate sales tax also became 4% and since it was not concessional rate against a Declaration Form, the collection of Declaration Forms was not mandatory. However, the Jharkhand sales tax authorities raised the demand aggregating Rs.909 million, on the ground that Declaration Forms were not collected. The Company on the above notification has a strong case. The notification was valid until May 10, 2002. In addition to the above issue, the sales tax authorities have raised demands aggregating Rs.123 million as of March 31, 2009 (Rs.74 million as of March 31, 2008), for Non-Submission of Declaration Forms at various locations. The Company is confident of getting relief in appeal on submission of Forms.

Table of Contents

Sales tax demand aggregating Rs.2,473 million as of March 31, 2009 (Rs.626 million as of March 31, 2008) has been raised by Jamshedpur Sales Tax authorities disallowing the purchase of raw material from Jharkhand vendors at concessional rate of 2% in case the final product is stock transferred for sale outside the state. The Sales Tax authorities are relying on a notification issued by the Jharkhand Government which is not applicable on the Company's transactions.

Other Taxes and Dues

Other amounts for which the Company may contingently be liable aggregating Rs.2045 million as of March 31, 2009 (Rs.1,208 million as of March 31, 2008) include the following cases involving more than Rs. 200 million:

The municipal authorities in certain states levy octroi duty (a local indirect tax) on goods brought inside the municipal limits at rates based on the classification of goods. Demands aggregating Rs.572 million as of March 31, 2009 (Rs.496 million as of March 31, 2008) have been raised demanding higher octroi duties on account of classification disputes relating to components purchased for the manufacture of vehicles. The dispute relating to classification is presently pending before the Supreme Court and the other dispute is pending before the Bombay High Court on remand by the Supreme Court.

Other claims

There are other claims against the Company, majority of which pertains to motor accident claims (involving third parties affected in accidents while the Company's vehicles were being transferred from the Company's manufacturing plants to regional sales offices or from one sales office to the other) and consumer complaints. Some of the cases also relate to replacement of parts of vehicles and/or compensation for deficiency in the services by the Company or its dealers.

Guarantees

The Company has provided guarantees aggregating Rs 8565.3 million as of March 31, 2009 and Rs Nil as of March 31, 2008, to banks and others in respect of loans/credit facilities availed by its joint venture.

Commitments

The Company has entered into various contracts with vendors and contractors for the purchase of plant and machinery, equipment, product development cost and various civil contracts of a capital nature aggregating Rs 46,314 million as of March 31, 2009 (Rs.35,732 million as of March 31, 2008) which are yet to be executed.

For commitments related to leases, see Note no 14.

39. Capital Management

The Company's objectives when managing capital is to safeguard continuity and providing adequate return to shareholders through continuing growth.

The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments

The funding requirements are met through mixture of equity, convertible debt securities and other long term borrowings. The Company's policy is to use short-term and long-term borrowings to meet anticipated funding requirements.

The Company monitors capital on basis of total debt to equity ratio.

Total debt includes all long and short-term debts as disclosed in notes 20 and 24 to the financial statements. Equity comprises all components excluding loss on cash flow hedges and foreign currency translation reserve.

The following table summarizes the capital of the Company:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|--------------------------------------|---------------------|--|----------------------|
| Equity | US\$ 1,183.6 | Rs. 60,033.5 | Rs. 123,767.8 |
| Short-term debt | 6,301.8 | 319,628.6 | 112,319.9 |
| Long-term debt | 2,290.7 | 116,185.9 | 108,028.1 |
| Total debt | 8,592.5 | 435,814.5 | 220,348.0 |
| Total capital (Debt + Equity) | US\$ 9,776.1 | Rs. 495,848.0 | Rs. 344,115.8 |

F-63

Table of Contents**40. Disclosures on financial instruments**

This section gives an overview of the significance of financial instruments for the Company and provides additional information on balance sheet items that contain financial instruments.

Details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

a) Collateral

The Company gives financial assets as collateral primarily towards borrowings and legal cases. The terms of the pledge/collateral normally gives the right to such party to utilize the collateral in case of non-performance by the Company or by other third party as per the terms of the respective agreement. Finance receivable/trade receivable which does not meet the criteria for de-recognition are considered as securities against the borrowings recognized.

The carrying amounts of such financial assets are as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|------------|--|--------------|
| Margin money (refer note 9 and 12) | US\$ 375.3 | Rs. 19,036.6 | Rs. 15,998.5 |
| Deposits against legal cases | 12.7 | 644.9 | 516.7 |
| Trade receivables and finance receivables | 3,339.7 | 169,387.2 | 149,629.3 |

Table of Contents**b) Financial assets and liabilities**

The following table presents the carrying amounts and fair value of each category of financial assets and liabilities as of March 31, 2009.

| Financial assets | Cash and loans and receivables | Available-for-sale financial assets | Derivative other than in hedging relationship | Total carrying Value (In millions) | Total fair Value | Total carrying Value | Total fair Value |
|--------------------------------------|--------------------------------|-------------------------------------|---|---------------------------------------|----------------------|----------------------|---------------------|
| Cash and cash equivalents | Rs. 22,827.2 | Rs. | Rs. | Rs. 22,827.2 | Rs. 22,827.2 | US\$ 450.1 | US\$ 450.1 |
| Short term deposits with bank | 408.4 | | | 408.4 | 408.4 | 8.1 | 8.1 |
| Finance receivables | 158,802.8 | | | 158,802.8 | 165,633.4 | 3,131.0 | 3,265.6 |
| Trade receivables | 51,697.1 | | | 51,697.1 | 51,697.1 | 1,019.3 | 1,019.3 |
| Investments | 469.9 | 8,794.8 | | 9,264.7 | 9,264.7 | 182.6 | 182.6 |
| Other financial assets - current | 7,752.0 | | 137.6 | 7,889.6 | 7,889.6 | 155.6 | 155.6 |
| Other financial assets - non-current | 20,900.8 | | | 20,900.8 | 20,434.8 | 412.1 | 402.9 |
| Total | Rs. 262,858.2 | Rs. 8,794.8 | Rs. 137.6 | Rs. 271,790.6 | Rs. 278,155.2 | US\$ 5,358.8 | US\$ 5,484.2 |

| Financial liabilities | Derivatives for which hedge accounting is followed | Derivative others | Other financial liabilities | Total carrying value (In millions) | Total fair value | Total carrying value | Total fair value |
|---|--|-------------------|-----------------------------|---------------------------------------|----------------------|----------------------|----------------------|
| Accounts payable | Rs. | Rs. | Rs. 146,618.4 | Rs. 146,618.4 | Rs. 146,618.4 | US\$ 2,891.0 | US\$ 2,891.0 |
| Acceptances | | | 46,991.3 | 46,991.3 | 46,991.3 | 926.5 | 926.5 |
| Short-term debt | | | 319,628.6 | 319,628.6 | 319,628.6 | 6,301.8 | 6,301.8 |
| Long-term debt | | 125.7 | 116,060.2 | 116,185.9 | 96,773.5 | 2,290.7 | 1,908.0 |
| Other financial liabilities - current | 1,396.9 | 689.5 | 5,929.8 | 8,016.2 | 8,016.2 | 158.0 | 158.0 |
| Other financial liabilities - non-current | | | 10,968.2 | 10,968.2 | 10,372.1 | 216.3 | 204.5 |
| Total | Rs. 1,396.9 | Rs. 815.2 | Rs. 646,196.5 | Rs. 648,408.6 | Rs. 628,400.1 | US\$ 12,784.3 | US\$ 12,389.8 |

Table of Contents

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as of March 31, 2008.

| Financial Assets | Cash and loans and receivables | Available-for-sale financial assets | Derivative other than in hedging relationship (In millions) | Total carrying value | Total fair value |
|------------------------------------|---------------------------------------|--|--|-----------------------------|-------------------------|
| Cash and cash equivalents | Rs. 11,415.8 | Rs. | Rs. | Rs. 11,415.8 | Rs. 11,415.8 |
| Short term deposits | 14.8 | | | 14.8 | 14.8 |
| Finance receivables | 163,959.5 | | | 163,959.5 | 159,329.9 |
| Trade receivables | 30,040.9 | | | 30,040.9 | 30,040.9 |
| Investments | 516.6 | 40,142.7 | | 40,659.3 | 40,659.3 |
| Other financial assets-current | 4,927.3 | | 204.0 | 5,131.3 | 5,131.3 |
| Other financial assets-non-current | 17,835.0 | | | 17,835.0 | 17,429.6 |
| Restricted deposits with banks* | 11,224.0 | | | 11,224.0 | 11,224.0 |
| Total | Rs. 239,933.9 | Rs. 40,142.7 | Rs. 204.0 | Rs. 280,280.6 | Rs. 275,245.6 |

* Restricted deposits with banks represent short term deposits that were to be utilized for acquisition of Jaguar Land Rover businesses.

| Financial Liabilities | Derivative other than in hedging relationship | Other financial liabilities | Total carrying value | Total fair value |
|---|--|------------------------------------|-----------------------------|-------------------------|
| | | | (In millions) | |
| Accounts payable | Rs. | Rs. 44,548.0 | Rs. 44,548.0 | Rs. 44,548.0 |
| Acceptances | | 41,420.5 | 41,420.5 | 41,420.5 |
| Short term debt | | 112,319.9 | 112,319.9 | 112,319.9 |
| Long-term debt | 2,932.2 | 105,095.9 | 108,028.1 | 103,643.6 |
| Other financial liabilities - current | 897.2 | 5,722.8 | 6,620.0 | 6,620.0 |
| Other financial liabilities - non current | | 5,506.5 | 5,506.5 | 4,837.3 |
| Total | Rs. 3,829.4 | Rs. 314,613.6 | Rs. 318,443.0 | Rs. 313,389.3 |

The amount in respect of cash and cash equivalents, short-term deposits with banks, trade receivable, other financial assets-current, accounts payable, acceptances, other financial liabilities-current, and short-term borrowings and current portion of long-term debt, approximate their fair values largely due to the short term maturities of these instruments.

The fair value of finance receivables is estimated by discounting expected cash flows using rates at which loans of similar credit quality and maturity would be made as of March 31, 2009 and March 31, 2008.

Available-for-sale securities are carried at their fair values, which are generally based on market price quotations. The fair value in respect of the unquoted equity investments cannot be reliably measured and are stated at cost. The fair values of borrowings which have a quoted market price in an active market is based on its market price and for others it is estimated by discounting expected future cash flows using a discount rate equivalent to the risk free rate of return adjusted for the market spread considered by the lenders for instruments of the similar maturity.

Management uses its best judgment in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the Company could have realized in a sales transaction as of respective dates. The estimated fair value amounts as of March 31, 2009 and March 31, 2008 have been measured as of the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

F-66

Table of Contents**c) Transfer of financial assets**

The Company transfers finance receivables in securitization transactions / direct assignments. In such transactions the Company surrenders control over the receivables though continues to act as an agent for the collection of receivables. In most of the transactions, the Company also provides credit enhancements to the transferee.

Consequent to existence of credit enhancements in such transactions, the Company continues to have the obligation to pay to the transferee, limited to the extent of credit enhancement even if it does not collect the equivalent amounts from the original asset and continues to retain substantially all risks and rewards associated with the receivables, and hence such transfer /assignments do not meet the derecognition criteria resulting into the transfer not being recorded as sale. Consequently the proceeds received from the transfer are recorded as collateralized debt obligation.

Further the Company transfers amounts receivable under debt factoring arrangements and discounts certain trade receivables. These do not qualify for derecognition due to the recourse arrangement in place.

The carrying amount of trade receivables and finance receivable along with the associated liabilities is as follows:

| Nature of Asset | 2009 | | Years ended March 31, 2009 | | 2008 | |
|---------------------|-------------------------------|---|-------------------------------|---|-------------------------------|---|
| | Carrying amount of asset sold | Carrying amount of associated liabilities | Carrying amount of asset sold | Carrying amount of associated liabilities | Carrying amount of asset sold | Carrying amount of associated liabilities |
| | (In millions) | | | | | |
| Trade receivables | US\$ 238.7 | US\$ 238.7 | Rs. 12,106.9 | Rs. 12,106.9 | Rs. 1,703.3 | Rs. 1,703.3 |
| Finance receivables | 1,754.8 | 1,802.5 | 89,004.9 | 91,422.7 | 88,657.9 | 92,272.0 |

d) Cash flow hedging

As per its risk management policy, the company uses foreign currency forward contracts to hedge its risk associated with foreign currency fluctuations relating to highly probable forecast sale transactions. The fair value of such forward contracts as of March 31, 2009 and March 31, 2008 was net loss of Rs. 1,396.9 million and Rs Nil respectively.

Changes in fair value of forward exchange contracts to the extent determined to be an effective hedge is recognized in statement of recognized income and expense and the ineffective portion of the fair value change is recognized in statement of operations. Accordingly, the fair value change of net loss of Rs 875.1 million (net of tax) was recognized in statement of recognized income and expense during the year ended March 31, 2009. The cash flows relating to these transactions are expected to occur during the year ended March 31, 2010 and consequently may impact the statement of operations for that year, depending on foreign exchange rate movements.

e) Financial risk management

In the course of its business, the Company is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, equity price, liquidity and credit risk, which may impact the fair value of its financial instruments.

The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities like interest rate risks and credit risks. The risk management policy is approved by the board of directors. The risk management framework aims to:

Improve financial risk awareness and risk transparency

Identify, control and monitor key risks

Identify risk accumulations

Provide the management with reliable information on the Company's risk situation

Improve the financial returns

i) Market risk

Market risk is the risk of any loss in future earnings in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rate, equity price fluctuations, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

F-67

Table of Contents**a Foreign currency exchange rate risk:**

The fluctuation in foreign currency exchange rates may have potential impact on the statement of operations, equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the respective consolidated entities.

Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in GBP, US Dollar, Japanese Yen and Euro against the respective functional currencies of the Company and its subsidiaries.

The Company, as per its risk management policy, uses derivative instruments primarily to hedge foreign exchange exposure, and also to hedge interest rate exposure. Further, any weakening of the functional currencies of the various operations of the Company against major foreign currencies may have an adverse effect on the Company's cost of borrowing and cost of imports reported and consequently may increase the cost of financing our capital expenditures. This also may impact the earnings of foreign operations.

The Company evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks. It hedges a part of these risks by using derivative financial instruments in line with its risk management policies.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rates shift in the foreign exchange rates of all the currencies by 10% against the respective functional currency of Tata Motors and its subsidiaries.

The following analysis has been worked out based on the gross exposure as of the Balance Sheet date which could affect the statement of operations. There is no exposure to the statement of operations on account of translation of financial statements of consolidated foreign entities. Further the exposure as indicated below is mitigated by some of the derivative contracts entered into by the Company as disclosed at clause (iv) below.

The following table set forth information relating to foreign currency exposure (other than risk arising from derivatives disclosed at clause (iv)) below as of March 31, 2009:

| | US Dollar | Euro | JPY | Russian Ruble (In millions) | Brazilian real | Others* | Total |
|---------------------------------------|------------------------|----------------------|-----------------------|--------------------------------|----------------------|--------------------|------------------------|
| Financial assets | Rs. 11,923.3 | Rs. 8,368.4 | Rs. 99.0 | Rs. 2,752.2 | Rs. 1,436.0 | Rs. 4,400.5 | Rs. 24,791.2 |
| Financial liabilities | 196,148.0 | 12,926.2 | 10,783.1 | 2,752.2 | 1,436.0 | 839.8 | 224,885.3 |
| Net exposure asset/(liability) | Rs. (184,224.7) | Rs. (4,557.8) | Rs. (10,684.1) | Rs. (2,752.2) | Rs. (1,436.0) | Rs. 3,560.7 | Rs. (200,094.1) |

* Others include currencies such as GBP, Singapore dollars, Swiss Franc, Australian dollars, etc.

10% appreciation/ depreciation of the respective foreign currencies with respect to functional currency of Tata Motors and its subsidiaries would result in increase/ decrease in the Company's net loss before tax by approximately Rs 20,009.4 million for the year ended March 31, 2009,

The following table set forth information relating to foreign currency exposure (other than risk arising from derivatives disclosed at clause (iv) below) as of March 31, 2008:

| | US Dollar | Euro | JPY | GBP | Others* | Total |
|-----------------------|--------------|-------------|----------|-----------|-----------|--------------|
| Financial assets | Rs. 15,881.8 | Rs. 3,356.3 | Rs. 25.0 | Rs. 193.4 | Rs. 254.3 | Rs. 19,710.9 |
| Financial liabilities | 49,768.9 | 6,070.2 | 6,347.4 | 1,943.1 | 607.1 | 64,736.7 |

| | | | | | | |
|---------------------------------------|-----------------------|----------------------|----------------------|----------------------|--------------------|-----------------------|
| Net exposure asset/(liability) | Rs. (33,887.1) | Rs. (2,713.9) | Rs. (6,322.4) | Rs. (1,749.7) | Rs. (352.8) | Rs. (45,025.8) |
|---------------------------------------|-----------------------|----------------------|----------------------|----------------------|--------------------|-----------------------|

* Others include currencies such as Swiss Franc, Singapore dollars, Remnibi, Australian dollars, etc.

F-68

Table of Contents

10% appreciation/depreciation of the respective foreign currencies with respect to functional currency of Tata Motors and its subsidiaries would result in decrease/increase in the Company's net profit before tax by approximately Rs 4,502.6 million for the year ended March 31, 2008.

b Interest rate risk

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates. Any movement in the reference rates could have an impact on the cash flows as well as costs.

The Company is subject to variable interest rates on some of its interest bearing liabilities. The Company's interest rate exposure is mainly related to debt obligations. The Company also uses a mix of interest rate sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like non-convertible bonds and short term loans.

In its financing business, the Company enters into transactions with customers which primarily result in receivables at fixed rates. In order to manage this risk, the Company has a policy to match funding in terms of maturities and interest rates and also for certain part of the portfolio, the Company does not match funding with maturities in order to take advantage of market opportunities.

The Company also enters into arrangements of securitization of receivables in order to reduce the impact of interest rate movements.

As of March 31, 2009 and March 31, 2008, net financial liability of Rs. 202,756.4 million and Rs. 40,101.0 million respectively, was subject to the variable interest rate. Increase/decrease of 100 basis points in interest rates at the balance sheet date would result in an impact of Rs 2,027.6 million and Rs 401.0 million on loss/income for the year ended March 31, 2009 and March 31, 2008 respectively.

The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. Although some assets and liabilities may have similar maturities or periods to re-pricing, these may not react correspondingly to changes in market interest rates. Also, the interest rates on some types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may change with a lag.

The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period end balances are not necessarily representative of the average debt outstanding during the period.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant

c Equity Price risk

Equity Price Risk is related to the change in market reference price of the investments in equity securities.

The fair value of some of the Company's investments in available-for-sale securities exposes the Company to equity price risks. In general, these securities are not held for trading purposes. These investments are subject to changes in the market price of securities. The fair value of available-for-sale equity securities as of March 31, 2009 and March 31, 2008 was Rs 5,501.6 million and Rs 27,273.9 million respectively. A 10 % change in equity prices of available-for-sale securities held as of March 31, 2009 and March 31, 2008 would result in an impact of Rs 550.2 million and Rs 2,727.4 million on equity, respectively.

The Company has investments in unquoted shares, the fair value of which cannot be reliably measured, of Rs. 2,376.0 million as of March 31, 2009 and Rs. 2,695.0 million as of March 31, 2008

ii) Credit risk

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

Table of Contents

Financial instruments that are subject to concentrations of credit risk principally consist of investments classified as loans and receivables, trade receivables, finance receivables, loans and advances, derivative financial instruments, financial guarantee issued for equity accounted entities (other than the Company's share). None of the financial instruments of the Company result in material concentrations of credit risks.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was Rs. 271,333.8 million as of March 31, 2009 and Rs. 240,586.8 million as of March 31, 2008, being the total of the carrying amount of cash equivalents, bank deposit, margin money, financial assets and financial guarantee, excluding cash, equity investments and investment in mutual funds.

Financial assets that are neither past due nor impaired

None of the company's cash equivalents, including time deposits with banks, are past due or impaired. Regarding trade receivables and other receivables, and other loans or receivables that are neither impaired nor past due, there were no indications as of March 31, 2009, that defaults in payment obligations will occur.

Credit quality of financial assets and impairment loss

The ageing of trade receivables and finance receivables as of balance sheet date is given below. The age analysis have been considered from the due date.

| | 2009 | | As of March 31, 2009 (In millions) | | 2008 | |
|----------------------------|---------------------|--------------------|--|----------------------|---------------------|----------------------|
| | Gross | Allowance | Gross | Allowance | Gross | Allowance |
| Trade receivables | | | | | | |
| Period (in months) | | | | | | |
| Not due | US\$ 768.1 | US\$ (2.8) | Rs. 38,958.1 | Rs. (143.5) | Rs. 22,200.3 | Rs. (65.2) |
| Overdue 1-3 months | 181.1 | (0.5) | 9,186.5 | (23.1) | 6,331.0 | |
| Overdue 3-6 months | 60.3 | (16.4) | 3,057.3 | (830.4) | 635.3 | (38.9) |
| Overdue more than 6 months | 49.4 | (19.9) | 2,504.0 | (1,011.8) | 1,879.1 | (900.7) |
| Total | US\$ 1,058.9 | US\$ (39.6) | Rs. 53,705.9 | Rs. (2,008.8) | Rs. 31,045.7 | Rs. (1,004.8) |

| | 2009 | | As of March 31, 2009 (In millions) | | 2008 | |
|-----------------------------|---------------------|---------------------|--|----------------------|----------------------|----------------------|
| | Gross | Allowance | Gross | Allowance | Gross | Allowance |
| Finance receivables | | | | | | |
| Period (in months) | | | | | | |
| Not due | US\$ 3,038.5 | US\$ (86.5) | Rs. 154,114.6 | Rs. (4,387.3) | Rs. 159,379.6 | Rs. (1,697.7) |
| Overdue up to 11 months | 139.5 | (13.1) | 7,069.8 | (665.6) | 5,112.2 | (120.1) |
| Overdue more than 11 months | 99.2 | (46.6) | 5,033.6 | (2,362.3) | 2,255.7 | (970.2) |
| Total | US\$ 3,277.2 | US\$ (146.2) | Rs. 166,218.0 | Rs. (7,415.2) | Rs. 166,747.5 | Rs. (2,788.0) |

iii) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations.

The Company has obtained working capital lines from a consortium of bankers. Further, the Company has access to funds from debt markets via commercial paper programs, non-convertible debentures, fixed deposits from public, etc. The Company also constantly monitors funding options available in the debt and capital markets with a view to maintaining financial flexibility. The Company is also pursuing alternatives for meeting

its long term funding requirements. The Company's subsidiaries establish their own lines of credit with banks and other lenders.

F-70

Table of Contents

The table below provides details regarding the contractual maturities of financial liabilities, including estimated interest payments as of March 31, 2009:

| | Carrying amount | Due in 1st Year | Due in 2nd Year | Due in 3rd to 5th Year (In millions) | Due after 5 Years | Total contractual cash flows | Total contractual cash flows |
|---|----------------------|----------------------|---------------------|---|--------------------|------------------------------|------------------------------|
| Non derivative financial liabilities | | | | | | | |
| Accounts payable and acceptances | Rs. 193,609.7 | Rs. 193,609.7 | Rs. | Rs. | Rs. | Rs. 193,609.7 | US\$ 3,817.2 |
| Borrowings and interest accrued thereon | 437,317.5 | 333,152.6 | 54,048.6 | 84,880.9 | | 472,082.1 | 9,307.6 |
| Other finance liabilities | 15,395.0 | 4,443.7 | 6,194.7 | 3,896.9 | 1,399.0 | 15,934.3 | 314.2 |
| Derivative liabilities | 2,086.4 | 2,086.4 | | | | 2,086.4 | 41.1 |
| Total | Rs. 648,408.6 | Rs. 533,292.4 | Rs. 60,243.3 | Rs. 88,777.8 | Rs. 1,399.0 | Rs. 683,712.5 | US\$ 13,480.1 |

The above assumes that the foreign currency convertible debt securities are repaid on maturity. However if converted the amount repayable in 1st year, 2nd year and 3rd to 5th year will reduce by Rs 213.6 million, Rs. 6,029.0 million and Rs. 51,521.7 million respectively.

The table below provides details regarding the contractual maturities of financial liabilities, including estimated interest payments as of March 31, 2008.

| Financial Liabilities | Carrying amount | Due in 1st Year | Due in 2nd Year | Due in 3rd to 5th Year (In millions) | Due after 5 Years | Total contractual cash flows |
|---|----------------------|----------------------|---------------------|---|-------------------|------------------------------|
| Non derivative financial liabilities | | | | | | |
| Accounts payable and Acceptances | Rs. 85,968.5 | Rs. 85,968.5 | Rs. | Rs. | Rs. | Rs. 85,968.5 |
| Borrowings and interest accrued thereon | 221,133.0 | 121,510.9 | 48,727.8 | 75,990.0 | 82.4 | 246,311.1 |
| Other finance liabilities | 10,444.3 | 4,937.8 | 2,086.0 | 2,986.3 | 560.6 | 10,570.7 |
| Derivative liabilities | 897.2 | 897.2 | | | | 897.2 |
| Total | Rs. 318,443.0 | Rs. 213,314.4 | Rs. 50,813.8 | Rs. 78,976.3 | Rs. 643.0 | Rs. 343,747.5 |

The above assumes that the foreign currency convertible debt securities are repaid on maturity. However if converted the amount repayable in 1st year, 2nd year and 3rd to 5th year will reduce by Rs. 79.9 million, Rs. 302.9 million and Rs. 46,523.5 million respectively.

iv) Derivative financial instruments and risk management

The Company has entered into variety of interest rate and foreign currency forward contracts and options to manage its exposure to fluctuations in foreign exchange rates and interest rates. The counter party is generally a bank. These financial exposures are managed in accordance with its risk management policies and procedures.

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The Company enters into interest rate swaps and interest rate currency swap agreements mainly to manage exposure on its fixed-rate or variable-rate debt. The Company uses interest rate derivatives or currency swaps to hedge exposure to exchange rate fluctuations on principal and interest payments for borrowings denominated in foreign currencies.

Specific transactional risks include risks like liquidity and pricing risks, interest rate and exchange rates fluctuation risks, volatility risks, counterparty risks, settlement risks and gearing risks.

F-71

Table of Contents

The Company is also exposed to equity price risk, interest rate risk and currency risk on embedded derivative, i.e., conversion option in foreign currency convertible notes/convertible alternative reference securities accounted for separately.

Fair value of derivative financial instruments other than conversion options are generally based on quotations obtained from inter-bank market participants.

Fair value of conversion option in foreign currency convertible notes is determined using various option valuation models such as Black Scholes Merton model, Cox Ross Rubinstein model and Monte Carlo simulation. These models consider various inputs, such as stock price as at the date of valuation, strike price of the option as per terms of issue of the instrument, time to expiry, volatility of the underlying share price, risk free interest rate, expected dividend etc.

The main assumptions used for the purpose of valuations are as follows:

Assumptions used in valuation of foreign currency convertible notes (FCCN)/ convertible alternative reference securities (CARS) as of March 31, 2009

| | Currency | Share price in foreign currency | Assumptions Volatility in share price | Risk free interest rate |
|------------------|----------|---------------------------------|--|-------------------------|
| FCCN due in 2011 | USD | 3.0 | 72.9% | 0.8% |
| CARS due in 2012 | USD | 2.7 | 72.9% | 1.2% |
| FCCN due in 2011 | JPY | 292.0 | 77.8% | 0.4% |

Assumptions used in valuation of foreign currency convertible notes (FCCN)/ convertible alternative reference securities (CARS) as of March 31, 2008

| | Currency | Share price in foreign currency | Assumptions Volatility in share price | Risk free interest rate |
|------------------|----------|---------------------------------|--|-------------------------|
| FCCN due in 2011 | USD | 13.9 | 37.0% | 1.8% |
| CARS due in 2012 | USD | 15.0 | 37.0% | 2.1% |
| FCCN due in 2011 | JPY | 1,387.7 | 39.1% | 0.6% |

The fair value of derivative financial instruments including embedded derivative is as follows:

| | 2009 | As of March 31, 2009 (In millions) | 2008 |
|---|--------------------|--|----------------------|
| Forward exchange contracts, options, interest rate swaps and currency swaps | US\$ (38.4) | Rs. (1,948.8) | Rs. (693.2) |
| Embedded derivative-conversion option | (2.5) | (125.7) | (2,932.2) |
| Total | US\$ (40.9) | Rs. (2,074.5) | Rs. (3,625.4) |

The loss on derivative contracts recognized in the statement of operations was Rs. 659.3 million for the year ended March 31, 2009. The loss on forward contracts recognized in statement of recognized income and expense during the year ended March 31, 2009 was Rs 875.1 million (net of tax).

The gain on derivative contracts recognized in the statement of operations was Rs. 3,971.1 million for the year ended March 31, 2008.

In respect of Company's forward and option contracts, a 10% appreciation/depreciation of the foreign currency underlying such contracts would have resulted in an approximate loss of Rs. 649.9 million and an approximate gain of Rs. 683.2 million respectively, in the Company's hedging reserve as of March 31, 2009 and an approximate loss of Rs.337.6 million and an approximate gain of Rs. 365.3 million respectively in the Company's statement of operations for the year ended March 31, 2009.

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In respect of Company's forward and option contracts, a 10% appreciation/depreciation of the foreign currency underlying such contracts would have resulted in an approximate loss of Rs. 2,853.9 million and gain of Rs. 2,771.5 million respectively for the year ended March 31, 2008.

In respect of embedded derivative, conversion option:

A 10% increase/decrease in Company's share price would have resulted in an approximate loss of Rs 37.5 million and an approximate gain of Rs 30.1 million respectively for the year ended March 31, 2009.

A 10% increase/decrease in Company's share price would have resulted in an approximate loss of Rs 1,001.1 million and an approximate gain of Rs 673.0 million respectively for the year ended March 31, 2008.

A 10% appreciation/depreciation in the underlying foreign currency would have resulted in an approximate gain of Rs. 16.6 million and loss of Rs 18.4 million respectively, for the year ended March 31, 2009.

A 10% appreciation/depreciation in the underlying foreign currency would have resulted in an approximate gain of Rs 321.7 million and loss of Rs. 513.9 million respectively for the year ended March 31, 2008.

A 50 basis points and 25 basis points appreciation/depreciation in US interest rates and Japan interest rates would have resulted in an approximate loss of Rs. 2.1 million and gain of Rs 1.9 million respectively, for the year ended March 31, 2009.

A 100 basis points and 25 basis points appreciation/depreciation in US interest rates and Japan interest rates would have resulted in an approximate loss of Rs 34.9 million and gain of Rs. 22.9 million respectively, for the year ended March 31, 2008.

F-72

Table of Contents

The above analysis assumes that all other variables (other than variable under consideration) remain constant.

(Note: The impact is indicated on the income/loss before tax basis).

F-73

Table of Contents**41. Segment reporting**

In accordance with IAS 14 Segment Reporting, the Company's primary segments are based on business segments as the risks and rewards are affected predominantly by the products and services it produces and renders.

The Company primarily operates in the automotive segment. The Automotive segment includes all activities relating to development, design, manufacture, assembly and sale of vehicles including financing thereof, as well as sale of related parts and accessories. The Company provides financing for vehicles sold by it in India. The vehicle financing is intended to drive sale of vehicles by providing financing to the dealers customers and as such is an integral part of automotive business. The financing activity is assessed as an integral part of the overall automotive business. The operating results of the financing activity does not include all of the interest or cost of funds employed for the purposes of financing, and therefore the operating results of this activity is not used to make decisions about resources to be allocated or to assess performance.

The acquisition of Jaguar Land Rover in June 2008 has expanded the Company's presence in the international markets. Pending completion of the integration process of Jaguar Land Rover, with the Company's automotive business, which is being undertaken following the acquisition, the Company has disclosed two reportable segments in its automotive business Tata vehicles and Jaguar Land Rover, for the year ended March 31, 2009.

The Company's other segment comprises primarily activities relating to production, designing and selling of construction equipment, engineering solutions and software operations. None of the other operating segments meets the quantitative thresholds specified in IAS 14, and accordingly, have been aggregated.

The segment information presented is in accordance with the accounting policies adopted for preparing the consolidated financial statements of the Company.

| | For the year ended March 31, 2009 | | | | | | | |
|--|---|----------------------|-------------------------------|----------------------|---------------------|-------------------------------|----------------------|----------------------|
| | Automotive and related activity | | | Others | | | | |
| | *Tata Vehicles/ spares and financing thereof | Jaguar Land Rover | Intra-segment eliminations | Total | Others | Inter-segment eliminations | Total | Total |
| | | | | | (In millions) | | | |
| Revenues | | | | | | | | |
| External revenue | Rs. 300,630.5 | Rs. 390,889.1 | Rs. | Rs. 691,519.6 | Rs. 31,286.7 | Rs. | Rs. 722,806.3 | US\$ 14,250.9 |
| Inter-segment revenue | 258.0 | | | 258.0 | 4,147.4 | (4,405.4) | | |
| Total revenues | Rs. 300,888.5 | Rs. 390,889.1 | Rs. | Rs. 691,777.6 | Rs. 35,434.1 | Rs. (4,405.4) | Rs. 722,806.3 | US\$ 14,250.9 |
| Segment results | 17,120.5 | (30,528.8) | | (13,408.3) | 2,902.0 | (483.9) | (10,990.2) | (216.8) |
| Share of loss of equity accounted investees | (3,442.4) | | | (3,442.4) | (21.6) | | (3,464.0) | (68.3) |
| Other income | | | | | | | 11,516.7 | 227.1 |
| Excess of fair value of net assets acquired over cost of acquisition | | | | | | | 6,569.6 | 129.5 |
| Exchange differences on borrowings and deposits | | | | | | | (32,439.1) | (639.6) |
| Interest income | | | | | | | 3,097.2 | 61.1 |

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| | | |
|---------------------------|-----------------------|-----------------------|
| Interest expense (net) | (34,222.3) | (674.7) |
| Income tax expense | (841.8) | (16.6) |
| Net loss | Rs. (60,773.9) | US\$ (1,198.3) |

F-74

Table of Contents

| | For the year ended March 31, 2009 | | | | | | | | | |
|--|---|-----------------|---------------------------------------|---------------|--------------|-------------------------------|----------------------|----------------------|-------|-------|
| | Automotive and related activity | | | | | Others | | | | |
| | * Tata Vehicles/ spares and financing thereof | Jaguar Rover | Land Intra-segment eliminations | Total | Others | Inter-segment eliminations | Total | Total | Total | Total |
| | (In millions) | | | | | | | | | |
| Depreciation and amortization | Rs. 9,667.2 | Rs. 17,732.0 | Rs. | Rs. 27,399.2 | Rs. 640.6 | Rs. | Rs. 28,039.8 | US\$ 552.8 | | |
| Capital expenditures | Rs. 52,576.8 | Rs. 46,089.7 | Rs. | Rs. 98,666.5 | Rs. 3,098.6 | Rs. (567.8) | Rs. 101,197.3 | US\$ 1,995.2 | | |
| | As of March 31, 2009 | | | | | | | | | |
| Segment assets | Rs. 390,638.9 | Rs. 308,992.6 | Rs. | Rs. 699,631.5 | Rs. 31,804.1 | Rs. (3,085.5) | Rs. 728,350.1 | US\$ 14,360.2 | | |
| Investment in equity accounted investees | 7,992.0 | | | 7,992.0 | 20.2 | | 8,012.2 | 158.0 | | |
| Other unallocated assets | | | | | | | 46,267.1 | 912.5 | | |
| Total Assets | | | | | | | Rs. 782,629.4 | US\$ 15,430.7 | | |
| Segment liabilities | Rs. 60,286.8 | Rs. 179,024.2 | Rs. | Rs. 239,311.0 | Rs. 8,209.1 | Rs. (1,046.9) | Rs. 246,473.2 | US\$ 4,859.5 | | |
| Other unallocated liabilities | | | | | | | 497,430.4 | 9,807.7 | | |
| Total liabilities | | | | | | | Rs. 743,903.6 | US\$ 14,667.2 | | |

Table of Contents

| | For the year ended March 31, 2008 | | | Total |
|---|-----------------------------------|---------------------|--|----------------------|
| | Automotive | Other | Inter-segment eliminations (In millions) | |
| Revenues | | | | |
| External revenue | Rs. 336,590.8 | Rs. 33,664.0 | Rs. | Rs. 370,254.8 |
| Inter-segment revenue | 449.3 | 3,434.5 | (3,883.8) | |
| Total revenues | Rs. 337,040.1 | Rs. 37,098.5 | Rs. (3,883.8) | Rs. 370,254.8 |
| Segment results | 34,611.6 | 5,521.5 | (263.6) | 39,869.5 |
| Share of profit of equity accounted investees | 43.6 | 8.5 | | 52.1 |
| Other income | | | | 5,996.5 |
| Exchange differences on borrowings and deposits | | | | 1,565.4 |
| Interest income | | | | 1,653.1 |
| Interest expense (net) | | | | (16,463.5) |
| Income tax expense | | | | (9,470.1) |
| Net income | | | | Rs. 23,203.0 |

F-76

Table of Contents

| | For year ended March 31, 2008 | | | Total |
|--|-------------------------------|--------------|----------------------------|----------------------|
| | Automotive | Other | Inter-segment eliminations | |
| | (In millions) | | | |
| Depreciation and amortization | Rs. 7,889.5 | Rs. 386.0 | Rs. | Rs. 8,275.5 |
| Capital expenditures | Rs. 49,924.9 | Rs. 1,712.0 | Rs. (251.3) | Rs. 51,385.6 |
| | As of March 31, 2008 | | | |
| Segment assets | Rs. 367,635.3 | Rs. 20,323.1 | Rs. (2,942.4) | Rs. 385,016.0 |
| Investment in equity accounted investees | 9,735.2 | 48.9 | | 9,784.1 |
| Other unallocated assets | | | | 79,335.6 |
| Total Assets | | | | Rs. 474,135.7 |
| Segment liabilities | Rs. 67,159.7 | Rs. 6,475.7 | Rs. (863.5) | Rs. 72,771.9 |
| Other unallocated liabilities | | | | 277,047.3 |
| Total liabilities | | | | Rs. 349,819.2 |

Segment revenues, expenses and results include transfer between segments. Such transfers are undertaken either at competitive market prices charged to unaffiliated customers for similar goods or at contracted rates. These transfers are eliminated on consolidation.

Other income includes income from investments, gain on sale of investments, gain on conversion options and profit on buy-back of convertible debt securities.

Unallocated assets include interest bearing loans and deposits, investments, accrued interest income and income tax assets.

Unallocated liabilities include borrowings, accrued interest thereon and income tax liabilities

* Tata Vehicles include Tata Daewoo and Fiat traded vehicles.

Information concerning principal geographical areas is as follows:

Net sales to external customers by geographical area by location of customers:

| | 2009 | Years ended March 31, | |
|--------------------------|----------------------|-----------------------|----------------------|
| | | 2009 | 2008 |
| | | (In millions) | |
| India | US\$ 5,380.3 | Rs. 272,889.6 | Rs. 298,315.7 |
| United States of America | 1,184.3 | 60,070.1 | 5,972.8 |
| United Kingdom | 3,304.5 | 167,604.7 | 1,575.6 |
| Rest of Europe | 1,795.6 | 91,070.5 | 12,090.6 |
| Rest of the World | 2,586.2 | 131,171.4 | 52,300.1 |
| Total | US\$ 14,250.9 | Rs. 722,806.3 | Rs. 370,254.8 |

Segment assets by geographical area:

| | 2009 | Years ended March 31, | |
|--------------------------|--------------|-----------------------|---------------|
| | | 2009 | 2008 |
| | | (In millions) | |
| India | US\$ 7,576.8 | Rs. 384,293.9 | Rs. 351,063.0 |
| United States of America | 366.9 | 18,609.2 | 1,630.4 |
| United Kingdom | 4,806.4 | 243,782.5 | 4,299.0 |
| Rest of Europe | 665.8 | 33,773.3 | 5,285.6 |
| Rest of the World | 944.3 | 47,891.2 | 22,738.0 |

| | | | |
|--------------|----------------------|----------------------|----------------------|
| Total | US\$ 14,360.2 | Rs. 728,350.1 | Rs. 385,016.0 |
|--------------|----------------------|----------------------|----------------------|

F-77

Table of Contents

Capital expenditure by geographic area:

| | 2009 | Years ended March 31, | |
|--------------------------|---------------------|-----------------------|---------------------|
| | | 2009 | 2008 |
| | | (In millions) | |
| India | US\$ 1033.0 | Rs. 52,397.8 | Rs. 48,105.2 |
| United States of America | 1.4 | 69.9 | 19.9 |
| United Kingdom | 903.6 | 45,829.6 | 102.1 |
| Rest of Europe | 6.9 | 348.0 | 144.8 |
| Rest of the World | 50.3 | 2,552.0 | 3,013.6 |
| Total | US\$ 1,995.2 | Rs. 101,197.3 | Rs. 51,385.6 |

42. Related party transactions

The Company's related parties principally consist of Tata Sons Ltd., subsidiaries of Tata Sons Ltd, associates and joint ventures of the Company. The company routinely enters into transactions with these related parties in the ordinary course of business. The Company enters into transactions for sale and purchase of products with its associates and joint ventures. Transactions and balances with its own subsidiaries are eliminated on consolidation.

The following table summarizes related party transactions and balances included in the consolidated financial statements for the year ended March 31, 2009:

| | With associates | With joint ventures | With Tata Sons Ltd and its subsidiaries (In millions) | Total | Total |
|--|-----------------|---------------------|---|--------------|------------|
| Purchases of products | Rs. 20,317.8 | Rs. 7,493.4 | Rs. 7.9 | Rs. 27,819.1 | US\$ 548.5 |
| Purchase of property, plant & equipment | 10.6 | | 21.3 | 31.9 | 0.6 |
| Sale of products | 1,098.9 | 670.3 | 151.0 | 1,920.2 | 37.9 |
| Services received | 129.1 | | 2,723.3 | 2,852.4 | 56.2 |
| Services rendered | 55.2 | 340.4 | 974.6 | 1,370.2 | 27.0 |
| Interest/dividend (income)/expense, net | (368.8) | (339.6) | 1,982.7 | 1,274.3 | 25.1 |
| Sale of portion of equity interest in subsidiaries (See note-34) | | | 1,610.2 | 1,610.2 | 31.8 |
| Gain on sale of portion of equity interest in subsidiaries (See note-34) | | | 1,404.7 | 1,404.7 | 27.7 |
| Sale of investment | | | 5,667.6 | 5,667.6 | 111.7 |
| Gain on sale of investment | | | 4,066.2 | 4,066.2 | 80.2 |
| Amounts receivable in respect of loans and interest thereon | 287.3 | 2,650.0 | | 2,937.3 | 57.9 |
| Amounts payable in respect of loans and interest thereon | | | 10,788.0 | 10,788.0 | 212.7 |
| Trade and other receivables | 195.3 | 847.0 | 394.7 | 1,437.0 | 28.3 |
| Accounts payable | 801.1 | 1,557.9 | 789.2 | 3,148.2 | 62.1 |
| Guarantees given | | 8,565.3 | | 8,565.3 | 168.9 |
| Loans given | 27.6 | 3,150.0 | | 3,177.6 | 62.6 |
| Investment in equity | 261.7 | 2,679.5 | | 2,941.2 | 58.0 |
| Loans taken | | | 10,673.9 | 10,673.9 | 210.5 |
| Proceeds from issue of shares | | | 29,794.0 | 29,794.0 | 587.4 |

Table of Contents

The following table summarizes related party transactions and balances included in the consolidated financial statements for the year ended March 31, 2008:

| | With Associates | With joint ventures (In millions) | With Tata Sons Ltd and its subsidiaries | Total |
|--|-----------------|--------------------------------------|---|----------|
| Purchases of products | Rs. 28,111.7 | 9.7 | 40.6 | 28,162.0 |
| Purchase of property, plant and equipment | | | 70.8 | 70.8 |
| Sale of property, plant and equipment | 0.4 | | 34.2 | 34.6 |
| Sale of products | 1,486.5 | | 63.4 | 1,549.9 |
| Services received | 191.9 | | 1,075.5 | 1,267.4 |
| Services rendered | 244.1 | 146.6 | 344.3 | 735.0 |
| Sale of portion of equity interest in subsidiaries (See note-34) | | | 1,642.5 | 1,642.5 |
| Gain on sale of portion of equity interest in subsidiaries (See note-34) | | | 1,100.1 | 1,100.1 |
| Sale of investments | | | 350.0 | 350.0 |
| Sale of investments in associate | | | 183.9 | 183.9 |
| Gain on sale of investment in associate | | | 144.5 | 144.5 |
| Interest/dividend (income)/expense, net | (311.9) | (23.7) | 1,088.2 | 752.6 |
| Amounts receivable in respect of loans and interest thereon | 17.0 | 517.6 | 5.8 | 540.4 |
| Sale of finance receivables (See note-35) | | | 10,226.0 | 10,226.0 |
| Gain on sale of finance receivables (included in finance income) (See note-35) | | | 923.5 | 923.5 |
| Trade and other receivables | 307.1 | 137.8 | 184.3 | 629.2 |
| Accounts payable | 2,065.2 | 9.7 | 58.7 | 2,133.6 |
| Loans given | 514.8 | 1,517.8 | | 2,032.6 |
| Investment in equity | | 3,704.0 | | 3,704.0 |
| Loans taken | 63.5 | | | 63.5 |
| Compensation of key management personnel: | | | | |

| | Years ended March 31, | | |
|---|-----------------------|----------|----------|
| | 2009 | 2009 | 2008 |
| | (In millions) | | |
| Short-term benefits | US\$ 1.9 | Rs. 97.0 | Rs. 80.4 |
| Post-employment benefits | 0.2 | 9.0 | 5.8 |
| Other transactions with key management personnel: | | | |

| | Years ended March 31, | | |
|---|-----------------------|---------|---------|
| | 2009 | 2009 | 2008 |
| | (In millions) | | |
| Interest/dividend (income)/expense, net | US\$ 0.1 | Rs. 5.2 | Rs. 0.8 |
| Amounts receivable in respect of loans and interest thereon | | 1.1 | 2.7 |
| Loans taken | 2.6 | 130.0 | |
| Proceeds from issue of shares | 0.2 | 14.2 | |

Refer Note 36 for information on transactions with post-employment benefit plans.

43. Subsequent events

In May 2009, the Company raised Rs. 42,000 million through secured non-convertible rupee debentures issued in four tranches with maturities ranging from 2 to 7 years, the proceeds of which were used to repay part of the outstanding bridge loan.

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The Company used the proceeds of the above debentures and proceeds from the sale of available-for-sale securities of Rs. 9,529 million to repay a part of the bridge loan outstanding as of March 31, 2009.

In May 2009, the Company renegotiated the terms of the bridge loan and accordingly, the outstanding bridge loan of USD 1 billion is repayable in tranches by December 2010.

F-79

Table of Contents**44. Earnings/(loss) per share (EPS)**

| | Net income/(loss) attributable to equity holders of the parent (In millions) | Weighted average shares (Nos.) | Earnings/(loss) per share (Rs./US\$) |
|--|--|--------------------------------------|--|
| For the period ended March 31, 2009 | | | |
| Basic and diluted earnings/(loss) per share (ordinary shares and A ordinary shares) | Rs. (60,142.3) | 440,481,968 | Rs. (136.5) |
| | US\$ (1,185.8) | | US\$ (2.7) |
| For the year ended March 31, 2008 | | | |
| Basic net earnings per share | Rs. 21,976.6 | 385,438,663 | Rs. 57.0 |
| Effect of foreign currency convertible notes | (737.4) | 36,714,160 | (20.1) |
| Diluted earnings per share | 21,239.2 | 422,152,823 | Rs. 50.3 |

A Ordinary shares holders are entitled to receive dividend at 5 percentage points more than the aggregate rate of dividend determined by the Company on Ordinary shares for the financial year.

45. The financial statements as of and for the year ended March 31, 2009, include the operations of acquired businesses of Jaguar Land Rover , Serviplem S.A and Comoplesa Lebrero S.A. from the respective date of acquisition and hence are not comparable with year ended March 31, 2008.