



*We understand
what **you're**
working for.*

Principal Pnb Asset Management Company Pvt. Ltd.

Annual Report
2011 - 2012

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 20th Annual Report of Principal PNB Asset Management Company Private Limited ('the Company') together with the Audited Financial Statements for the year ended March 31, 2012.

FINANCIAL RESULTS

The highlights of the financial results for the year under review are as under:

Particulars	(Rupees in lakh)	
	2011-2012	2010-2011
Gross Income	3,355.29	4,125.74
Profit/(Loss) after Tax	(805.11)	(258.02)
Balance of profit/loss brought forward	(3,969.01)	(3,710.99)
Equity Dividend (including dividend tax)	Nil	Nil
Transfer to General Reserve	Nil	Nil
Balance Loss carried to balance sheet	(4,774.12)	(3,969.01)

OPERATIONAL PERFORMANCE

Principal Mutual Fund as at March 31, 2012 offers twenty three Schemes. These include ten Equity Schemes (including two Equity Linked Savings Schemes, of which one has been closed for subscription since September 02, 2011), one Balanced Scheme, one Fund of Fund Scheme (Overseas) and nine Debt Schemes / Plans (including two Hybrid Schemes and one Fixed Maturity Plan) and two Liquid Schemes. The total Assets under Management (AuM) from all these schemes as on March 31, 2012 was Rs. 3,608/- Crore.

The AMC operates out of 18 branches, including Mumbai. Many operational processes have been re-engineered to ensure optimum utilization of available resources. We have adopted various communication means like emails, SMSs' to ensure timely and accurate information dissemination to our investors and distributors.

FUTURE OUTLOOK

FY 2011-12 continued to be a sluggish year for the Mutual Fund industry. After losing 3.5% AuM in FY 2010-11, the industry lost another 0.8% in FY 2011-12. As the industry participants re-adjust their business models in light of current and expected regulatory and market changes, we expect FY 2012-13 to be the build-up year which will set the platform for growth.

Optimizing the use of available resources by continuing to re-engineer the distribution and operational processes will continue to be the focus of your company in the current financial year. Enhanced client servicing and communication will continue to be at the forefront of the company's overall objectives. Subject to approval of SEBI and Principal Trustee Co. Pvt. Ltd. (Trustee), your Company would seek to include such other schemes in its product offerings, as may be required to suit the requirement of investors at every stage of their life.

With prudent Investment Management, focused product offerings through a lean and targeted distribution force, continuing operational efficiencies and a comprehensive risk management framework, your company will look to achieve steady growth in FY 2012-13.

TRANSFER TO RESERVES

The Company has not made any transfer during the year under review to General Reserve.

DIVIDEND

Your Directors do not recommend any final dividend for the year under consideration.

BOARD OF DIRECTORS

In accordance with the provisions of the Companies Act, 1956 (the Act), Mr. Rustam Gagrat and Mr. Ashok Vij, Directors of the Company retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

Punjab National Bank conveyed that Mr. S. K Dubey attained superannuation and hence ceased to be on the Board of the Company. The Board places on record its sincere appreciation for all the valuable guidance, support and contributions provided by Mr. Dubey during his tenure as the Director of the Company.

Mr. P. K. Chhokra was nominated as Director by Punjab National Bank and was appointed on the board w.e.f. January 18, 2012. Mr. Chhokra has a vast experience in the field of Credit and treasury operations and has been associated with Punjab National Bank for the past 12 years, joining as Chief Manager for Credit Operations and moving up in his career as General Manager and currently being responsible for Treasury Operations of the Bank.

Mr. Chhokra is currently serving on the Board of MCX Stock Exchange and PNB Gilts Limited as Non-executive Director.

BOARD MEETINGS

Five Board Meetings were held during the year under review on April 26, 2011, July 06, 2011, October 24, 2011, January 19, 2012 and March 02, 2012.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Directors and is chaired by Mr. M. M. Chitale, with Mr. Rustam Gagrat and Mr. Ashok Vij as its Members. The role, terms of reference and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956 and internal policies. The Committee met five times during the year under review on April 26, 2011, July 06, 2011, October 24, 2011, January 19, 2012 and March 02, 2012.

AUDITORS AND AUDITORS REPORT

M/s. S.V. Ghatalia & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting. Your Directors recommend the re-appointment of M/s. S.V. Ghatalia & Associates, Chartered Accountants, as Statutory Auditors for the financial year 2012-2013.

Reference is invited to point (ix) (b) of the of the Annexure to the Auditors Report submitted under Companies (Auditor's Report) Order, 2003, where the Auditors have reported an instance of delay in payment of a portion of the Provident Fund dues for the month of September, 2011. As noted by the Auditors the said amount has been paid on June 26, 2012 to the Provident Fund Authorities and that there are no additional outstanding dues on account of Provident Fund. The Management of your Company has laid down appropriate checks to ensure that such delays do not recur in the future.

PARTICULARS OF EMPLOYEES:

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time, the names and other particulars of the concerned employees are available for inspection with the Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

The Company does not carry on any manufacturing activity.

The Particulars required to be furnished in this report under the section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, relating to the conservation of the energy and technology absorption are not applicable for the year under review, and hence not furnished.

During the year under review the Company has received Rs. 46.20 Lakh in foreign exchange towards sub-advisory fees and the outgo in foreign exchange was Rs 33.04 Lakh towards foreign travel, professional charges and software maintenance.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
2. That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

We are thankful for the significant contribution made by our employees and also express our sincere thanks and appreciation to Securities and Exchange Board of India, Association of Mutual Fund of India, Reserve Bank of India, the Company's Bankers and Counsels for their continued support and co-operation.

We also acknowledge the support and the continued co-operation received from Punjab National Bank, Vijaya Bank and Principal Financial Group during the year under review. We look forward to the same going forward.

On behalf of the Board
For **Principal PNB Asset Management Company Private Ltd**

Sd/-
M.M. Chitale
Chairman

07/09/2012
Mumbai

Auditors' Report

To
The Members of Principal Pnb Asset Management Company Private Limited

1. We have audited the attached Balance Sheet of Principal Pnb Asset Management Company Private Limited ('the Company') as at March 31, 2012 and also the Statement of profit and loss for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet and statement of profit and loss dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

- v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012; and
 - b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

For S.V. GHATALIA & ASSOCIATES

Firm registration number: 103162W
Chartered Accountants

Sd/-

per Amit Kabra

Partner

Membership No.: 094533

Place: Mumbai

Date: June 29, 2012

Annexure referred to in paragraph 3 of our report of even date

Re: Principal Pnb Asset Management Company Private Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All fixed assets were physically verified by the management in the previous years in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
 - (c) As explained in Note 8 to the financial statements, while relocating its premises during the year, the Company has disposed off a substantial part of the furniture & fixtures, leasehold improvements and Electrical installations and has made suitable alternative arrangements at its new premises. Based on the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said part of fixed assets has not affected the going concern status of the Company.
- (ii) The Company did not hold any inventory during the year. Hence the provisions of clause 4 (ii) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, for the products of the Company.

- (ix) (a) Undisputed statutory dues including provident fund, income-tax, wealth-tax, service tax, and cess have generally been regularly deposited with the appropriate authorities except for one instance of provident fund as mentioned in clause (ix) (b) below. The provisions relating to employees state insurance, sales tax, customs duty and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, undisputed dues in respect of provident fund, income-tax, wealth-tax, service tax and cess, which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Name of the statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Due Date	Date of Payment
Employees Provident Fund & Miscellaneous Provisions Act	Provident Fund	177,307	September 2011	15-Oct-2011	26-June-2012

- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax and cess which have not been deposited on account of any dispute. As informed, the provisions relating to sales-tax, customs duty and excise duty are not applicable to the Company.
- (x) The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash loss during the year. In the immediately preceding financial year also, the Company had incurred cash loss.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, the Company has not taken any funds from financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.V. GHATALIA & ASSOCIATES

Firm registration number: 103162W

Chartered Accountants

Sd/-

per Amit Kabra

Partner

Membership No.: 094533

Place: Mumbai

Date: June 29, 2012

Principal Pnb Asset Management Company Private Limited
Balance Sheet as at March 31, 2012

	<u>Notes</u>	March 31, 2012 <u>Rs.</u>	March 31, 2011 <u>Rs.</u>
<u>Equity and Liabilities</u>			
Shareholders' Funds			
Share Capital	' 3 '	100,000,080	100,000,080
Reserves and Surplus	' 4 '	53,900,637	134,411,538
Share Application Money			
	' 5 '	65,000,125	-
Non-Current Liabilities			
Long-term Provisions	' 6 '	2,103,709	639,751
Current Liabilities			
Trade Payables	' 7A '	18,765,045	26,465,171
Other Payables	' 7B '	45,554,776	47,584,588
Short-term Provisions	' 6 '	270,036	422,955
		64,589,857	74,472,714
Total		285,594,408	309,524,083
<u>Assets</u>			
Non-current Assets			
Fixed Assets			
Tangible Assets	' 8 '	6,916,342	12,121,280
Intangible Assets	' 9 '	21,427,346	31,167,699
Long-term Loans & advances	' 10 '	25,277,326	39,622,272
Current Assets			
Current Investments	' 11 '	38,885,418	92,901,002
Trade Receivables	' 12 '	27,352,233	22,549,220
Cash & Bank Balances	' 13 '	76,411,827	1,111,398
Short Term Loans & Advances	' 10 '	89,323,916	110,051,212
		231,973,394	226,612,832
Total		285,594,408	309,524,083

Summary of Significant Accounting Policies ' 2.1 '

The accompanying notes are an integral part of the financial statements

As per our report of even date.

For S. V. Ghatalia & Associates
 Firm Registration No. 103162W
 Chartered Accountants

For and on behalf of the Board of
Principal Pnb Asset Management Company Private Limited

Sd/-
per Amit Kabra
 Partner
 Membership No.094533

Sd/-
M. M. Chitale
 Chairman

Sd/-
Rajan Ghotgalkar
 Managing Director

Sd/-
Ritesh Jain
 Chief Financial Officer

Sd/-
Anshu Garg
 Company Secretary

Mumbai, June 29, 2012

Mumbai, June 29, 2012

Principal Pnb Asset Management Company Private Limited
Statement of Profit and Loss for the year ended March 31, 2012

	<u>Notes</u>	Year ended March 31, 2012 <u>Rs.</u>	Year ended March 31, 2011 <u>Rs.</u>
Income			
Income from Operations	' 14 '	318,387,191	400,884,024
Other Income	' 15 '	17,141,750	11,690,307
		<u>335,528,941</u>	<u>412,574,331</u>
Expenses			
Employee Cost	' 16 '	213,306,020	213,392,885
Administrative and Other Expenses	' 17 '	183,751,763	201,547,967
Depreciation and Amortisation	' 18 '	18,982,059	23,435,912
		<u>416,039,842</u>	<u>438,376,764</u>
		<u>(80,510,901)</u>	<u>(25,802,433)</u>
Profit / (Loss) before tax		<u>(80,510,901)</u>	<u>(25,802,433)</u>
Tax Expenses			
Current Tax		-	-
Deferred Tax		-	-
Total Tax Expense		<u>-</u>	<u>-</u>
Profit / (Loss) for the year from continuing operations		<u>(80,510,901)</u>	<u>(25,802,433)</u>
 Earnings per Equity Share (Basic and Diluted)			
[Nominal value of Share Rs. 10 (March 31, 2011: Rs. 10)]		(8.05)	(2.58)

Summary of Significant Accounting Policies ' 2.1 '

The accompanying notes are an integral part of the financial statements

As per our report of even date.

For S. V. Ghatalia & Associates
 Firm Registration No. 103162W
 Chartered Accountants

For and on behalf of the Board of
Principal Pnb Asset Management Company Private Limited

Sd/-
per Amit Kabra
 Partner
 Membership No.094533

Sd/-
M. M. Chitale
 Chairman

Sd/-
Rajan Ghotgalkar
 Managing Director

Sd/-
Ritesh Jain
 Chief Financial Officer

Sd/-
Anshu Garg
 Company Secretary

Mumbai, June 29, 2012

Mumbai, June 29, 2012

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

1. Corporate Information

Principal Pnb Asset Management Company Private Limited is a private limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company provides asset management services to Principal Mutual Fund. It also provides portfolio management and advisory services.

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in presentation and disclosure of financial statements as explained below.

2.1 Summary of Significant Accounting Policies:

a. Change in presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year. For further details, refer note 30.

b. Accounting concepts

The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 1956. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company. As such, Accounting Standard – 3 on Cash Flow Statements, certain requirements of Accounting Standard – 15 on Employee Benefits and Accounting Standard – 19 on Leases are not applicable to the Company.

c. Use of estimates

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may differ from these estimates.

d. Revenue recognition

Investment management fees are recognised in accordance with the terms of contract between the Company and the Board of Trustees of Principal Mutual Fund and are in line with the Securities and Exchange Board of India ("SEBI") (Mutual Funds) Regulations, 1996 (SEBI Regulations) as amended from time to time, based on daily net asset value (excluding investments made by the Company in the schemes in accordance with SEBI Regulations). Such fees and other revenues received for providing asset management services are recognised as revenue when the service is performed.

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

Portfolio Management Fees and Advisory Fees are recognised on an accrual basis at the time the services are rendered and an enforceable right to receive has arisen in accordance with terms of the contract between the Company and clients.

e. Fixed assets and depreciation / amortisation

(a) Tangible fixed assets and depreciation

Tangible fixed assets acquired by the Company are reported at acquisition value, with deductions for accumulated depreciation and impairment losses, if any.

The acquisition value includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring it to the site and in the working condition for its intended use. Examples of directly attributable expenses included in the acquisition value are delivery and handling costs, installation, legal services and consultancy services.

Depreciation is provided on a straight line basis at rates and in the manner specified in Schedule XIV to the Companies Act, 1956, unless the use of a higher rate is estimated by the Management. The Management has estimated the useful lives as under:

Furniture and fixtures	4 years
Office equipments	3 years
Computers	3 years
Electrical installations	4 years
Motor cars	4 years

Leasehold improvements are depreciated on a straight line basis over the primary period of lease if such period is lower than the period derived from corresponding rates specified in Schedule XIV. Assets individually costing less than Rs. 5,000 are fully depreciated in the year of purchase.

(b) Intangible assets and amortisation

Intangible assets other than goodwill are valued at cost less amortisation. These generally comprise of asset management rights acquired by the Company and costs incurred to acquire computer software licences and implement the software for internal use (including software coding, installation, testing and certain data conversion).

Intangible assets are reported at acquisition value with deductions for accumulated amortisation and any impairment losses.

Amortisation takes place on a straight line basis over the asset's anticipated useful life estimated by the Management. The useful life is determined based on the period of the underlying contract and the period of time over which the intangible asset is expected to be used and generally does not exceed three years except in case of asset management rights, which are amortised over a period of ten years.

An impairment test of intangible assets is conducted annually or more often if there is an indication of a decrease in value. The impairment loss, if any, is reported in the Profit and Loss Account. Where assets are impaired, the amortisation charge is adjusted so as to

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

charge off the carrying value of such asset after adjusting the impairment in their value, over their respective remaining useful lives.

f. Impairment of assets

The carrying values of assets of the Company's cash-generating units are reviewed for impairment annually or more often if there is an indication of decline in value. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discounting factor.

g. Investments and investment income

Current investments are valued at the lower of cost and fair value. Cost includes the purchase price and related expenses such as brokerage and stamp duties.

The difference between the cost and the redemption / sale proceeds net of expenses is recognised in the profit and loss account. For calculation of profit/loss on investment, cost is calculated on first-in-first-out basis.

Dividend income is accounted when the right to receive the income is established.

h. Employee Benefits

(a) Short Term

A short term employee benefit is recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

(b) Long Term

The Company has both defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

(c) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund and family pension fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

(d) Defined-benefit plans

Expenses for defined-benefit gratuity payment plans are calculated as at the balance sheet date by an Actuary in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the Actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

(e) Other Employee Benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on availment of encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

i. Foreign currency translation

Transactions in foreign currencies are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange differences arising on settlement thereof during the year are recognised as income or expenses in the Profit and Loss Account.

Monetary assets and liabilities in foreign currencies as at the year end are valued at closing-date rates, and unrealised translation differences are included in the Profit and Loss Account.

j. Taxes on income

Income taxes include tax payable in respect of taxable income for the year, adjustment attributable to earlier periods and changes in deferred taxes. Valuation of all tax liabilities / receivables is conducted at nominal amounts and in accordance with enacted tax regulations and tax rates and in the case of deferred taxes, those that have been substantially enacted.

Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all timing differences which occur as a result of items being allowed for income tax purposes during a period different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the aggregate deferred tax asset to be utilised.

k. Scheme Administration Expenses

Expenses of schemes of Principal Mutual Fund in excess of the stipulated rates are required to be borne by the Company, in accordance with the requirements of Securities and Exchange Board of India (Mutual Fund) Regulations, 1996, and as such, are charged to the Profit and Loss Account.

l. Provisions and contingencies

A provision is recognised when the Company has a present legal obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised, however adequate disclosure has been made for the same. A contingent asset is neither recognised nor disclosed.

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

m. Operating leases

Leases of assets whereby the lessor essentially remains the owner of the asset is classified as operating leases. The payments made by the Company as lessee in accordance with operational leasing contracts or rental agreements are expensed on a straight line basis during the lease or rental period respectively. Any compensation, according to agreement, that the lessee is obliged to pay to the lessor if the leasing contract is terminated prematurely is expensed during the period in which the contract is terminated.

Principal Pnb Asset Management Company Private Limited
Notes forming part of the Balance Sheet as at March 31, 2012

	March 31, 2012 Rs.	March 31, 2011 Rs.
3. SHARE CAPITAL		
Authorised Shares		
15,000,000 (31 March 2011: 15,000,000) equity shares of Rs. 10 each	150,000,000	150,000,000
1,000,000 (31 March 2011: 1,000,000) 10% cumulative redeemable preference shares of Rs. 100 each	100,000,000	100,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and Fully Paid-up shares		
10,000,008 (31 March 2011: 10,000,008) equity shares of Rs. 10 each	100,000,080	100,000,080
Total Issued, Subscribed and Fully Paid-up share capital	<u>100,000,080</u>	<u>100,000,080</u>

a. Reconciliation of Shares at the beginning and at the end of the year

Equity Shares	March 31, 2012		March 31, 2011	
	No.	Rs.	No.	Rs.
At the beginning of the year	10,000,008	100,000,080	10,000,008	100,000,080
Issued during the year	-	-	-	-
Balance at the end of the year	<u>10,000,008</u>	<u>100,000,080</u>	<u>10,000,008</u>	<u>100,000,080</u>

b. Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of Rs.10 per share. Each holder of Equity Shares is entitled to one vote per share.

In the event of liquidation, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

c. Shares held by Holding Company

Out of Equity Shares issued by the Company, shares held by its Holding Company are as below:

	March 31, 2012 Rs.	March 31, 2011 Rs.
Principal Financial Group (Mauritius) Ltd., the holding Company 6,500,008 (March 31, 2011: 6,500,008) Equity Shares of Rs.10 each fully paid (including nominee shares)	65,000,080	65,000,080

d. Details of shareholders holding more than 5% shares in the Company

	March 31, 2012		March 31, 2011	
	No.	% holding in the class	No.	% holding in the class
Equity Shares of Rs.10 each fully paid				
Principal Financial Group (Mauritius) Ltd. (including nominee shares)	6,500,008	65%	6,500,008	65%
Punjab National Bank	3,000,000	30%	3,000,000	30%

4. RESERVES AND SURPLUS

	March 31, 2012 Rs.	March 31, 2011 Rs.
Capital Redemption Reserve	60,000,000	60,000,000
Securities Premium Account	400,000,000	400,000,000
General Reserve	71,313,027	71,313,027
Surplus / (Deficit) in the statement of Profit & Loss		
Balance as per last financial statements	(396,901,489)	(371,099,056)
Loss for the year	(80,510,901)	(25,802,433)
Net Surplus / (Deficit) in the statement of Profit & Loss	<u>(477,412,390)</u>	<u>(396,901,489)</u>
	<u>53,900,637</u>	<u>134,411,538</u>

Principal Pnb Asset Management Company Private Limited
Notes forming part of the Balance Sheet as at March 31, 2012

5. SHARE APPLICATION MONEY

On March 2, 2012, the shareholders of the Company were offered 800,001 equity shares at Rs. 125 per equity share, inclusive of face value of Rs. 10 each and share premium of Rs. 115 each. As of March 31, 2012 the Company had received an amount of Rs 65,000,125, towards share application money for 520,001 equity shares. Subsequent to the Balance Sheet date, on June 26 2012, after receipt of share application money for a further 40,000 equity shares, the Company concluded the allotment of total 560,001 equity shares, and the revised shareholding pattern of the Company as on June 29, 2012, is as follows

Name of the Shareholder	Total shareholding post allotment	% of shareholding post allotment
Principal Financial Group (Mauritius) Limited (including nominees)	7,060,009	66.86
Punjab National Bank	3,000,000	28.41
Vijaya Bank	500,000	4.73
Total	10,560,009	100.00

	Long-term		Short-term	
	March 31, 2012 Rs.	March 31, 2011 Rs.	March 31, 2012 Rs.	March 31, 2011 Rs.
6. PROVISIONS				
Provision for Employee Benefits				
Provision for leave benefits	2,103,709	639,751	270,036	422,955
	<u>2,103,709</u>	<u>639,751</u>	<u>270,036</u>	<u>422,955</u>

7. CURRENT LIABILITIES

		March 31, 2012 Rs.	March 31, 2011 Rs.
Trade Payables	(A)	18,765,045	26,465,171
Other Payables			
Service tax Payable		1,873,068	2,095,301
TDS Payable		13,932,324	14,874,320
PF Payable		1,633,930	1,461,962
Profession Tax Payable		203,626	98,554
Other Liabilities		27,911,828	29,054,451
	(B)	<u>45,554,776</u>	<u>47,584,588</u>
Total (A + B)		<u>64,319,821</u>	<u>74,049,759</u>

Principal Pnb Asset Management Company Private Limited
Notes forming part of the Balance Sheet as at March 31, 2012

8. TANGIBLE ASSETS

	Office Equipments	Furniture & Fixtures	Computers	Motor Cars	Leasehold Improvements	Electrical Installations	Total
Cost or Valuation							
As at March 31, 2010	18,582,059	10,714,880	40,434,778	8,266,223	24,703,246	3,555,244	106,256,430
Additions	725,998	97,642	3,082,620	-	-	-	3,906,260
Disposals	(452,780)	(88,600)	(594,049)	(2,380,361)	(2,444,286)	-	(5,960,076)
As at March 31, 2011	18,855,277	10,723,922	42,923,349	5,885,862	22,258,960	3,555,244	104,202,614
Additions	594,871	133,450	4,639,248	-	-	-	5,367,569
Disposals	(4,713,528)	(7,541,942)	(10,453,695)	(1,769,974)	(16,839,203)	(3,480,565)	(44,798,907)
As at March 31, 2012	14,736,620	3,315,430	37,108,902	4,115,888	5,419,757	74,679	64,771,276
Depreciation							
As at April 1, 2010	17,202,635	9,705,802	36,029,035	4,835,955	15,443,579	3,125,299	86,342,305
Charge for the year	1,155,586	948,797	3,591,065	1,382,549	3,834,603	409,309	11,321,909
Disposals	(431,326)	(88,600)	(594,050)	(2,024,618)	(2,444,286)	-	(5,582,880)
As at March 31, 2011	17,926,895	10,565,999	39,026,050	4,193,886	16,833,896	3,534,608	92,081,334
Charge for the year	647,678	156,105	3,116,236	922,525	1,654,026	20,631	6,517,201
Disposals	(4,671,350)	(7,509,147)	(10,451,139)	(1,563,240)	(13,068,165)	(3,480,560)	(40,743,601)
As at March 31, 2012	13,903,223	3,212,957	31,691,147	3,553,171	5,419,757	74,679	57,854,934
Net Block							
As at March 31, 2011	928,382	157,923	3,897,299	1,691,976	5,425,064	20,636	12,121,280
As at March 31, 2012	833,397	102,473	5,417,755	562,717	-	-	6,916,342

During the year, while relocating its premises, the Company has disposed furniture & fixtures, leasehold improvements and electrical installations at certain locations and has made suitable alternative arrangements at its new premises.

9. INTANGIBLE ASSETS

	Asset Management Rights	Computer Software	Total
Gross Block			
As at March 31, 2010	91,655,275	15,373,181	107,028,456
Additions	-	711,350	711,350
Disposals	-	-	-
As at March 31, 2011	91,655,275	16,084,531	107,739,806
Additions	-	2,724,504	2,724,504
Disposals	-	-	-
As at March 31, 2012	91,655,275	18,809,035	110,464,310
Amortisation			
As at April 1, 2010	51,408,397	7,125,719	58,534,116
Charge for the year	8,344,739	3,769,265	12,114,004
As at March 31, 2011	59,753,136	10,894,984	70,648,120
Charge for the year	8,344,739	4,120,118	12,464,857
As at March 31, 2012	68,097,875	15,015,102	83,112,977
Impairment Loss			
As at April 1, 2010	5,923,987	-	5,923,987
Charge for the year	-	-	-
Reversals for the year	-	-	-
As at March 31, 2011	5,923,987	-	5,923,987
Charge for the year	-	-	-
Reversals for the year	-	-	-
As at March 31, 2012	5,923,987	-	5,923,987
Net Block			
As at March 31, 2011	25,978,152	5,189,547	31,167,699
As at March 31, 2012	17,633,413	3,793,933	21,427,346

Principal Pnb Asset Management Company Private Limited
Notes forming part of the Balance Sheet as at March 31, 2012

	Non-Current		Current	
	March 31, 2012 Rs.	March 31, 2011 Rs.	March 31, 2012 Rs.	March 31, 2011 Rs.
10. LOANS AND ADVANCES				
Capital Advances				
Secured, considered good	-	-	-	-
Unsecured, considered good	-	-	446,386	6,222
(A)	<u>-</u>	<u>-</u>	<u>446,386</u>	<u>6,222</u>
Security Deposit				
Secured, considered good	-	-	-	-
Unsecured, considered good	25,277,326	39,326,119	-	-
Doubtful	-	-	-	-
	<u>25,277,326</u>	<u>39,326,119</u>	<u>-</u>	<u>-</u>
Provision for Doubtful Security Deposit	-	-	-	-
(B)	<u>25,277,326</u>	<u>39,326,119</u>	<u>-</u>	<u>-</u>
Advances recoverable in cash or kind				
Secured, considered good	-	-	-	-
Unsecured, considered good	-	-	26,055,412	21,452,590
Doubtful	-	-	1,213,373	1,655,386
	<u>-</u>	<u>-</u>	<u>27,268,785</u>	<u>23,107,976</u>
Provision for doubtful advances	-	-	(1,213,373)	(1,655,386)
(C)	<u>-</u>	<u>-</u>	<u>26,055,412</u>	<u>21,452,590</u>
Other Loans and Advances				
Advance Income Tax (net of provision for taxation)	-	-	43,626,162	71,286,680
Advance Fringe Benefit Tax (net of provision for taxation)	-	-	258,944	258,944
Prepaid Expenses	-	296,153	18,853,788	16,820,307
Loans to Employees	-	-	83,224	226,469
(D)	<u>-</u>	<u>296,153</u>	<u>62,822,118</u>	<u>88,592,400</u>
Total (A+B+C+D)	<u><u>25,277,326</u></u>	<u><u>39,622,272</u></u>	<u><u>89,323,916</u></u>	<u><u>110,051,212</u></u>

	March 31, 2012 Rs.	March 31, 2011 Rs.
11. CURRENT INVESTMENTS		
Current Investments (valued at lower of cost and fair value, unless stated otherwise)		
Unquoted Mutual Funds		
20,707.052 units (March 31, 2011: 5,795,886.788) of Rs.1,000 (March 31, 2011: Rs.10) each fully paid-up of Principal Near-Term Fund Conservative Plan-Growth Plan	34,856,785	89,346,908
2,563.158 units (March 31, 2011: 245,310.937) of Rs.1,000 (March 31, 2011: Rs.10) each fully paid-up of Principal Cash Management Fund-Growth Plan	4,028,633	3,554,094
	<u><u>38,885,418</u></u>	<u><u>92,901,002</u></u>
Aggregate amount of unquoted investments (Market Value Rs.39,474,317 (March 31, 2011: 93,632,749))	<u>38,885,418</u>	<u>92,901,002</u>

	Non-Current		Current	
	March 31, 2012 Rs.	March 31, 2011 Rs.	March 31, 2012 Rs.	March 31, 2011 Rs.
12. TRADE RECEIVABLES				
Trade Receivables				
Outstanding for a period less than six months from the date they are due for payment				
Secured, considered good	-	-	-	-
Unsecured, considered good	-	-	27,352,233	22,549,220
Doubtful	-	-	-	-
	<u>-</u>	<u>-</u>	<u>27,352,233</u>	<u>22,549,220</u>
Provision for doubtful receivables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>27,352,233</u>	<u>22,549,220</u>

	March 31, 2012 Rs.	March 31, 2011 Rs.
13. CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with Banks		
On current accounts	-	-
	<u>-</u>	<u>-</u>
Cash on hand	-	-
	<u>-</u>	<u>-</u>
	<u>76,411,827</u>	<u>1,111,398</u>

Principal Pnb Asset Management Company Private Limited
Notes forming part of the Statement of Profit and Loss for the year ended March 31, 2012

	Year ended March 31, 2012 Rs.	Year ended March 31, 2011 Rs.
14. INCOME FROM OPERATIONS		
Details of Services Rendered		
Fees from Mutual Fund Operations	313,766,982	399,722,510
Fees from Advisory Services Operations	4,620,209	1,161,514
	318,387,191	400,884,024
15. OTHER INCOME		
Interest income on		
Income Tax Refund	7,768,194	4,391,010
Others	6,130	25,076
	7,774,324	4,416,086
Net Gain on Sale of Current Investments	9,214,015	6,179,180
Profit on sale of fixed assets (net)	-	45,292
Other Non-Operating Income	153,411	1,049,749
	17,141,750	11,690,307
16. EMPLOYEE COST		
Salary, bonus and allowances	194,570,263	187,566,191
Contribution to Provident and Other Funds	12,768,783	20,252,501
Welfare Expenses	5,966,974	5,574,193
	213,306,020	213,392,885
17. ADMINISTRATIVE AND OTHER EXPENSES		
Rent	60,336,438	48,865,585
Electricity	5,599,484	5,798,158
Repairs and Maintenance		
Office Equipments	3,676,831	3,592,094
Others	17,753,138	15,812,390
Travel and Entertainment	20,265,895	22,661,951
Admin and Office Support	9,973,756	11,709,200
Legal and Professional Fees	5,679,638	9,690,790
Auditors' Remuneration: (net of service tax)		
Audit Fees	375,000	375,000
Tax Audit Fees	75,000	75,000
Out of Pocket Expenses	17,220	1,349
Computer Expenses	10,334,820	7,544,542
Telecommunication Expenses	8,026,817	7,899,402
Subscription to Databases, Books & Periodicals	11,435,723	9,898,979
Printing, Stationery, Postage and Courier	2,239,312	2,218,784
Advertisement and Publicity	2,038,976	2,614,676
Membership/Registration fees	797,100	834,176
Scheme Administration Expenses	14,943,536	46,338,514
Insurance Expenses	615,902	589,506
Rates and Taxes	157,454	181,697
SEBI Filing Fees	254,223	1,907,327
Loss on sale of fixed assets (net)	1,959,763	-
Miscellaneous Expenses	7,195,737	2,938,847
	183,751,763	201,547,967
18. DEPRECIATION AND AMORTISATION		
Depreciation of Tangible Assets	6,517,201	11,321,909
Amortisation of Intangible Assets	12,464,857	12,114,004
	18,982,058	23,435,913

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

19. Managerial Remuneration

(a) Director's Remuneration: -

(Amount in Rs.)

Particulars	2011-2012	2010-2011
Salaries and allowances	17,364,679	16,231,101
Contribution to Provident and Other Funds	635,008	549,534
Perquisites	47,898	72,696
Total	18,047,585	16,853,331

Notes:

1. An amount of Rs. 4,770,382 (previous year Rs. 5,332,094) included in Salaries and allowances above has been recovered from Principal International Inc.
2. Provision for Gratuity and Compensated Absences is made in aggregate for the Company as a whole and the component attributable to the Director's remuneration is not separately identifiable and has therefore not been included above.

(b) Miscellaneous expenses include: -

(Amount in Rs.)

Particulars	2011-2012	2010-2011
Sitting Fees paid to Directors	486,000	334,500

The above amounts do not include reimbursement of expenses paid to directors.

20. Expenditure in foreign currency: -

(Amount in Rs.)

Particulars	2011-2012	2010-2011
Travel Expenses	162,924	131,273
Professional Charges	1,543,651	638,383
Software Maintenance	1,597,864	534,272
Total	3,304,439	1,303,928

21. Earnings in foreign exchange: -

(Amount in Rs.)

Particulars	2011-2012	2010-2011
From Advisory Services	4,620,209	1,161,514

22. Foreign Currency Exposures:

The year end foreign currency exposures that were not hedged by derivative instruments or otherwise are given below:

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

Particulars	2011-2012		2010-2011	
	Rs.	MYR	Rs.	MYR
Advisory Services Fees receivable	382,259	22,615	395,626	26,458
	Rs.	USD	Rs.	USD
Advisory Services Fees receivable	1,070,888	20,932	97,974	2,194
Liability for Stock Purchase Plan	906,647	17,723	450,206	10,083

23. Related Party Disclosures:-

Disclosure as required by Accounting Standard (AS) - 18 "Related Party Disclosures" notified under the Companies (Accounting Standards) Rules, 2006.

A. Names of the related parties and their relationship with the Company:

Nature of Relationship	Name of the related party
Ultimate Holding Company	Principal Financial Group, Inc
Holding Company of Principal Financial Group (Mauritius) Limited	Principal Financial Services, Inc
Subsidiary of Principal Financial Services, Inc	Principal International, Inc
Holding Company	Principal Financial Group (Mauritius) Limited
Associates	Punjab National Bank
Fellow Subsidiaries	Principal Pnb Trustee Company Private Limited Principal Retirement Advisors Private Limited (formerly known as Principal Financial Planners Private Limited)
Key Management Personnel	Mr. Rajan Ghotgalkar, Managing Director

B. Transaction with Related Parties

(Amount in Rs.)

Name of the related party	Particulars	2011-2012	2010-2011
Principal International, Inc.	Recovery of Employee Cost	6,635,584	7,179,248
	Reimbursement of Professional Charges	1,454,612	638,383
Principal Retirement Advisors Private Limited (formerly known as Principal Financial Planners Private Limited)	Recovery relating to sharing of common expenses / infrastructure	17,012,798	-
	Payments relating to sharing of common expenses / infrastructure	4,358,290	-

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

Name of the related party	Particulars	2011-2012	2010-2011
	Recovery of Deputee Charges	1,829,047	1,029,793
Mr. Rajan Ghotgalkar	Remuneration Paid	18,047,585	16,853,331

Transactions in the normal course of banking business with Punjab National Bank have not been considered for reporting related party transactions.

24. The major components of deferred tax assets and liabilities arising on account of timing differences as at March 31, 2012 are as under: -

(Amount in Rs.)

Particulars	2011-2012	2010-2011
Deferred Tax Assets		
On provision for Compensated Absences	733,487	328,376
On depreciation on fixed assets	8,735,819	6,797,558
On carry forward of book losses	156,158,558	129,450,728
On provision for bonus	2,717,872	3,252,490
Total deferred tax asset	168,345,736	139,829,152
Total deferred tax asset recognised	Nil	Nil

In the absence of virtual certainty of future profits backed by convincing evidence, no deferred tax asset has been recognised by the Company.

25. **Earnings Per Share (EPS):**

The earnings per equity share is calculated as stated below: -

(Amount in Rs.)

Particulars	2011-2012	2010-2011
Net Profit / (Loss) after tax for calculation of Basic/Diluted EPS	(80,510,901)	(25,802,433)
Weighted average numbers of equity shares (Nos.)	10,000,008	10,000,008
Basic and Diluted EPS	(8.05)	(2.58)
Nominal value per share	10.00	10.00

26. The employees of the Company are offered an Employee Stock Purchase Plan (Plan) by Principal Financial Group Inc. USA (PFG), the ultimate holding company. Contributions received from the employees are held by the Company, for onward remittance to PFG. Contributions received as at the year end Rs. 906,647 (Previous Year Rs. 453,199) have been included as part of "Other Liabilities".
27. Miscellaneous Expenses include foreign currency exchange difference amounting to Rs. 29,801 (Previous Year Rs. 11,843) debited to Profit and Loss account.
28. Expenses are net of recoveries / reimbursements, and include share of expenses, wherever services / facilities are shared with other entities.

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

29. Employee Benefit Obligations

Defined-Contribution Plans

The Company makes a contribution towards recognised provident fund and family pension fund for substantially all the qualifying employees. Contributions are paid during the year into separate funds under certain statutory arrangements. The employees and the Company pay predetermined contributions into the provident fund and family pension fund which is based on specified percentage of the employees' salary.

A sum of Rs. 9,205,836 (Previous Year Rs. 8,896,470) has been charged to the Profit and Loss account in this respect.

Defined-Benefits Plans

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based either on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers all regular employees of the Company. The Company contributes funds to the Life Insurance Corporation of India. Commitments are actuarially determined at year-end. In accordance with the revised Accounting Standard, (AS) 15 on "Employee Benefits", actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to the profit and loss account.

The actuarial calculations used to estimate defined benefit commitments and expenses are based on the following assumptions which if changed, would affect the defined benefit commitment's size, funding requirements and pension expense.

Actuarial Assumptions	2011-2012	2010-2011
Discount rate	8.75%	8.00%
Expected rate of return on assets	8.75%	8.00%
Salary increase rate	5.00%	4.00%

The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

A sum of Rs. 3,562,947 (Previous Year Rs. 10,447,512) has been charged to the Profit and Loss account in this respect.

Other Employee Benefits

Compensated Absences

The Company has treated the earned leave which can be carried forward to future periods as a "short term" benefit only if the employees are entitled to either encash or utilise the benefits during the period of twelve months following the end of the

Principal Pnb Asset Management Company Private Limited
Notes forming part of the financial statements for the year ended March 31, 2012

accounting period (when they became entitled to the leave) and are also expected to do so. In other cases the benefit has been treated as "long term".

A sum of Rs. 1,733,994 (Previous Year Rs. 677,446) has been charged to the Profit and Loss account in this respect.

30. Till the year ended March 31, 2011, the Company was using the pre-revised Schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company. The Company has reclassified previous year figures to confirm to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosure made in the financial statements, particularly presentation of balance sheet.

For S. V. Ghatalia & Associates
Firm Registration No. 103162W
Chartered Accountants

For and on behalf of the Board of
Principal Pnb Asset Management Company Private Limited

Sd/-
per Amit Kabra
Partner
Membership No.094533

Sd/-
M. M. Chitale
Chairman

Sd/-
Rajan Ghotgalkar
Managing Director

Sd/-
Ritesh Jain
Chief Financial Officer

Sd/-
Anshu Garg
Company Secretary

Mumbai, June 29, 2012

Mumbai, June 29, 2012