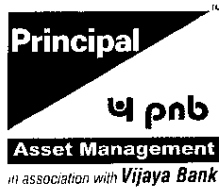


Annual Report

Principal Pnb Asset Management Company Private Limited

2009-2010



Principal Pnb Asset Management Company Private Limited
(in association with Vijaya Bank)

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 18th Annual Report of Principal Pnb Asset Management Company Private Limited ('the Company') together with the Audited Financial Statements for the year ended March 31, 2010.

FINANCIAL RESULTS

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

Particulars	(Rs. in lacs)	
	2009-2010	2008-2009
Gross Income	3,874.99	2,166.97
Profit/(Loss) after Tax	196.08	(4,274.18)
Balance of profit/loss brought forward	(3,907.07)	367.11
Equity Dividend (including dividend tax)	Nil	Nil
Transfer to General Reserve	Nil	Nil
Balance Loss carried to balance sheet	(3,710.99)	(3,907.07)

DIVIDEND

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

OPERATIONAL PERFORMANCE

During the year, Principal Mutual Fund witnessed an increase in the assets under management - the net assets under management as at March 31, 2010 increased to Rs. 5,843 crores as against Rs. 5,439 crores compared to the previous year. i.e an increase of 7% compared to the previous year. The Management Fee earned for the year under review rose to Rs. 3,808.91 lacs from Rs. 2,090.83 lacs - an increase of 82% compared to the previous year.

The Company continued to invest money in retaining a highly motivated quality workforce, as well as in enhancing business infrastructure, to further strengthen the existing platform for continued future growth amidst stiff competition.

There was a Net Profit for the current year of Rs. 196.08 lacs as compared to a Net Loss of Rs. 4,274.18 lacs in the previous year.

The following schemes managed by the Company received recognitions during the financial year 2009-2010:

- Principal Emerging Bluechip Fund – Growth Option ranked as a Five Star Fund in the category of 'Open-Ended Equity Diversified - Defensive Category' schemes for its 1 year performance till December 31, 2009. (ICRA Mutual Fund Awards 2010)



- Principal Monthly Income Plan – MIP Plus – Growth Option ranked as a Five Star Fund in the category of ‘Open-Ended Marginal Equity Category’ schemes for its 3 year performance till December 31, 2009. (ICRA Mutual Fund Awards 2010)
- Principal Monthly Income Plan – MIP Plus – Growth Option is Runner-Up in the category of ‘India Conservative Allocation Category’ schemes for its 1 year performance till December 31, 2009. (Morning Star Fund Awards 2009)

Future Outlook

Significant regulatory changes in 2009 have ushered in a new era in the Indian MF Industry – the era focusing on greater transparency & gaining investor trust. In the short run, asset management companies have been compelled to re-look at their current business model but in the long run, it is bound to benefit all the industry participants through more and more investor participation from all parts of the country.

While the top-line growth for the Industry is expected to be healthy, asset management companies will look at newer geographical areas, newer customer segments, newer distribution channels and new asset classes for clocking the growth rates.

Industry is expected to focus on increasing retail penetration given the longevity of the assets and the available growth potential. Towards this end, Investor Education & Awareness Programs will gain prominence. We expect to see increased activity in Tier III centers and below as more and more AMC’s tap these markets for next phase of growth. New distribution channels like PSU banks will play a key role in increasing retail penetration owing to their reach in every nook and corner of the country. On the products side, Gold and Real Estate are expected to emerge as alternative asset classes as AMC’s bring out their new fund offerings. Also, post introduction of the proposed direct tax code; asset allocation funds are expected to take centre stage.

Year 2010 and 2011 might also see a phase of consolidation in the Industry as non-serious small players find it difficult to manage profitability on the back of shrinking margins.

We will continue to focus on investor education initiatives in a planned manner. Our endeavor will be to bring asset allocation and capital protection oriented products for the target retail segment of the markets. All this while our business focus will be on true to label fund management and managing business targeted at healthy topline and bottom-line growth with proper governance and controlling potential risks.

TRANSFER TO RESERVES

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

BOARD OF DIRECTORS

In terms of the provisions of the Companies Act, 1956 (the Act), Mr. Rustam Gagrat and Mr. Ashok Vij, Directors of the Company retire by rotation at the ensuing Annual General Meeting of the Company. Your Directors recommend for their re-appointment as Director liable to retire by rotation.



BOARD MEETINGS

Five Board Meetings were held during the year under review on April 27, 2009, July 01, 2009, November 26, 2009, December 18, 2009 and March 18, 2010.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. M.M. Chitale, Mr. Rustam Gagrat and Mr. Ashok Vij who are independent Directors of the Company with Mr. M.M.Chitale as its Chairman. 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, namely, on April 27, 2009, July 01, 2009, November 26, 2009, December 18, 2009 and March 18, 2010.

AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. Your Directors recommend the appointment of M/s S. V. Gathalia & Associates, Chartered Accountants, as Statutory Auditors for the financial year 2010-2011.

STATUTORY INFORMATION

a. Personnel:

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.

b. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:

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.

STATUTORY INFORMATION

During the year under review Company has received Rs. 3.62 lacs in foreign exchange towards sub-advisory fees and the outgo in foreign exchange was Rs 13.64 lacs towards foreign travel, staff training fees and subscription expenses during the year.



DIRECTORS RESPONSIBILITY STATEMENT

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

- a) 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;
- b) 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;
- c) 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;
- d) 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, 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 support in our future endeavors.

On behalf of the Board
Principal Pnb Asset Management Company Private Ltd

A handwritten signature in black ink, appearing to read "M. Chitale", is written over a horizontal line.

M.M. Chitale
Chairman

 Date: July 08, 2010
Place: Mumbai

Deloitte Haskins & Sells

Chartered Accountants
12, Dr. Annie Besant Road
Opp. Shiv Sagar Estate
Worli, Mumbai - 400 018
India

Tel: +91 (22) 6667 9000
Fax: +91 (22) 6667 9100

AUDITORS' REPORT TO THE MEMBERS OF PRINCIPAL PNB AMC COMPANY PRIVATE LIMITED

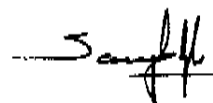
1. We have audited the attached Balance Sheet of **PRINCIPAL PNB AMC COMPANY PRIVATE LIMITED** as at 31st March, 2010, and the Profit and Loss Account for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) 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 in paragraph 3 above, we report as follows:
 - (a) 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;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956; and

↓

Deloitte Haskins & Sells

- (e) 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:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March,2010; and
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March,2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March,2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act,1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117366W)



Sanjiv V. Pilgaonkar
Partner

Membership No:39826

MUMBAI, 08th July,2010

Deloitte Haskins & Sells

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report)

Having regard to the nature of the Company's business/activities, subclause (xiii) of clause 4 of CARO is not applicable.

- (i) In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - b. The Company has a programme of physical verification of fixed assets once in a three year period, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As the fixed assets were subjected to a physical verification during the year ended 31st March 2008, none of the fixed assets were physically verified by the Management during the year.
 - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) The Company being a service company, engaged primarily in services related to asset management, its activities do not require it to hold physical inventories. Accordingly, the provisions of paragraph 4 (ii) of CARO are not applicable.
- (iii) According to the information and explanations given to us, the Company has not granted or taken secured or unsecured loans to or from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of paragraph 4 (iii) (a) to 4 (iii) (g) of CARO are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. The activities of the Company do not involve the purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) According to the information and explanations given to us, the Company has not entered into any contract or arrangement with other parties, which needs to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year and no order under sections 58A and 58AA of the Companies Act, 1956 has been passed by the Company Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or other Tribunal in this respect in relation to the Company.

b.

Deloitte Haskins & Sells

- (vii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the services to be rendered by the Company. Accordingly, the provisions of paragraph 4 (viii) of CARO are not applicable.
- (ix) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Income-tax, Sales Tax, Service Tax, Wealth Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. There were no dues payable during the year in respect of Excise Duty, Investor Education and Protection Fund, Employees' State Insurance and Custom Duty.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Wealth Tax, Sales Tax, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess on account of disputes which have not been deposited as on 31st March, 2010.
- (x) The accumulated losses of the Company at the end of the financial year are in excess of fifty percent of its net worth and the Company has not incurred cash losses in the current financial year; however, it has incurred cash losses in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a bank. The Company has not borrowed any sum from financial institutions nor did the Company have outstanding debentures during the year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of paragraph 4 (xii) of CARO are not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a dealer or a trader in shares, securities, debentures and other investments. Therefore, the provisions of paragraph 4 (xiv) of CARO are not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions.
- (xv) In our opinion and according to the information and explanations given to us, the Company did not avail any term loan during the year.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, there were no term loans outstanding at the beginning of the year and the Company has not raised any amount by way of a term loan during the year.

1

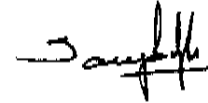
Deloitte Haskins & Sells

- (xvii) According to the information and explanations given to us, the Company has not made preferential allotment of shares during the period covered by our audit.
- (xviii) The Company did not have outstanding debentures during the year. Accordingly, the provisions of paragraph 4 (xix) of CARO are not applicable.
- (xix) During the year covered by our audit report, the Company has not raised any money by way of public issue.
- (xx) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Registration No.117366W)



Sanjiv V. Pilgaonkar

(Membership No.39826)

MUMBAI, 08th July, 2010

Principal Pnb Asset Management Company Private Limited
Balance Sheet as at March 31, 2010

	<u>Schedule</u>	March 31, 2010 <u>Rs.</u>	As at March 31, 2010 <u>Rs.</u>	As at March 31, 2009 <u>Rs.</u>
Sources of Funds				
Shareholders' Fund :				
Share Capital	' 1 '		100,000,080	100,000,080
Reserves and Surplus	' 2A '		460,000,000	460,000,000
Total			560,000,080	560,000,080
Application of Funds				
Fixed Assets:				
	' 3 '			
Gross Block		213,284,886		204,619,255
Less: Depreciation		144,876,421		122,580,140
Less: Impairment Loss		5,923,987		5,923,987
Net Block			62,484,478	76,115,128
Capital Advance			220,600	4,055,183
			62,705,078	80,170,311
Investments				
	' 4 '		55,098,819	28,487,678
Current Assets, Loans and Advances:				
Sundry Debtors	' 5 '	38,466,036		12,994,772
Cash & Bank Balances	' 6 '	1,162,123		1,127,651
Loans & Advances	' 7 '	167,897,974		145,062,869
Total (A)		207,526,133		159,185,292
Less: Current Liabilities and Provisions:				
Current Liabilities	' 8 '	64,050,422		24,723,139
Provisions	' 9 '	1,065,557		2,513,968
Total (B)		65,115,979		27,237,107
Net Current Assets (A-B) :			142,410,154	131,948,185
Debit Balance in Profit and Loss Account				
	' 2B '		299,786,029	319,393,906
Total			560,000,080	560,000,080

Significant Accounting Policies and Notes forming part of the Accounts

' 15 '

Schedules '1' to '9' & '15' form part of the Balance Sheet

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

Sd/-
Sanjiv V. Pilgaonkar
Partner
Membership No. 39826

For and on behalf of the Board

Sd/-
M. M. Chitale
Chairman

Sd/-
Rajan Ghotgalkar
Managing Director

Sd/-
Ritesh Jain
Chief Financial Officer

Sd/-
Ashutosh Naik
Company Secretary

Mumbai, July 08, 2010

Mumbai, July 08, 2010

**Principal Pnb Asset Management Company Private Limited
Profit and Loss Account for the year ended March 31, 2010**

	<u>Schedule</u>	Year ended March 31, 2010 <u>Rs.</u>	Year ended March 31, 2009 <u>Rs.</u>
<u>Income</u>			
Management Fees	' 10 '	381,252,402	209,618,814
Interest and Dividend	' 11 '	10,369	2,239,760
Other Income	' 12 '	6,236,472	4,837,997
		<u>387,499,243</u>	<u>216,696,571</u>
<u>Expenses</u>			
Employee Cost	' 13 '	202,727,313	195,128,353
Administrative and Other Expenses	' 14 '	147,757,267	410,518,003
Depreciation and Amortisation		25,521,213	27,894,540
		<u>376,005,793</u>	<u>633,540,896</u>
Profit / (Loss) before tax		11,493,450	(416,844,325)
Less: Provision for Taxation			
- Income Tax		-	-
- Income Tax for earlier years		(8,114,427)	111,614
- Deferred Tax (Refer Schedule 15 Note B 8)		-	7,672,700
- Fringe Benefit Tax		-	2,788,994
Profit / (Loss) after tax		<u>19,607,877</u>	<u>(427,417,633)</u>
Balance brought forward		(390,706,933)	36,710,700
Balance carried to Balance Sheet		<u>(371,099,056)</u>	<u>(390,706,933)</u>

Earnings per Share (Basic) (Refer Schedule 15 Note B 9)

[Face value Rs. 10/- per share]

1.96

(42.74)

Significant Accounting Policies and
Notes forming part of the Accounts

' 15 '

Schedules '10' to '15' form part of the
Profit and Loss Account.

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

Sd/-
Sanjiv V. Pilgaonkar
Partner
Membership No. 39826

For and on behalf of the Board

Sd/-
M. M. Chitale
Chairman

Sd/-
Rajan Ghotgalkar
Managing Director

Sd/-
Ritesh Jain
Chief Financial Officer

Sd/-
Ashutosh Naik
Company Secretary

Mumbai, July 08, 2010

Mumbai, July 08, 2010

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
Schedule 1 - Share Capital		
Authorised:		
15,000,000 equity shares of Rs. 10 each	150,000,000	150,000,000
1,000,000 10% cumulative redeemable preference shares of Rs. 100 each	<u>100,000,000</u>	<u>100,000,000</u>
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and Paid-up :		
10,000,008 equity shares of Rs. 10 each, fully paid up [of the above 6,500,008 shares (Previous year: 6,500,008 shares) are held by Principal Financial Group (Mauritius) Ltd, the holding company and its nominee. The ultimate holding company is Principal Financial Group Inc., USA]	100,000,080	100,000,080
	<u>100,000,080</u>	<u>100,000,080</u>
 Schedule 2A - Reserves and Surplus		
Securities Premium Account	400,000,000	400,000,000
Capital Redemption Reserve	60,000,000	60,000,000
General Reserve :		
As per last Balance Sheet	71,313,027	71,313,027
Add: Transferred during the year	<u>-</u>	<u>-</u>
	71,313,027	71,313,027
Debit Balance in Profit and Loss Account (as per contra)	<u>(71,313,027)</u>	<u>(71,313,027)</u>
	<u>-</u>	<u>-</u>
	<u>460,000,000</u>	<u>460,000,000</u>
 Schedule 2B - Debit Balance in Profit and Loss Account		
Debit Balance transferred to Balance Sheet	371,099,056	390,706,933
Less: Balance in General Reserve (as per contra)	<u>(71,313,027)</u>	<u>(71,313,027)</u>
Balance carried forward	<u>299,786,029</u>	<u>319,393,906</u>

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2010

SCHEDULE 3 - FIXED ASSETS:

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				IMPAIRMENT	NET BLOCK	
	Opening as at 1-Apr-09	Additions during the year	Deletions during the year	Closing as at 31-Mar-10	Upto 1-Apr-09	For the Year	Adjustments/ Deductions	Upto 31-Mar-10		As at 31-Mar-10	As at 31-Mar-10
INTANGIBLE											
Asset Management Rights	91,655,275	-	-	91,655,275	43,063,658	8,344,739	-	51,408,397	5,923,987	34,322,891	42,667,630
Computer Software	5,852,983	9,520,198	-	15,373,181	4,264,001	2,861,718	-	7,125,719	-	8,247,462	1,588,982
TANGIBLE											
Furniture & Fixtures	10,697,280	17,600	-	10,714,880	7,950,996	1,754,806	-	9,705,802	-	1,009,078	2,746,284
Office Equipment	18,248,648	333,411	-	18,582,059	15,031,184	2,171,451	-	17,202,635	-	1,379,424	3,217,464
Computers	38,478,533	2,726,795	770,550	40,434,778	33,180,913	3,618,672	770,550	36,029,035	-	4,405,743	5,297,620
Leasehold Improvements	24,703,246	-	-	24,703,246	11,555,001	3,888,578	-	15,443,579	-	9,259,667	13,148,245
Electrical Installations	3,555,244	-	-	3,555,244	2,248,395	876,904	-	3,125,299	-	429,945	1,306,849
Motor Cars	11,428,046	-	3,161,823	8,266,223	5,285,992	2,004,345	2,454,382	4,835,955	-	3,430,268	6,142,054
TOTAL	204,619,255	12,598,004	3,932,373	213,284,886	122,580,140	25,521,213	3,224,932	144,876,421	5,923,987	62,484,478	76,115,128
PREVIOUS YEARS TOTAL	205,239,962	20,666,921	21,287,628	204,619,255	111,573,131	27,894,540	16,887,531	122,580,140	5,923,987	76,115,128	

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2010

SCHEDULE - 4 (Refer Schedule 15 Note B 5)

INVESTMENTS (Current, Non trade, Unquoted)	Nos.	Face Value <u>Rs.</u>	As at March 31, 2010 <u>Rs.</u>	As at March 31, 2009 <u>Rs.</u>
<u>Units of Principal Mutual Fund :</u>				
Principal Cash Management Fund - Liquid Option - Growth Plan	20,910.836 (9,333.216)	10	351,859	151,318
Principal Cash Management Fund - Liquid Option - Institutional Plan - Growth Plan	259,334.157 (244,365.923)	10	3,731,621	3,326,360
Principal Floating Rate Fund FMP - Institutional Option - Growth Plan	3,510,142.043 (647,654.411)	10	51,015,339	9,000,000
Principal Income Fund - Short Term Institutional Plan - Growth Plan	- (468,898.624)	10	-	7,000,000
Principal Ultra Short Term Fund - Institutional Option - Growth Plan	- (797,335.129)	10	-	9,000,000
Principal Money Manager Fund - Regular Option - Growth Plan	- (925.566)	10	-	10,000
			<u><u>55,098,819</u></u>	<u><u>28,487,678</u></u>
Net asset value of units of Mutual Fund.			55,433,066	28,701,777
Aggregate Book Value of unquoted Investments			55,098,819	28,487,678

Footnote:

Figures in brackets represent units for the previous year.

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs.	As at March 31, 2009 Rs.
Schedule 5 - Sundry Debtors (Unsecured, Considered Good) :		
Outstanding for less than six months	38,466,036	12,994,772
	<u>38,466,036</u>	<u>12,994,772</u>
Schedule 6 - Cash and Bank Balances :		
Cash on Hand	121,681	113,575
Balances with Scheduled Banks :		
In Current Accounts	1,040,442	1,014,076
	<u>1,162,123</u>	<u>1,127,651</u>
Schedule 7 - Loans and Advances (Unsecured, Considered Good unless otherwise stated) :		
Advances recoverable in cash or in kind or for value to be received		
Considered good	14,539,707	32,413,670
Considered doubtful of recovery	1,798,095	271,176
	<u>16,337,802</u>	<u>32,684,846</u>
Less: Provision	1,798,095	271,176
	<u>14,539,707</u>	<u>32,413,670</u>
Deposits	40,473,189	40,414,587
Advance Income Tax (net of Provisions)	111,945,165	71,293,809
Advance Fringe Benefit Tax (net of Provisions)	939,913	940,803
	<u>167,897,974</u>	<u>145,062,869</u>
Schedule 8 - Current Liabilities :		
Sundry Creditors		
Dues to Micro and Small Enterprises	-	-
Other Creditors	20,920,219	7,984,769
Other Liabilities	43,130,203	16,738,370
(Refer Schedule 15 Note B 10)		
	<u>64,050,422</u>	<u>24,723,139</u>
Schedule 9 - Provisions :		
Provision for Income Tax (net of Advance)	84,768	1,445,874
Provision for Compensated Absences (Refer Schedule 15 Note B 14)	799,607	886,912
Provision for Gratuity (Refer Schedule 15 Note B 14)	-	-
Provision for Fringe Benefit Tax (net of Advance)	181,182	181,182
	<u>1,065,557</u>	<u>2,513,968</u>

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Profit and Loss Account for the year ended March 31, 2010

	Year ended March 31, 2010 Rs.	Year ended March 31, 2009 Rs.
Schedule 10 - Management Fees		
Fees from Mutual Fund Operations (Including tax deducted at source Rs. 33,226,012, Previous year: Rs. 26,639,108)	380,890,506	209,083,101
Fees from Portfolio Management and Advisory Services Operations (Including tax deducted at source Rs. Nil Previous year: Rs. Nil)	361,896	535,713
	<u>381,252,402</u>	<u>209,618,814</u>
Schedule 11 - Interest and Dividend		
Dividend income	-	2,235,273
Other Interest	10,369	4,487
	<u>10,369</u>	<u>2,239,760</u>
Schedule 12 - Other Income		
Profit on sale/redemption of Investments (net) (includes reversal of provision for diminution in value of current investments of Rs.Nil (Previous year: Rs. 8,734,672) booked in the earlier year)	2,667,853	4,812,066
Profit on sale of fixed assets (net)	40,737	-
Miscellaneous other income (Refer Schedule 15 Note B 11)	3,527,882	25,931
	<u>6,236,472</u>	<u>4,837,997</u>
Schedule 13 - Employee cost		
Salary, bonus and allowances (net of write back of excess provision of Rs. Nil (Previous year: Rs. 6,816,269))	185,647,043	174,839,743
Contribution to Provident and Other Funds	10,170,976	11,707,224
Welfare Expenses	6,909,294	8,581,386
	<u>202,727,313</u>	<u>195,128,353</u>
Schedule 14 - Administrative and other expenses (Refer Schedule 15 Note B 1(b) and B 12)		
Rent	45,547,978	87,117,465
Electricity	5,880,677	7,855,612
Repairs and Maintenance		
Office Equipments	3,978,112	2,990,213
Others	9,269,073	4,968,551
Travel and Entertainment	20,701,581	21,735,958
Admin and Office Support Cost	10,916,431	17,855,795
Legal and Professional Fees	3,585,946	3,200,953
Auditors' Remuneration: (net of service tax)		
Audit Fees	450,000	350,000
For Tax Audit	100,000	108,000
For Other Services	100,000	100,000
Out of Pocket Expenses	9,666	4,900
Computer Expenses	6,597,290	7,144,614
Telecommunication Expenses	8,022,683	10,786,906
Subscription to Databases, Books & Periodicals	9,206,072	5,821,482
Printing, Stationery, Postage and Courier	1,841,356	2,342,232
Advertisement and Publicity	2,686,940	1,893,347
Membership/Registration fees	582,544	955,163
Scheme Administration Expenses	8,383,259	218,542,963
Insurance Expenses	657,794	1,376,903
Rates and Taxes	209,494	929,771
SEBI Filing Fees	1,146,515	6,287,283
Loss on sale of fixed assets (net)	-	1,412,761
Miscellaneous Expenses	7,883,856	6,737,131
	<u>147,757,267</u>	<u>410,518,003</u>

Principal Pnb Asset Management Company Private Limited

Additional information as required under Part IV of Schedule VI to Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile (Part IV)

I. Registration Details :

Registration No. State Code

Balance Sheet Date
Date Month Year

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

Public Issue	Rights Issue	Bonus Issue	Private Placement
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

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

Total Liabilities	Total Assets
<input type="text" value="260,214"/>	<input type="text" value="260,214"/>

Sources of Funds :

Paid Up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
<input type="text" value="100,000"/>	<input type="text" value="160,214"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

Application of Funds :

Net Fixed Assets	Investment	Net Current Assets	Misc. Expenditure
<input type="text" value="62,705"/>	<input type="text" value="55,099"/>	<input type="text" value="142,410"/>	<input type="text" value="NIL"/>

IV Performance of Company :

Total Income	Total Expenditure	Profit Before Tax	Profit After Tax
<input type="text" value="387,499"/>	<input type="text" value="376,006"/>	<input type="text" value="11,493"/>	<input type="text" value="19,608"/>

Earning per share (in Rs.)	Dividend Rate %
<input type="text" value="1.96"/>	<input type="text" value="-"/>

V Generic Names of Three Principal Products/Services of the Company (as per monetary terms):

Item Code Number (ITC Code): Not Applicable
Product Description : Asset Management Company

For and on behalf of the Board

Sd/-
M. M. Chitale
Chairman

Sd/-
Rajan Ghotgalkar
Managing Director

Sd/-
Ritesh Jain
Chief Financial Officer

Sd/-
Ashutosh Naik
Company Secretary

Mumbai, July 08, 2010

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

A. SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting concepts

The financial statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable accounting standards notified under the Companies (Accounting Standards) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on accrual basis.

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.

2. 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 diverge from these estimates.

3. 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 performance of asset management are recognised as revenue when the service is performed.

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.

4. 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:

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

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

5. 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 discount factor.

6. Investments and investment income

Long term investments are valued at cost, less provision for diminution other than temporary, in value, if any. 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.

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

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

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

7. 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 the Life Insurance Corporation of India (LIC) 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 LIC 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 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.

8. 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.

9. Taxes on income

Income taxes include tax payable in respect of taxable income for the year, fringe benefits tax, 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.

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

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.

10. 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.

11. 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.

12. 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 proportionally 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
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

B. NOTES FORMING PART OF THE ACCOUNTS:

1. Managerial Remuneration

(a) Director's Remuneration (including Managing Director's and Chief Executive Officer's remuneration) is as under: -

(Amount in Rs.)

Particulars	2009-2010	2008-2009
Salaries and allowances	13,427,803	13,232,070
Contribution to Provident and Other Funds	507,010	549,636
Perquisites	64,248	Nil
Total	13,999,061	13,781,706

Provision for Gratuity and Compensated Absences is made in aggregate for the Company as a whole and the component attributed to the Director's remuneration is not separately identifiable and has therefore not been included above.

(b) Miscellaneous expenses include: -

(Amount in Rs.)

Particulars	2009-2010	2008-2009
Sitting Fees paid to Directors	315,000	270,000

The above expenses do not include reimbursement of expenses.

2. Expenditure in foreign currency: -

(Amount in Rs.)

Particulars	2009-2010	2008-2009
Travel Expenses	1,032,328	297,300
Staff Training Expenses	12,862	Nil
Subscription Expenses	318,990	Nil
Total	1,364,180	297,300

3. Earnings in foreign exchange: -

(Amount in Rs.)

Particulars	2009-2010	2008-2009
From Portfolio Management Services and Advisory Services	361,896	400,115

4. Foreign Currency Exposures:

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

Particulars	2009-2010		2008-2009	
	Rs.	USD.	Rs.	USD.
Portfolio Management and Advisory Services Fees receivable	90,000	2,006	60,090	1,228

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

5. Statement of Purchase and Sale/Redemption of Investments for the year ended March 31, 2010: -

Particulars of Investments (Current, Non Trade)	2009-2010		2008-2009	
	No. of Units / Shares	Cost (Rs.)	No. of Units / Shares	Cost (Rs.)
(a) Sold out of acquisition of an earlier year				
Mutual Fund Units (Unquoted)				
• Principal Balanced Fund - Growth Plan	-	-	655,307.995	20,000,000
• Principal Cash Management Fund- Liquid Option - Instl. Plan-Growth Plan	104,354.215	1,370,039	229,616.689	2,913,632
• Principal Dividend Yield Fund - Growth Plan	-	-	401,284.109	7,500,000
• Principal Floating Rate Fund FMP - Instl. Option - Dividend Reinvestment Daily	-	-	389,982.234	3,904,619
• Principal Income Fund - Instl. Plan - Growth Accumulation Plan	-	-	10,862,012.043	146,441,715
• Principal Index Fund - Growth Plan	-	-	239,696.784	8,000,000
• Principal Large Cap Fund - Growth Plan	-	-	1,131,474.213	27,500,000
• Principal Pnb Fixed Maturity Plan (FMP-42) 460 Days - Series IV – Feb 08 - Institutional - Growth Plan	-	-	5,000,000.000	50,000,000
• Principal Pnb Fixed Maturity Plan (FMP-44) 540 Days - Series II – Mar 08 - Institutional - Growth Plan	-	-	8,000,000.000	80,000,000
• Principal Pnb Fixed Maturity Plan (FMP-37) 385 Days - Series IV – Mar 08 - Institutional - Growth Plan	-	-	8,500,000.000	85,000,000
• Principal Money Manager Fund Regular Growth - Dec 07	925.566	10,000	-	-
• Principal Income Fund Short Term Plan – Institutional Growth	468,898.624	7,000,000	-	-
• Principal Ultra Short Term Fund – Growth	797,335.129	9,000,000	-	-
• Principal Floating Rate Fund FMP – Instl. Option - Growth Plan	647,654.411	9,000,000	-	-
• Principal Cash Management Fund- Liquid Option -Growth Plan	288.264	4,459	-	-
(b) Acquired during the year and retained as at the year end				
Mutual Fund Units (Unquoted)				
• Principal Cash Management Fund- Liquid Option -Growth Plan	11,865.884	205,000	4946.433	82,900
• Principal Cash Management Fund- Liquid Option – Instl. Plan - Growth Plan	119,322.449	1,775,300	244,365.923	3,326,360

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

Particulars of Investments (Current, Non Trade)	2009-2010		2008-2009	
	No. of Units / Shares	Cost (Rs.)	No. of Units / Shares	Cost (Rs.)
• Principal Ultra Short Term Fund – Growth Plan	-	-	797,335.129	9,000,000
• Principal Floating Rate Fund FMP - Insti. Option - Growth Plan	3,510,142.044	51,015,339	647,654.411	9,000,000
• Principal Income Fund – Short Term – Insti Plan – Growth Plan	-	-	468,898.624	7,000,000
• Principal Money Manager Fund - Regular - Growth Plan-Dec 07	-	-	925.566	10,000
(c) Acquired and sold during the year				
Mutual Fund Units (Unquoted)				
• Principal Pnb Fixed Maturity Plan (FMP-49) 385 Days - Series VIII July08 - Institutional - Growth Plan	-	-	5,000,000.000	50,000,000
• Principal Pnb Fixed Maturity Plan (FMP-44) 540 Days - Series II - Mar08 - Insti- Growth Plan	-	-	10,000,000.000	100,000,000
• Principal Floating Rate Fund – FMP - Insti –Dividend Plan	-	-	27,619,555.288	276,535,273
• Principal Floating Rate Fund – FMP - Insti –Growth Plan	23,454,988.718	333,049,586	18,562,123.636	247,160,905
• Principal Money Manager Fund – Regular Option – Growth Plan–Dec 07	-	-	974.305	10,000

6. 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 Pnb Principal Financial Planners Private Limited
Key Management Personnel	Mr. Rajan Ghotgalkar, Managing Director

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

B. Transaction with Related Parties

(Amount in Rs.)

Name of the related party	Particulars	2009-2010	2008-2009
Principal International, Inc.	Advance Recoverable – Balance Outstanding	3,372,173	2,335,954
Principal Pnb Trustee Company Private Limited	Advance Recoverable – Balance Outstanding	Nil	Nil
Pnb Principal Financial Planners Private Limited	Advance Recoverable – Balance Outstanding	550,121	Nil
Mr. Rajan Ghotgalkar	Remuneration Paid	13,999,061	13,781,706

Notes: -

(a) Reimbursement of expenses have not been considered for reporting related party transactions.

7. Amounts recoverable from Companies under the same management as defined under section 370(IB) of the Companies Act, 1956:

Included in Advance recoverable in cash or kind

(Amount in Rs.)

Name of the Company	2009-2010		2008-2009	
	Balance	Maximum Amount outstanding during the year	Balance	Maximum Amount outstanding during the year
Principal Pnb Trustee Company Private Limited	Nil	650,000	Nil	449,440
Pnb Principal Financial Planners Private Limited	550,121	550,121	Nil	65,840

8. The major components of deferred tax assets and liabilities arising on account of timing differences as at March 31, 2010 are as under: -

(Amount in Rs.)

Particulars	2009-2010	2008-2009
Deferred Tax Assets		
On provision for Compensated Absences	265,609	301,460
On depreciation on fixed assets	5,995,745	4,131,034
On carry forward of book losses	132,681,695	140,733,431
Total deferred tax asset	138,943,049	145,165,925
Total deferred tax asset recognised	Nil	Nil

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

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

The Company has debited an amount of Rs. Nil (Previous Year debited Rs. 7,672,700) in the Profit & Loss Account towards reversal of net deferred tax asset as at the year end.

9. Earnings Per Share (EPS):

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

(Amount in Rs.)

Particulars	2009-2010	2008-2009
Net Profit / (Loss) after tax	19,607,877	(427,417,633)
Weighted average numbers of equity shares (Nos.)	10,000,008	10,000,008
Basic earnings per equity share (EPS)	1.96	(42.74)
Nominal value per share	10.00	10.00

10. 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. 1,804,734 (Previous Year Rs. 1,404,734) have been included as part of "Other Liabilities".
11. Miscellaneous other income include foreign currency exchange difference amounting to Rs. 18,221 (Previous Year Rs. 8,387) credited to revenue account.
12. Expenses are net of recoveries / reimbursements, and include share of expenses, wherever services / facilities are shared with other entities.
13. Estimated amount of contracts remaining to be executed on capital account (net of advances) is Rs. 220,600 (previous year Rs. 3,700,000)
14. 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. 8,599,849 (Previous Year Rs. 9,459,158) has been charged to the revenue 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 substantially all regular employees of the Company. The Company contributes funds to the Life Insurance Corporation of India. Commitments are actuarially

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

determined at year-end. On adoption of 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	2009-2010	2008-2009
Rate for discounting liabilities	8.00% p.a.	8.00% p.a.
Expected salary increase rate	4.00% p.a.	4.00% p.a.
Expected return on scheme assets	8.00% p.a.	8.00% p.a.
Mortality rates	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table

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. 1,571,127 (Previous Year Rs. 2,248,076) has been charged to the revenue 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 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. 300,817 (Previous Year Rs. 614,778) has been charged to the revenue account in this respect.

15. The figures in respect of the previous year have been regrouped / rearranged, wherever necessary to make them comparable.

Signatures to Schedules '1' to '15'

For and on behalf of the Board

Sd/-
M. M. Chitale
Chairman

Sd/-
Rajan Ghotgalkar
Managing Director

Sd/-

Sd/-

Principal Pnb Asset Management Company Private Limited
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

Ritesh Jain
Chief Financial Officer

Ashutosh Naik
Company Secretary

Mumbai, July 08, 2010