

Annual Report

Principal Pnb Asset Management Company Private Limited

2010-2011

S.V. GHATALIA & ASSOCIATES

Chartered Accountants

6th Floor, Express Towers
Nariman Point
Mumbai-400 021, India
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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, 2011 and also the Profit and Loss account 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 profit and loss account dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.



S.V. GHATALIA & ASSOCIATES

Chartered Accountants

- v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 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, 2011; and
- b) in the case of the profit and loss account, of the loss for the year ended on that date.

S.V. Ghatalia & Associates
For S.V. GHATALIA & ASSOCIATES
Firm registration number: 103162W
Chartered Accountants

Amit

per Amit Kabra
Partner
Membership No.: 094533



Place: Mumbai

Date: 06 JUL 2011

S.V.GHATALIA & ASSOCIATES

Chartered Accountants

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 year 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) There was no substantial disposal of fixed assets during the year.
- (ii) The Company does not hold any inventory during the year. Hence the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) As informed, the Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of clause 4(iii) of the Order are not applicable to the Company.
- (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 the rendering of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.
- The Company has neither purchased inventory nor sold any goods during the year. Hence, internal control procedures over this area have not been commented upon.
- (v) According to the information and explanations provided by the management, we are of the opinion that there is no such contract or arrangements that need to be entered into the register maintained under section 301 of the act. Hence the provisions of clause 4(v) of the Order are not applicable to the Company.
- (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 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, investor education and protection fund, income-tax, wealth-tax, service tax, cess have generally been regularly deposited



S.V.GHATALIA & ASSOCIATES

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with the appropriate authorities. The provisions relating to employees' state insurance, sales tax, customs duty, and excise duty are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, wealth-tax, service tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

As, informed, the provisions relating to employees' state insurance, sales tax, customs duty, and excise duty are not applicable to the Company.

(c) According to the information and explanation 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 and 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 the Company had not incurred cash loss.
- (xi) According to the information and explanations given to us and based on the documents and records produced to us, 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 to 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.



S.V. GHATALIA & ASSOCIATES

Chartered Accountants

- (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 course of our audit.

S.V. Ghatalia & Associates

For S.V. Ghatalia & Associates
Firm registration number: 103162W
Chartered Accountants



per Amit Kabra
Partner
Membership No.: 094533



Place: Mumbai

Date:

06 JUL 2011



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

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 19th Annual Report of Principal Pnb Asset Management Company Private Limited ('the Company') together with the Audited Financial Statements for the year ended March 31, 2011.

FINANCIAL RESULTS

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

Particulars	(Rs. in lacs)	
	2010-2011	2009-2010
Gross Income	4,125.74	3,874.99
Profit/(Loss) after Tax	(258.02)	196.08
Balance of profit/loss brought forward	(3,710.99)	(3,907.07)
Equity Dividend (including dividend tax)	Nil	Nil
Transfer to General Reserve	Nil	Nil
Balance Loss carried to balance sheet	(3,969.01)	(3,710.99)

DIVIDEND

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

OPERATIONAL PERFORMANCE

During the year, Gross Income of the Company improved by 6.5% from Rs. 38.75 crore to Rs. 41.26 crore, despite a very challenging market environment for the Indian Mutual Fund Industry. In December 2010, the Company launched a New Equity Fund – Principal Smart Equity Fund, and mobilized Rs. 138 crore during the NFO period. The Fund has been very positively received in the market and the fund corpus increased to Rs. 208 crore as of March 31, 2011. The Company incurred NFO expenditure of Rs. 2.17 crore for the Launch of this fund, and as per SEBI Regulations, this has been fully absorbed by the Company in the current year. In addition, the Company continued to invest resources in enhancing the Equity AuM mix of the overall Assets under Management (AuM). The Company has reported a Net Loss of Rs. 2.58 crore during the current year as compared to a profit of Rs. 1.96 crore in the previous year, primarily due to increased Scheme administration expenses relating largely to Equity Funds. Equity AuM mix has improved to 54% as at the end of the current year compared to 46% as at the end of the previous year. With a stronger Equity AuM mix and continued thrust on improving Assets under Management by focusing on retail Equity mobilization, the Company expects to be back in the black in the next financial year.



FUTURE OUTLOOK

2010 has been a watershed year for the Mutual Fund (MF) Industry as all the participants looked to adapt to the new business environment post the landmark regulatory changes. The new financial year is expected to be the year of consolidation and of further building up on the initiatives taken during the last year.

During the current Financial Year, your Company will continue to focus on improving operational efficiencies and reducing transactional costs coupled with increased reliance on technology for operations, client servicing and client communications. Likewise it will continue its endeavor towards augmenting retail assets with focus on Equity Funds while simultaneously remaining proactive with Investor Education campaigns.

Your Company shall also continue to provide high quality non-discretionary investment advisory services and research for different overseas funds investing in India.

Presently, your Company manages 20 schemes of Principal Mutual Fund of which nine are Equity (including 2 ELSS Schemes), two Balanced, one Fund of Funds Scheme and eight Debt Schemes (including 2 liquid Schemes). 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, to suit the requirement of investors at every stage of their life.

True to label fund management, improving operational efficiencies and controlling potential risks through proper governance will be followed to the tee as we look to achieve healthy growth in Financial year 2011-12.

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. M. M Chitale and Mr. Rex Auyeung, 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

Four Board Meetings were held during the year under review on April 27, 2010, July 08, 2010, October 22, 2010 and January 10, 2011.



AUDIT COMMITTEE

The Audit Committee comprises of Mr. M.M. Chitale, Mr. Rustam Gagra 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 four times during the year under review on April 27, 2010, July 08, 2010, October 22, 2010 and January 10, 2011.

AUDITORS

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 2011-2012.

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 the Company has received Rs. 11.62 lacs in foreign exchange towards sub-advisory fees and the outgo in foreign exchange was Rs 13.04 lacs 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 :

- 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, 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 Principal Trustee Company Private Limited, 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
Principal Pnb Asset Management Company Private Ltd

M.M. Chitale
Chairman

Date: July 6, 2011
Place: Mumbai

**Principal Pnb Asset Management Company Private Limited
Balance Sheet as at March 31, 2011**

	<u>Schedule</u>	March 31, 2011 <u>Rs.</u>	March 31, 2011 <u>Rs.</u>	March 31, 2010 <u>Rs.</u>
<u>Sources of Funds</u>				
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
<u>Application of Funds</u>				
Fixed Assets:				
Gross Block	' 3 '	211,942,420		213,284,886
Less: Accumulated Depreciation		162,729,453		144,876,421
Less: Impairment Loss (Refer Schedule 15 Note A 5)		5,923,987		5,923,987
Net Block			43,288,980	62,484,478
Capital Advance			6,222	220,600
			43,295,202	62,705,078
Investments	' 4 '		92,901,002	55,098,819
Current Assets, Loans and Advances:				
Sundry Debtors	' 5 '	22,549,220		38,466,036
Cash & Bank Balances	' 6 '	950,851		1,162,123
Loans & Advances	' 7 '	149,667,263		167,632,024
Total (A)		173,167,334		207,260,183
Less: Current Liabilities and Provisions:				
Current Liabilities	' 8 '	73,889,214		64,050,422
Provisions	' 9 '	1,062,706		799,607
Total (B)		74,951,920		64,850,029
Net Current Assets (A-B) :			98,215,414	142,410,154
Debit Balance in Profit and Loss Account	' 2B '		325,588,462	299,786,029
Total			560,000,080	560,000,080

Notes to Accounts ' 15 '

The schedules referred to above and Notes to Accounts form an integral part of the Balance Sheet

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

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/-
Ashutosh Naik
Company Secretary

Mumbai, July 06, 2011

Mumbai, July 06, 2011

**Principal Pnb Asset Management Company Private Limited
Profit and Loss Account for the year ended March 31, 2011**

	<u>Schedule</u>	Year ended March 31, 2011 Rs.	Year ended March 31, 2010 Rs.
<u>Income</u>			
Management Fees	' 10 '	400,884,024	381,252,402
Interest Income	' 11 '	4,416,086	10,369
Other Income	' 12 '	7,274,221	6,236,472
		<u>412,574,331</u>	<u>387,499,243</u>
<u>Expenses</u>			
Employee Cost	' 13 '	213,392,885	203,452,735
Administrative and Other Expenses	' 14 '	201,547,967	147,031,845
Depreciation and Amortisation		23,435,912	25,521,213
		<u>438,376,764</u>	<u>376,005,793</u>
Profit / (Loss) before tax		(25,802,433)	11,493,450
Less: Provision for Taxation			
- Income Tax		-	-
- Income Tax for earlier years		-	(8,114,427)
- Deferred Tax (Refer Schedule 15 Note B 7)		-	-
Profit / (Loss) after tax		<u>(25,802,433)</u>	<u>19,607,877</u>
Balance brought forward		(371,099,056)	(390,706,933)
Balance Carried To Balance Sheet		<u>(396,901,489)</u>	<u>(371,099,056)</u>
Earnings per Share (Basic) (Refer Schedule 15 Note B 8)			
[Face value Rs. 10/- per share]		(2.58)	1.96

Notes to Accounts

' 15 '

The schedules referred to above and Notes to Accounts form an integral part of the Balance Sheet

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

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/-
Ashutosh Naik
Company Secretary

Mumbai, July 06, 2011

Mumbai, July 06, 2011

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2011

	Rs.	March 31, 2011 Rs.	March 31, 2010 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		100,000,000	100,000,000
		<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			
Share 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>71,313,027</u>	<u>71,313,027</u>
Debit Balance in Profit and Loss Account (as per contra)		<u>(71,313,027)</u>	<u>(71,313,027)</u>
		-	-
Balance in Profit & Loss Account		-	-
		<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		396,901,489	371,099,056
Less: Balance in General Reserve (as per contra)		(71,313,027)	(71,313,027)
		<u>325,588,462</u>	<u>299,786,029</u>

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2011

SCHEDULE 3 - FIXED ASSETS:

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				IMPAIRMENT	NET BLOCK	
	Opening as at 1-Apr-10	Additions during the year	Deletions during the year	Closing as at 31-Mar-11	Upto 1-Apr-10	For the Year	Adjustments/ Deductions	Upto 31-Mar-11	As at 31-Mar-11	As at 31-Mar-11	As at 31-Mar-10
INTANGIBLE											
Asset Management Rights (Refer Schedule 15 Note A 4(b))	91,655,275	-	-	91,655,275	51,408,397	8,344,739	-	59,753,136	5,923,987	25,978,152	34,322,891
Computer Software	15,373,181	711,350	-	16,084,531	7,125,719	3,769,264	-	10,894,983	-	5,189,548	8,247,462
TANGIBLE											
Furniture & Fixtures	10,714,880	97,642	88,600	10,723,922	9,705,802	948,797	88,600	10,565,999	-	157,923	1,009,078
Office Equipment	18,582,059	725,998	452,780	18,855,277	17,202,635	1,155,586	431,326	17,926,895	-	928,382	1,379,424
Computers	40,434,778	3,082,620	594,049	42,923,349	36,029,035	3,591,065	594,050	39,026,050	-	3,897,299	4,405,743
Leasehold Improvements	24,703,246	-	2,444,286	22,258,960	15,443,579	3,834,603	2,444,286	16,833,896	-	5,425,064	9,259,667
Electrical Installations	3,555,244	-	-	3,555,244	3,125,299	409,309	-	3,534,608	-	20,636	429,945
Motor Cars	8,266,223	-	2,380,361	5,885,862	4,835,955	1,382,549	2,024,618	4,193,886	-	1,691,976	3,430,268
TOTAL	213,284,886	4,617,610	5,960,076	211,942,420	144,876,421	23,435,912	5,582,880	162,729,453	5,923,987	43,288,980	62,484,478
PREVIOUS YEAR'S 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	

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Balance Sheet as at March 31, 2011

SCHEDULE - 4 (Refer Schedule 15 Note A 6 and B5)

	Nos.	Face Value <u>Rs.</u>	As at March 31, 2011 <u>Rs.</u>	As at March 31, 2010 <u>Rs.</u>
INVESTMENTS				
(Current, Non trade, Unquoted)				
<u>Units of Principal Mutual Fund :</u>				
Principal Cash Management Fund-Growth	5,795,886.788	10	3,554,094	-
	-			
Principal Cash Management Fund - Liquid Option - Growth Plan	(20,910.836)	10	-	351,859
Principal Cash Management Fund - Liquid Option - Institutional Plan - Growth Plan	(259,334.157)	10	-	3,731,621
Principal Near-Term Fund Conservative Plan-Growth Plan	245,310.937 (3,510,142.043)	10	89,346,908	51,015,339
			92,901,002	55,098,819
Net asset value of units of Mutual Fund.			93,632,749	55,433,066
Aggregate Book Value of unquoted Investments			92,901,002	55,098,819

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, 2011

	March 31, 2011	March 31, 2010
	Rs.	Rs.
Schedule 5 - Sundry Debtors (Unsecured, Considered Good) :		
Outstanding for less than six months	22,549,220	38,466,036
	<u>22,549,220</u>	<u>38,466,036</u>
Schedule 6 - Cash and Bank Balances :		
Cash on Hand	122,082	121,681
Balances with Scheduled Banks :		
In Current Accounts	828,769	1,040,442
	<u>950,851</u>	<u>1,162,123</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	38,795,520	14,539,707
Considered doubtful of recovery	1,655,386	1,798,095
	<u>40,450,906</u>	<u>16,337,802</u>
Less: Provision	1,655,386	1,798,095
	<u>38,795,520</u>	<u>14,539,707</u>
Deposits	39,326,119	40,473,189
Advance Income Tax (net of Provisions)	71,286,680	111,860,397
Advance Fringe Benefit Tax (net of Provisions)	258,944	758,731
	<u>149,667,263</u>	<u>167,632,024</u>
Schedule 8 - Current Liabilities :		
Sundry Creditors		
Dues to Micro and Small Enterprises	-	-
Other Creditors	26,465,171	20,920,219
Other Liabilities	47,424,043	43,130,203
	<u>73,889,214</u>	<u>64,050,422</u>
Schedule 9 - Provisions :		
Provision for Leave Encashment (Refer Schedule 15 Note B 13)	1,062,706	799,607
	<u>1,062,706</u>	<u>799,607</u>

Principal Pnb Asset Management Company Private Limited
Schedules forming part of the Profit and Loss Account for the year ended March 31, 2011

	Year ended March 31, 2011 Rs.	Year ended March 31, 2010 Rs.
Schedule 10 - Management Fees		
Fees from Mutual Fund Operations (Including tax deducted at source Rs. 15,395,467, Previous year: Rs.33,226,012)	399,722,510	380,890,506
Fees from Advisory Services Operations (Including tax deducted at source Rs. Nil Previous year: Rs. Nil)	1,161,514	361,896
	<u>400,884,024</u>	<u>381,252,402</u>
Schedule 11 - Interest Income		
Interest on Income Tax refund	4,391,010	-
Other Interest	25,076	10,369
	<u>4,416,086</u>	<u>10,369</u>
Schedule 12 - Other Income		
Profit on sale/redemption of Investments (net)	6,179,180	2,667,853
Profit on sale of fixed assets (net)	45,292	40,737
Miscellaneous other income (Refer Schedule 15 Note B 10)	1,049,749	3,527,882
	<u>7,274,221</u>	<u>6,236,472</u>
Schedule 13 - Employee cost		
Salary, bonus and allowances	187,566,191	185,647,043
Contribution to Provident and Other Funds	20,252,501	10,972,043
Welfare Expenses	5,574,193	6,833,649
	<u>213,392,885</u>	<u>203,452,735</u>
Schedule 14 - Administrative and other expenses (Refer Schedule 15 Note B 1(b) and B 12)		
Rent	48,865,585	45,547,978
Electricity	5,798,158	5,880,677
Repairs and Maintenance		
Office Equipments	3,592,094	3,978,112
Others	15,812,390	9,269,073
Travel and Entertainment	22,661,951	20,701,581
Admin and Office Support	11,709,200	10,916,431
Legal and Professional Fees	9,690,790	3,585,946
Auditors' Remuneration: (net of service tax)		
Audit Fees	375,000	450,000
For Tax Audit	75,000	100,000
For Other Services	-	100,000
Out of Pocket Expenses	1,349	9,666
Computer Expenses	7,544,542	6,597,290
Telecommunication Expenses	7,899,402	8,022,683
Subscription to Databases, Books & Periodicals	9,898,979	9,206,072
Printing, Stationery, Postage and Courier	2,218,784	1,841,356
Advertisement and Publicity	2,614,676	2,686,940
Membership/Registration fees	834,176	582,544
Scheme Administration Expenses	46,338,514	8,383,259
Insurance Expenses	589,506	657,794
Rates and Taxes	181,697	209,494
SEBI Filing Fees	1,907,327	1,146,515
Miscellaneous Expenses (Refer Schedule 15 Note B 11)	2,938,847	7,158,434
	<u>201,547,967</u>	<u>147,031,845</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="234,412"/>	<input type="text" value="234,412"/>

Sources of Funds :

Paid Up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
<input type="text" value="100,000"/>	<input type="text" value="134,412"/>	<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="43,295"/>	<input type="text" value="92,901"/>	<input type="text" value="98,215"/>	<input type="text" value="NIL"/>

IV Performance of Company :

Total Income	Total Expenditure	Profit Before Tax	Profit After Tax
<input type="text" value="412,574"/>	<input type="text" value="438,377"/>	<input type="text" value="(25,802)"/>	<input type="text" value="(25,802)"/>

Earning per share (in Rs.)	Dividend Rate %
<input type="text" value="(2.58)"/>	<input type="text" value="-"/>

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

Item Code Number (ITC Co 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 06, 2011

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 differ 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.

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 avilment of encashment of such accrued benefit or where the avilment 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: -

(Amount in Rs.)

Particulars	2010-2011	2009-2010
Salaries and allowances	16,231,101	13,427,803
Contribution to Provident and Other Funds	549,534	507,010
Perquisites	72,696	64,248
Total	16,853,331	13,999,061

Notes:

- An amount of Rs. 5,332,094 (previous year Rs. 3,372,173) included in Salaries and allowances above has been recovered from Principal International Inc.
- 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	2010-2011	2009-2010
Sitting Fees paid to Directors	334,500	315,000

The above expenses do not include reimbursement of expenses.

2. Expenditure in foreign currency: -

(Amount in Rs.)

Particulars	2010-2011	2009-2010
Travel Expenses	131,273	1,032,328
Staff Training Expenses	Nil	12,862
Professional Charges	638,383	318,990
Software Maintenance	534,272	Nil
Total	1,303,928	1,364,180

3. Earnings in foreign exchange: -

(Amount in Rs.)

Particulars	2010-2011	2009-2010
From Advisory Services	1,161,514	361,896

4. 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
Schedule '15': Significant Accounting Policies and Notes forming part of the Accounts

Particulars	2010-2011		2009-2010	
	Rs.	MYR	Rs.	MYR
Advisory Services Fees receivable	395,626	26,458	-	-
	Rs.	USD	Rs.	USD
Advisory Services Fees receivable	97,974	2,194	90,000	2,006
Liability for Stock Purchase Plan	450,206	10,083	743,997	16,482

5. Statement of Purchase and Sale/Redemption of Investments for the year ended March 31, 2011: -

Particulars of Investments (Current, Non Trade)	2010-2011		2009-2010	
	No. of Units / Shares	Cost (Rs.)	No. of Units / Shares	Cost (Rs.)
Acquired and sold during the year				
Mutual Fund Units (Unquoted)				
Principal Near-Term Fund - Conservative Plan – Growth Plan (formerly: Principal Floating Rate Fund – Flexible Maturity Plan Growth)	28,291,447.905	420,953,164	23,454,988.718	333,049,586

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	2010-2011	2009-2010
Principal International, Inc.	Recovery of Employee Cost	7,179,248	3,372,173
	Reimbursement of Professional Charges	638,383	318,990
Pnb Principal Financial Planners Private Limited	Recovery of Deputee Charges	1,029,793	550,121
Mr. Rajan Ghotgalkar	Remuneration Paid	16,853,331	13,999,061

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

7. The major components of deferred tax assets and liabilities arising on account of timing differences as at March 31, 2011 are as under: -

(Amount in Rs.)

Particulars	2010-2011	2009-2010
Deferred Tax Assets		
On provision for Compensated Absences	328,376	265,609
On depreciation on fixed assets	6,797,558	5,995,745
On carry forward of book losses	129,450,728	132,681,695
On provision for bonus	3,252,490	Nil
Total deferred tax asset	139,829,152	138,943,049
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.

8. Earnings Per Share (EPS):

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

(Amount in Rs.)

Particulars	2010-2011	2009-2010
Net Profit / (Loss) after tax	(25,802,433)	19,607,877
Weighted average numbers of equity shares (Nos.)	10,000,008	10,000,008
Basic earnings per equity share (EPS)	(2.58)	1.96
Nominal value per share	10.00	10.00

9. 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. 453,199 (Previous Year Rs. 1,804,734) have been included as part of "Other Liabilities".
10. Miscellaneous Other Income includes an amount of Rs. 1,044,735 (previous year Rs. 5,289) being write back of liabilities no longer payable.

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

11. Miscellaneous Expenses include foreign currency exchange difference amounting to Rs. 11,843 (Previous Year Rs. 18,221 included under Miscellaneous other income) debited to Profit and Loss account.
12. Expenses are net of recoveries / reimbursements, and include share of expenses, wherever services / facilities are shared with other entities.
13. 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. 8,896,470 (Previous Year Rs. 8,599,849) 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 substantially all regular employees of the Company. The Company contributes funds to the Life Insurance Corporation of India. Commitments are actuarially 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	2010-2011	2009-2010
Rate for discounting liabilities	8.00% p.a.	8.00% p.a.
Expected salary increase rate	4.00% p.a.	4.00% 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. 10,447,512 (Previous Year Rs. 1,571,127) has been charged to the Profit and Loss account in this respect.

Other Employee Benefits

Compensated Absences

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

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. 677,446 (Previous Year Rs. 300,817) has been charged to the Profit and Loss account in this respect.

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

For S. V. Ghatalia & Associates

Firm Registration No. 103162W
Chartered Accountants

Sd/-
per Amit Kabra
Partner
Membership No.094533

Mumbai, July 06, 2011

For and on behalf of the Board

Sd/-
M. M. Chitale
Chairman

Sd/-
Ritesh Jain
Chief Financial Officer

Mumbai, July 06, 2011

Sd/-
Rajan Ghotgalkar
Managing Director

Sd/-
Ashutosh Naik
Company Secretary