

Auditor's Report

To, the Members of Quantum Asset Management Company Private Limited

1. We have audited the attached Balance Sheet of Quantum Asset Management Company Private Limited, as at 30th June, 2007 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 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 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 the 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;

- (v) on the basis of the written representations received from the directors, as on 30th June, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June, 2007 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, read with the significant accounting policies and notes thereon, 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 30th June, 2007;
 - (ii) in the case of the Profit and Loss account, of the Loss for the year ended on that date.

For **C.C. Chokshi & Co.**
Chartered Accountants

R.Salivati
Partner
Membership no. 34004
Mumbai, dated

Annexure to the Auditor's report

Re: Quantum Asset Management Company Private Limited

(referred to in paragraph 3 of our report of even date)

- (i) As this is the second year after incorporation and the nature of the Company's activities during the year is such that the requirements of clauses (ii), (viii), (x), (xiii) and (xiv) of paragraph 4 of the Order are not applicable.
- (ii)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
 - (b) all the fixed assets have been physically verified during the year by the management. We are informed that no material discrepancies were noticed by the management on such verification;
 - (c) there has not been any substantial disposal of fixed assets during the year.
- (iii) The Company has not granted / taken any loan to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently the requirements of clauses (iiia) to (iiig) of paragraph 4 of the Order are not applicable.
- (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 sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system. The Company being a service company does not purchase inventory or sell goods.
- (v)
 - (a) According to the information and explanations given to us, we are of the opinion that the contracts / arrangement that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been so entered;
 - (b) in our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and exceeding Rs. 500,000/- in respect of sale of services to the Holding company during the year are proprietary in nature and for which comparable market prices are not available and accordingly we are unable to comment on the reasonableness or otherwise of such transactions.

- (vi) The Company has not accepted deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, where applicable, and the Rules framed thereunder. We are informed that no Order has been passed by the Company Law Board, Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii)
 - (a) In our opinion and according to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues where applicable with the appropriate authorities. There are no arrears of outstanding dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable;
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, custom-duty, excise-duty and cess were in arrears, as at 30th June 2007 for a period more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are no dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (ix) The Company has not taken loans from banks and financial institutions, and has not issued debentures and hence the question of commenting on defaults in repayment of dues in respect thereof does not arise.
- (x) In our opinion, the Company has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xii) The Company has not taken any term loan during the year hence the question of application thereof does not arise.

- (xiii) 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 investments.
- (xiv) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xv) There are no debentures issued and outstanding during the year and hence the question of creating security / charges in respect thereof does not arise.
- (xvi) During the year, the Company has not raised money by public issue(s).
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

*for C.C.Chokshi & Co.,
Chartered Accountants*

R.Salivati
Partner
Membership no. 34004
Mumbai, dated,

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
BALANCE SHEET AS AT 30th JUNE, 2007

| | Schedule Nos. | Rupees | Rupees 30th June 2007 | Rupees 30th June 2006 |
|--|------------------|------------|--------------------------|--------------------------|
| (I) SOURCES OF FUNDS: | | | | |
| 1. SHAREHOLDERS' FUNDS: | | | | |
| (a) Share Capital | 1 | | 155,000,000 | 130,000,000 |
| (b) Share Application money towards Preference Shares | | | - | 10,000,000 |
| (c) Reserves and Surplus | | | - | - |
| TOTAL | | | 155,000,000 | 140,000,000 |
| (II) APPLICATION OF FUNDS: | | | | |
| 1. FIXED ASSETS | | | | |
| (a) Gross Block | 2 | 7,881,928 | | 7,219,969 |
| (b) Less Depreciation | | 4,485,401 | | 1,512,651 |
| (c) Net Block | | | 3,396,527 | 5,707,318 |
| 2. INVESTMENTS | | | | |
| | 3 | | 90,024,843 | 9,190,758 |
| 3. DEFERRED TAX ASSET (NET) | | | | |
| | | | 661,255 | 113,230 |
| 4. CURRENT ASSETS, LOANS AND ADVANCES: | | | | |
| (a) Sundry Debtors | 4 | 4,861,653 | | 607,036 |
| (b) Cash and Bank Balances | 5 | 212,249 | | 103,677,229 |
| (c) Loans and Advances | 6 | 22,222,847 | | 6,723,750 |
| | | 27,296,749 | | 111,008,015 |
| LESS: CURRENT LIABILITIES AND PROVISIONS: | | | | |
| (a) Liabilities | 7 | 6,208,373 | | 3,092,381 |
| (b) Provisions | 8 | 2,000 | | 11,000 |
| | | 6,210,373 | | 3,103,381 |
| NET CURRENT ASSETS | | | 21,086,376 | 107,904,634 |
| 5. (a) Misc expenditure to the extent not written off : | | | | |
| Preliminary Expenditure | | 931,120 | | 1,163,900 |
| Less: written off during the year | | 232,780 | | 232,780 |
| | | | 698,340 | 931,120 |
| (b) Profit & Loss Account | | | 39,132,659 | 16,152,940 |
| TOTAL | | | 155,000,000 | 140,000,000 |

Significant Accounting Policies and Notes on Accounts 11

As per our attached report of even date

For C.C. CHOKSHI & CO.
Chartered Accountants

FOR QUANTUM ASSET MANAGEMENT CO. PRIVATE LIMITED

R. Salivati
PARTNER
Mumbai
Dated:

DIRECTOR

DIRECTOR **COMPANY SECRETARY**
Mumbai
Dated:

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
Profit & Loss Account for the period from 1st July 06 to 30th June 2007

| | Schedule Nos. | Rupees | Rupees 30th June 2007 | Rupees 30th June 2006 |
|--|------------------|---------------|--------------------------|--------------------------|
| <u>INCOME:</u> | | | | |
| Asset Management Fees | | | 3,467,280 | 729,209 |
| Research Fees | | | 6,942,047 | - |
| Other Income | 9 | | 4,403,421 | 5,173,057 |
| | | | <u>14,812,748</u> | <u>5,902,266</u> |
| <u>EXPENDITURE</u> | | | | |
| Membership And Subscription | | | 1,392,949 | 160,655 |
| Administration and Other Expenses | 10 | | 33,935,293 | 20,443,199 |
| Depreciation (Including Rs 174,559 pertaining to prior period) | | | 2,972,750 | 1,512,651 |
| | | | <u>38,300,992</u> | <u>22,116,505</u> |
| Loss before Tax | | | (23,488,244) | (16,214,239) |
| Provision for Tax | | | | |
| - Current | | | - | |
| - Deferred | | (548,025) | | (113,230) |
| - Fringe Benefit | | <u>39,500</u> | | 51,931 |
| | | | <u>(508,525)</u> | <u>(61,299)</u> |
| Loss after Tax | | | (22,979,719) | (16,152,940) |
| Balance brought forward from previous year | | | (16,152,940) | |
| Amount available for appropriation. | | | <u>(39,132,659)</u> | <u>(16,152,940)</u> |
| Appropriations: | | | - | |
| Balance carried to Balance Sheet | | | <u>(39,132,659)</u> | <u>(16,152,940)</u> |
| | | | <u>(39,132,659)</u> | <u>(16,152,940)</u> |
| Basic & Diluted Earning Per Share of Rs. 10/- each | | | (2.12) | (1.47) |

Significant Accounting Policies and Notes on Accounts 11

As per our attached report of even date

For C.C. CHOKSHI & CO.
Chartered Accountants

FOR QUANTUM ASSET MANAGEMENT CO. PRIVATE LIMITED

R. Salivati
PARTNER
Mumbai
Dated:

DIRECTOR

DIRECTOR
Mumbai
Dated:

COMPANY SECRETARY

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30th JUNE, 2007

SCHEDULE 1

Rupees Rupees
30th June 2007 30th June 2006

SHARE CAPITAL

Authorised:

| | | |
|--|-------------|-------------|
| 11,000,000 Equity share of Rs. 10/- each | 110,000,000 | 110,000,000 |
| 1,100,000 Preference Shares of Rs.100 each | 110,000,000 | 40,000,000 |
| | 220,000,000 | 150,000,000 |

Issued, Subscribed and Paid Up:

| | | |
|--|--------------------|--------------------|
| 11,000,000 Equity Shares of Rs.10 each fully paid up | 110,000,000 | 110,000,000 |
| 450,000 (Previous period 200,000) 1% Redeemable Preference Shares of Rs 100/- each fully paid up | 45,000,000 | 20,000,000 |
| TOTAL SHARE CAPITAL | 155,000,000 | 130,000,000 |

Note :-

- 1) Out of the above mentioned equity shares all shares (11,000,000) are held by Quantum Advisors Private Limited, the Holding company.

- 2) The 1% Redeemable Preference Shares shall be redeemable at the option of the Company anytime after three years but not later than twenty years from the date of allotment of shares. Preference shares are held by Quantum Advisors Pvt Ltd the Holding Company.

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30th JUNE, 2007

| Schedule 2 Fixed Assets | <u>Gross block</u> | | | | <u>Depreciation</u> | | | | <u>Net Block</u> | |
|---------------------------------|---------------------------------|------------------------------------|------------------------------------|-----------------------------------|---|---|--|---------------------------------------|---------------------|---------------------|
| Particulars of Assets | Opening Balance as at 1 July 06 | Additions for the yr ending Jun 07 | Deletions for the yr ending Jun 07 | Closing Balance as at 30th Jun 07 | Opening Dep [^] upto 30st Jun 06 | Depreciation for the year ending Jun 07 | Depreciation on deletion for the year Jun 07 | Closing Depreciation upto 30th Jun 07 | As at 30th Jun 2007 | As at 30th Jun 2006 |
| <u>Furniture & Fixtures</u> | 145,600 | - | - | 145,600 | 17,881 | 23,117 | - | 40,998 | 104,602 | 127,719 |
| <u>Lease Hold Improvements</u> | 4,528,086 | 332,881 | - | 4,860,967 | 841,353 | 2,006,178 | - | 2,847,531 | 2,013,436 | 3,686,733 |
| <u>Office Equipment</u> | 665,506 | 84,380 | - | 749,886 | 88,677 | 83,404 | - | 172,081 | 577,805 | 576,829 |
| <u>Computers</u> | 1,179,485 | 149,550 | - | 1,329,035 | 373,723 | 523,517 | - | 897,240 | 431,795 | 805,762 |
| Total (A) | 6,518,677 | 566,811 | - | 7,085,488 | 1,321,634 | 2,636,216 | - | 3,957,850 | 3,127,638 | 5,197,043 |
| <u>Intangible Assets</u> | | | | | | | | | | |
| <u>Computer Software</u> | 701,292 | 95,148 | - | 796,440 | 191,017 | 336,534 | - | 527,551 | 268,889 | 510,275 |
| Total (B) | 701,292 | 95,148 | - | 796,440 | 191,017 | 336,534 | - | 527,551 | 268,889 | 510,275 |
| Grand Total (A + B) | 7,219,969 | 661,959 | - | 7,881,928 | 1,512,651 | 2,972,750 | - | 4,485,401 | 3,396,527 | 5,707,318 |
| Previous Period | - | 7,219,969 | - | 7,219,969 | - | 1,512,651 | - | 1,512,651 | 5,707,318 | |

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30th JUNE, 2007

SCHEDULE 3

Rupees Rupees
30th June 2007 30th June 2006

INVESTMENTS

CURRENT (NON TRADE - UNQUOTED)

UNITS OF MUTUAL FUNDS

| | | |
|---|------------|-----------|
| 5,408,209 (Previous period 9,190,063) Units of Quantum Liquid Fund-Growth Plan | 57,073,722 | 9,190,758 |
| 505,289 (Previous period Nil) Units of HDFC Mutual Fund-Growth Plan | 7,951,121 | - |
| 2,530,364(Previous period Nil) Units of Quantum Equity Fund-Growth Plan | 25,000,000 | - |
| | 90,024,843 | 9,190,758 |

Notes:

| | Cost Rupees | Cost Rupees |
|------------------------------------|----------------|----------------|
| 1) Aggregate of Quoted Investments | - | - |
| Aggregate of Unquoted Investments | 90,024,843 | 9,190,758 |

| | | |
|--------------|------------|-----------|
| TOTAL | 90,024,843 | 9,190,758 |
|--------------|------------|-----------|

2) Details of investments purchased and sold during the year is as follows :-

Current Year : Units of Mutual Fund

| | <u>Units</u> <u>Nos</u> | <u>Amount</u> <u>Rupees</u> |
|--|----------------------------|--------------------------------|
| DSP Merrill Lynch - Daily Dividend Re Investment Plan | 27,989 | 29,077,692 |
| HDFC Cash Management - Savings Plan - Daily Dividend Re Investment | 2,654,818 | 28,237,711 |
| HDFC Cash Management - Savings Plan - Growth | 955,530 | 14,686,590 |
| Quantum Liquid Fund - Savings Plan - Daily Dividend Re Investment | 5,692,534 | 66,115,845 |
| Quantum Liquid Fund - Savings Plan - Growth | 2,302,247 | 24,092,248 |
| | 11,633,118 | 162,210,086 |

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30th JUNE, 2007

SCHEDULE 4

| | Rupees 30th June 2007 | Rupees 30th June 2006 |
|--|--------------------------|--------------------------|
| SUNDRY DEBTORS | | |
| Unsecured: | | |
| 1. Debts outstanding for a period exceeding Six months | 241,377 | |
| 2. Other Debts | 4,620,276 | 607,036 |
| | 4,861,653 | 607,036 |
| Less: Provision | - | - |
| TOTAL | 4,861,653 | 607,036 |

Notes:

Debtors include:

| | Maximum Amount due Rupees | |
|---|---------------------------------|---|
| 1. Amount due from a Director | | |
| 2. (a) Considered Good | 4,861,653 | - |
| (b) Considered Doubtful | - | - |
| | 4,861,653 | - |
| | 4,861,653 | - |
| | Amount due Rupees | |
| 3. Amount due from companies under the same management. | | |
| Quantum Advisors Pvt Ltd | 1,685,400 | - |
| | 1,685,400 | - |
| | 1,685,400 | - |

SCHEDULE 5

| | | |
|---|---------|-------------|
| 1. CASH ON HAND | - | - |
| 2. BANK BALANCES | | |
| With Scheduled Banks | | |
| In Current Account | 212,249 | 190,482 |
| In Deposit Account * | - | 103,486,747 |
| (including interest accrued but not received Rs Nil (Previous Period Rs 2,727,304/-)) | | |
| TOTAL | 212,249 | 103,677,229 |

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30th JUNE, 2007

SCHEDULE 6

| | Rupees 30th June 2007 | Rupees 30th June 2006 |
|--|--------------------------|--------------------------|
| LOANS AND ADVANCES (ASSET) | | |
| Unsecured unless otherwise stated | | |
| 1. Loans and Advances to :- | | |
| Company | 444,324 | 167,700 |
| Employees | 114,463 | 6,000 |
| 2. Inter Corporate Deposit (Secured) | 15,228,786 | - |
| 3. Deposit with CBLO | 2,500,000 | |
| 4. Advances recoverable in cash or in kind or for value to be received | 2,401,055 | 4,747,733 |
| 5. Advance payment of Income tax | 1,361,169 | 1,556,721 |
| 6. Service tax input credit available | 173,050 | 245,596 |
| | 22,222,847 | 6,723,750 |
| Less : Provision | - | - |
| | 22,222,847 | 6,723,750 |

Note

| | | |
|-------------------------|------------|-----------|
| 1. (a) Considered Good | 22,222,847 | 6,723,750 |
| (b) Considered Doubtful | - | - |
| | 22,222,847 | 6,723,750 |

| | Amount Due Rupees 30-Jun-07 | Maximum Amount Due Rupees 30-Jun-07 | Amount Due Rupees 30-Jun-06 | Maximum Amount Due Rupees 30-Jun-06 |
|--|-----------------------------------|---|-----------------------------------|---|
| 2. Loans to company under the same management - Quantum Trustee Co. Pvt. Ltd. | 444,324 | 444,324 | 167,700 | 167,700 |
| | 444,324 | 444,324 | 167,700 | 167,700 |

SCHEDULE 7

CURRENT LIABILITIES

Sundry Creditors:

| | | | |
|--|-----------|-----------|-----------|
| i) Total outstanding dues of Micro Enterprises and Small Enterprises | | - | - |
| ii) Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises | 4,958,767 | | |
| Other Liabilities | | 4,958,767 | 1,675,375 |
| | | 1,249,606 | 1,417,006 |
| TOTAL | | 6,208,373 | 3,092,381 |

SCHEDULE 8

PROVISIONS

Provision for Tax

| | | | |
|--------------------------|--|-------|--------|
| Fringe Benefit Tax (net) | | 2,000 | 11,000 |
| | | 2,000 | 11,000 |

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT AS AT 30th JUNE, 2007

SCHEDULE 9

Rupees Rupees
30th June 2007 30th June 2006

OTHER INCOME

Interest On

- Current Investment - Non-Trade

| | | |
|--|-----------|-----------|
| - Bank Deposits | 620,581 | 5,082,299 |
| Tax Deducted at Source Rs.Nil. (Previous period Rs1,470,734/-) | | |
| - Interest Received on ICD | 899,758 | - |
| Tax Deducted at Source Rs. 1,58,012/- (Previous period Rs Nil) | | |
| - Others Interest | 148,173 | - |
| Dividend from HDFC Cash Management Fund (Current Investments - Non Trade) | 737,711 | - |
| Dividend from DSP Merrill Lynch (Current Investments - Non Trade) | 494,608 | - |
| Dividend from Quantum Liquid Fund Investments (Current Investments - Non Trade) | 525,213 | 90,758 |
| Profit on sale of short term Investments | 946,161 | - |
| Other Income | 31,216 | - |
| | 4,403,421 | 5,173,057 |

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT AS AT 30th JUNE, 2007

SCHEDULE 10

Rupees Rupees
30th June 2007 30th June 2006

ADMINISTRATION AND OTHER EXPENSES

Payments to and Provisions for Employees

| | | |
|------------------------------|------------|------------|
| Salaries and Bonus | 21,897,847 | 13,551,894 |
| Gratuity | 47,208 | 35,990 |
| Staff Welfare | 37,624 | 9,905 |
| P F Employer Contribution | - | 85,428 |
| | 21,982,679 | 13,683,217 |
| | | |
| Audit Fees | 325,000 | 310,000 |
| Courier Charges | 41,183 | 60,092 |
| Directors Sitting Fees | 60,000 | 60,000 |
| Electricity Charges | 371,430 | 218,915 |
| Foreign Exchange Fluctuation | 56,961 | - |
| Insurance | 6,010 | 7,313 |
| Legal Charges | - | 1,000 |
| Miscellaneous Expenses | 477,156 | 366,026 |
| Online gateway fees | - | 350,000 |
| Preliminary Exps Written Off | 232,780 | 232,780 |
| Printing & Stationery | 218,112 | 242,807 |
| Professional Fees | 54,879 | 360,746 |
| Quantum Mutual Fund Exps | 6,221,097 | 2,267,957 |
| Rates & Taxes | 2,000 | 3,700 |
| Rent-Office Premises (Net) | 2,774,400 | 1,909,472 |
| Repairs & Maintenance | 112,131 | 14,722 |
| Stamps & Fees | 515,674 | 36,717 |
| Telephone & Mobile Exp | 278,419 | 106,715 |
| Travelling Expenses | 205,382 | 211,020 |
| | 33,935,293 | 20,443,199 |

SCHEDULE 11

Significant Accounting Policies and Notes on Accounts

(A) Significant Accounting Policies

I) Background

Quantum Asset Management Co. Pvt Ltd. was incorporated on 19 Sept 2005 as a private Limited company under the Companies Act, 1956

The Company's principal activity is to act as an Asset Management Company for Quantum Mutual Fund (the Fund). The Company received approval on Dec 5th 2005 from Securities and Exchange Board of India (SEBI) in the form of Regulation 2 (12) of the SEBI (Mutual Funds) Regulations, 1996. The Company manages investment portfolios of the scheme(s) launched by the Fund and provides various administrative services to the Fund as laid down in the Investment Management Agreement dated 7th Oct 2005. Quantum Mutual Fund has launched two schemes during the year ended 30th June 2006 its first scheme "Quantum Long Term Equity Fund" which opened for subscription on 8th Feb 2006 and closed for initial subscription on 25th Feb 2006 and its second scheme the Quantum Liquid Fund opened for subscription on 3rd April 2006 & closed on 4th April 2006.

II) Significant Accounting Policies

a) Basis of Accounting

The financial statements of the Company are prepared under the historical cost convention, on an accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets & liabilities on the date of the financial statements & the reported amount of revenues & expenses during the reporting period. Difference between the actual results & estimates are recognized in the period in which the results are known materialized.

c) Fixed Assets:

Fixed Assets are stated at cost of acquisition. They are stated at historical cost less accumulated depreciation.

d) Depreciation:

Depreciation on fixed assets is provided on the written down value method at the rates and in the manner specified in schedule XIV to the Companies Act, 1956, except in the case of computers which are depreciated at the rate of 60% per annum and lease hold improvements which are depreciated on straight line basis over the lease period.

e) Intangible Assets:

Computer Software, treated as intangible asset, is stated at cost less accumulated amortizations. It is amortised at 60% on written down value basis.

f) Preliminary Expenses

Preliminary expenses will be written off as one fifth in every year.

g) Investments:

Current Investments are carried at lower of cost or fair value. Long Term Investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognise the decline.

h) Revenue Recognition:

Revenue (income) is recognised when no significant uncertainty as to determination or realisation exists. Income from Asset Management activity is recognized in accordance with the contract entered into with the clients.

i) Foreign Currency Transactions:

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected. At the year end monetary items denominated in foreign currency are reported using the closing rate of exchange. Exchange differences arising thereon and on realization / payment of foreign exchange are accounted in the relevant year as income / expense.

j) Retirement Benefits:

The trustees of Quantum Asset Management Company Private Limited Employees Group Gratuity-Cum-Life Assurance Scheme Trust have taken a group gratuity cum life assurance policy from the Life Insurance Corporation of India. Provision for gratuity is made on the basis of premium payable in respect of the aforesaid policy. Company's contribution to provident fund is charged to Profit & Loss Account.

k) Taxes on Income :

Tax expense comprises both current and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable/recoverable in respect of the taxable income/loss for the reporting period. Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax is accounted using tax rates & laws that are enacted or substantively enacted. Deferred tax asset is recognized & carried forward only to the extent there is a reasonable certainty that the asset will be realized in future.

l) Borrowing Costs :

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

m) Leased Assets

Operating leases: Rentals are expensed with reference to lease terms & other considerations.

n) Provision, Contingent Liabilities & Contingent Assets

Provision involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events & it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30th JUNE, 2007

(B) Notes on Accounts

Rupees Rupees
30th June 2007 30th June 2006

| | | |
|---|----------------|---------------|
| 1. Contingent Liability in respect of | | |
| (a) Estimated amount of contracts remaining to be executed on capital account and not provided for. | - | |
| (b) Preference Dividend | 390,137 | 59,726 |
| | <u>390,137</u> | <u>59,726</u> |

| | | |
|--------------------------|----------------|----------------|
| 2. Payments to Auditors: | | |
| a. Stat Audit | 308,990 | 224,480 |
| b. Tax Audit | 56,180 | 56,120 |
| | <u>365,170</u> | <u>280,600</u> |

| | | |
|--|---|--|
| 3. Details of Remuneration paid to Directors | | |
| (a) Salary | - | |

Note:

The above remuneration excludes contribution for Gratuity, as the incremental liability in respect thereof has been accounted by the Company as a whole.

| | | |
|---|------------------|----------|
| 4. Earnings in Foreign Exchange in respect of | | |
| a. Research Fees | 4,242,047 | - |
| b. Fund Development Fees | - | - |
| | <u>4,242,047</u> | <u>-</u> |

| | | |
|--|----------|----------|
| 5. Expenditure in Foreign Currency on account of : | | |
| Travelling | - | - |
| Professional Fees | - | - |
| | <u>-</u> | <u>-</u> |

| | | |
|--|---------------|----------|
| 6. The amount of exchange difference included in the Profit and Loss Account is: | | |
| a. Exchange Gain | 58,946 | - |
| b. Exchange Loss | (1,985) | - |
| | <u>56,961</u> | <u>-</u> |

| | | |
|---|----------------|----------------|
| 7. Components of deferred tax asset / liability as on 30th June ,2006 are as under: | | |
| Difference in written down value of fixed assets | 661,255 | 113230 |
| Provision for Doubtful Debts/ Advances | - | - |
| Deferred Tax asset | <u>661,255</u> | <u>113,230</u> |

8. (a) Lease Transactions

The Company has taken certain premises, on a cancellable operating lease basis for a period of 33 months. Future minimum lease rentals paid/payable as at 30th June 2006 are,

| | | |
|--|-----------|-----------|
| Not later than 1 year | 3,730,400 | 3,730,400 |
| Later than 1 year and not later than 5 years | 517,819 | 4,839,419 |
| Later than 5 years | - | |

8. (b) Lease payments recognised in the profit and loss account for the year is 2,774,400/-

9. Mutual fund expenses include SEBI Charges, Insurance premium, Marketing & Selling expenses, custody fees etc.

10. Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity shareholder by the weighted average number of equity shares outstanding during the period.

| | | |
|---|---------------------|---------------------|
| (a) Net profit attributable to Equity Shareholder's (Numerator) | | |
| Profit/(Loss) after tax | (22,979,719) | (16,152,940) |
| Less: Preference Dividend | 330,411 | 59,726 |
| Less: Short provision for tax in respect of earlier years | - | |
| Profit/(Loss) attributable to equity shareholders | <u>(23,310,130)</u> | <u>(16,212,666)</u> |

| | | |
|--|-------------------|--------------|
| (b) Weighted average number of equity shares outstanding during the period (Denominator) Basic & Diluted | 11,000,000 | - |
| (c) Profit/(Loss) attributable to equity shareholders Basic & Diluted | (23,310,130) | (16,212,666) |
| (d) Earnings per share (Rs.) Basic & Diluted | (2.12) | (1.47) |
| (e) Nominal Value of Shares | Rs. 10/- | Rs. 10/- |
| (f) Reconciliation between denominators used in basic and diluted earning per share Denominators used in calculating basic earnings per share (Nos) | 11,000,000 | - |
| Add: Weighted average number of dilutive potential equity (Nos) shares | - | - |
| Total weighted average number of equity shares outstanding during the period used for calculating diluted earnings per share (Nos) | <u>11,000,000</u> | <u>-</u> |

11. As the company is a Small & Medium Enterprise (SME) for the purpose application of accounting standards, disclosures under the following standards are not made

- i) Cash Flow Statements
- ii) Segment Reporting
- iii) Related Party Disclosures
- iv) Discontinuing Operations

12. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below

Amount receivable in foreign currency on account of the following

| | INR (Rs.) | USD (\$) |
|--|------------|------------|
| Export of Services (Previous period Nil) | 1,261,742 | 30,963 |

13. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

14. Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard on Comparatives. Accordingly, amounts and other disclosures for the preceeding year are included as an integral part of the current year financial statements, and are to be read in relation to the amounts and other disclosures relating to the current year. Figures of the previous period have been regrouped / reclassified wherever necessary to correspond with the figures of the current financial year. Figures for the current year are for 12 months whereas figures for the previous period are for 10 months hence not comparable.

Signature to Schedule 1 to 11

As per attached report of even date.

For C.C. CHOKSHI & CO.
Chartered Accountants

FOR QUANTUM ASSET MANAGEMENT CO. PVT LTD

R. Salivati
PARTNER
Mumbai
Dated:

DIRECTOR

DIRECTOR **COMPANY SECRETARY**
Mumbai
Dated

Balance Sheet Abstract and Company's General Business Profile

I.Registration Details

| | | | |
|--------------------|------------|------------|----|
| Registration No. | 65990 | State Code | 11 |
| Balance Sheet Date | 30/06/2007 | | |

II.Capital Raised during the Year(Rs.in thousands)

| | | | |
|--------------|-----|-------------------|--------|
| Public Issue | NIL | Right Issue | NIL |
| Bonus Issue | NIL | Private Placement | 25,000 |

III.Position of Mobilisation and Deployment of Funds (Rs.in thousands)

| TOTAL LIABILITIES | TOTAL ASSETS |
|-----------------------------|--------------------|
| 161,210 | 161,210 |
| SOURCES OF FUNDS | |
| Paid Up Capital | Reserves & Surplus |
| 155,000 | NIL |
| Secured Loans | Unsecured Loans |
| NIL | NIL |
| APPLICATION OF FUNDS | |
| Net Fixed Assets | Investments |
| 3,397 | 90025 |
| Net Current Assets | Misc.Expenditure |
| 21,086 | 698 |
| Accumulated Losses | Deferred Tax Asset |
| 39,133 | 661 |

IV.Performance of Company (Rs.in thousands)

| | |
|-----------------------------|-------------------|
| Turnover/Receipts | Total Expenditure |
| 14,813 | 38,301 |
| Profit Before Tax | Profit After Tax |
| (23,488) | (22,980) |
| Earnings Per Share (in Rs.) | Dividend Rate % |
| (2.12) | NIL |

V.Generic Names of Principal Product/Services of Company (as per monetary terms)

| | |
|------------------------------|-----------------------------|
| Item Code No. (ITC Code) | N.A. |
| Product /Service Description | Asset Management / Research |

Signature to Schedule 1 to 11

FOR QUANTUM ASSET MANAGEMENT CO. PRIVATE LIMITED

DIRECTOR
Mumbai
Dated:

DIRECTOR
Mumbai
Dated:

COMPANY SECRETARY

Balance Sheet Abstract and Company's General Business Profile

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Signature to Schedule 1 to 11

FOR QUANTUM ASSET MANAGEMENT CO. PRIVATE LIMITED

DIRECTOR
Mumbai
Dated:

DIRECTOR
Mumbai
Dated:

COMPANY SECRETARY