

**RELIANCE CAPITAL
ASSET MANAGEMENT LIMITED**

ANNUAL REPORT

2005-06

AUDITORS' REPORT

To the Members,

Reliance Capital Asset Management Limited.

1. We have audited the attached Balance Sheet of Reliance Capital Asset Management Limited as on 31st March 2006 and also the Profit and Loss Account and Cash Flow Statement 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 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 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 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 as amended by Companies (Auditor's Report) (Amendment) Order, 2004, 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 in paragraph 3 above, we report that:
 - 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 appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

- e) On the basis of written representations received from directors as on 31st March 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director is in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other 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 31st March 2006;
- (ii) In the case of the Profit and Loss Account, of the profit for the year ended 31st March 2006; and
- (iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For C. C. Chokshi & Co.
Chartered Accountants

R. Salivati
Partner
Membership No. 34004
Place: Mumbai
Dated: 21-04-06

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date on the accounts of Reliance Capital Asset Management Limited for the year ended 31st March, 2006.

- (i.) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) The company has not disposed off a substantial part of fixed assets, therefore clause 4(i) (c) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (ii.) The Company has no inventory, therefore clause 4(ii) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (iii.) The Company has neither granted nor taken loan to/from companies covered in the register maintained under section 301 of the Companies Act, 1956, therefore clause 4(iii) of Companies (Auditor's Report) order, 2003 is not applicable to the company.
- (iv.) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of services. There are no purchases of inventory and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- (v.) According to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956. Accordingly clause 4(v) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.

- (vi.) According to the information and explanations given to us, we are of the opinion that the Company has not accepted any deposits from the public; hence clause 4 (vi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (vii.) The Company has an internal audit system; the same needs to be strengthened to be commensurate with the size and nature of its business.
- (viii.) The Central government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of activities carried on by the company. Hence, the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (ix.)(a)According to the information and explanations given to us, the company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth-Tax, Customs duty, Excise Duty, Cess, Service Tax and other material statutory dues with the appropriate authorities during the year.

(b)According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, customs duty, wealth tax, excise duty, cess and service tax were in arrears, as at 31st March 2005 for a period of 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, customs duty, wealth tax, excise duty, cess and service tax which have not been deposited on account of any dispute.
- (x.) The company does not have accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and 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 the financial institutions or banks.

- (xii.) According to the information and explanations given 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. Therefore the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (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 are not applicable.
- (xiv.) Based on our examination of the records and evaluation of the related internal controls, the company has maintained proper records of transactions and contracts in respect of dealing in shares, securities, debentures and other investments and timely entries have been made therein. The aforesaid securities have been held by the company in its own name, except to the extent of the exemption granted under section 49 of the Companies Act, 1956.
- (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. Accordingly, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (xvi.) According to the information and explanations given to us, the company has not received any term loans. Accordingly, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (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 during the year, therefore the provisions of clause 4 (xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- (xix.) The company has not issued any debentures during the year, nor was any debentures outstanding at the beginning of the year, therefore the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xx.) The company has not raised any money by public issues, therefore the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (xxi.) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For C. C. Chokshi & Co.
Chartered Accountants

R. Salivati
Partner
Membership No. 34004
Place: Mumbai
Dated: 21-04-06

Reliance Capital Asset Management Limited

BALANCE SHEET AS AT 31ST MARCH, 2006

		(Rupees)		(Rupees)	
	Schedule	As at 31st March, 2006		As at 31st March, 2005	
Sources of Funds :					
Shareholders' Funds					
(a) Share Capital	A	110,007,000		110,007,000	
(b) Reserves & Surplus (Surplus in Profit and loss Account)		525,333,263	635,340,263	224,927,029	334,934,029
Deferred tax liability (Net)			9,526,875		14,421,392
TOTAL			644,867,138		349,355,421
Application of Funds :					
Fixed Assets					
(a) Gross Block	B	81,721,962		56,538,786	
(b) Less : Depreciation		28,834,671		17,882,646	
(c) Net Block			52,887,291		38,656,140
Investments	C		387,510,876		227,966,988
Current Assets, Loans & Advances					
(a) Cash and Bank Balance	D	13,086,643		4,490,759	
(b) Interest accrued on Investments		-		265,305	
(c) Debtors		309,357,005		12,845,902	
(d) Loans and Advances		318,663,118		141,703,227	
		641,106,766		159,305,193	
Less : Current liabilities & Provisions					
(a) Current Liabilities	E	225,705,819		13,377,197	
(b) Provisions		232,577,734		96,739,696	
		458,283,554		110,116,893	
Net Current Assets			182,823,212		49,188,300
Miscellaneous Expenditure (to the extent not written off or adjusted)	F		21,645,759		33,543,992
TOTAL			644,867,138		349,355,421
Significant Accounting Policies and Notes to Accounts	K				

As per our attached report of even date
For **C. C. Chokshi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

R. Salivati
Partner

Amitabh Chaturvedi
Director

Kanu Doshi
Director

Vikrant Gugnani
President

Amit Bapna
Financial Controller

Ashutosh Vaidya
Company Secretary

Mumbai, 21st April 2006

Mumbai, 21st April 2006

Reliance Capital Asset Management Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2006

		(Rupees)	(Rupees)
	Schedule	As at 31st March, 2006	31st March, 2005
Income			
Investment Management and Advisory fees		773,125,295	437,442,163
Portfolio Management Fees		121,053,890	5,275,879
Interest	G	777,839	1,990,863
Dividend on long term investments		31,639,198	23,903,358
Profit on Sale/Redemption of long term Investment (Net)		5,124,959	14,699,879
Provision no longer required written back		-	18,494,472
Interest on Income Tax Refund		494,232	142,247
Other Income		2,230,464	362,555
		934,445,877	502,311,416
Expenditure			
Salaries and benefits to employees	H	209,597,809	128,670,176
Administrative and other expenses	I	164,693,259	99,192,090
Marketing and Publicity Exps.	J	97,850,533	72,948,678
Depreciation		11,342,043	7,817,493
Loss on Sale of Fixed Assets (Net)		82,107	209,236
Preliminary Expenses Written Off		-	34,026
Deferred Revenue expenditure written off		11,898,233	11,898,233
		495,463,984	320,769,932
Profit Before Tax		438,981,893	181,541,484
Provision for tax			
Current tax		(145,800,000)	(59,000,000)
Deferred tax Asset / (liability)		4,894,517	2,962,911
Fringe Benefit Tax		(6,516,677)	-
Profit After Tax		291,559,733	125,504,395
Add/Less: Excess/(Short) Provision for Tax		8,846,502	(4,401,296)
Net Profit		300,406,234	121,103,099
Add: Balance brought forward		224,927,029	103,823,930
Balance Carried to Balance Sheet		525,333,263	224,927,029

Basic and Diluted Earning per share of Rs. 10 each

39.82

15.91

Significant Accounting Policies and Notes to Accounts

K

As per our attached report of even date
For **C. C. Chokshi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

R. Salivati
Partner

Amitabh Chaturvedi
Director

Kanu Doshi
Director

Vikrant Gugnani
President

Amit Bapna
Financial Controller

Ashutosh Vaidya
Company Secretary

Mumbai, 21st April 2006

Mumbai, 21st April 2006

Reliance Capital Asset Management Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

Particulars	2005-2006		2004-2005	
	Rs.	Rs.	Rs.	Rs.
A. Cash Flow from Operating Activities				
Net Profit before tax as per P&L Account		438,981,893		181,541,484
Adjusted for				
Depreciation	11,342,043		7,817,493	
Preliminary expenses written off	-		34,026	
Deferred revenue expenditure written off	11,898,233		11,898,233	
Provision for leave encashment	8,545,361		5,745,416	
Provision for Gratuity	1,676,000		1,443,000	
Investments				
Interest / Dividend Income	(32,417,037)		(25,894,221)	
(Profit) / Loss on sale of Investment (Net)	(5,124,959)		(14,699,879)	
Interest on income tax refund	(494,232)		(142,247)	
Loss / (Profit) on sale of Fixed Assets	82,107	(4,492,485)	209,236	(13,588,943)
Operating Profit before Working Capital changes		434,489,408		167,952,541
Adjusted for				
Trade and Other Receivables	(347,564,498)		36,256,899	
Trade Payables	212,328,623	(135,235,875)	(87,743,057)	(51,486,158)
Cash generated from Operations		299,253,533		116,466,383
Taxes Paid	(147,353,203)		(56,107,649)	
Refund received	8,731,443	(138,621,760)	2,049,019	(54,058,630)
Net Cash from Operating Activities		160,631,773		62,407,753
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(25,828,961)		(29,810,587)	
Sale of Fixed Assets	173,660		184,830	
Loans to Subsidiaries	(4,644,000)		-	
Purchase of Investments	(470,387,839)		(452,201,923)	
Investment in Subsidiaries	(449,581)		-	
Sale of Investments	316,418,490		393,265,393	
Interest Received	1,043,144		2,314,566	
Dividend Received	31,639,198		23,903,358	
Net Cash used in Investing Activities		(152,035,889)		(62,344,363)
C. Cash Flow from Financing Activities				
		-		-
Net increase in cash and cash Equivalents (A+B+C)		8,595,884		63,390
Opening Balance of Cash and Cash Equivalents		4,490,759		4,427,369
Closing Balance of Cash and Cash Equivalents		13,086,643		4,490,759

Cash and cash equivalents represents cash and balance with the scheduled banks in current account.

As per our attached report of even date
For **C. C. Chokshi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

R. Salivati
Partner

Amitabh Chaturvedi
Director

Kanu Doshi
Director

Vikrant Gugnani
President

Amit Bapna
Financial Controller

Ashutosh Vaidya
Company Secretary

Mumbai, 21st April 2006

Mumbai, 21st April 2006

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Rupees) at 31st March, 2006	(Rupees) 31st March, 2005
Schedule "A"		
Share Capital		
Authorised		
10,000,000 Equity shares of Rs.10/- each	100,000,000	100,000,000
350,000 5% Cumulative Redeemable Preference shares of Rs.100/- each	35,000,000	35,000,000
1,500,000 Unclassified shares of Rs.10/- each	15,000,000	15,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up		
7,500,700 Equity shares of Rs.10/- each, fully paid up	75,007,000	75,007,000
350,000 5% Cumulative Redeemable Preference shares of Rs.100/- each, fully paid up (redeemable at par on 27.11.2007) (All the shares are held by the holding company Reliance Capital Limited and its nominees)	35,000,000	35,000,000
	<u>110,007,000</u>	<u>110,007,000</u>

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule "B"

Fixed Assets

(Rupees)

Assets	Gross Block (At cost)				Depreciation				Net Block	
	As at 1.4.2005	Additions	Deductions	As at 31.03.2006	Up to 1.4.2005	During the Year	Deductions	Up to 31.03.2006	As at 31.03.2006	As at 31.3.2005
Computer	23,294,311	7,764,623	71,000	30,987,934	12,571,042	5,171,819	9,726	17,733,136	13,254,798	10,723,269
Motor Car	6,806,519	3,934,347	264,757	10,476,109	2,136,240	1,738,854	250,585	3,624,509	6,851,600	4,670,279
Office Equipment	18,532,395	10,946,864	-	29,479,259	1,483,056	3,028,508	-	4,511,563	24,967,696	17,049,339
Furniture	7,905,562	3,183,127	310,028	10,778,660	1,692,309	1,402,861	129,707	2,965,463	7,813,197	6,213,253
Total	56,538,786	25,828,961	645,785	81,721,962	17,882,646	11,342,043	390,018	28,834,671	52,887,291	38,656,139
Previous year	27,223,595	29,810,587	495,396	56,538,786	10,166,483	7,817,493	101,331	17,882,646	38,656,139	17,057,112

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Face Value	(Rupees)		(Rupees)	
		Quantity As at 31.03.2006	Cost As at 31.03.2006	Quantity As at 31.03.2005	Cost As at 31.03.2005
Schedule "C"					
Long term Investments -Non trade					
(a) Government and Other Securities (Unquoted)					
6.75% Tax free US 64 Bonds	100	22	2,011	22	2011
			2,011		2011
(b) Fully paid Debentures (Unquoted)					
10.50% Secured Reedemable Debentures Of Reliance Telecom Limited	-	-	-	70	10,500,000
			-		10,500,000
(c) Fully Paid Shares (Quoted)					
Reliance Industries Limited	10	25,000	7,164,458	25,000	13,777,803
Reliance Communications Ventures Ltd	10	25,000	5,332,010	-	-
Reliance Energy Ventures Ltd	10	25,000	1,005,780	-	-
Reliance Capital Ventures Ltd	10	25,000	179,111	-	-
Reliance Natural Resources Ltd	10	25,000	96,445	-	-
Glenmark Pharma Limited	10	250	-	250	-
			13,777,803		13,777,803
(d) Subsidiary Companies (Unquoted,fully paid up equity shares)					
Reliance Asset Management (Mauritius) Limited	USD 10	1,000	449,500	-	-
Reliance Asset Management Singapore Pte Limited	SGD 1	3	81	-	-
			449,581		-
(e) Other Investments - Mutual Funds (Quoted) fully paid units of Rs.10 each					
Reliance Income Fund - Growth Plan	10	162,823	2,000,000	162,823	2,000,000
Reliance Growth Fund Dividend Plan	10	553,973	17,500,000	553,973	17,500,000
Reliance Vision Fund Dividend Plan	10	2,401,851	100,000,000	2,401,851	100,000,000
Reliance Short Term Fund -Growth Plan	10	5,808,968	70,000,000	-	-
Reliance Banking Fund	10	60,362	1,500,000	60,362	1,500,000
Reliance Liquid Fund - Treasury Plan (Institutional)	10	586,576	10,000,000	406,731	6,506,682
Reliance Liquidity Fund - Growth Plan	10	5,202,006	53,281,481	-	-
Reliance Fixed term AP 4 -Growth Option	10	-	-	4,545,445	45,454,447
Reliance Fixed Maturity Fund series 2 AP 3 -Growth Option	10	4,500,000	45,000,000	-	-
Reliance Fixed term QP 8 -Growth Option	10	-	-	500,000	5,000,000
Reliance Floating Rate Fund Growth Option	10	-	-	856,782	8,716,045
Reliance Index Fund - Nifty - Growth Option	10	200,000	2,000,000	200,000	2,000,000
Reliance Tax Saver (ELSS) Fund	10	2,200,000	22,000,000	-	-
Reliance Equity Fund - Growth Plan	10	3,500,000	35,000,000	-	-
Reliance Equity Oppurtunities Fund-Growth Option	10	1,500,000	15,000,000	1,500,000	15,000,000
Prudential ICICI Emerging STAR-Growth	-	-	-	435	5,000
Kotak 30 - Growth	-	-	-	162	5,000
			373,281,481		203,687,173
TOTAL			387,510,876		227,966,988

Notes:

1. Quoted investments

Aggregate of Book value	387,059,284	217,464,976
Aggregate of Market value	457,137,976	199,391,290

Unquoted investments		
Aggregate of Book value	451,592	10,502,011

2. The Market Value in the case of Units of Mutual Funds is the repurchase price.

3. During the year the following investments were purchased and sold

	Quantity	Purchase Value	Sale Value
Reliance Treasury plan -Institutional plan -Growth	8,343,826	136,954,995	138,245,079
Reliance Floating rate fund-Growth plan-Growth Option.	484,745	5,000,000	5,045,324
Reliance Short Term Gilt Plan Retail Plan Growth Option	2,328,614	25,000,000	25,048,901
Reliance Long Term Gilt Plan Retail Plan Dividend Option	1,319,993	13,962,884	13,997,600
Investments in Reliance Liquidity Fund - Growth	5,281,624	54,096,974	55,000,000

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Rupees)		(Rupees)	
	As at 31st March, 2006		31st March, 2005	
Schedule "D"				
Current Assets, Loans & Advances				
(a) Cash / Bank Balance :				
Cash on Hand	49,600		813,643	
Balance in current accounts with Scheduled banks	13,037,043	13,086,643	3,677,116	4,490,759
		<u>13,086,643</u>		<u>4,490,759</u>
(b) Interest Accrued on Investments		-		265,305
(c) Sundry Debtors : (Unsecured considered good)				
Outstanding for more than six months	-		-	
Other debtors	309,357,005	309,357,005	12,845,902	12,845,902
		<u>309,357,005</u>		<u>12,845,902</u>
(d) Loans and Advances : (Unsecured considered good)				
Loans to Subsidiaries	4,644,000		-	
Loans to Employees*	14,505,618		1,488,590	
* Loans to employees includes Rs.1,23,34,282 to an employee prior to his becoming a Director. Maximum amount due at any point during the year was Rs.1,24,49,304.				
Advances recoverable in cash or in kind or for value to be received	96,052,646		58,016,279	
Advance Tax Paid / Tax Deducted at Source	203,460,854	318,663,118	82,198,358	141,703,227
		<u>318,663,118</u>		<u>141,703,227</u>
Schedule "E"				
A. Current Liabilities and Provisions				
TDS Payable	7,174,999		2,838,952	
Professional tax payable	50,085		42,050	
E. P. F. Payable	1,689,188		1,291,418	
Sundry creditors (other than small scale Undertakings)	216,791,546	225,705,818	9,204,776	13,377,196
		<u>225,705,819</u>		<u>13,377,197</u>
B. Provisions				
Provision for Taxation	211,316,677		85,700,000	
Provision for Gratuity	3,119,000		1,443,000	
Provision for Leave encashment	18,142,057	232,577,734	9,596,696	96,739,696
		<u>232,577,734</u>		<u>96,739,696</u>
Schedule "F"				
Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
Preliminary Expenses	-		34,026	
Less: Written off during the year	-	-	34,026	-
Deferred Revenue Expenditure (Promotional Expenditure on launch of the Mutual Fund Schemes)	33,543,992		45,442,225	
Less: Written off during the year	11,898,233	21,645,759	11,898,233	33,543,992
		<u>21,645,759</u>		<u>33,543,992</u>

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	(Rupees)		(Rupees)	
	As at 31st March, 2006		31st March, 2005	
Schedule "G"				
Interest Income				
Interest on long term Debentures (Gross)		777,839		1,990,863
(Tax deducted at source Rs. 2,31,812/- Previous year Rs.4,08,127/)		<u>777,839</u>		<u>1,990,863</u>
Schedule "H"				
Salaries and Benefits to Employees				
Salaries, Allowances and Bonus	178,064,981		107,554,825	
Contribution to Provident and other funds	11,013,161		7,559,531	
Group gratuity and Superannuation premium	2,771,400		2,307,211	
Provision for Gratuity	1,676,000		1,443,000	
Leave encashment	8,970,850		6,165,459	
Staff welfare expenses	7,101,418	209,597,809	3,640,149	128,670,176
		<u>209,597,809</u>		<u>128,670,176</u>
Schedule "I"				
Administrative and Other Expenses				
Audit fees/ expenses	266,312		157,392	
Software repair & Maintenance	6,637,184		3,800,816	
Conveyance & Travelling	30,854,278		16,963,639	
Conference meet expenses	628,478		780,723	
Courier charges	484,075		307,447	
Director sitting fees	300,000		145,000	
Entertainment	3,027,974		1,505,345	
Filing fees & Stamp duty	2,389,717		1,932,790	
Lease rent	2,788,835		510,532	
Insurance	3,645,595		899,088	
Legal & Professional Charges	22,257,766		20,333,896	
Membership & Subscription	11,929,171		5,308,936	
Newspapers, Magazines & periodicals	465,606		280,809	
Office Administration	6,477,688		4,733,240	
Petrol and car maintenance	4,086,103		2,960,137	
Printing & Stationary	5,843,693		3,360,705	
Rent	19,875,370		12,653,350	
Electricity	4,971,293		2,135,165	
Repairs & Maintenance	12,569,471		6,745,289	
Seminar & training	3,933,431		2,854,620	
Telephone	19,454,825		9,001,281	
Donation	995,356		600,000	
Miscellaneous Expenses (including Bank charges, profession Tax etc.)	811,040	164,693,259	1,221,890	99,192,090
		<u>164,693,259</u>		<u>99,192,090</u>
Schedule "J"				
Marketing & Publicity Exps.				
Advertisement	96,609		26,031	
Marketing Expenses	20,523,581		63,299,857	
Postage	9,963		7,164	
Brokerage and Incentives	77,219,710		9,103,818	
Branch Meet expenses	670	97,850,533	511,807	72,948,678
		<u>97,850,533</u>		<u>72,948,678</u>

Reliance Capital Asset Management Limited

SIGNIFICANT POLICIES AND NOTES ON ACCOUNTS

Schedule “K”

Notes on Accounts and Significant Accounting Policies

A. Significant Accounting Policies

1. Basis of preparation of Financial Statements:

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

2. Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/ materialised.

3. Fixed Assets:

Fixed Assets are stated at historical cost less accumulated depreciation.

4. Depreciation:

Depreciation of Fixed Assets is provided on written down value method in accordance with Section 205 (2) (a) of the Companies Act, 1956 as per rates specified in Schedule XIV to the Companies Act, 1956.

5. Impairment of Assets:

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the profit & loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

6. Investment:

Long Term Investments are stated at cost of acquisition. Provision for diminution is made to recognise a decline, other than temporary, in the value of investments. Current Investments are carried at lower of cost and fair value.

7. Initial Issue expenses of schemes:

Initial issue expenses of the schemes of Reliance Mutual Fund incurred upto 31st March,2004 are treated as Deferred Revenue Expenditure and written off over five years in equal installments. However the same incurred on or after 1st April 2004 are charged to Profit and loss account in compliance with Accounting Standard 26 on Intangible Assets issued by the Institute of Chartered Accountants of India.

8. Revenue Recognition :

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection.

(I) Investment Management Fees:

Investment Management fees are computed in accordance with Investment Management Agreement and SEBI Regulations based on Net Asset Value confirmed by Reliance Mutual Fund schemes.

(II) Portfolio Management Fees:

Portfolio Management fees are computed in accordance with Portfolio Management Agreements and SEBI Regulations.

(III) Profit on Sale of Investments:

Profit on sale of Investments is accounted reckoning the average cost of the Investments.

Reliance Capital Asset Management Limited

SIGNIFICANT POLICIES AND NOTES ON ACCOUNTS

9. Retirement benefits:

The Company contributes to a Recognised Provident Fund. Gratuity and Superannuation schemes are administered through policies taken from Insurance Company. Provision is also made for the shortfall for gratuity liability as certified by the insurance Company.

10. Leave Encashment:

Leave encashment provision is made on the basis of the leave outstanding of all the employees entitled to be carried forward.

11. Borrowing Cost:

Borrowing cost is charged to revenue

12. Foreign Currency Transactions:

Expenses and Incomes are recorded at the exchange rate prevailing on the date of transactions. Monetary assets and liabilities at the Balance Sheet date are restated at the exchange rate prevailing on the Balance Sheet date. The exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with as Foreign Exchange Fluctuations in the profit and loss account except in case of transactions involving purchase of fixed assets wherein such differences are adjusted in the cost of the fixed assets

13. Leased Assets:

Rentals in respect of assets taken on operating lease by the company are expensed with reference to the terms of the lease and other considerations.

14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions 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 and reliable estimate of the amount of the obligation can be made. Contingent Liabilities are not recognized and are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

15. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized on timing differences, being the difference between taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax Assets are recognized and carried forward only if there is a reasonable / virtual certainty of realization.

Reliance Capital Asset Management Limited

SIGNIFICANT POLICIES AND NOTES ON ACCOUNTS

B. Notes on Accounts

	2005 – 2006	(Rupees) 2004 – 2005
1. Unpaid Preference Shares Dividend:		
5% dividend on preference shares in arrears for the years 2000-01 to 2005-06 (previous year 2000-01 to 2004-05)	1,05,00,000	87,50,000
2. Payment to Auditors:		
Audit Fees	1,92,850	1,10,200
Tax Audit Fees	55,100	44,080
Out of Pocket Expenses	7,000	3112
3. Information regarding Managerial Remuneration:		
Salaries	67,05,801	12,82,188
Perquisites & Other Allowances	9,61,343	5,18,992
Contribution to Provident & Superannuation Fund	3,92,250	98,820
Total	80,59,394	19,00,000
Note:		
a. Contribution /provision for gratuity are not considered as employee wise details are not available.		
b. Reimbursement of expenses incurred in the normal course of business is not considered.		
4. Future liability in respect of car taken on operating lease after 1st April, 2001:		
a) Not later than one year	33,49,172	14,95,008
b) Later than one year and not later than five years	78,17,803	34,15,773
c) Later than five years	NIL	NIL
5. Deferred Tax Liabilities:		
Depreciation	22,40,913	21,46,807
Deferred Revenue expenditure (promotional expenditure on launch of the mutual fund schemes)	72,85,962	1,22,74,585
Total	95,26,875	1,44,21,392
6. Earning per share:		
Net Profit as per Profit and loss account	30,04,06,234	12,11,03,099
Less:- Preference dividend	17,50,000	17,50,000
Net Profit attributable to equity shareholders	29,86,56,234	11,93,53,099
 Weighted average number of equity shares outstanding	 75,00,700	 75,00,700
 Basic and Diluted earning per share	 39.82	 15.91
7. Expenditure in foreign currency:		
Traveling	58,88,725	10,75,644
Seminar & Training	10,08,864	-
Professional & Consultancy	20,95,160	-
8. No Provision is made for the diminution of Rs NIL (previous year Rs.1,80,73,686/-) in the value of quoted investments as the same is expected to be temporary in nature.		

Reliance Capital Asset Management Limited

SIGNIFICANT POLICIES AND NOTES ON ACCOUNTS

L	Rent Expense	76,20,000 (76,20,000)				-	76,20,000 (76,20,000)
M	Insurance Charges (including prepaid and capitalised)			38,88,554^^ (10,10,753)			38,88,554 (10,10,753)

- ? * Reliance Asset Management (Mauritius) Ltd – Rs 4,49,500
 ? ** Reliance Capital Trustee Co Ltd – Rs.4,19,732 & Reliance General Insurance Company Ltd – Rs.59,868
 ? ^ Reliance Asset Management (Mauritius) Ltd Rs.35,56,000 and Reliance Asset Management (Singapore) Pte Ltd – Rs.10,88,000
 ? ^^ Reliance General Insurance Company Ltd
 ? The figures in brackets indicate previous year (2004 -2005)
 ? The related parties are as identified by the management and relied upon by the auditors.

10. In the opinion of the management, the company is mainly in the business of Asset Management Services. As such, there is only one reportable segment.

11. Comparative financial information is presented in accordance with the 'Corresponding Figure' financial reporting framework set out in Auditing and Assurance Standard 25 on Comparatives. Accordingly, amounts and other disclosures for the preceding 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 year are regrouped and reclassified wherever necessary to correspond to the figures of the current financial year

As per our attached report of even date.

For and on behalf of the Board

For C. C. Chokshi & Co.
Chartered Accountants

Amitabh Chaturvedi
Director

Kanu Doshi
Director

R.Salivati
Partner

Vikrant Gugnani
President

Amit Bapna
Financial Controller

Ashutosh Vaidya
Company Secretary

Mumbai
Date: 21st April,2006

Mumbai
Date: 21st April ,2006

Reliance Capital Asset Management Limited

SIGNIFICANT POLICIES AND NOTES ON ACCOUNTS

Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration No. State Code
Balance Sheet Date | 3 | 1 | 0 | 3 | 2 | 0 | 0 | 6 |

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

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

Total Liabilities Total Assets
Sources of Funds Applications of Funds
Paid up Capital Net Fixed Assets
Reserves & Surplus Investments
Secured Loans Net Current Assets
Unsecured Loans Miscellaneous Expenditure
Deferred Tax Liability (Net)

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure
Profit/ Loss Before Tax | | | 4 | 3 | 8 | 9 | 8 | 2 | Profit/ Loss After Tax | | | 2 | 9 | 1 | 5 | 6 | 0 |
Earning Per Share (Rs.) Dividend Rate %

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

Not Applicable

For and on behalf of the Board

Amitabh Chaturvedi
Director

Kanu Doshi
Director

Vikrant Gugnani
President

Amit Bapna
Financial Controller

Ashutosh Vaidya
Company Secretary

Mumbai
Date: 21st April, 2006