

**DIRECTORS' REPORT**

**To the Members of**

**UTI Asset Management Company Pvt. Ltd.**

The Board of Directors has pleasure in presenting the third Annual Report along with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2006.

**Financial Results**

Your Directors are pleased to report an increase of over 16 % in the Gross Income of your Company over the previous year. Significantly, the Profit before Tax increased by nearly 26 % at Rs. 2022.9 million, up from Rs. 1607.0 million in the preceding year. The salient features of the Company's financial results for the year ended March 31, 2006 are presented below:

<b>Particulars</b>	<b>For the year ended 31st March, 2006 (Rs. in million)</b>	<b>For the year ended 31st March, 2005 (Rs. in million)</b>
Gross Income	<b>3713.6</b>	3197.1
Operating expenses	<b>1690.8</b>	1590.1
Profit Before Tax	<b>2022.9</b>	1607.0
Provision for tax		
i) Current Tax	<b>755.0</b>	580.0
ii) Deferred Tax	<b>(66.6)</b>	(9.5)
iii) Fringe Benefit Tax	<b>8.9</b>	-
Profit After Tax	<b>1333.4</b>	1024.4
Paid up Capital	<b>100.0</b>	100.0
Net Worth	<b>3612.5</b>	2373.8

### **Dividend**

Your Company's earning per share in 2005-06 has increased to Rs.123.87 from Rs.102.44 in 2004-05. Your Directors have recommended a dividend of Rs.20 per share (last year nil) and seek your approval for the same. The total outgo on account of dividend to be paid to the shareholders will be Rs.228.05 million (inclusive of Corporate Tax @ 14.025%).

### **Increase in Authorised Share Capital and Issue of Bonus shares**

Your Directors have recommended an increase in the Authorised Share Capital from Rs.100 million divided into 10000,000 equity shares of Rs.10/- each to Rs. 750 million divided into 75,000,000 equity shares of Rs.10/- each. The Directors have also recommended an issue of Bonus Shares in the ratio of 4 shares for 1 existing share thereby increasing the paid-up share capital of the Company to Rs.500 million.

### **Review of Operations**

Your Directors are pleased to report that UTI Mutual Fund continued to be the largest mutual fund in the country as on 31<sup>st</sup> March, 2006. The Assets under Management of UTI Mutual Fund increased to Rs.295.360 billion as at March 31, 2006. The number of schemes managed by UTI Mutual Fund stood at 57 as on July 31, 2006.

UTI Mutual Fund is a professionally managed mutual fund. It has a rigorous in-house research-based approach for all investment decisions and a process-based investment management for ensuring good fund management practices. During the year, several upgrades on all fronts were implemented to make the entire fund management process more robust.

### **Awards**

Your Directors are pleased to inform that during the period under review, the schemes of UTI Mutual Fund won the following awards/rankings:

a) UTI Mutual Fund won the Readers Digest - Trusted Brand Gold Award in the category of Investment Fund Company.

**b) Equity Schemes**

i) UTI NIFTY Index Fund: ICRA Gold Award in the category for one year performance ending on 31<sup>st</sup> December, 2005.

ii) UTI Master Index Fund: ICRA Gold Award in the category for three years performance ending on 31<sup>st</sup> December, 2005.

**c) Debt Schemes**

i) UTI Bond Fund: ICRA Gold Award in the category for one year performance ending on 31<sup>st</sup> December, 2005.

ii) UTI Bond Fund:

a) ICRA Gold Award in the category for three years performance ending on 31<sup>st</sup> December, 2005.

b) CNBC TV18 – CRISIL Award for best performing Income Fund for the year 2005

iii) UTI Gsec Advantage Fund – LTP:

a) Lipper India Awards – India 2006 – Best Fund over three years

b) ICRA Silver Award in the category for three years performance ending on 31<sup>st</sup> December, 2005.

iv) UTI Gsec Fund – STP: ICRA Gold Award in the category for one year performance ending on 31<sup>st</sup> December, 2005.

v) UTI Floating Rate Fund: ICRA Silver Award in the category for one year performance ending on 31<sup>st</sup> December, 2005.

vi) MIS Advantage Fund: ICRA Silver Award in the category for one year performance ending on 31<sup>st</sup> December, 2005.

vii) UTI Liquid Cash Plan: CNBC TV18 – CRISIL Award for best performing Liquid Fund for the year 2005.

### Launch of New Schemes

During the year under review, UTI Mutual Fund widened its product range by launching four new schemes: UTI Dividend Yield Fund, UTI Leadership Fund, UTI Fixed Term Income Fund – Series I and UTI Contra Fund. All the schemes received a good response from investors. UTI Leadership Fund, UTI Contra Fund and UTI Dividend Yield Fund collected Rs. 2051 crore, Rs.1092 crore and Rs.701 crore respectively.

### Merger of Schemes

During the year, UTI Mutual Fund merged five of its schemes viz UTI-PEF Unit Scheme, UTI- Unit Scheme 1992, UTI Master Equity Plan 1998, UTI Master Equity Plan 1999 and UTI Grandmaster Unit Scheme into a new scheme named UTI Opportunities Fund.

### Closure of Schemes

During the year, the following Schemes/Plans were closed on account of maturity/termination:

- UTI Growth & Value Fund – Bonus Plan on January 31, 2005
- UTI-Liquid Short Term Plan (Institutional) on January 31, 2005
- UTI-Liquid Advantage Fund on July 1, 2005
- UTI-Bond Advantage Fund Short Term Plan on July 1, 2005
- UTI-Gilt Advantage Fund Short Term Plan on July 1, 2005
- UTI-Index Advantage Equity Fund on July 1, 2005
- UTI-Fixed Maturity Plan – YFMP/1104
- UTI-Fixed Maturity Plan – YFMP/0205

### Subsidiaries

Your Company has two subsidiaries.

(i) **UTI Venture Funds Management Company Pvt. Ltd.**

UTI Venture Fund Management Company Pvt. Ltd. (UTIVF) is one of India's leading Venture Capital/Private Equity firms. Presently, the Company manages two funds - Ascent India Fund (AIF) and India Technology Venture Unit Scheme (ITVUS). The Company invests across sectors in unique businesses and committed entrepreneurs, serving their needs for growth and expansion capital. The Company not only provides growth capital but also strives to create value for its portfolio companies by providing them its industry knowledge, access to local

talent and its business network in the Indian and overseas markets. UTIVF is registered with SEBI as a Venture Fund Management Company.

The net profits of UTIVF for the year ended 31<sup>st</sup> March, 2006 were Rs.74.78 million as compared to Rs.9.09 million as at March 31, 2006 and the Gross Income for the year 2005-06 was Rs. 166.56 million compared to Rs. 45.82 million in the previous year.

**(ii) UTI International Ltd.**

UTI International Ltd. (UTIIL) looks after the administration and marketing of offshore funds managed by UTIAMC. It also acts as a Management Company for these funds as required under the Guernsey Law. UTIIL is also responsible for developing new products as well as new business opportunities for your Company's offshore activities.

In order to have better thrust in international operations, it was felt that UTI International Ltd should have an office in Dubai. To achieve efficiencies, it was decided that the existing office of UTI AMC in Dubai be converted into the representative office of UTI International Ltd and officers of UTI AMC posted there be treated as being on deputation to UTI International Ltd. Accordingly, the Dubai Representative Office of UTI AMC was transferred to UTI International Ltd with effect from 1<sup>st</sup> April 2005.

In order to enlarge its operations and reach, UTI International opened a branch office in Bahrain during the year and is now in the process of opening branch offices in Singapore and Abu Dhabi.

The audited statements of accounts of the two subsidiaries together with the Reports of their Directors and Auditors for the period ended on 31<sup>st</sup> March, 2006 are attached. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 and the same are enclosed.

### **Future Plans**

Your Company is planning a major growth in marketing and in improving investor services. This would require a major revamp of the existing marketing set-up and the distribution strategy. To be able to develop a suitable plan for the same, the Company has engaged the services of Boston Consultancy Group, a globally reputed consulting firm to develop a strategic plan of action.

### **Board of Directors**

The Board of Directors of your Company presently comprises of Shri U K Sinha, Chairman & Managing Director, and Shri P R Khanna, Shri Prithvi Pal Singh Haldea, Mrs Anita Ramachandran, Shri S C Bhargava and Dr K C Mishra as Directors.

During the year, Dr. R H Patil, Chairman, and Shri S H Bhojani, Dr. Vinayshil Gautam, Shri J S Mathur and Shri G P Muniappan, all Directors, resigned from the Board of Directors of the Company. The Board places on record its sincere appreciation and gratitude for the valuable contribution made by them during their association with the Company.

Shri U K Sinha was appointed as CEO and Managing Director and subsequently as Chairman & Managing Director of the Company with effect from 3<sup>rd</sup> November, 2005 and 13<sup>th</sup> January, 2006 respectively. Shri P R Khanna, Shri Prithvi Pal Singh Haldea, Mrs Anita Ramachandran, Shri S C Bhargava and Dr K C Mishra were appointed as Directors on 13<sup>th</sup> January 2006 at the Extra Ordinary General meeting of the Company.

The composition of the Board of Directors, number of meetings held, directors attendance and directorships held, remuneration of directors and the Board procedures are detailed in Annexure – I.

### **Audit Committee**

The Audit Committee of the Board was re-constituted by the Board of your Company at its meeting held on 6<sup>th</sup> February 2006 comprising of Dr K C Mishra (Chairman of the Committee) and Shri Prithvi Pal Singh Haldea and Shri P R Khanna (members of the Committee). The quorum of the Audit Committee meetings is two members.

The terms of reference of the Audit Committee include approving and implementing the audit procedures and techniques, and reviewing the financial reporting system, internal control systems and procedures.

The Audit Committee also reviews the status of Non Performing Assets of UTI Mutual Fund, reports of the Internal Auditor and Statutory Auditors along with the comments and action taken report of the management. The Company Secretary acts as the Secretary to the Audit Committee.

The Audit Committee of your Company met five times during the period under review. The Audit Committee reviewed the reports of the Statutory Auditors of your Company for the year ended 31<sup>st</sup> March, 2006 submitted by Om Agarwal & Co., Chartered Accountants. The Audit Committee also reviewed the comments of the supplementary audit conducted by the Comptroller and Auditor General of India. The observations made by the Comptroller and Auditor General of India, which were generally on the groupings, have been corrected and the accounts have been re-drawn accordingly.

The constitution of the Audit Committee of the Board and the functions of the Audit Committee are detailed in Annexure – II.

### **Automation**

UTI Mutual Fund was the first mutual fund in the country to have a front office software for automating the process of decision making, placing of orders, dealing and accounting of the transactions with risk control measures. Your Company continues to remain committed to a technology-driven infrastructure for its operations.

### **Human Resources**

Given your Company's ambitious growth and expansion plans, both in India and abroad in a services sector industry, the development of human resources capital assumes a very important dimension. The human resources of your Company have continuously received a focused attention. Your Company endeavors continuously to improve the organisation culture in order to attract and retain the best talent and bring out the best in people. To achieve this, the employees are rewarded with opportunities for learning and value addition, competitive remuneration and rapid career advancement. During the year, your Company imparted training to 578 employees (including 10 employees sent abroad) in the area of finance, business, information technology, legal, taxation and marketing.

### **Particulars of Employees**

The statement containing the particulars of employees as required under Section 217 (2A) of the Companies Act read with the Companies (Particulars of Employees) Rules 1975 are set out in the annexure to the Directors' Report. In terms of Section 219(1)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the Annexure may write to the Company Secretary at the Registered office of the Company.

### **Foreign Exchange Earnings and Outgo**

There was no foreign exchange earnings during the year. Your Company spent foreign exchange amounting to Rs.3,908,552 during the year under review for undertaking foreign business tours, training of employees and administrative expenses of the foreign branch.

### **Conservation of Energy & Technology Absorption**

Since the Company does not own any manufacturing facility, the above said particulars mentioned in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.



### **Directors' Responsibility Statement**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the period ended on 31<sup>st</sup> March, 2006, the applicable accounting standards have been followed.
- (ii) that the management has selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of March 31, 2006 and of the profit or loss of the company for the period ended on that date;
- (iii) That proper and sufficient care is taken 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 frauds and other irregularities;
- (iv) That the accounts for the period ended 31st March, 2006 are prepared on a 'going concern' basis.

### **Auditors**

Om Agarwal & Co., Chartered Accountants will retire as Auditors of the Company at the conclusion of the Second Annual General Meeting. The Statutory Auditors of the Company would be appointed by the Comptroller and Auditor General of India in accordance with the provisions of the Companies Act, 1956.

### **Acknowledgements**

Your Directors acknowledge the valuable support, co-operation and guidance received from the Government of India, Securities and Exchange Board of India, Reserve Bank of India, Sponsors of your Company and the Association of Mutual Funds in India. The

Directors are also thankful to our unitholders, Auditors, Custodians, Registrar and Transfer Agents, Banks, Distributors and all other service providers for their valued support. The Directors would also like to thank the employees for the commitment, collaboration and partnership demonstrated by them during the year

For and on behalf of the  
Board of Directors

Place: Mumbai

Date: October 11, 2006

Shri U K Sinha  
Chairman and Managing Director

**COMPLIANCE WITH REQUIREMENTS OF CORPORATE GOVERNANCE****BOARD OF DIRECTORS****Composition of Board of Directors**

The Board of Directors of UTIAMC Pvt. Ltd. as on 31<sup>st</sup> March, 2006 comprised of:

- |                                  |                                |
|----------------------------------|--------------------------------|
| 1. Shri U K Sinha                | - Chairman & Managing Director |
| 2. Shri P R Khanna               | - Director                     |
| 3. Mrs Anita Ramachandran        | - Independent Director         |
| 4. Shri Prithvi Pal Singh Haldea | - Independent Director         |
| 5. Dr K C Mishra                 | - Independent Director         |
| 6. Shri S C Bhargava             | - Director                     |

**Number of Board Meetings**

The Board of UTI Asset Management Company Pvt. Ltd. held nine meetings during the year. The meeting were held on 22<sup>nd</sup> April 2005, 30<sup>th</sup> April 2005, 24<sup>th</sup> May 2005, 21<sup>st</sup> July, 2005, 21<sup>st</sup> September, 2005, 21<sup>st</sup> October, 2005, 21<sup>st</sup> November, 2005, 13<sup>th</sup> January 2006 and 6<sup>th</sup> February 2006.

**Directors' Attendance and Number of Directorships held**

Sr. No.	Name of Director	Board Meetings held during the year	Board Meetings held during the tenure of the directors	Board Meetings attended during the year	Whether attended last AGM	Directorships held in other companies in India
1.	Shri U K Sinha	9	9	6	Yes	2
2.	Shri P R Khanna \$	9	2	2	N.A.	7
3.	Mrs Anita Ramachandran \$	9	2	2	N.A.	6
4.	Shri Prithvi Pal Singh Haldea \$	9	2	2	N.A.	6
5.	Dr K C Mishra \$	9	2	2	N.A.	3
6.	Shri S C Bhargava \$	9	2	2	N.A.	11

7.	Dr R H Patil @	9	7	7	Yes	12
8.	Shri S H Bhojani @	9	7	6	Yes	3
9.	Dr Vinayshil Gautam @	9	7	7	Yes	5
10.	Shri J S Mathur @	9	7	7	Yes	4
11.	Shri G P Muniappan @ #	9	3	2	Yes	1

Note :

- # Shri G P Muniappan was appointed as additional director on 5<sup>th</sup> August, 2005
- @ Dr R H Patil, Shri S H Bhojani, Shri J S Mathur, Dr Vinayshil Gautam and Shri G P Muniappan resigned as Directors of the Company and their resignation was accepted with effect from 13<sup>th</sup> January, 2006.
- \$ Shri P R Khanna, Mrs Anita Ramachandran, Shri Prithvi Pal Singh Haldea, Dr K C Mishra and Shri S C Bhargava were inducted as Directors of the Company with effect from 13<sup>th</sup> January, 2006.

### Remuneration of Directors

The remuneration paid or payable to the Directors for the year ended 31<sup>st</sup> March, 2006 is detailed below:

Sr. no.	Name of Director	Sitting Fees (Rs.)	Emoluments paid by the Company (Rs.)	Total (Rs.)
1.	Shri U K Sinha	NIL	2,52,159.14	2,52,159.14
2.	Shri P R Khanna	20,000	Nil	20,000
3.	Mrs Anita Ramachandran	20,000	Nil	20,000
4.	Shri Prithvi Pal Singh Haldea	20,000	Nil	20,000
5.	Dr K C Mishra	20,000	Nil	20,000
6.	Shri S C Bhargava	20,000	Nil	20,000
7.	Dr R H Patil	77,500	Nil	77,500
8.	Dr. Vinayshil Gautam	1,15,000	Nil	1,15,000
9.	Shri S H Bhojani	1,57,500	Nil	1,57,500
10.	Shri G P Muniappan	20,000	Nil	20,000
11.	Shri J S Mathur	1,07,500	Nil	1,07,500

Note :

- i) The aforesaid figures indicate the salary and monetary benefits paid to the Chairman & Managing Director. The non-monetary benefits include provision of accommodation, telephone and credit card.
- ii) Including sitting fees paid for the meetings of the Audit Committee and the Committee of Directors. No sitting fees is paid to Shri U K Sinha, Chairman & Managing Director.

### **BOARD PROCEDURES**

The Board of Directors of the Company meets regularly to discuss, inter-alia, the following:

- ★ Operational Activities of the Company since the previous Board Meeting
- ★ Policy Formulation for the Company
- ★ Minutes of the Board meetings
- ★ Half-yearly unaudited financial results and annual audited accounts
- ★ Accounts of the schemes of UTI Mutual Fund
- ★ Performance of the schemes of UTI Mutual Fund
- ★ Marketing activities and review of performance of the schemes
- ★ Status of Compliance with respect various Acts, Rules, Regulations and Statutory requirements governing the operations of the Company
- ★ Significant changes in human resources of the Company
- ★ Budget of the Company, and its approval
- ★ Any material departures from the Directions given by the Board
- ★ Any other significant developments in the operations of the Company

### **Post-Meeting Follow-up System**

The governance process in the Company includes an effective post-meeting follow-up, review, and reporting process for action taken on decisions of the Board / Board Committees.

**APPOINTMENT AND STRUCTURE OF AUDIT COMMITTEES**

The Audit Committee was re-constituted by the Board at its meeting held on 6<sup>th</sup> February, 2006, comprising the following members who are Directors of the Company :

1. Dr. K C Mishra - Chairman of the Audit Committee
2. Mr. P R Khanna - Member
3. Mr. Prithvi Pal Singh Haldea - Member

**Functions of the Audit Committee**

1. Approving and implementing the audit procedures and techniques
2. Review of the financial reporting system, internal control systems and procedures
3. Review the accounts of the schemes of UTI Mutual Fund
4. Review the performance of the schemes of UTI Mutual Fund
5. Review of the status of creation of security
6. Review of Non Performing Assets of UTI Mutual Fund
7. Review the status of compliance with SEBI Regulations
8. Review of important accounting issues of the UTI Mutual Fund schemes
9. Budget Analysis
10. Other issues, if any

**SHAREHOLDING PATTERN**

<b>Name of the Shareholder</b>	<b>% of Shareholding</b>
State Bank of India and its nominees	25%
Life Insurance Corporation of India and its nominees	25%
Punjab National Bank and its nominees	25%
Bank of Baroda and its nominees	25%
Total	100%

Balance Sheet as at 31st March 2006

(Amount in Rupees)

Schedule	As at 31.03.06 Amount (Rs.)	As at 31.03.05 Amount (Rs.)
<b>SOURCES OF FUNDS</b>		
<b>Shareholder's Funds:</b>		
Share Capital	A 100,000,000	100,000,000
Reserves and Surplus	B 3,398,492,487	2,273,840,927
	3,498,492,487	2,373,840,927
<b>SECURED LOANS</b>		
Secured Loan and Accrued Interest	80	23,772
<b>TOTAL</b>	<b>3,498,492,567</b>	<b>2,373,864,699</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block	C 552,174,512	504,947,302
Less : Depreciation	480,955,492	124,400,412
Net Block	71,219,020	380,546,890
Capital Work-in-Progress	6,687,850	5,674,380
	77,906,870	386,221,270
<b>Investments</b>	D 3,134,636,981	1,578,160,708
<b>Current Assets, Loans &amp; Advances</b>		
Sundry Debtors	E 29,754,860	17,944,997
Cash & Bank Balances	F 378,403,053	625,499,040
Interest accrued on Investments	12,142,547	12,294,615
Loans & Advances	G 1,125,837,612	749,348,446
	1,546,138,072	1,405,087,097
Less : Current Liabilities & Provisions		
Current Liabilities	H 333,092,165	396,471,095
Provisions	I 1,002,677,191	608,063,281
	1,335,769,356	1,004,534,376
<b>Net current Assets</b>	210,368,716	400,552,721
<b>Deferred Tax Asset (Net)</b>	75,580,000	8,930,000
<b>TOTAL</b>	<b>3,498,492,567</b>	<b>2,373,864,699</b>

NOTES TO ACCOUNTS

Schedules annexed hereto forming part of the Balance Sheet and Profit and Loss Account

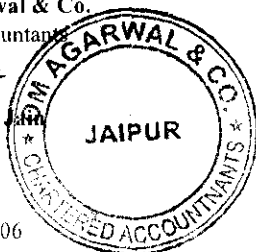
As per our report annexed

For and on behalf of the Board of Directors

For Om Agarwal & Co.  
Chartered Accountants

Ashok Kumar  
Partner

Mumbai  
Date: 26.09.2006



UK Sinha  
Chairman & Managing Director

I. Rahman  
Chief Financial Officer & Company Secretary

Mumbai  
Date: 26.09.2006

Anita Ramachandran  
Director



Profit and Loss A/c for year ended 31st March 2006

(Amount in Rupees)

	Schedule	Year Ended March 31, 2006	Year Ended March 31, 2005
<b>INCOME :</b>			
Investment Management Fees		3,565,845,126	3,077,220,623
Investment Income	J	61,960,182	37,422,643
Other Income	K	85,840,514	82,436,407
<b>TOTAL</b>		<b>3,713,645,822</b>	<b>3,197,079,673</b>
<b>EXPENDITURE :</b>			
Employee Cost	L	651,943,310	583,989,632
Administrative & Other Expenses	M	679,720,785	876,519,366
Interest		1,711,349	6,646,798
Depreciation	C	356,640,960	122,803,248
Bad Debts		777,064	100,000
<b>TOTAL</b>		<b>1,690,793,468</b>	<b>1,590,059,044</b>
<b>PROFIT BEFORE TAX</b>		2,022,852,354	1,607,020,629
Less:- Provision for tax			
Current year Tax		755,000,000	580,000,000
Deferred Tax		(66,650,000)	(9,480,000)
Fringe Benefit Tax		8,870,000	-
Add - Prior period Income		(81,224)	201,274
Less - Prior Period Expenses		(7,829,764)	12,253,342
<b>Less -Prior period Adjustments (Net)</b>		<b>(7,748,540)</b>	<b>12,052,068</b>
<b>Profit After Tax</b>		<b>1,333,380,894</b>	<b>1,024,448,561</b>
Add : Provision for Income Tax written back		19,320,666	-
<b>Net Profit before Dividend</b>		<b>1,352,701,560</b>	<b>1,024,448,561</b>
Proposed Dividend		200,000,000	-
Corporate Dividend Tax		28,050,000	-
Transfer to General Reserve		135,270,156	-
<b>Net Profit after Dividend, Dividend Distribution Tax &amp; Transfer to General Reserve</b>		<b>989,381,404</b>	
Balance of Profit & Loss Account brought forward from previous year		2,273,840,927	1,249,392,366
<b>Balance of Profit &amp; Loss Account carried to Balance Sheet</b>		<b>3,263,222,331</b>	<b>2,273,840,927</b>

Basic and Diluted Earnings per share (in Rs)  
(Refer Note 14 of schedule N)

135.27

102.44

**Notes forming part of the Accounts**

N

Schedules annexed hereto forming part of the Balance Sheet and Profit and Loss Account

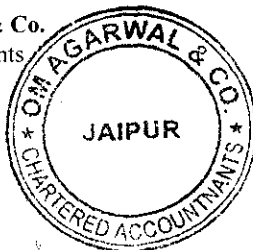
As per our report annexed

For and on behalf of the Board of Directors

For Om Agarwal & Co.  
Chartered Accountants

Ashok Kumar Jain  
Partner

Mumbai  
Date: 26.09.2006



U K Sinha  
Chairman & Managing Director

I.Rahman  
Chief Financial Officer & Company Secretary

Mumbai  
Date: 26.09.2006

Anita Ramachandran  
Director





**UTI ASSET MANAGEMENT COMPANY PVT. LTD.**

**Cash Flow Statement for the year ended 31st March, 2006**

	For the year ended 31st March 2006	For the year ended 31st March 2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit & Loss Before Taxation	2,030,600,894	1,594,968,561
<u>Adjustment for</u>		
Depreciation	356,640,960	122,803,248
Provision for Gratuity	-	2,632,719
Provision for Leave Encashment	6,732,145	6,171,825
Interest Income	(7,124,343)	(5,396,134)
Divident Income	(27,895,166)	(16,099,032)
Profit / Loss on Sale of Fixed Asset	106,757	-
Profit / Loss on Sale of Investment	(26,940,673)	(15,927,476)
<b>Operating Profit before working Capital Changes</b>	<b>2,332,120,574</b>	<b>1,689,153,710</b>
Less : Advance Tax and TDS	(808,298,555)	(594,399,691)
<u>Adjustment for changes in working capital</u>		
(Increase)/ Decrease in Loan & Advances	431,809,389	796,305,930
(Increase)/ Decrease in Sundry Debtors	(11,809,863)	22,276,913
(Increase)/Decrease in Interest accrued on deposits	152,068	1,123,089
Increase/ (Decrease) in provisions	(356,691,262)	(811,343,908)
Increase/ (Decrease) in Current Liabilities	(63,378,930)	(65,086,823)
	<u>(808,217,154)</u>	<u>(651,124,490)</u>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1,523,903,420</b>	<b>1,038,029,220</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(48,326,559)	(501,894,241)
Purchase of Investment	(1,556,476,273)	(553,082,249)
Interest Income	7,124,343	5,396,134
Divident Income	27,895,166	16,099,032
Profit / Loss on Sale of Fixed Asset	(106,757)	-
Profit / Loss on Sale of Investment	26,940,673	15,927,476
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,542,949,407)</b>	<b>(1,017,553,847)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Share Capital		
Proposed Dividend	(200,000,000)	
Corporate Dividend Distribution Tax	(28,050,000)	
<b>Net cash generated from financing activities</b>	<b>(228,050,000)</b>	
<b>Net Increase/ decrease in cash and cash equivalent</b>	<b>(247,095,987)</b>	<b>20,475,373</b>
Cash and cash equivalent as on 31-03-2005 / 01-02-2004	625,499,040	605,023,667
Cash and cash equivalent as on 31-03-2006 / 01-04-2005	378,403,053	625,499,040

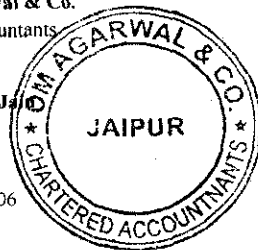
As per our report annexed

For and on behalf of the Board of Directors

For Om Agarwal & Co.  
Chartered Accountants

Ashok Kumar Jain  
Partner

Mumbai  
Date: 26.09.2006

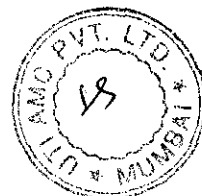


U K Sinha  
Chairman & Managing Director

I. Rahman  
Chief Financial Officer & Company Secretary

Mumbai  
Date: 26.09.2006

Anita Ramachandran  
Director



**UTI ASSET MANAGEMENT COMPANY PVT. LTD.**

**Schedules forming part of Balance sheet for the year ended 31st March 2006**

(Amount in Rupees)

As at 31-03-2006      As at 31-03-2005

**SCHEDULE A**  
**SHARE CAPITAL**

**Authorised:**

10,000,000 equity shares of Rs. 10/- each

100,000,000      100,000,000

**Issued Subscribed & Paid up Capital**

1,00,00,000 equity shares of Rs. 10/- each fully paid up

100,000,000      100,000,000

**SCHEDULE B**  
**RESERVES & SURPLUS**

**Profit and Loss Account**

Opening Balance

2,273,840,927      1,249,392,366

Add. Current Year's Profit

989,381,404      1,024,448,561

Balance in Profit and Loss Account

3,263,222,331      2,273,840,927

**General Reserve**

Opening Balance

-      -

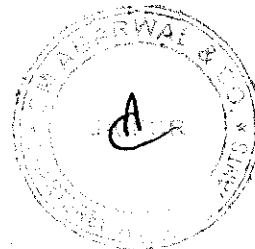
Add. Transferred during the year

135,270,156      -

Balance in General Reserve

135,270,156      -

**3,398,492,487      2,273,840,927**

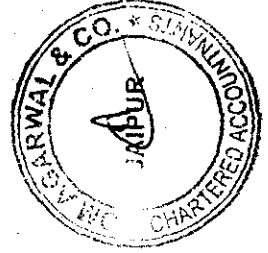


**UTI ASSET MANAGEMENT COMPANY PVT. LTD.**

**Schedules forming part of Balance sheet for the year ended 31st March 2006**

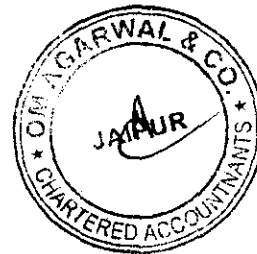
**SCHEDULE C  
FIXED ASSETS**

Category Name	GROSS BLOCK (AT COST)				ACCUMULATED DEPRECIATION				NET BLOCK	
	Opening Cost	Additions	Disposal	Total Cost	Opening	Depreciation	Disposal	Closing	Opening Book Value	Closing Book Value
<b>TANGIBLE ASSETS:</b>										
Dead Stock Furniture and Fixture	540,290	7,432,971	-	7,973,261	203,396	871,033	-	1,074,430	336,893	6,898,831
Dead Stock Office Equipment and Machines	7,713,372	15,225,939	113,206	22,826,105	791,377	2,098,064	10,388	2,879,052	6,921,993	19,947,053
Dead stock motor vehicle	-	4,658,303	-	4,658,303	-	653,865	-	653,865	-	4,004,438
Dead Stock Computer	45,328,781	12,871,712	310,041	57,890,451	12,924,011	15,198,378	75,492	28,046,897	32,404,770	29,843,554
<b>Sub Total</b>	<b>53,582,443</b>	<b>40,188,925</b>	<b>423,247</b>	<b>93,348,121</b>	<b>13,918,784</b>	<b>18,821,339</b>	<b>85,880</b>	<b>32,654,244</b>	<b>39,663,656</b>	<b>60,683,876</b>
<b>INTANGIBLE ASSETS:</b>										
Dead stock Software	9,159,863	7,461,531	-	16,621,394	1,848,618	4,247,632	-	6,096,250	7,311,245	10,525,144
Asset Management Rights	442,204,997	-	-	442,204,997	108,633,008	333,571,989	-	442,204,997	333,571,989	-
<b>Sub Total</b>	<b>451,364,860</b>	<b>7,461,531</b>	<b>-</b>	<b>458,826,391</b>	<b>110,481,626</b>	<b>337,819,620</b>	<b>-</b>	<b>448,301,247</b>	<b>340,883,234</b>	<b>10,525,144</b>
<b>Total</b>	<b>504,947,303</b>	<b>47,650,456</b>	<b>423,247</b>	<b>552,174,512</b>	<b>124,400,410</b>	<b>356,640,960</b>	<b>85,880</b>	<b>480,955,492</b>	<b>380,546,890</b>	<b>71,219,020</b>
<i>Previous Year Figures</i>	8,727,441	496,219,861	-	504,947,302	1,597,164	122,803,248	-	124,400,412	380,546,891	7,130,277



Schedules forming part of Balance sheet for the year ended 31st March 2006

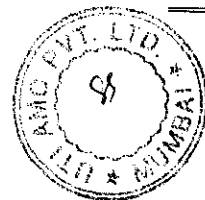
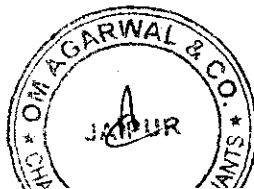
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE D</b>		
<b>INVESTMENT</b>		
<b>1. Long Term (Unquoted)</b>		
<b>a) In wholly owned subsidiaries at cost</b>		
UTI Venture Funds Mgt Co Ltd. (5,000,070 Equity Shares of Rs 10/- each)	98,025,000	98,025,000
UTI International Ltd ( 2,240,000 fully paid up shares of GBP 1/- each)	194,692,247	194,692,247
<b>b) Units of Mutual Fund- At Cost</b>		
Investment in UTI Bond Fund		13,948,338
UTI Bond Advantage Institutional - Bonus Plan (MV 52,247,341)	50,000,000	50,000,000
<b>c) Units of Venture Fund - At Cost</b>		
Investment in UTI India Technology Venture Unit Scheme (MV 164,500,800)	51,974,794	110,771,281
Investment in Ascent India Fund (MV 393,393,000)	393,000,000	
<b>d) Non Convertible Debentures</b>		
6% Unsecured Redeemable Non-Convertible Bonds of Syndicate Bank	50,000,000	50,000,000
<b>e) Investment in Bonds</b>		
UTI Bank Tier II Bond	100,000,000	
6.15% Unsecured Redeemable Non-Convertible Bonds of Indian Bank	50,000,000	50,000,000
<b>f) Unsecured Deposits</b>		
Special Deposits To UTI Employee Co-Operative Society	14,748,000	10,000,000
<b>2. Short Term Investment (Unquoted)-At Cost or NAV which ever is lower</b>		
<b>Units of Mutual Funds</b>		
UTI Liquid Cash Fund (MV 636,623,810)	615,770,519	316,086,127
UTI Liquid Short Term Plan (MV 88,823,338)	86,228,264	81,325,005
UTI Money Market Fund (MV 13,998,191)	13,347,645	13,757,903
UTI Floating Rate Fund (MV 416,911,809)	404,850,512	100,627,116
UTI Gilt Advantage Long Term Plan - Dividend	-	40,000,000
UTI G-Sec Short Term Plan	-	137,919,889
UTI Gilt Advantage Short Term Plan - Dividend	-	11,007,802
UTI Fixed Maturity Plan (MV 913,110,500)	900,000,000	300,000,000
VSS Fund Liquid Cash plan Instt Growth	112,000,000	
	2,132,196,940	1,000,723,842
	<b>3,134,636,981</b>	<b>1,578,160,708</b>



**UTI ASSET MANAGEMENT COMPANY PVT. LTD.**

**Schedules forming part of Balance Sheet for the year ended 31st March 2006**

	As at 31.03.2006	As at 31.03.2005
<b><u>SCHEDULE E</u></b>		
<b>SUNDRY DEBTORS (Unsecured considered good)</b>		
Debts outstanding for a period exceeding six months	-	-
Others	29,754,860	17,944,997
	<u>29,754,860</u>	<u>17,944,997</u>
	<u><u>29,754,860</u></u>	<u><u>17,944,997</u></u>
 <b><u>SCHEDULE F</u></b>		
<b>CASH AND BANK BALANCE</b>		
Cash in Hand including Stamps	255,155	136,108
Balances with Scheduled Banks -		
In Current Accounts	4,647,898	6,562,931
In Short Term Deposits	373,500,000	618,800,000
	<u>378,403,053</u>	<u>625,499,040</u>
	<u><u>378,403,053</u></u>	<u><u>625,499,040</u></u>
 <b><u>SCHEDULE G</u></b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind (Not including Interest Accrued)	79,635,342	54,515,591
Loans to Employees	225,381,641	92,634,807
Deposits	12,522,073	7,798,357
Advance Income Tax & TDS	808,298,555	594,399,691
	<u>1,125,837,611</u>	<u>749,348,446</u>
	<u><u>1,125,837,611</u></u>	<u><u>749,348,446</u></u>
 <b><u>SCHEDULE H</u></b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	329,252,069	396,125,337
Security Deposits	3,840,096	345,758
	<u>333,092,165</u>	<u>396,471,095</u>
	<u><u>333,092,165</u></u>	<u><u>396,471,095</u></u>
 <b><u>SCHEDULE I</u></b>		
<b>PROVISIONS</b>		
Provision for Gratuity	-	2,632,719
Provision for Leave Encashment	6,732,145	6,171,825
Provision for Income Tax	755,000,000	594,345,099
Provision for Legal Cases	3,900,000	4,813,638
Provision for Bad and Doubtful Debts	100,000	100,000
Provision for Frindge Benefit Tax	8,870,000	-
Provision for Wealth Tax	25,045	-
Provision for Proposed Dividend	200,000,000	-
Provision for Corporate Dividend Distribution Tax	28,050,000	-
	<u>1,002,677,190</u>	<u>608,063,281</u>
	<u><u>1,002,677,190</u></u>	<u><u>608,063,281</u></u>



UTI ASSET MANAGEMENT COMPANY PVT. LTD.

Schedules forming part of Profit & Loss Accounts for the year ended 31st March 2006

	For the year ended 31.03.2006	For the year ended 31.03.2005
<b>SCHEDULE J</b>		
<b>Investment Income</b>		
Interest on Securities	7,124,343	5,396,134
Dividend - Gross	27,895,166	16,099,032
Profit/Loss on Sale of Mutual Fund Units	26,940,673	15,927,476
	<u>61,960,182</u>	<u>37,422,643</u>

**SCHEDULE K**

**Other Income**

<b>Interest on :</b>		
a) Short Term Deposits (Gross)	38,601,043	33,532,524
(TDS C.Y. Rs 86,62,075; P.Y. Rs.70,52,912)		
b) Loans to Employees	7,868,485	3,986,178
Excess provision written back	25,567,218	43,339,324
Miscellaneous Income	13,791,935	1,775,113
Forex Gain / Loss.	11,833	(196,732)
	<u>85,840,514</u>	<u>82,436,407</u>

**SCHEDULE L**

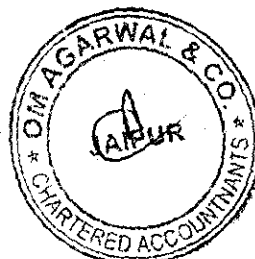
**Employee Cost**

Salaries, Allowances and Other Benefits	552,841,007	484,017,399
Staff Welfare Expenses	51,412,088	56,470,574
Contribution to PF, Gratuity, Leave Encashment and other Funds	47,368,226	43,501,658
Discount on Housing Loan-Benefit	321,989	
	<u>651,943,310</u>	<u>583,989,631</u>

**SCHEDULE M**

**Administrative and Other Expenses**

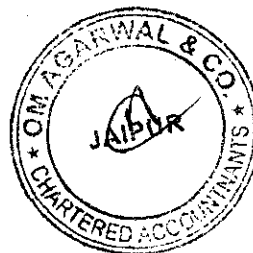
Advertisement	34,521,511	30,630,149
Auditors Remuneration :		
Statutory Audit Fees	350,000	250,000
Tax Audit Fees & Other Tax Expenses (Incl out of pocket exp)	1,447,275	346,575
Board Meeting Expenses	1,797,275	596,575
Travelling Board Members	845,318	1,274,911
Books & Newspapers	1,633,067	989,927
Business Promotion	2,138,640	2,946,968
Computer Consumables	65,559,231	90,048,403
Directors Sitting Fees	5,157,143	3,370,496
Electricity Charges	1,226,500	1,101,260
Insurance	29,794,581	36,687,970
Lease Rent On Usage of Assets	3,574,955	2,597,687
Legal & Professional Fees	127,239,687	155,430,307
Local Conveyance	28,713,659	30,114,933
Membership Fees & Subscription	3,770,319	978,694
Miscellaneous Expenses	34,877,634	23,401,954
Postage & Courier	6,798,235	8,665,247
Printing & Stationery	19,487,281	13,954,364
Rates & Taxes	10,092,813	10,015,535
Rent	1,656,658	520,404
Repairs & Maintenance	53,560,949	47,565,114
Initial Issue Expenses	83,173,228	65,078,662
Scheme Expenses		43,585,947
Security Charges	76,918,950	211,144,430
Telephone & Fax	7,536,913	10,560,681
Tour & Travels	20,399,075	23,487,682
Vehicle Expenses	31,810,310	43,573,522
Custodial Charges	8,597,009	7,153,541
Filing Fees	66,087	39,388
Intermediaries Commission PMS	89,002	535,282
Provision for Legal Cases	1,088,250	555,694
Charitable Donations		4,813,638
Marketing Fees	1,000,000	5,100,000
Pre-Operative Exps	8,826,469	
Loss on Sale/ Destruction of Assets	7,838,236	
Wealth Tax	106,757	
	25,044	
	<u>679,720,785</u>	<u>876,519,366</u>



# UTI ASSET MANAGEMENT COMPANY PVT. LTD.

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE Amount in Rupees

- I. Registration Details  
Registration No. U 65991 MH 2002 PTC 137867 State Code 11  
Balance Sheet Date 31-03-2006
- II. Capital raised during the year (Amount in Rs.)  
Public Issue Nil Right Issue Nil  
Bonus Issue Nil Private Issue Nil
- III. Position of mobilisation and deployment of Funds (Amount in Rs.)
- |                    |                   |                      |                   |
|--------------------|-------------------|----------------------|-------------------|
| Total Liabilities  | <u>3498492567</u> | Total Assets         | <u>3498492567</u> |
| Paid-up Capital    | <u>100000000</u>  | Reserves and Surplus | <u>3398492487</u> |
| Secured Loans      | <u>80</u>         | Unsecured Loans      | <u>NIL</u>        |
| Net Fixed Assets   | <u>77906870</u>   | Investment           | <u>3134636981</u> |
| Net Current Assets | <u>285948716</u>  |                      |                   |
- IV. Performance of the Company (Amount in Rs.)
- |                             |                   |                   |                   |
|-----------------------------|-------------------|-------------------|-------------------|
| Total Income                | <u>3713645822</u> | Total Expenditure | <u>1690793468</u> |
| Profit Before Tax           | <u>2022852354</u> | Profit After Tax  | <u>1352701560</u> |
| Earnings per share (in Rs.) | 135.27            | Dividend (%)      | 200 %             |
- V. Generic Names of Principal Services of the Company (as per monetary terms)
- |                          |                               |
|--------------------------|-------------------------------|
| Item code no. (ITC Code) | N.A                           |
| Product Description      | ASSET MANAGEMENT              |
| Item Code no. (ITC Code) | N.A                           |
| Product Description      | PORTFOLIO MANAGEMENT SERVICES |



Schedule N

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**1.1 Accounting Convention**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and relevant provisions of the Companies Act, 1956.

**1.2 Revenue Recognition**

- a) Management fees is accounted for on accrual basis in accordance with the Investment Management and Advisory Agreement with the UTI Trustee Company Private Limited and Services Agreement with the Administrator of the Specified Undertaking of Unit Trust of India (SUUTI). It is based on the unaudited net asset value as recorded by the Schemes of UTI Mutual Fund and SUUTI.
- b) Dividend & Interest income is accounted on accrual basis.
- c) Profit/Loss on sale of investments is accounted on trade date basis. The profit/loss on sale of investments is calculated on weighted average basis.

**1.3 Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation.

**1.4 Depreciation**

**1.4 (a) Tangible Assets**

The Company has decided to provide Depreciation on Fixed Assets on Written down value method in the manner prescribed in Schedule XIV of the Companies Act, 1956. Depreciation has been provided at the following rates:-

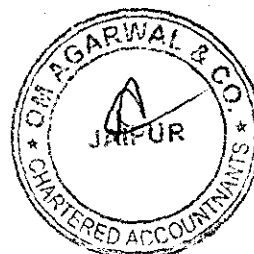
<b>CLASS OF FIXED ASSET</b>	<b>RATE OF DEPRECIATION (%)</b>
Computer Hardware	40.00%
Office Equipment & Machines	13.91%
Furniture's & Fixtures	18.10%
Motor Cars	25.89%

Assets costing individually Rs.5,000 or less are depreciated at the rate of 100%.

**1.4 (b) Intangible Assets**

Intangible Assets - Software are amortised over a period of three years on straight line method on pro rata basis.

Intangible Assets - There is change in accounting estimate with regard to amortization of Asset Management Rights. Accordingly, balance Asset Management Rights is fully amortized during the current year as compared to





three years in the last year. This change in accounting estimate is applied prospectively in accordance with AS-5 'Net Profit or Loss for the period, Prior Period Items and Change in Accounting Policies' issued by ICAI.

### 1.5 Investments

Investments are classified into current investments and long-term investments. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and market/ fair value.

Long term investments are stated at cost. Provision for diminution is made to recognize a decline, other than of temporary nature, in the value of such investments.

### 1.6 Transaction in Foreign Currency

Transactions in foreign currency are accounted for at the rate of exchange prevailing at the date of the transaction. The Company has a 100% owned subsidiary UTI International Ltd. in Guernsey, which is treated as Non-Integral Foreign Operation as per definition under Accounting Standard 11 "The effect of changes in foreign exchange rates" (Revised). The amount payable as marketing fees to the subsidiary in respect of domestic & offshore funds is accounted for at the closing rate.

### 1.7 Retirement Benefits

The contribution to the Provident Fund is made in accordance with UTI AMC Provident Fund Regulations and as such are charged to profit & loss account.

The contribution to Pension Fund is made in accordance with UTI AMC Pension Fund trust deed and actuarial valuation made at the year end by Life Insurance Corporation.

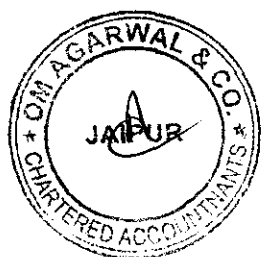
Provisions on account of Gratuity and Leave Encashment of eligible employees are made based on the actuarial valuation done at the year-end. Company's contribution in case of Gratuity and Leave Encashment are funded annually with the Life Insurance Corporation of India under the respective schemes, based on the actuarial valuation.

### 1.8 Earning per Share

Basic and Diluted Earnings per share are reported in accordance with AS 20 'Earnings Per Share' issued by the ICAI. Basic and Diluted Earnings per equity share has been computed by dividing net profit after tax by weighted average number of equity shares outstanding for the year. The Company has not issued any potential equity shares and accordingly the basic earnings per share and diluted earnings per share are the same.

### 1.9 Scheme Expenses

Expenses of the Schemes of UTI Mutual Fund in excess of the stipulated rates prescribed by SEBI (Mutual Fund) Regulations 1996 as well as board of directors are required to be borne by the company, and as such, are charged to the Profit & Loss Account of the Company. All other expenses charged to Profit & Loss Account like rating fees, license fees etc. in this head are



charged as per the approval of the board of directors and norms of the industry.

## 2.0 Taxes on Income

Income tax is accrued in accordance with Accounting Standard 22 'Accounting for Taxes on Income' issued by ICAI, which includes current and deferred taxes.

Current tax is determined as the amount of tax payable in respect of taxable income for the year in accordance with the provisions of the Income Tax Act, 1961.

Deferred Income Taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier 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 for all deductible timing differences, carry forward of unused tax assets and unused tax losses only if there is reasonable virtual certainty that such deferred tax assets can be realized against future liabilities.

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

## 2.1 Operating Lease

Leases, where the lessor retains substantially all risks and benefits of ownership over the lease term, are classified as Operating Leases. Operating lease rentals are recognized as an expense over the lease period.

## 2.2 Treatment of Contingent Liability

Contingent Liabilities where an estimate of its financial effect is measurable and indication of the uncertainties relating to any outflow and the possibility of any reimbursement are disclosed by way of Notes in the Balance Sheet as per Accounting Standard 29, "Provisions, Contingent liabilities and Contingent Assets". Provision is made in accounts for those liabilities, which are likely to materialize after the year end and having effect on the position stated in Balance Sheet as at the year end.

