

**Auditors' Report**

To

The Members of ING Investment Management (India) Private Limited

1. We have audited the attached balance sheet of ING Investment Management (India) Private Limited ('the Company') as at 31 March 2011 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 auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. 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;
  - v. On the basis of the written representations received from the directors, as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
    - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.



For S.R. Batliboi & Co.  
Firm Registration No.:301003E  
Chartered Accountants



per Surekha Gracias  
Partner  
Membership No.: 105488

Mumbai, 20 July 2011

**Annexure referred to in paragraph 3 of our report of even date**

Re: ING Investment Management (India) Private Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company is an asset management company; therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 (as amended) related to inventory are not applicable.
- (iii) (a) As informed, the Company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (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 provision of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there were no transactions in the current year that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the services of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it have *generally* been regularly deposited with the appropriate authorities *though there have been delays in a few cases*.  
Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (b) According to the information and explanations given to us, except for tax deducted at source on perquisites under the Income Tax Act, 1961 aggregating Rs.5,056 which were outstanding at the year-end for a period of more than six months from the date they became payable i.e. for the period from April 2010 to August 2010, which is due on the seventh day of the following month, and still remains unpaid, there are no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, 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, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

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Annexure referred to in paragraph 3 of our report of even date

Re: ING Investment Management (India) Private Limited ('the Company')

- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash losses during the year and also during immediately preceding financial year.*
- (xi) According to information and explanations given to us and based on our examination of documents and records, the Company has not taken any loans from financial institutions or banks or issued debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

*S.R. Batliboi & Co.*

For S.R. Batliboi & Co.

Firm Registration No.:301003E

Chartered Accountants

*Surekha Gracias*

per Surekha Gracias

Partner

Membership No.: 105488

Mumbai, 20 July 2011

# ING Investment Management (India) Private Limited

## Balance sheet as at 31 March 2011

(Currency: Indian rupee in thousands)

	Schedules	2011	2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	2,755,465	2,755,465
<b>Loan funds</b>			
Secured loans	2	655	2,182
<b>TOTAL</b>		<u><b>2,756,120</b></u>	<u><b>2,757,647</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	3	113,309	114,315
Less: Depreciation		<u>83,905</u>	<u>65,752</u>
<b>Net block</b>		<u><b>29,404</b></u>	<u><b>48,563</b></u>
<b>Current assets, loans and advances</b>			
Sundry debtors	4	55,868	30,612
Cash and bank balances	5	246,642	401,468
Loans and advances	6	139,875	166,238
Interest accrued on bank fixed deposits		<u>4,433</u>	<u>695</u>
		<u><b>446,818</b></u>	<u><b>599,013</b></u>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	7	171,591	133,818
Provisions	8	<u>39,466</u>	<u>24,869</u>
		<u><b>211,057</b></u>	<u><b>158,687</b></u>
<b>Net current assets</b>		<b>235,761</b>	<b>440,326</b>
Debit balance in profit and loss account		<u><b>2,490,955</b></u>	<u><b>2,268,758</b></u>
		<u><u><b>2,756,120</b></u></u>	<u><u><b>2,757,647</b></u></u>

### Notes to accounts

13

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

*S.R. Batliboi & Co.*

For S.R. Batliboi & Co.  
Firm Registration Number: 301003E  
Chartered Accountants

*Surekha Gracias*

per Surekha Gracias  
Partner  
Membership No: 105488



Date : 20 July 2011  
Mumbai

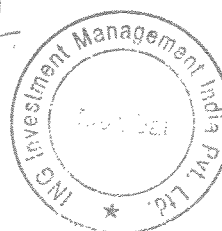
For and on behalf of the Board of Directors of  
ING Investment Management (India) Private Limited.

*Navin Suri*  
Navin Suri  
Managing Director  
& Chief Executive Officer

*Sumesh Kumar*  
Sumesh Kumar  
Company Secretary

Date : 20 July 2011  
Mumbai

*Rajan Raheja*  
Rajan Raheja  
Director



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# ING Investment Management (India) Private Limited

## Profit and loss account for the year ended 31 March 2011

(Currency: Indian rupee in thousands)

	Schedules	2011	2010
<b>Income</b>			
Investment management and advisory fees	9	712,759	283,500
Profit on sale of investments		-	4,694
Other income	10	25,138	16,965
<b>TOTAL</b>		<b>737,897</b>	<b>305,159</b>
<b>Expenditure</b>			
Employee costs [includes prior period Rs. Nil (previous year Rs 1,585)]	11	299,491	273,100
Establishment and other expenses	12	637,051	350,553
Depreciation	3	23,400	35,224
Finance charges		152	338
<b>TOTAL</b>		<b>960,094</b>	<b>659,215</b>
<b>Loss before tax</b>		<b>222,197</b>	<b>354,056</b>
Less: Provision for tax		-	-
Less: Fringe benefit tax		-	366
Less: Wealth tax		-	7
<b>Loss after tax</b>		<b>222,197</b>	<b>354,429</b>
Accumulated losses brought forward from previous year		2,268,758	1,914,329
<b>Balance carried forward to balance sheet</b>		<b>2,490,955</b>	<b>2,268,758</b>
Basic and diluted loss per share of Rs. 10 each face value (in Rupees)		<b>(0.81)</b>	<b>(1.52)</b>

### Notes to the accounts

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The schedules referred to above and notes to accounts form an integral part of the profit and loss account.

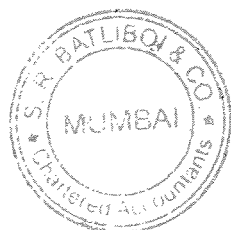
As per our report of even date.

*Surekha Gracias*

For S.R. Batliboi & Co.  
Firm Registration Number: 301003E  
Chartered Accountants

*Surekha Gracias*

per Surekha Gracias  
Partner  
Membership No: 105488



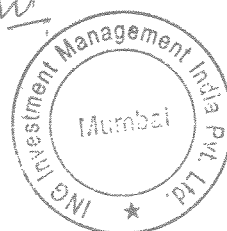
Date: 20 July 2011  
Mumbai

For and on behalf of the Board of Directors of  
ING Investment Management (India) Private Limited

*Navin Suri*  
Navin Suri  
Managing Director  
& Chief Executive Officer

*Rajan Raheja*  
Rajan Raheja  
Director

*Sumesh Kumar*  
Sumesh Kumar  
Company Secretary



Date: 20 July 2011  
Mumbai

Cashflow statement for the year ended 31 March 2011  
(Currency: Indian rupee in thousands)

Particulars	2011	2010
<b>A. Cash flow from operating activities</b>		
Loss before taxation, and extraordinary items	(222,197)	(354,056)
<b>Add / (Less) Adjustments for:</b>		
Depreciation	23,400	35,224
Profit on sale of investments	-	(4,694)
(Profit) / Loss on sale/disposal of fixed assets (net)	(160)	11,568
Unrealized foreign exchange gain (net)	17	(1,613)
Interest income	(22,465)	(7,298)
Interest expense	152	338
<b>Operating profit before working capital changes</b>	<b>(221,253)</b>	<b>(320,531)</b>
Movements in working capital:		
Decrease / (Increase) in sundry debtors	(25,256)	(2,710)
Decrease / (Increase) loans and advances	20,304	(5,795)
Increase / (Decrease) in current liabilities & provisions	52,369	(17,701)
	<b>(173,836)</b>	<b>(346,737)</b>
Direct taxes refunds (net of payments)	6,059	21,128
<b>Net cash flow from operating activities</b>	<b>(167,776)</b>	<b>(325,609)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(5,198)	(962)
Proceeds from sale of fixed assets	1,106	518
Deposits placed (with maturity more than three months)	(219,048)	(236,386)
Proceeds of deposits matured (with maturity more than three months)	206,674	20,148
Proceeds from sale/maturity of investments	-	109,721
Interest received	18,727	6,729
<b>Net cash flow from investing activities</b>	<b>2,261</b>	<b>(100,232)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from issuance of share capital (#)	-	525,379
Repayment of loans	(1,527)	(11,414)
Interest Paid	(152)	(338)
<b>Net cash flow from financing activities</b>	<b>(1,679)</b>	<b>513,627</b>
Increase/ (Decrease) in Cash and Cash Equivalent	<b>(167,194)</b>	<b>87,786</b>
<b>Cash and Cash Equivalent at the beginning of the Year</b>		
- Cash on hand	-	27
- Cash at Bank	7,271	16,243
- Fixed deposits with banks (with an original maturity of three months or less)	172,986	76,201
	<b>180,257</b>	<b>92,471</b>
<b>Cash and Cash Equivalent at the end of the Year</b>		
- Cash at Bank	4,063	7,271
- Fixed deposits with banks (with an original maturity of three months or less)	9,000	172,986
	<b>13,063</b>	<b>180,257</b>
<b>Increase/ (Decrease) in Cash and Cash Equivalent</b>	<b>(167,194)</b>	<b>87,786</b>

(#) Excludes extinguishment of loan through infusion as equity share capital.

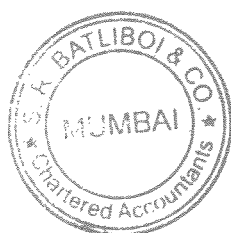
As per our report of even date.

*Surekha Gracías*

For S.R. Batliboi & Co.  
Firm Registration Number: 301003E  
Chartered Accountants

*Surekha Gracías*

per Surekha Gracías  
Partner  
Membership No: 105488



Date : 20 July 2011  
Mumbai

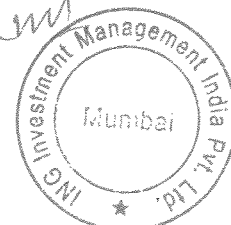
For and on behalf of the Board of Directors of  
ING Investment Management (India) Private Limited

*Navin Suri*  
Navin Suri  
Managing Director  
& Chief Executive Officer

*Rajan Raheja*  
Rajan Raheja  
Director

*Sumesh Kumar*  
Sumesh Kumar  
Company Secretary

Date : 20 July 2011  
Mumbai



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# ING Investment Management (India) Private Limited

Schedules to the accounts as at 31 March 2011

(Currency: Indian rupee in thousands)

	2011	2010
<b>1 Share capital</b>		
<b>Authorised share capital</b>		
276,000,000 (previous year: 276,000,000) equity shares of Rs. 10 each face value	<u>2,760,000</u>	<u>2,760,000</u>
<b>Issued, subscribed and fully paid-up</b>		
275,546,530 (previous year: 275,546,530) equity shares of Rs.10 each face value, fully	2,755,465	2,755,465
	<u>2,755,465</u>	<u>2,755,465</u>
Of the above:		
126,509,966 (previous year: 126,509,966) equity shares of Rs.10 each face value are held by Nationale Nederlanden Interfinance B.V.		
<b>2 Secured loans</b>		
Finance lease obligations - other than banks	655	2,182
(Secured by hypothecation of motor vehicles)	<u>655</u>	<u>2,182</u>



# ING Investment Management (India) Private Limited

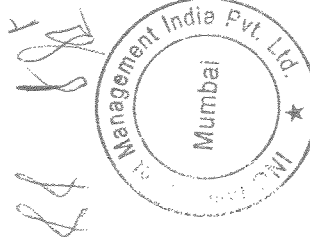
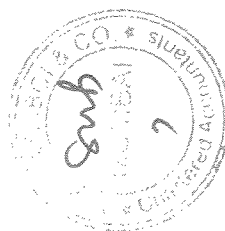
## Schedules to the accounts (Continued)

as at 31 March 2011

(Currency: Indian rupee in thousands)

### 3 Fixed assets

Description	Gross Block			Depreciation		Net Block		
	Opening balance	Additions	Deductions	As at 31 March 2011	For the Year	Deductions	As at 31 March 2011	As at 31 March 2010
Computers	24,985	3,826	1,561	27,250	4,423	1,553	3,958	4,563
Furniture and fixtures	6,878	-	622	6,256	1,087	622	2,220	3,307
Leased assets (Motor Vehicles)	9,335	-	3,186	6,149	1,629	2,382	1,714	4,147
Office equipment	22,690	802	288	23,204	4,329	187	8,009	11,637
Leasehold improvements	50,427	570	547	50,450	11,932	503	36,947	24,909
<b>Total</b>	<b>114,315</b>	<b>5,198</b>	<b>6,204</b>	<b>113,309</b>	<b>23,400</b>	<b>5,247</b>	<b>83,905</b>	<b>48,563</b>
Previous year	169,888	962	56,535	114,315	35,224	44,450	65,752	48,563



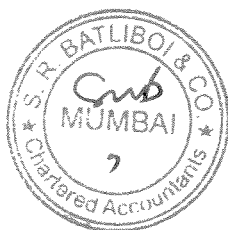
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# ING Investment Management (India) Private Limited

Schedules to the accounts as at 31 March 2011

(Currency: Indian rupee in thousands)

	2011	2010
<b>4 Sundry debtors</b>		
<i>(Unsecured, considered good and outstanding for a period less than six months)</i>		
Fees receivable	55,868	26,908
Other receivables from schemes of ING Mutual Fund	-	3,704
	<u>55,868</u>	<u>30,612</u>
<b>5 Cash and bank balances</b>		
Balance with scheduled banks		
- in current accounts	3,364	5,236
- in deposit account	242,579	394,197
- Optimix distributors escrow bank account [refer Schedule 13(14)]	699	2,035
	<u>246,642</u>	<u>401,468</u>
<b>6 Loans and advances</b>		
<i>(Unsecured, considered good)</i>		
Advance recoverable in cash or in kind or for value to be received	16,998	41,547
Prepaid expenses	7,990	6,288
Deposit for premises and services	82,751	81,111
Other loans and advances (including to staff)	1,527	624
Advance tax (net of provision for tax)	30,609	36,668
	<u>139,875</u>	<u>166,238</u>



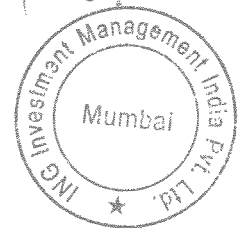
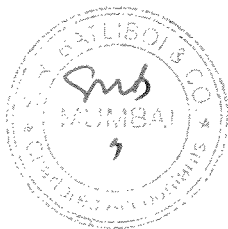
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# ING Investment Management (India) Private Limited

Schedules to the accounts as at 31 March 2011

(Currency: Indian rupee in thousands)

	2011	2010
<b>7 Current liabilities</b>		
Sundry creditors [refer Schedule 13(13)]	128,776	99,350
Statutory dues	42,116	32,433
Optimix distributor pool [refer schedule 13(14)]	699	2,035
	<u>171,591</u>	<u>133,818</u>
<b>8 Provisions</b>		
Provision for leave encashment and availment	4,048	5,386
Provision for gratuity [refer schedule 13(4)]	5,844	3,194
Provision for wealth tax	-	7
Provision for bonus	29,574	16,282
	<u>39,466</u>	<u>24,869</u>
<b>9 Investment management and advisory fees</b>		
Fees from mutual fund operations	82,892	93,465
Fees from portfolio management services	596,375	163,185
Fees from investment advisory services	33,492	26,850
	<u>712,759</u>	<u>283,500</u>
<b>10 Other income</b>		
Interest income	22,465	7,298
Profit /(Loss) on foreign exchange fluctuation (net)	(1,136)	3,222
Miscellaneous income	3,809	6,445
	<u>25,138</u>	<u>16,965</u>
<b>11 Employee costs</b>		
Salaries, bonus and allowances	263,829	221,680
Contribution to provident and other funds [refer schedule 13(4)]	18,247	24,027
Staff welfare	17,415	27,393
	<u>299,491</u>	<u>273,100</u>



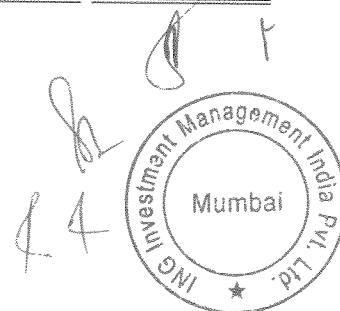
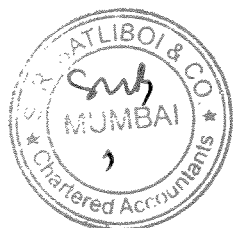
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# ING Investment Management (India) Private Limited

Schedules to the accounts as at 31 March 2011

(Currency: Indian rupee in thousands)

	2011	2010
<b>12 Establishment and other expenses</b>		
Rent	56,252	45,327
Rates & taxes	19,931	17,509
Power & fuel	5,993	8,079
Repairs and maintenance		
-Building	3,409	5,013
-Others	6,210	4,257
Insurance	2,136	610
Legal and professional fees	15,165	14,987
Auditors' remuneration [refer schedule 13(10)]	1,071	901
Information technology	6,978	22,098
Travel and conveyance	13,566	15,968
Telephone, communications and postage	10,813	10,378
Subscription and membership	2,614	6,466
Printing and stationery	5,453	3,564
Business development expenses	45,418	28,929
Commission to distributors	393,697	134,595
Custodian fees	3,170	2,560
Mandate fees	4,153	3,234
Scheme expenses (includes loss on sale of securities of mutual fund borne by the company )	28,670	2,840
Allocated regional overheads	9,072	8,665
(Profit )/Loss on sale/disposal of fixed assets (net)	(160)	11,568
Director's sitting fees	410	415
Miscellaneous expenses	3,030	2,590
	<b>637,051</b>	<b>350,553</b>



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

### 13 Notes to Accounts

#### 1. Background

ING Investment Management (India) Private Limited ('the Company') was incorporated on 6 April 1998.

The principal activity of the Company is to act as an investment management advisor to ING Mutual Fund ('the Fund'). The Company manages the investment portfolio and provides various administrative services to the Fund.

The Company also provides portfolio management services ('PMS') to clients under Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 (as amended).

#### 2. Significant accounting policies

##### a. Basis of preparation

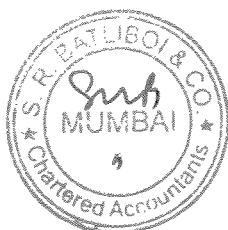
The financial statements have been prepared to comply with the accounting standards notified by Companies Accounting Standards Rules, 2006, as amended and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### b. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Although these estimates are based upon management's best knowledge of current events and action, actual results could differ from estimates.

##### c. Going concern

The Company has incurred losses of Rs 222,197 during the current year. The Company's accumulated losses of Rs 2,490,955 have eroded 90.40% of its equity share capital of Rs. 2,755,465. However, the Company has positive net worth at the year end. The Company has no intention of discontinuing business operations nor does the Company have any plans that may materially affect the carrying value or classification of assets and liabilities. The management of the Company believes that the Company will be able to continue to operate as a going concern and meet all its liabilities as they fall due for payment based on its cash flow projections and the commitment for continued financial support obtained from its principle shareholders. Accordingly, these financial statements have been prepared on a going concern basis.



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

### d. Fixed assets and depreciation

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher:

Class of asset	Estimated useful life
Furniture and fixtures	5 years
Motor vehicles	4 years
Office equipment	5 years
Computers	3 years
Leasehold improvements	Over the period of lease or useful life, whichever is shorter

Fixed assets individually costing Rs. 5 or less are fully depreciated in the year of purchase/acquisition.

Software expenses individually costing EUR 100 equivalent or less are fully charged off to profit and loss account in the year of purchase/acquisition.

The Company provides pro-rata depreciation from the date the asset is put to use and for any asset sold, until the date of sale.

### e. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

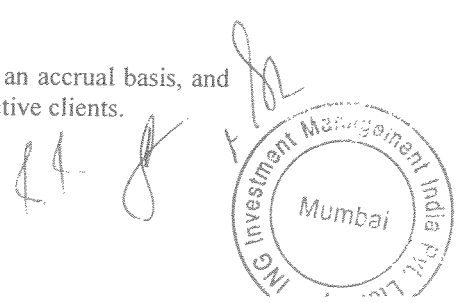
### f. Revenue recognition

#### Fees from mutual fund operations

Investment management fees are recognised net of service tax on an accrual basis as a percentage of the average daily net assets of the schemes of ING Mutual Fund (excluding investments made by the Company in the schemes, inter-scheme investments and investments in fixed deposit by the scheme, if any), such that it does not exceed the rates prescribed by the Securities and Exchange Board of India ('SEBI') (Mutual Fund) Regulations, 1996 (the 'SEBI Regulations') and any further amendments or offer documents of the respective schemes and are net of expenses reimbursed to the Fund in accordance with the SEBI Regulations.

#### Fees from rendering Portfolio Management Services

Fees from portfolio management services are recognized net of service tax on an accrual basis, and are in accordance with the terms of agreement between the Company and respective clients.



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

### Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

### g. Foreign currency translation

#### Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

#### Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

### h. Scheme expenses

Annual recurring expenses relating to schemes of ING Mutual Fund which are in excess of internal expense limits are borne by the Company. The internal expense limits are within the overall expense limits prescribed by the SEBI or offer document of the respective schemes.

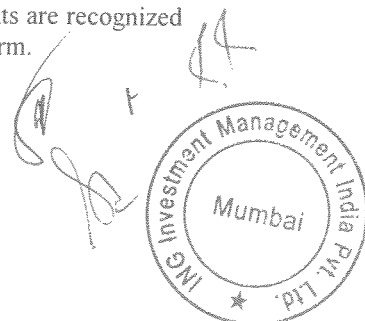
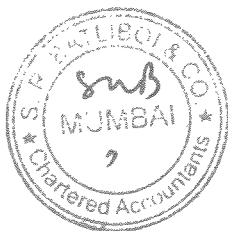
### i. Leases

#### Finance lease

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

#### Operating lease

The company has taken office premises on operating lease. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

### j. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any), by the weighted average number of equity shares outstanding during the period.

### k. Retirement and Other employee benefits

- a. In terms of the Guidance on implementing the revised Accounting Standard 15, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, the provident fund set up by the Company is treated as a defined benefit plan since the company has to meet the interest shortfall, if any. However, as at the year end no shortfall remains unprovided for.

As it is not practical or feasible to actuarially value the liability considering that the rate of interest as notified by the Government can vary annually. Further the pattern of investments for investible funds is as prescribed by the Government.

- b. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- c. Compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- d. Actuarial gains and losses are recognised immediately in the profit and loss account.
- e. The Company makes a contribution to a recognised superannuation scheme, a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

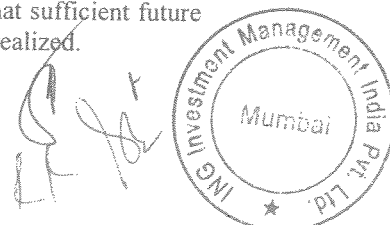
### l. Income taxes

Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects 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 is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The Company has not recognized deferred taxes as there is no virtual certainty that sufficient future taxable income will be available against which such net deferred tax asset will be realized.



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

### m. Provision

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### n. Cash and cash equivalent

Cash and cash equivalents for the purposes of cash flow statement comprises cash on hand, cash at bank and fixed deposits with original maturity of three months or less.

### 3. Capital commitments and contingent liabilities

- Outstanding capital commitments as at 31 March 2011 Rs. Nil (previous year: Nil).
- There are no contingent liabilities as at 31 March 2011 (Previous year – Rs. Nil).

### 4. Employee benefits

In accordance with the Accounting Standard on “Employee Benefits”(AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the company has classified the various benefits provided to the employees as under:

#### Provident Fund:

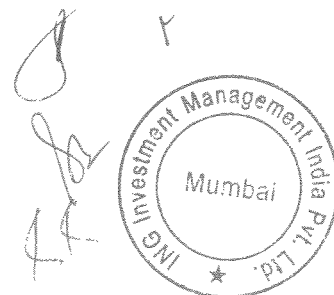
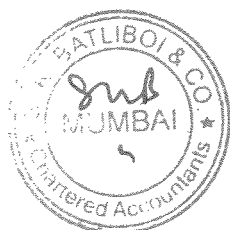
The Company has recognised the following amounts in Profit and Loss Account, which are included under Contribution to Provident and Other Funds:

Particulars	2011	2010
Provident Fund	9,321	7,947

#### Gratuity:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

④ The following tables summarises the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet.



ING Investment Management (India) Private Limited

**Notes to the Accounts**

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

Net gratuity expense included in “Contribution to provident and other funds” under “Employee costs” [Schedule 11]

Particulars	2011	2010
Current service cost	2,852	2,317
Interest cost on benefit obligation	550	303
Expected return on plan assets	(329)	(509)
Net actuarial( gain) / loss recognised in the year	1,037	6,863
<b>Total expense recognised in profit and loss account</b>	<b>4,110</b>	<b>8,974</b>

Reconciliation of present value of the obligation and the fair value of the plan assets

Particulars	2011	2010
Defined benefit obligation	9,950	6,668
Fair value of plan assets	4,106	3,474
<b>Net Liability included under “Provision for Gratuity” [Schedule 10]</b>	<b>5,844</b>	<b>3,194</b>

Changes in the present value of the defined benefit obligation

Particulars	2011	2010
Opening defined benefit obligation	6,668	3,669
Interest cost	550	303
Current service cost	2,852	2,317
Benefits paid	(1,090)	(6,447)
Actuarial (gains) / losses on obligation	970	6,826
<b>Closing defined benefit obligation</b>	<b>9,950</b>	<b>6,668</b>

Changes in the fair value of plan assets:

Particulars	2011	2010
Opening fair value of plan assets	3,474	8,318
Expected return	329	509
Contributions by employer	1,460	1,131
Benefits paid	(1,090)	(6,447)
Actuarial gains / (losses)	(67)	(37)
<b>Closing fair value of plan assets</b>	<b>4,106</b>	<b>3,474</b>



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

100% of the plan assets are invested with Life Insurance Corporation of India.

The principal assumptions used in determining gratuity obligations for the Company are shown below:

	2011	2010
Discount rate (%)	8.25	8.25
Expected rate of return on assets (%)	9.00	9.00

The Company expects to contribute Rs. 5,000 to the gratuity fund in 2011-12 (PY Rs. 5,000).

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

### 5. Segmental Reporting

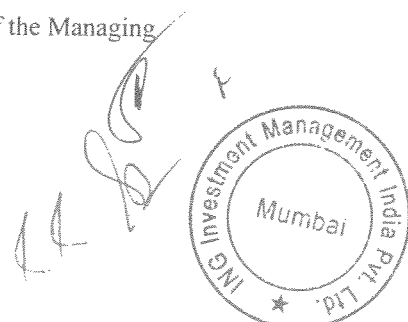
The company's operations mainly relate to providing asset management services and portfolio management services. In the opinion of the management the risks and rewards attached to the business are similar in nature. Hence separate segments under Accounting Standard 17 on "Segment Reporting" is not required to be reported as the Company business is restricted to a single segment i.e. Asset Management and Advisory Services. Geographical segment reporting is not required as all activities of the Company are within India.

### 6. Managerial remuneration

Employee cost includes managerial remuneration:

	2011	2010
Salary, bonus and allowances	25,626	18,721
Perquisites	5,203	Nil
Contribution to provident and other funds	930	1,437
	<u>31,759</u>	<u>20,158</u>

- Benefits in respect of gratuity are being funded on an overall basis annually with Life Insurance Corporation of India and accordingly have not been considered above.
- Perquisite value, if any, of interest free security deposit, given on behalf of the Managing Director has not been considered above.



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

### 7. Investments

The Company has purchased and redeemed the following units of mutual funds during the year:

(No. of units)

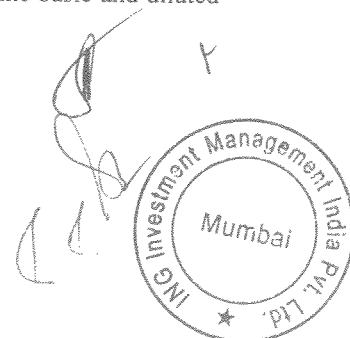
	2011	2010
<b>Long term investments</b>		
<b>Purchases</b>	Nil	Nil
<b>Redemptions</b>		
ING Income Fund-Institutional Plan – Bonus Option	--	118.660
ING MIP Fund –Yearly Dividend Option	--	1,989.634
ING Nifty Plus Fund – Dividend Option	--	296.088
ING Income Fund-Institutional Plan –Yearly Dividend Option	--	193.928
<b>Current investments</b>		
<b>Redemptions</b>		
ING High Yield liquidity Fund Institutional – Growth Option	--	10,272,062.924

### 8. Earnings per share

EPS is computed by dividing the net loss after tax by the weighted average number of equity shares outstanding during the year.

	2011	2010
Loss after tax (A)	(222,197)	(354,429)
Weighted average number of equity shares (B)	275,546	233,186
Nominal value of equity shares	10	10
Basic and diluted loss per share (in Rs.) [(A)/(B)]	(0.81)	(1.52)

Note: The Company has not issued any potential equity shares and accordingly the basic and diluted earnings per share are the same.



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

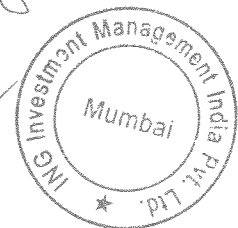
### 9. Operating lease commitments

Office premises are obtained on operating lease. The total lease payments recognised in the Profit and Loss Account towards the said leases amount to Rs.56,252 (Previous Year Rs. 45,327) after adjustment for escalation. The sub- lease income recognised in profit and loss account is Rs. 3,885 (Previous Year Rs.2,888)

Future minimum lease payable	2011	2010
Not later than one year	70,522	66,588
Later than one year but not later than five years	35,012	99,191
Later than five years	Nil	Nil

### 10. Auditors' remuneration

Particulars	2011	2010
(a) Statutory audit fees	890	725
(b) Tax audit fees	165	165
(c) OPE	16	11
<b>Total</b>	<b>1,071</b>	<b>901</b>



ING Investment Management (India) Private Limited

**Notes to the Accounts**

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

11. i) Expenditure in foreign currency (accrual basis)

Particulars	2011	2010
Travel expenses	427	3,225
Software cost	1,560	5,761
Allocated regional overhead	9,071	8,665
Employee cost	548	3,452
Advertisement and promotion	26	--
Membership and Subscription	341	--

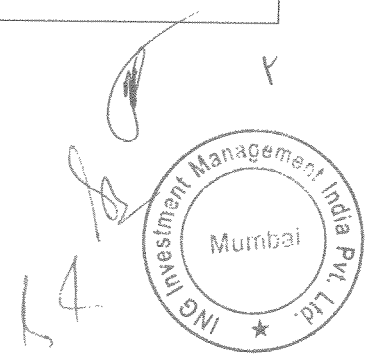
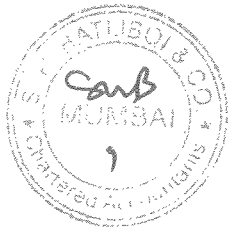
ii) Income in foreign currency (accrual basis)

Particulars	2011	2010
Investment advisory fees	2,999	910

iii) Unhedged foreign currency exposure at balance sheet date

Particulars	Amount
Regional overhead charges	1,964 (HKD 337 @ 1 HKD = Rs 5.82893)
Reimbursement to Regional office	548 (HKD 94 @ 1 HKD = Rs 5.82893)
	<b>Amount</b>
Advisory fees receivable	1,634 (USD 36 @ 1 USD = Rs 45.3884.)

✓



# ING Investment Management (India) Private Limited

## Notes to the Accounts

for the year ended 31 March 2011

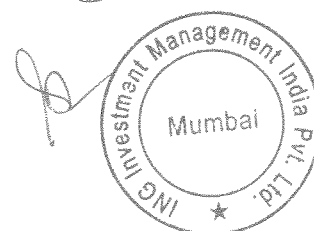
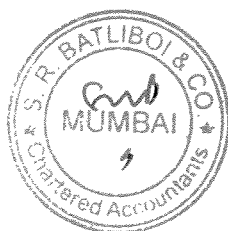
(Currency: Indian rupees in thousand)

### 12. Related party

- (i) Names of enterprises by whom significant influence is exercised:
- National Netherlanden Interfinance B.V.
  - Hathway Investments Private Limited
- (ii) Names of key managerial personnel:
- Mr. Navin Suri – Managing Director & Chief Executive Officer
- (iii) Transactions during the year with related parties:

Nature of transactions	Enterprises by whom significant influence is exercised		Key managerial personnel	
	2011	2010	2011	2010
<b>Infusion of share capital</b>				
National Netherlanden Interfinance B.V.	--	3,57,541		
Hathway Investments Private Limited	--			
- in cash				
- extinguishment of loan through		167,838		
- infusion as equity share capital	--	94,653		
<b>Salaries, commission and other benefits paid/payable</b>				
Key managerial personnel			31,759	21,924
<b>Repayment of unsecured loans</b>				
Hathway Investments Private Limited				
- in cash	--	10,347		
- extinguishment of loan through	--	94,653		
infusion as equity share capital				

- (iv) Balances at the year end with related parties: Nil



ING Investment Management (India) Private Limited

**Notes to the Accounts**

for the year ended 31 March 2011

(Currency: Indian rupees in thousand)

- 13 The Company has initiated the process of inviting information from its vendors regarding their status under MSMED Act. As per the information available with the Company, there are no dues or principal amounts payable to any micro or small enterprises as on the date of balance sheet. This information has been relied upon by the statutory auditors.
- 14 An amount of Rs.699 (previous year: Rs.2,035) represents the year end balance of the Optimix distributor pool payable account, held in escrow, wherein the brokerage and trail commission of the target schemes invested into by the Optimix Fund-of-Fund scheme is pooled and obligations on account of brokerage and trail commission are serviced.
- 15 Previous year's figures have been regrouped wherever necessary to conform to current year's classification.

As per our report of even date.

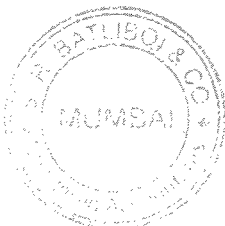
*Surbati B. S. L.*

For **S.R. Batliboi & Co.**  
Firm Registration Number: 301003E  
Chartered Accountants

*Surekha Gracias*

per **Surekha Gracias**  
Partner  
Membership No: 105488

Mumbai  
20 July 2011



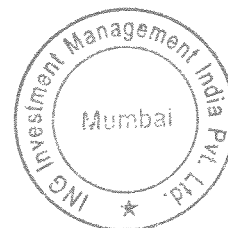
For and on behalf of Board of Directors of  
**ING Investment Management (India) Private Limited**

*Navin Sur*  
**Navin Sur**  
Managing Director & Chief  
Executive Officer

*Rajan Raheja*  
**Rajan Raheja**  
Director

*Sumesh Kumar*  
**Sumesh Kumar**  
Company Secretary

Mumbai  
20 July 2011



*SK*

# ING Investment Management (India) Private Limited

(Currency: Indian rupees in thousand)

## Balance sheet abstract and a Company's general profile

### I. Registration Details

Registration No.	11-114377	State Code	11
Balance Sheet Date	31 03 2011		

### II. Capital raised during the Year

Public Issue	-	Rights Issue	-
Bonus Issue	-	Private Placement	-

### III. Position of Mobilisation and Deployment of Funds

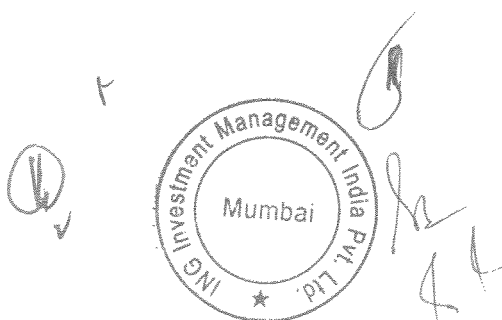
Total Liabilities	2,756,120	Total Assets	2,756,120
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#### Source of Funds

Paid-Up Capital	2,755,465	Reserves and Surplus	-
Secured Loans	655	Unsecured Loans	-

#### Application of Funds

Net Fixed Assets	29,404	Investments	-
Net Current Assets	235,761	Miscellaneous Expenditure	-
Accumulated Losses	2,490,955		



# ING Investment Management (India) Private Limited

(Currency: Indian rupees in thousand)

## Balance sheet abstract and a Company's general profile (Continued)

### IV. Performance of Company

Total turnover	712,759	Total expenditure	960,094
Profit before tax	(222,197)	Profit after tax	(222,197)
Earning per share in Rs (actuals)	(0.81)	Dividend	-

### V. Generic names of three principal products/services of Company

Item code no (ITC code)	Not Applicable
Produce description	Mutual Fund Asset Management Services

For and on behalf of Board of Directors of  
ING Investment Management (India) Private Limited

  
**Navin Suri**  
Managing Director  
& Chief Executive Officer

  
**Rajan Raheja**  
Director

  
**Sumesh Kumar**  
Company Secretary

Mumbai  
20 July 2011

