

BOARD OF DIRECTORS

Mr. Amal Chandra Chakrabortti
(Chairman)

Mr. Jayanta Roy

Mr. Santosh Kumar Mukerji

Mr. Partho Sarothy Datta

Mr. Sanjoy Bhattacharyya

Mr. Akshay Gupta
(Managing Director)

SENIOR MANAGEMENT TEAM

Mr. S Grace R Rabi
Head – Credit Quality,
Research & Special Projects

Mr. Vishal J Thacker
Head – Risk, Strategy & Products

Mr. Vilas Solanki
Head – Operations &
Customer Service

Mr. Ganti Murthy
Head – Fixed Income

Mr. Kaushik Dani
Head – Equity

Mr. Anirudha Roy
Head – IT & Telecom,
Human Resources

Mr. S. Swaminathan
Financial Controller &
Company Secretary

Mrs. Minakshi Sultania
Head – Compliance

BANKERS

HDFC Bank Limited
2/6, Sarat Bose Road
Central Plaza
Kolkata

STATUTORY AUDITORS

M/s. Ray & Ray
Chartered Accountants
6, Church Lane
Kolkata – 700 001

INTERNAL AUDITORS

M/s. M. P. Chitale & Co.
Chartered Accountants
1/11, Prabhadevi Ind. Estate,
1st Flr., Opp. Siddhivinayak
Temple, Veer Savarkar Marg,
Prabhadevi,
Mumbai – 400 025

REPORT OF THE DIRECTORS

Dear Shareholders,

Your Directors have pleasure in presenting the Fourth Annual Report and Audited Accounts of Peerless Funds Management Co. Limited for the period ended 31 March 2013.

Financial Results

(in Rupees)

Particulars	2012-13	2011-12
Income	17,94,09,191	12,29,54,032
Profit/(Loss) before Depreciation	(1,10,79,707)	(4,02,39,218)
Depreciation	68,79,955	82,37,384
Net Profit/(Loss)	(1,79,59,662)	(4,84,76,602)
Balance brought forward from previous year	(21,74,56,056)	(16,89,79,454)
Surplus/(Deficit) carried to Balance Sheet	(23,54,15,718)	(21,74,56,056)

Business Performance

Peerless Funds Management Co. Limited (PFMCL) is a subsidiary of Peerless General Finance and Investment Company Limited (PGFI) and acts as Investment Manager to Peerless Mutual Fund (PMF). PFMCL is the only Asset Management Company (AMC) in Eastern India with its headquarters in Kolkata.

During the year under review, PMF completed 3 years of operations with most of the schemes having top quartile performance. This has helped PMF achieve an average AUM of Rs.4,875 crores for the quarter ended March 2013 compared with Rs. 3,801 crores for the quarter ended March 2012. The retail business has grown significantly to Rs. 425 crores in March 2013 from Rs. 143 crores in March 2012.

PFMCL added to the product range by launching 2 more products to the PMF portfolio, namely, Peerless Flexible Income Fund and Peerless Fixed Maturity Plan - Series 1 during the financial year 2012-13. Further additions to PMF product line will be made during the forthcoming year to meet customer needs.

During the year, various measures had been initiated by SEBI to widen the reach of mutual funds beyond the urban conglomerate into the semi-urban/rural areas, like (a) acceptance of cash investments upto Rs. 20,000 per investor, per mutual fund, per financial year, (b) single plan & expense structure for each scheme, (c) introduction of direct plan for every scheme, which will have a lower expense ratio (without any brokerage/commission), (d) additional incentives for expanding beyond the top 15 cities, etc. PFMCL has initiated the required steps to adapt to the changes.

As at 31 March 2013, your Company has expanded its reach to 38 locations serving over 30,000 customers. Over 70% of the locations are located outside the top 15 cities. During the year, PFMCL initiated customer-centric measures like acceptance of cash investments through tie-ups with banks/large institutions, facility of accepting transactions through email, facility of viewing 'My Portfolio' on the website, investor education programmes through mobile vans etc.

PFMCL's focus will be on delivering appropriate solution to the retail segment and plans to launch more retail products towards this endeavor. PFMCL will strive to create a wider distribution network by utilizing the network of Peerless Developers Limited (a group company) and simultaneously through its own network of Independent Financial Advisors. To achieve this objective, PFMCL will provide sales support, training & development and enhance distributor loyalty programmes to expand the geographical reach. PFMCL will also focus on building direct connect with the customers with engagement programmes and develop strategy to acquire Small & Medium Enterprises, corporate entities and Medium Net Worth individuals as investors. PFMCL has put in place rigorous control systems and tools to ensure regulatory compliance and quality service to customers.

During the period under review, your Company incurred a loss of Rs. 1,79,59,662, as against a loss of Rs. 4,84,76,602 in FY 2011-12. The reduction in loss was primarily due to increase in revenue and cost rationalization measures and your Company is confident of delivering better results in the coming years.

As at 31 March 2013, the Net Worth of your Company stood at Rs. 51.46 crores, subsequent to the infusion of share capital by PGFI, as mentioned elsewhere in this report.

Dividend

In view of the loss, your Directors express their inability to recommend any dividend for the year ended 31 March 2013.

Outlook

At present, 46 Mutual Funds are operating in the country. During the quarter ended 31 March 2013, the Mutual Fund Industry with an average AUM of Rs. 8.17 Lakh Crores, compared with Rs. 6.65 Lakh Crores for the quarter ended 31 March 2012, registered an increase in growth of 23% over the previous year.

The Company's growth in the coming years would depend upon its capability to evolve with economic and market changes by developing uniquely structured product range & penetration beyond second and third tier cities, especially in the retail segment and ability, both technical and otherwise, to deal with expanding client base spread over a large area.

With the mutual fund industry becoming more competitive and challenging with pressure on margins, the Schemes would need to continue to deliver on its performance to instill more confidence in potential investors to invest in Peerless Mutual Fund. Cost rationalization, diversified business models, direct customer connect would be focus areas in order to grow.

As we move towards the future, fund performance and best customer service practices will become critical elements. The management has already initiated steps to meet these pre-requisites for growth.

Share Capital

During the year under review, your Company has increased its Authorised Share Capital from Rs. 50 crores in 2011-12 to Rs. 100 crores divided into 10 crore equity shares of Rs. 10 each.

Your Company issued and allotted 2,50,00,000 equity shares of Rs. 10 each, for cash, at par on preferential basis to its Holding Company, The Peerless General Finance & Investment Company Limited. Consequently, the paid-up equity share capital of the Company now stands increased to Rs.75 crores divided into 7,50,00,000 equity shares of Rs. 10 each.

Board Meetings held during the year

During the year under review, six meetings of the Board of Directors of the Company were held on 11 May 2012, 17 July 2012, 18 September 2012, 18 October 2012, 23 January 2013 and 16 March 2013.

Board Committees

Your Company's Board has constituted the following Committees, as required under the provisions of the Companies Act, 1956 and SEBI (Mutual Funds) Regulations:

Audit Committee

In compliance with the provisions of Section 292A of the Companies Act, 1956, an Audit Committee of the Board of Directors of the Company comprising the following members is in place:

<i>Name of the Director</i>	<i>Designation</i>
Mr. Partho Sarothy Datta	Chairman, Independent Director
Mr. Santosh Kumar Mukerji	Member, Independent Director
Mr. Sanjoy Bhattacharyya	Member, Independent Director
Mr. Akshay Gupta	Member, Managing Director & CEO

Remuneration Committee

<i>Name of the Director</i>	<i>Designation</i>
Mr. Amal Chandra Chakrabortti	Chairman, Non-Executive Director
Mr. Partho Sarothy Datta	Member, Independent Director
Mr. Sanjoy Bhattacharyya	Member, Independent Director

Investment Committee

<i>Name of the Director</i>	<i>Designation</i>
Mr. Amal Chandra Chakrabortti	Chairman, Non-Executive Director
Mr. Partho Sarothy Datta	Member, Independent Director
Mr. Jayanta Roy	Member, Non-Executive Director
Mr. Akshay Gupta	Member, Managing Director & CEO

Risk Management Committee

<i>Name of the Director</i>	<i>Designation</i>
Mr. Sanjoy Bhattacharyya	Chairman, Independent Director
Mr. Partho Sarothy Datta	Member, Independent Director
Mr. Akshay Gupta	Member, Managing Director & CEO
Mr. Vishal J. Thacker	Head – Risk

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed by your Company;
- (ii) having selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31 March 2013 and of the profit of the Company for the period under review;
- (iii) that proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any, have been taken;
- (iv) that the annual accounts have been prepared on a going concern basis.

Directors

Mr. Santosh Kumar Mukerji and Mr. Partho Sarothy Datta will retire at the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment.

Auditors

M/s. Ray & Ray, Chartered Accountants, Kolkata, the Statutory Auditors of the Company will retire at the conclusion of the 4th Annual General Meeting and have expressed their willingness to be re-appointed. They have confirmed that their re-appointment, if made, would be covered within the ceiling specified under Section 224(1B) of the Companies Act, 1956.

Conservation of Energy and Technology Absorption

No disclosure is required to be made under section 217(1) (e) of the Companies Act, 1956. Your Company does not have any activity relating to conservation of energy or technology absorption.

Particulars of Employees

Particulars of employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are set out separately as part of this report.

Foreign Exchange Earnings & Outgo

Particulars with respect to foreign exchange earnings and outgo during the year under review have not been disclosed, since your Company does not have any foreign exchange earnings and outgo for the year ended 31 March 2013.

Appreciation

Your Directors place on record their sincere appreciation of the co-operation and assistance received from the holding company, The Peerless General Finance & Investment Co. Ltd., SEBI, RBI, AMFI, custodians, fund accountants, bankers, registrars, unit holders and other business constituents during the year under review.

Your Directors also wish to place on record their appreciation of the commitment displayed by all the executives, officers and staff for their unstinted support and cooperation.

For and on behalf of the Board

Place : Kolkata
Date : 26 April 2013

A. C. Chakraborti
Chairman

AUDITORS' REPORT

To the Members of PEERLESS FUNDS MANAGEMENT CO LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of PEERLESS FUNDS MANAGEMENT CO LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Statement of Profit and Loss, 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that :

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For **RAY & RAY**
Chartered Accountants
Firm's Registration No. 301072E

(Abhijit Neogi)
Partner
Membership No. 61380

Place : KOLKATA
Date : 26th April, 2013

ANNEXURE TO THE AUDITORS REPORT

(Referred to in Paragraph 1 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.
- (b) According to the information and explanations given to us, most of the fixed assets have been physically verified by the management during the year in a phased program and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and the nature of its assets.
- (c) The Company has not disposed off a substantial part of its fixed assets during the year, which affect the going concern status of the Company.
- (ii) The Company does not have any inventory and therefore provisions of Clause 4 (ii)(a), (b) and (c) of the order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the company has neither granted nor taken any loans to and from the companies, firms or other parties as listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii)(b) to (g) of the order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are reasonable internal control procedures commensurate with the size and the nature of its business for purchase of Fixed Assets and sale of service. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) The particulars of contracts or arrangements referred to in section 301 of the Act have been so entered in the register required to be maintained under section 301 of the 'Act' and transactions made in pursuance of such contracts have been made at prices which are reasonable having regard to the prevailing market price.
- (vi) The Company has not accepted any deposits under section 58A, 58AA or any other relevant provisions of the Act from the public during the year.
- (vii) In our opinion, the internal audit system of the Company is commensurate with the size of the Company and nature of its business.
- (viii) The Central Government has not prescribed for the maintenance of any cost records under section 209(1)(d) of the Act.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Income Tax and other statutory dues applicable to it.

On the basis of the records of the Company and the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable.
- (b) According to the records of the Company and according to the information and explanations given to us by the management, 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.
- (x) The Company has incurred cash loss during the financial year and in the immediately preceding previous year.
- (xi) As per records of the Company, there are no dues to Financial Institutions or Banks.

- (xii) Based on our examination of documents and records and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares.
- (xiii) The Company is not a chit fund or nidhi/mutual benefit fund/society. Therefore, the provisions of the clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not dealt or traded in shares, securities, debentures and other investments during the year.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loan outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, the Company has not raised funds on short-term basis and therefore, provisions of Clause 4(xvii) of the order are not applicable to the Company.
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year and the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) According to the information and explanations given to us and the records examined by us, no debentures have been issued during the year. Accordingly, provisions of clause 4(xix) of the order are not applicable to the Company.
- (xx) Based on the records examined by us, the Company has not raised monies by public issue during the year.
- (xxi) During the course of our examination of books of accounts carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such cases by the management.

For **RAY & RAY**
Chartered Accountants
Firm's Registration No. 301072E

(Abhijit Neogi)
Partner
Membership No. 61380

Place : Kolkata
Date : 26th April, 2013

BALANCE SHEET**AS AT 31 MARCH, 2013**

(Amount in Rupees)

Particulars	Note No.	As At 31 March 2013		As At 31 March 2012	
1	2	3		4	
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share capital	1	75,00,00,000		50,00,00,000	
(b) Reserves and surplus	2	(23,54,15,718)	51,45,84,282	(21,74,56,056)	28,25,43,944
(2) Non-current liabilities					
(a) Long-term provisions	3		17,14,498		15,75,559
(3) Current liabilities					
(a) Trade payables	4	12,50,984		20,06,700	
(b) Other current liabilities	5	15,07,132		15,00,842	
(c) Short-term provisions	6	32,10,134	59,68,250	97,21,321	1,32,28,863
TOTAL			52,22,67,030		29,73,48,366
II. ASSETS					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	7	68,32,438		1,07,32,848	
(ii) Intangible assets	7	3,21,045		13,60,179	
(iii) Capital work-in-progress		2,06,080	73,59,563	3,19,253	1,24,12,280
(b) Long-term loans and advances	8		8,18,782		4,56,000
(2) Current assets					
(a) Current investments	9	12,33,27,462		16,72,34,980	
(b) Trade receivables	10	1,63,46,167		4,51,631	
(c) Cash and cash equivalents	11	10,05,22,028		8,38,62,953	
(d) Short-term loans and advances	12	3,86,10,772		2,22,91,145	
(e) Other current assets	13	23,52,82,256	51,40,88,685	1,06,39,377	28,44,80,086
TOTAL			52,22,67,030		29,73,48,366
Significant Accounting Policies	18				
Notes to Accounts	19				

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

For and on behalf of the Board

For **Ray & Ray**
Chartered Accountants
Firm's Registration No. 301072E

Abhijit Neogi
Partner
Membership No. 61380

Kolkata
26 April 2013

A. C. Chakrabortti
Chairman

Akshay Gupta
Managing Director &
Chief Executive Officer

Kolkata
26 April 2013

Partho Sarothy Datta
Director

S. Swaminathan
Financial Controller
& Company Secretary

PROFIT AND LOSS**STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

(Amount in Rupees)

Particulars	Note No.	Year ended 31 March 2013	Year ended 31 March 2012
1	2	3	4
I. Revenue from operations	14	15,21,36,124	10,00,54,731
II. Other income	15	2,72,73,067	2,28,99,301
III. Total Revenue (I + II)		17,94,09,191	12,29,54,032
IV. Expenses:			
Employee benefits expense	16	7,32,13,417	6,72,15,988
Depreciation and amortization expense	7	68,79,955	82,37,384
Other expenses	17	11,72,75,481	9,59,77,262
Total expenses		19,73,68,853	17,14,30,634
V. Profit before exceptional and extraordinary items and tax (III – IV)		(1,79,59,662)	(4,84,76,602)
VI. Exceptional items		—	—
VII. Profit before extraordinary items and tax (V – VI)		(1,79,59,662)	(4,84,76,602)
VIII. Extraordinary Items		—	—
IX. Profit before tax (VII – VIII)		(1,79,59,662)	(4,84,76,602)
X. Tax expense:			
(1) Current tax		—	—
(2) Deferred tax		—	—
XI. Profit (Loss) for the period (IX – X)		(1,79,59,662)	(4,84,76,602)
XII. Earnings per equity share:			
(1) Basic		(0.34)	(0.97)
(2) Diluted		(0.34)	(0.97)

Significant Accounting Policies 18

Notes to Accounts 19

The Notes referred to above form an integral part of the Profit and Loss Account

For and on behalf of the Board

For **Ray & Ray**
Chartered Accountants
Firm's Registration No. 301072E

Abhijit Neogi
Partner
Membership No. 61380

Kolkata
26 April 2013

A. C. Chakrabortti
Chairman

Akshay Gupta
Managing Director &
Chief Executive Officer

Kolkata
26 April 2013

Partho Sarothy Datta
Director

S. Swaminathan
Financial Controller
& Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	2012 - 2013	2011 - 2012
	(Amount in Rupees)	(Amount in Rupees)
A. Cash flows from Operating Activities		
Net profit /(loss) before tax for the year	(1,79,59,662)	(4,84,76,602)
<i>Adjustment for:</i>		
Depreciation	68,79,955	82,37,384
Dividend Income	(69,90,159)	(25,92,712)
Assets written off	27,520	
Income from Sale of Investments	(58,56,077)	(1,20,948)
Interest income	(59,21,247)	(1,98,96,348)
Operating profit before working capital changes	(2,98,19,670)	(6,28,49,226)
<i>Adjustment for changes in working capital:</i>		
(Increase)/decrease in Trade Receivables	(1,58,94,537)	1,07,67,741
(Increase)/decrease in loans and advances	(2,26,68,528)	(42,48,124)
Income Tax Refund	59,86,119	15,49,891
(Increase)/decrease in other current assets	(23,14,77,804)	(1,03,46,216)
Increase/(decrease) in trade payables	(7,55,716)	6,23,835
Increase/(decrease) in current liabilities & provisions	(63,65,958)	(92,91,125)
Net cash used in operating activities (A)	(30,09,96,094)	(7,37,93,224)
B. Cash flow from investing activities		
Purchase of fixed assets	(19,83,631)	(13,41,795)
CWIP	1,13,173	—
Investments	4,39,07,518	(12,10,11,364)
Dividend Income	69,90,159	25,92,712
Income from Sale of Assets	15,700	
Income from Sale of Investments	58,56,077	1,20,948
Interest income	1,27,56,173	2,47,64,786
Net cash used in investing activities (B)	6,76,55,169	(9,48,74,713)
C. Cash flow from financing activities		
Proceeds from issue of Share Capital	25,00,00,000	—
Net cash generated from financing activities (C)	25,00,00,000	—
Net (decrease)/increase in cash and cash equivalents (A)+(B)+(C)	1,66,59,075	(16,86,67,937)
Cash and cash equivalents at beginning of year	8,38,62,953	25,25,30,890
Cash and cash equivalents at end of year	10,05,22,028	8,38,62,953

Note 1: The above Cash Flow Statement has been prepared under 'Indirect Method' as specified in AS-3: Cash Flow Statements.

Note 2: Previous year's figures have been regrouped / rearranged, wherever necessary.

For and on behalf of the Board

For **Ray & Ray**
Chartered Accountants
Firm's Registration No. 301072E

Abhijit Neogi
Partner
Membership No. 61380

Kolkata
26 April 2013

A. C. Chakrabortti
Chairman

Akshay Gupta
Managing Director &
Chief Executive Officer

Kolkata
26 April 2013

Partho Sarothy Datta
Director

S. Swaminathan
Financial Controller
& Company Secretary

Notes to Balance Sheet as at 31 March 2013

(Amount in Rupees)

	As at 31 March 2013		As at 31 March 2012	
	Number	Rs.	Number	Rs.
1. Share Capital				
(a) <u>Authorised</u>				
Equity Shares of Rs.10 each	10,00,00,000	100,00,00,000	5,00,00,000	50,00,00,000
		100,00,00,000		50,00,00,000
(b) <u>Issued, Subscribed and paid-up</u>				
Equity Shares of Rs.10 each, fully paid up	7,50,00,000	75,00,00,000	5,00,00,000	50,00,00,000
		75,00,00,000		50,00,00,000

(c) Additional Information:

The movement in subscribed and paid-up equity share capital is set out below:

	Number	Rs.	Number	Rs.
- At the beginning of the year	5,00,00,000	50,00,00,000	5,00,00,000	50,00,00,000
- Equity Shares allotted during the year	2,50,00,000	25,00,00,000	—	—
- At the end of the year	7,50,00,000	75,00,00,000	5,00,00,000	50,00,00,000

(d) The Company has only one class of equity shares of face value of Rs. 10 each and each share is entitled to one vote at general meetings.

(e) Details of the shareholders holding more than 5% of equity shares of the company
(Including reconciliation, if applicable, of outstanding shares)

Number of Shareholders		As at 31 March 2013 No. of shares held		As at 31 March 2012 No. of shares held	
		(%)	(Number)	(%)	(Number)
1	The Peerless General Finance & Investment Company Limited, the Holding Company	99.998	7,49,98,600	99.997	4,99,98,600

	As at 31 March 2013	As at 31 March 2012
2. Reserves & Surplus		
Surplus		
Profit/(Loss) - balance brought forward from last account	(21,74,56,056)	(16,89,79,454)
Add: Profit/(Loss) for the year	(1,79,59,662)	(4,84,76,602)
Profit/(Loss) - balance at 31.03.2013	(23,54,15,718)	(21,74,56,056)
3. Long Term Provisions		
(a) Provision for Gratuity	17,14,498	15,75,559
	17,14,498	15,75,559

Notes to Balance Sheet as at 31 March 2013

(Amount in Rupees)

	As at 31 March 2013	As at 31 March 2012
4. Trade Payables		
(a) Dues to other than Micro and Small Enterprise	12,50,984	20,06,700
	12,50,984	20,06,700
5. Other Current Liabilities		
(a) Statutory dues	15,07,132	15,00,842
	15,07,132	15,00,842
6. Short Term Provisions		
(b) Provision for Expenses	32,10,134	97,21,321
	32,10,134	97,21,321

7. Fixed Assets

(Amount in Rupees)

PARTICULARS	COST/BOOK VALUE				DEPRECIATION				WRITTEN DOWN VALUE	
	As on 01.04.2012	Additions	Deletion	As on 31.03.2013	As on 01.04.2012	Additions	Deletion	As on 31.03.2013	As on 31.03.2013	As on 01.04.2012
Tangible Assets										
Leasehold										
Improvement	1,34,46,781	13,86,915	(24,647)	1,48,09,049	88,95,325	21,61,003	—	1,10,56,328	37,52,721	45,51,456
Furniture & Fixture	32,71,982	51,285	(27,050)	32,96,217	19,22,581	5,20,703	(15,982)	24,27,302	8,68,915	13,49,401
Office Equipment	38,24,551	2,21,173	(2,050)	40,43,674	18,19,683	7,42,339	(2,050)	25,59,972	14,83,702	20,04,868
Computers	83,50,335	1,63,554	(46,696)	84,67,193	57,19,583	21,92,384	(39,191)	78,72,776	5,94,417	26,30,752
Vehicles	3,18,439	—	—	3,18,439	1,22,068	63,688	—	1,85,756	1,32,683	1,96,371
Sub-total	2,92,12,088	18,22,927	(1,00,443)	3,09,34,572	1,84,79,240	56,80,117	(57,223)	2,41,02,134	68,32,438	1,07,32,848
Intangible assets										
Computer software	38,60,012	1,60,704	—	40,20,716	24,99,833	11,99,838	—	36,99,671	3,21,045	13,60,179
Sub-total	38,60,012	1,60,704	—	40,20,716	24,99,833	11,99,838	—	36,99,671	3,21,045	13,60,179
Total	3,30,72,100	19,83,631	(1,00,443)	3,49,55,288	2,09,79,073	68,79,955	(57,223)	2,78,01,805	71,53,483	1,20,93,027
Previous Year	3,17,38,305	13,41,795	(8,000)	3,30,72,100	1,27,49,689	82,37,384	(8,000)	2,09,79,073	1,20,93,027	

	As at 31 March 2013	As at 31 March 2012
8. Long-term loans and advances		
(Unsecured, considered good)		
(a) Security Deposits	6,14,611	3,71,000
(b) Other loans and advances:		
Due from employees	56,125	85,000
(c) Tax deducted at source	1,28,046	—
(d) Capital advance	20,000	—
	8,18,782	4,56,000

Notes to Balance Sheet as at 31 March 2013

9. Current Investments [valued at cost or net realisable value, whichever is lower]	As at 31 March 2013			As at 31 March 2012		
	Number	Face Value of each instruments	Carrying Amount (Rs.)	Number	Face Value of each instruments	Carrying Amount (Rs.)
(a) Mutual Funds (Unquoted)						
Peerless Liquid Fund	4,81,813.848	—	48,18,861	88,16,704.669	—	8,81,80,272
Peerless Short Term Fund	6,43,323.262	—	69,53,681	11,433.407	—	1,23,298
Peerless Fixed Maturity Plan Series 1	52,50,000.000	—	5,25,00,000	—	—	—
Peerless Ultra Short Term Fund	58,66,479.867	—	5,90,54,920	26,422.673	—	2,64,370
			12,33,27,462			8,85,67,940
Investments in mutual funds are in the Schemes of Peerless Mutual Fund, for which the Company acts as the Investment Manager.						
(b) Other Current Investments						
Investment in Certificate of Deposits of United Bank of India			—	800	1,00,000	7,86,67,040
Total			12,33,27,462			16,72,34,980
					(Amount in Rupees)	
			As at 31 March 2013		As at 31 March 2012	
10. Trade receivables (Unsecured, Considered good)						
Debts less than six months			1,63,46,167			4,51,631
			1,63,46,167			4,51,631
11. Cash and cash equivalent						
Balances with banks – In Current Account			5,22,028			38,62,953
Other Bank balances (Fixed Deposits with less than 12 months maturity)			10,00,00,000			8,00,00,000
			10,05,22,028			8,38,62,953
12. Short term loans and advances (Unsecured, considered good)						
(a) Advance recoverable in cash or in kind			86,01,004			22,09,728
(b) Loans and advances to Related Party Rs. 7,55,560 due from Peerless Trust Management Co. Limited, fellow subsidiary [FY 2011-12: Rs. 7,70,865]			7,55,560			7,70,865
(c) Tax deducted at source			2,61,37,877			1,70,73,910
(d) Prepaid Expenses			29,38,331			21,60,770
(e) Service Tax Credit			1,78,000			75,872
			3,86,10,772			2,22,91,145

Notes to Balance Sheet as at 31 March 2013

	As at 31 March 2013	(Amount in Rupees) As at 31 March 2012
13. Other Current Assets		
(a) Receivable against sale of investments	23,14,77,804	—
(b) Accrued interest on Fixed Deposit, CD and Debentures	38,04,452	1,06,39,377
	<u>23,52,82,256</u>	<u>1,06,39,377</u>

Notes to Statement of Profit and Loss for the year ended 31 March 2013

	For the year ended 31 March 2013	(Amount in Rupees) For the year ended 31 March 2012
14. Revenue from operations		
(a) Management Fees	15,21,36,124	10,00,54,731
	<u>15,21,36,124</u>	<u>10,00,54,731</u>
15. Other income		
(a) Interest Income from fixed deposits	58,56,749	1,86,27,886
(b) Interest Income from Certificate of Deposits	64,498	12,68,462
(c) Dividend Income from Mutual Funds	69,90,159	25,92,712
(d) Interest on Corporate Bonds	77,18,490	-
(e) Net gain/(loss) on sale of investments	58,56,077	1,20,948
(f) Other non-operating income (net of attributable expenses)	7,87,094	2,89,293
	<u>2,72,73,067</u>	<u>2,28,99,301</u>
16. Employee Benefit Expenses		
(a) Salaries and wages	6,89,61,274	6,30,87,679
(b) Contribution to provident and other funds	33,86,302	29,92,866
(c) Gratuity Expense	1,38,939	6,04,776
(d) Staff welfare expenses	7,26,902	5,30,667
	<u>7,32,13,417</u>	<u>6,72,15,988</u>

Notes to Statement of Profit and Loss for the year ended 31 March 2013

(Amount in Rupees)

	For the year ended 31 March 2013	For the year ended 31 March 2012
17. Other expenses		
(a) Professional and Consultancy	92,22,702	61,42,520
(b) SEBI fees & AMFI Fees	10,58,000	13,61,030
(c) Travelling and Conveyance	72,73,033	59,79,239
(d) Recruitment Charges	5,39,130	5,76,117
(e) Fund Accounting Expenses	44,92,007	53,77,358
(f) Scheme Expenses	1,68,71,824	77,06,817
(g) Rent	74,83,171	66,25,078
(h) Marketing advertisement and publicity	53,17,390	77,27,219
(i) Motor car expenses	20,02,269	18,33,266
(j) Repairs and maintenance	35,36,357	22,59,405
(k) Communication expenses	48,10,394	44,16,954
(l) Electricity	19,34,860	15,56,173
(m) Printing and stationery	15,69,295	32,92,871
(n) Books, periodicals and subscriptions	70,823	1,16,057
(o) Electronic Subscription	27,48,565	35,05,211
(p) Bank Charges	2,39,131	10,03,144
(q) Assets written off	1,40,693	—
(r) Director Fees	5,81,236	4,80,000
(s) Insurance	16,52,866	13,37,259
(t) Rates and taxes	27,82,886	75,228
(u) Brokerage & Distribution Support	2,44,29,565	2,32,62,161
(v) Housekeeping Charges	5,07,652	4,95,632
(w) Security Guard Charges	4,80,999	4,12,846
(x) Miscellaneous Expense	5,39,506	8,50,511
(y) Audit Fees		
– Statutory Audit	2,00,000	2,00,000
– Tax Audit	25,000	25,000
(z) Service Tax	1,67,66,127	93,60,166
	<u>11,72,75,481</u>	<u>9,59,77,262</u>

Note 18**SIGNIFICANT ACCOUNTING POLICIES****BASIS OF ACCOUNTING**

The financial statements of the Company are prepared under the historical cost convention, on an accrual basis of accounting and in compliance with the applicable accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of and rules framed under the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the criteria set out in the revised Schedule VI to the Companies Act, 1956.

USE OF ESTIMATES

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure relating to contingent liabilities as of the date of financial statements and the reported amount of revenue and expenses during the period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results may differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

FIXED ASSETS

Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenses incidental to the acquisition and installation of the fixed asset.

DEPRECIATION

Depreciation on fixed assets is provided on the straight line method at the rates not less than and in the manner as prescribed by Schedule XIV of the Companies Act, 1956 except for certain assets as given below, where based on the Management estimates of the useful lives of the assets, depreciation has been provided at rates higher than the rates prescribed in Schedule XIV:

CLASS OF FIXED ASSET	RATE OF DEPRECIATION % (Straight line Method)
Computers, Hardware & Software	33.33%
Furniture & Fixture	20.00%
Office Equipment	20.00%
Vehicles	20.00%
Improvement to leasehold or rented premises (including electrical installations)	The primary period of the lease term or 5 Years whichever is less

All assets costing not more than Rs. 5,000 are fully depreciated in the year of addition.

IMPAIRMENT OF FIXED ASSETS

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost

INVESTMENTS

Investments are classified as long term or current based on intention of management at the time of purchase.

Long-term investments are stated at cost and provision is made to recognise any diminution in value, other than temporary in nature, determined separately for each investment.

Current investments are stated at the lower of cost and net realizable value which is determined separately for each investment.

RETIREMENT BENEFITS

Provident Fund

Provident fund, being a defined benefit contribution plan, is being maintained with the Regional Provident Fund Commissioner for its employees. The Company's obligations are accounted for on an accrual basis and charged to the Profit and Loss Account.

Gratuity and Leave Encashment

Gratuity and Leave Encashment are post employment defined benefit plans. The liability recognized in the balance sheet in respect of the same is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the Profit and loss account in the year in which such gains or losses arises.

LEASE

Lease rental payments for operating leases are paid/provided for as per terms of the agreement on an accrual basis.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are accounted for at the rates prevailing at the date of the transaction. Monetary Assets and Liabilities as at the Balance Sheet date are restated at the exchange rate prevailing on the Balance Sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are charged to Profit and Loss Account.

REVENUE RECOGNITION

Management and Advisory Fees

Investment management fees are recognised on an accrual basis in accordance with respective terms of contract between the Company and Trustee Company and in conformity with the Securities and Exchange Board of India (SEBI) regulations.

Advisory and Portfolio Management Service fee are recognised on accrual basis in accordance with the respective terms of contract with counterparties.

Other Income

Interest income is accounted for on a time proportionate basis.

Dividend income is recognised when the right to receive dividend is established.

SCHEME EXPENSES

Expenses incurred (inclusive of advertisement/brokerage expense) with respect to schemes of Peerless Mutual Fund are charged to profit and loss account unless considered recoverable from the schemes of the Fund in accordance with the provision under SEBI (Mutual Fund) Regulations, 1996.

TAXATION

Tax expense comprises current tax, deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income and taxable income for the period) or any other direct tax levied by the tax authorities of India.

Current tax is recognised as the amount of tax payable in respect of taxable income for the period.

Deferred tax is provided on timing differences between taxable income and accounting income subject to consideration of prudence.

Deferred tax on carry forward losses and unabsorbed depreciation is not recognised unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

EARNINGS PER SHARE

The basic earnings per share are computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share, only potential equity shares that are dilutive are included.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are measured and recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent Liabilities are not recognised in the financial statements and are disclosed in notes to the financial statements.

Contingent Assets are neither recognised in the financial statement nor disclosed.

Note 19

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2013

1. Retirement Benefits to Employee

a. Provident Fund

The company makes monthly contributions to provident fund which is under a defined contribution plan. During the year the company has recognized an amount of Rs. 33,86,302/- (FY 2011-12: Rs. 29,92,866) in the profit and loss account as contribution to provident fund maintained with Regional Provident Fund Commissioner, Kolkata.

b. Gratuity

The following disclosure has been set out in accordance with requirement of the Accounting Standard on "Employee Benefits" (AS-15) (Revised 2005) prescribed by The Companies (Accounting Standards) Rules, 2006:

AMOUNT RECOGNISED IN BALANCE SHEET				
	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Funded Status	Amount in Rupees			
Present value of Defined Benefit Obligation	17,14,498	15,75,559	9,70,783	2,48,852
Fair value of plan assets	—	—	—	—
Funded Status [Surplus/(deficit)]	(17,14,498)	(15,75,559)	(9,70,783)	(2,48,852)
Net asset/(liability) recognised in balance sheet	(17,14,498)	(15,75,559)	(9,70,783)	(2,48,852)

EXPENSES RECOGNISED IN PROFIT & LOSS ACCOUNT

Components of Employer Expenses	Amount in Rupees			
	2012-13	2011-12	2010-11	2009-10
Current Service Cost	5,56,214	7,11,571	6,69,653	2,48,852
Interest Cost	1,48,053	1,01,854	48,785	9,954
Actuarial Losses/(Gains) on defined benefit obligation	(5,65,328)	(2,08,649)	3,493	(9,954)
Total Expenses recognised in the Statement of Profit & Loss A/C	1,38,939	6,04,776	7,21,931	2,48,852

Note 19 (Contd.)

Change in Defined Benefit Obligation (DBO)	Amount in Rupees			
	2012-13	2011-12	2010-11	2009-10
Present value of DBO at beginning of period	15,75,559	9,70,783	2,48,852	—
Current Service Cost	5,56,214	7,11,571	6,69,653	2,48,852
Interest Cost	1,48,053	1,01,854	48,785	9,954
Actual (gains)/Losses	(5,65,328)	(2,08,649)	3,493	(9,954)
Benefits Paid	—	—	—	—
Present value of DBO at the end of period	17,14,498	15,75,559	9,70,783	2,48,852
ACTUARIAL ASSUMPTIONS	31.03.2013	31.03.2012	31.03.2011	31.03.2010
Discount Rate per annum Compound	8.25%	8.00%	8.00%	8.00%
Rate of increase of salaries	5.00%	5.00%	5.00%	5.00%
Expected average remaining working lives of employees (years)	25.12	26.99	26.99	26.40
Withdrawal Rates	Varying between 8% per annum to 1% per annum depending on duration and age of the employees			
Retirement Age	58 years	58 years	58 years	58 years
Mortality rates are as per published under LIC (1994-96) mortality table				

2. Segmental Reporting

The Company's operations predominantly relate to providing Asset Management Services to Peerless Mutual Fund in India. Therefore, separate disclosure of segmental reporting is not applicable as required under Accounting Standard on "Segment Reporting" (AS-17) issued by the Companies (Accounting Standards) Rules, 2006.

3. Related Party Information**Holding company**

- i. The Peerless General Finance & Investment Company Limited

Fellow subsidiaries, associates & group enterprise

- ii. Peerless Trust Management Co Ltd
- iii. Peerless Developers Ltd
- iv. Peerless Hospitex Hospital & Research Center Ltd
- v. Peerless Securities Ltd
- vi. Peerless Hotels Ltd
- vii. Kaizen Leisure & Holidays Ltd
- viii. Peerless Financial Services Ltd
- ix. Bengal Peerless Housing Development Co Ltd
- x. Kaizen Hotels & Resorts Ltd

Key Managerial Personnel :

Akshay Gupta – Managing Director & Chief Executive Officer

Note 19 (Contd.)

Disclosure of transactions between the company and related parties and the status of outstanding balances as on 31st March, 2013:

(Amount in Rupees)

Nature of Transaction	Holding Company	Fellow Subsidiaries				Key Management Personnel	Total
		Kaizen Leisure & Holidays Ltd	Peerless Hotels Ltd	Peerless Trust Management Co Ltd	Kaizen Hotels & Resorts Ltd.		
Rent Expense	76,17,152	—	—	—	—	—	76,17,152
Previous Year	67,50,446	—	—	—	—	—	67,50,446
Other Administrative Expense	12,65,783	53,90,953	87,784	—	—	—	67,44,520
Previous Year	9,62,854	10,13,146	45,637	—	6,134	—	20,27,771
Recovery of Common Expenses	—	—	—	(2,78,273)	—	—	(2,78,273)
Previous Year	—	—	—	(1,80,804)	—	—	(1,80,804)
Remuneration to Key Management Personnel	—	—	—	—	—	1,04,24,392	1,04,24,392
Previous Year	—	—	—	—	—	1,04,24,392	1,04,24,392
Receivable/(Payable)	(93,523)	(1,906)	(15,131)	7,55,560	—	—	6,45,000
Previous Year	(3,457)	(25,680)	—	7,70,865	—	—	7,41,728

Note: The transaction figures in brackets denote Income for the Company.

4. Earnings Per Share

Basic and Diluted earnings per share as required in accordance with the Accounting Standard on "Earnings Per Share" (AS-20) prescribed by The Companies (Accounting Standards) Rules, 2006:

	(Amount in Rupees)	
	2012-13	2011-12
Net Profit/(Loss) after tax	(1,79,59,662)	(4,84,76,602)
Weighted average number of equity shares outstanding during the year in Units	5,22,60,274	5,00,00,000
Basic and Diluted earnings per share	(0.34)	(0.97)

Note 19 (Contd.)

5. Deferred Tax

In view of carry forward losses and unabsorbed depreciation, the Company has not recognized any deferred tax asset in the absence of virtual certainty of its recovery.

6. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. NIL (FY 2011-12: Rs. NIL)

7. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro, Small and Medium Enterprises, to whom the Company owes any dues.

8. Earnings/(Expenditure) in foreign currency

The company did not have any foreign currency transaction during the year.

For and on behalf of the Board

For **Ray & Ray**
Chartered Accountants
Firm's Registration No. 301072E

Abhijit Neogi
Partner
Membership No. 61380

Kolkata
26 April 2013

A. C. Chakrabortti
Chairman

Akshay Gupta
Managing Director &
Chief Executive Officer

Kolkata
26 April 2013

Partho Sarothy Datta
Director

S. Swaminathan
Financial Controller
& Company Secretary