

## **DIRECTORS' REPORT TO MEMBERS**

Your Directors have pleasure in presenting the Sixteenth Annual Report of the company together with the Audited Balance Sheet as on 31.03.2008 and Profit & Loss A/c for the year ended at that date.

### **FINANCIAL PERFORMANCE OF THE COMPANY FOR YEAR ENDED MARCH 31, 2008**

	As at 31.3.08 (Rs in lacs)	As at 31.3.07 (Rs in lacs)
Total Income	348.85	274.58
Profit Before Depreciation	263.87	148.70
Less Depreciation	1.57	2.49
Profit Before Tax	262.22	146.21
Less Provision for Tax	44.03	29.34
Profit After Tax	218.26	116.87
Less Prior Period Adjustment	(0.42)	18.05
Profit after Tax & Adjustment	218.68	98.82
Add Balance in Profit & Loss A/c B/f	868.50	769.68
Reserve & Surplus	1087.19	868.50
<b>APPROPRIATION</b>		
Proposed Dividend	-	-
General Reserve	-	-
Balance Carried Forward	1087.19	868.50

The Total income of the Company has increased to Rs.348.85 lac in the year 2007-08 from Rs. 274.58 lac in the previous year.

#### **SHARE CAPITAL**

The Paid up Equity Share Capital of the Company is Rs.20 crore and net worth of the company was Rs. 30.87 crore as on March 31, 2007.

#### **PROFITABILITY**

The net profit after tax for the financial year 2007-08 was Rs. 218.26 lacs as against Rs. 116.87 lac in 2006-07 showing a growth of 86.75%.

#### **DIVIDEND**

Although the Company has made profits during the fifteenth year in succession, your Directors do not recommend any dividend for the year 2007-08 with a view to consolidating the resources of the Company and strengthening the net worth in keeping with the challenges faced by the mutual fund industry.

#### **MANAGEMENT DISCUSSION & ANALYSIS**

Indian economy grew by 9.0 per cent in 2007-08 supported by the growth of 4.5 per cent in agriculture, 8.5 per cent in industry and 10.8 per cent in services. Global financial markets witnessed turbulent conditions during 2007-08 as a result of deepening crisis in the U.S. sub-prime mortgage market. The Indian financial markets remained largely orderly during 2007-08 except the equity market, which witnessed bouts of volatility in tandem with trends in major international equity markets. The domestic stock markets, which remained strong till early January 2008, witnessed a sharp correction beginning January 11, 2008 due to rising concerns over the severity of sub-prime crisis and its spill-over to other countries. As a result of the

huge volatility witnessed during the year 2007-08, the Sensex gained 19.7 per cent and Nifty added 23.9 per cent on an annual basis. The Foreign Institutional Investors (FIIs) invested \$12.7 billion in the Indian stock markets during 2007-08 as against net purchases of \$5.7 billion during 2006-07. The major gainers in the stock markets during 2007-08 were metals, oil & gas, capital goods, fast moving consumer goods, public sector undertakings, banking and consumer durable stocks. Resources raised through public issues by the corporate sector increased sharply by 158.5 per cent to Rs 83,707 crore in 2007-08 over those in last year. All public issues during 2007-08 were in the form of equity except three, which were in the form of debt. According to the Ministry of Commerce, total foreign direct investment (FDI) inflows into India rose to \$24.6 billion in 2007-08 from \$21.9 billion in 2006-07. The Commerce Ministry expects FDI inflows to India to rise to \$35 billion in 2008-09 despite the growing uncertainties in the world economy. Even though the rupee appreciated 7.8 per cent against the U.S. dollar in 2007-08, India's merchandise exports grew 23.02 per cent in 2007-08 to \$155.51 billion. The imports, however, stood at \$235.91 billion primarily due to the pressure of high oil import bill. The government's fiscal deficit in the first eleven months of 2007-08 declined 13.5 per cent on year-on-year basis and accounted for 73.4 per cent of the revised budget target for the entire financial year. In the Union Budget for 2008-09, the government has projected that the central government's fiscal deficit would narrow from 3.1 per cent of GDP in 2007-08 to 2.5 per cent in 2008-09.

## **MUTUAL FUND INDUSTRY**

The mutual fund industry recorded a healthy growth in the financial year 2007-08. Gross mobilizations by the industry during the year amounted to Rs.44,67,943 crore as against Rs.19,41,347 crore in the previous year, registering a growth of 130%. The Industry also witnessed a gross redemption of Rs. 43,12,979 crore representing 134% increase over the previous year figure of Rs. 18,46,198 crore. On a net basis, there was an inflow of Rs. 1,54,964 crore as against Rs. 95,149 crore in the last year registering a growth of 63%. The Average Assets Under Management of the industry as on March 31, 2008 stood at Rs. 5,42,389 crore as against Rs. 3,61,254 crore the previous year recording an increase of over 50%. A combination of investor friendly and market-related products, extension of branch network, favourable market conditions for much of the year and investor awareness campaigns by fund houses contributed to the increased inflow. There is also an increasing trend towards tapping non-metro and rural markets.

## **FUTURE OUTLOOK**

According to a report of McKinsey, a global consultancy firm, the Indian Asset Management business is expected to grow at least 33% annually. The main drivers will be the retail segment and institutional investor segment. AUM as a percentage of GDP works out to only 8% in India as compared with 79% in the US, and 39% in Brazil. AUM as a percentage of bank deposits is also abysmally low in India, at 25%, while it is 140% in the US and 96% in Brazil. SEBI has recently withdrawn the flexibility of charging the initial issue expenses to the new close-ended funds and amortising it over a period of 5 years. In view of this, the initial issue expenses incurred for the launch of the new funds will be confined to the extent of the entry load collected and any expenses in excess will be borne by the company. In addition, Asset Management Companies cannot charge any entry load in respect direct investments pursuant to SEBI circular. Your company believes the measures will be in the long-term interest of all stakeholders in the mutual funds business. In the near-to-medium term, the measures could impact on the profitability of the company. With the entry of new players in the mutual fund industry, competition is likely to intensify.

Baroda Pioneer Asset Management will strive to provide well-defined products that cater to a diverse range of risk, return and liquidity preferences of investors. Your company is confident of a robust growth in AUM on the back of consistent performance, a well thought-out marketing and distribution strategy, enhanced geographical reach and quality customer service. It is proposed that the branch network of the Bank, especially in the rural and semi-urban areas would be used for broadening investor base.

## STATE OF COMPANY AFFAIRS

The Company was a wholly owned subsidiary of Bank of Baroda and is an Investment Manager for BOB Mutual Fund. On the 5th October 2007, agreements for Joint Venture has been entered into between Bank of Baroda ("BOB"), Pioneer Global Asset Management SpA ("Pioneer"), a global asset management company based in Italy and BOB Asset Management Company Limited (the "AMC").

On 27<sup>th</sup> of June 2008 Pioneer Global Asset Management SpA has acquired 51% stake in the AMC, partly by a fresh issuance and partly by way of purchase of shares from Bank of Baroda.

Consequent to above change of shareholding pattern of the Company the name of the Company is changed to "Baroda Pioneer Asset Management Company Limited" wef 8th July 2008.

The total net assets of all the schemes of Baroda Pioneer Mutual Fund as on 31-03-2008 was as follows:

Scheme	Net Assets (Rs. in Crore)
BOB DIVERSIFIED FUND	36.27
BOB ELSS 96	11.12
BOB Liquid Fund	11.71
BOB Income Fund	0.44
BOB Gilt Fund	0.07
BOB Balance Fund	0.79
BOB Growth Fund	6.63
BOB MIP-Fund	0.05
BOB Children Fund	0.03
Baroda Global Fund	3.25
<b>Total</b>	<b>70.36</b>

## DIRECTORS

Mr. B A Prabhakar has been appointed as an Additional Director of the Company since January 22, 2008 and he is entitled to hold office only up to the date of the next Annual General Meeting.

Mr. G. P. Gupta, Prof B B Bhattacharya, Dr P N Khandwalla, Mr. Shiv Dayal and Mr. Rohit Arora have been appointed as Additional Director as well as Independent Director of the Company since June 27, 2008 and they are entitled to hold office only up to the date of the next Annual General Meeting.

Dr. Anil K Khandelwal, Mr. Dario Frigerio and Mr. Angus Stening have been appointed as Additional Director of the Company since June 28, 2008 and they are entitled to hold office only up to the date of the next Annual General Meeting.

Mr. S. Bhattacharya, who was the Managing Director of the Company since 20<sup>th</sup> July 2006, resigned from the post of Managing Director of the Company wef 8<sup>th</sup> July 2008 and he continues as a Director of the Company

Mr. Suresh Jivandas Pabari and Mr. Bhagawati Prasad Managal who had been appointed as Additional Director as well as Independent Director of the Company since November 22, 2007 resigned from the Directorship of the Company wef June 27, 2008.

Mr. Bhagirat B. Merchant and Mr. S.D.Abhayankar resigned from the Directorship of the Company on October 10, 2007 and Mr. S. S. Mundra resigned from the Directorship of the Company on January 17, 2008.

Your Directors place on record their appreciation for the valuable contribution made by Mr. Bhagirat B. Merchant, Mr. S. D. Abhayankar, Mr. S. S. Mundra, Mr. Suresh Jivandas Pabari and Mr Bhagwati Prasad Managal during their tenure.

#### **PARTICULARS OF EMPLOYEES**

The provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1988, as amended are not applicable to the Company, as there is no employee whose remuneration is in excess of the limits prescribed.

Directors' Responsibility Statement Pursuant to Section 217(2AA) of the Companies Act, 1956

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Management, and due enquiry, confirm that:

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. The accounting policies have been consistently followed so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit for that period.
- iii. Proper and sufficient care has been taken by your Directors 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 the preventing and detecting fraud and other irregularities.
- iv. The Annual Accounts of the company have been prepared on an ongoing basis.

#### **AUDITORS**

The Company's present Auditor M/s Babu Chokshi & Co. Chartered Accountants, hold the office till the conclusion of the ensuing Annual General Meeting.

#### **Information under section 217(1) (e) of the Companies Act, 1956**

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/ Outgo

There are no particulars under the above head, as it does not apply to our business activities.

#### **REPORT ON CORPORATE GOVERNANCE**

#### **BOARD OF DIRECTORS**

The Company has at present the following ten Directors, out of whom five Directors are Non-Executive Independent Directors.

Dr. Anil K Khandelwal	Chairman
Prof B B Bhattacharya	Independent Director
Dr. P N Khandwalla	Independent Director
Mr G P Gupta	Independent Director
Mr. Shiv Dayal	Independent Director
Mr. Rohit Arora	Independent Director
Mr. Dario Frigerio	Associate Director
Mr. Angus Stening	Associate Director
Mr. B A Prabhakar	Associate Director
Mr. S. Bhattacharya	Associate Director

## **BOARD MEETINGS**

The Board meets at least four times a year and the maximum gap between two meetings is not more than four months. During the financial year 2007-08, 7 meetings of the Board of Directors were held on 17<sup>th</sup> April 2007, 27<sup>th</sup> April 2007, 4<sup>th</sup> July, 2007, 29<sup>th</sup> August, 2007, 22<sup>nd</sup> November 2007, 24<sup>th</sup> January 2008 and 24<sup>th</sup> March 2008.

## **BOARD COMMITTEES**

### **Audit Committee**

The Audit Committee of the Board of Directors has been constituted in line with the provisions of Section 292A of the Companies Act, 1956. The Audit Committee comprises Mr. Angus Stening, Mr. Shiv Dayal and Mr. B A Prabhakar. The Audit Committee of the Board of Directors held 3 meetings during financial year 2007-08 on April 17, 2007, August 29, 2007 and November 22, 2007.

Mr. Suresh Jivandas Pabari and Mr. Bhagawati Prasad Managal resigned from the membership of Audit Committee of the Company wef 27<sup>th</sup> June 2008. Mr. Bhagirat B. Merchant and Mr. S. D. Abhyankar resigned from the membership of the Audit Committee of the Company on October 10, 2007. Mr. S. S. Mundra resigned from the membership of the Audit Committee of the Company on January 17, 2008.

## **ANNUAL GENERAL MEETINGS**

The details of Annual General Meetings held during the last three years are given below:

AGM	DATE	VENUE
12 <sup>th</sup> AGM	21.08.2004	BOB AMC Limited 105, Maker Chambers III, Nariman Point, Mumbai 21
13 <sup>th</sup> AGM	23.09.2005	BOB AMC Limited 105, Maker Chambers III, Nariman Point, Mumbai 21
14 <sup>th</sup> AGM	23.09.2006	BOB AMC Limited 105, Maker Chambers III, Nariman Point, Mumbai 21
15 <sup>th</sup> AGM	08.09.2007	Baroda Corporate Centre, C-26, G- Block, Bandra Kurla Complex, Bandra (East), Mumbai- 51

## **AUDITORS REPORTS**

The observations made by the Auditors in their report are self - explanatory and therefore, do not call for any comments.

## **APPRECIATION**

The Directors place on record their appreciation for the assistance and guidance rendered by Securities and Exchange Board of India, Association of Mutual Funds in

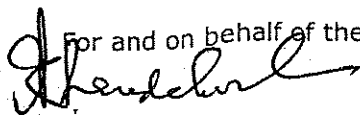
India, Bank of Baroda and Trustees of BOB Mutual Fund. The Directors also thank the investors for having reposed their confidence in BOB Mutual Fund.

The Directors wish to take this opportunity to thank:

- M/s Karvy Computershare Private Limited, the Registrar and Share Transfer Agents of BOB Mutual Fund for the services rendered by them
- M/s SHAREX dynamic (India) Pvt. Ltd. the Registrar and Share Transfer Agents of BOB Asset Management Company Limited for the services rendered by them
- M/s Karvy Computershare Private Limited, HDFC Bank Limited and Bank of Baroda for providing collection centers for various schemes of the BOB Mutual Fund
- Bank of Baroda for helping in marketing of our schemes and collection of investments all over the country
- HDFC Bank, custodians of schemes of BOB Mutual Fund and the Company for the services rendered by them

The Directors also appreciate the dedication and sense of commitment shown by the employees at all levels and acknowledge their contribution towards the progress and performance of the Company.

For and on behalf of the Board of Directors



Chairman

Place: Mumbai


Date: August 19, 2008

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE  
ACCOUNTS OF BOB ASSET MANAGEMENT COMPANY LIMITED FOR THE  
YEAR ENDED 31 MARCH 2008.**

The preparation of financial statements of BOB Asset Management Company Limited for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 24 April 2008.

I on behalf of the Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditor on the accounts of BOB Asset Management Company Limited for the year ended 31 March 2008 and as such have no comments to make under Section 619 (4) of the Companies Act, 1956.

For and on the behalf of the  
Comptroller and Auditor General of India

  
(A.W.K. Langstieh)

Principal Director of Commercial Audit and  
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai.

Date : 23 May 2008

**BABU U. CHOKSHI & CO.**  
CHARTERED ACCOUNTANTS

BABU U. CHOKSHI  
B. Com., F.C.A.  
SANJAY B. CHOKSHI  
B. Com., F.C.A.  
DEVANGI S. SHAH  
B. Com., F.C.A.

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23 07 31 09  
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Navjivan Com. Prem. Co-op. Soc. Ltd.,  
Lamington Road, Mumbai 400 008.

**AUDITOR'S REPORT TO THE MEMBERS OF BOB ASSET MANAGEMENT CO. LTD.**

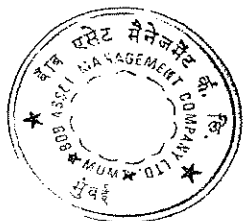
We have audited the attached Balance Sheet of BOB ASSET Management Company Ltd. as at 31st March 2008 and also the Profit & Loss Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

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.

As required by the Companies (Auditor's Report) Order, 2003, 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 paragraph 4 and 5 of the said Order, as applicable to the Company.

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 & Loss account and Cash Flow dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet Profit & Loss account and Cash Flow 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 written representations received from the directors as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.



*SPR*

**BABU U. CHOKSHI & CO.**  
CHARTERED ACCOUNTANTS

- 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 Balance Sheet, of the state of affairs of the Company as at 31st March 2008
  - b) In the case of Profit & Loss Account, of the profit for the year ended on that date.
  - c) In the case of the Cash Flow statement, of the cash flow for the year ended on that date.

Place: Mumbai  
Date: 24th April 2008



For Babu Chokshi & Co.  
Chartered Accountants

*Sanjay B. Chokshi*

Sanjay Chokshi  
Partner  
Mem.No.48508

**ANNEXURE TO AUDITORS' REPORT (Referred to in our report of even date)**

**(i) Fixed Assets**

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) All the fixed assets of the Company have been physically verified by the management at the end of the year. No material discrepancies were noticed on such verification. In our opinion, having regard to size of the Company and the nature of its business, the frequency of verification is reasonable.
- c) During the year, the Company has not disposed off substantial part of fixed assets.

**(ii) Inventories**

The Company does not deal in goods and no inventory is being maintained, hence no comments are required for the same.

**(iii) Loans and Advances**

The Company has not taken or granted any loans from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

**(iv) Internal Controls**

In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and sale of services. The Company does not deal in any goods and hence no comments are required with respect to internal controls for the purchase and sale of goods. During the course of our audit, no major weakness was noticed in the internal controls.

**(v) Related Party**

- a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of five lakh rupees in respect of any party during the year



*[Handwritten signature]*

have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

**(vi) Fixed Deposits**

The Company has not accepted deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there-under are not applicable to the Company.

**(vii) Internal Audit**

In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

**(viii) Cost Records**

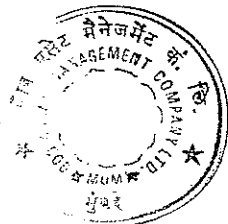
To the best of our knowledge and as explained to us, the Central government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for any of the products of the Company.

**(ix) Statutory dues**

- a) According to the records of the Company, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax and other statutory dues were outstanding as at 31<sup>st</sup> March, 2006 for a period of more than six months from the date they became payable.
- b) According to the records of the Company, there are no dues of income tax, wealth tax, or other statutory dues, which have not been deposited on account of any dispute.

**Other Matters**

- (x) The Company has been registered for a period of more than five years and it has no accumulated losses as on 31<sup>st</sup> March, 2008. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) Based on our audit procedures and on the basis of the information and explanations given by the management, the Company has not defaulted in repayment of dues to bank. The Company has not taken any loan from financial institutions. Further, no loan has been taken by way of issuance of debentures.



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**BABU U. CHOKSHI & CO.**  
CHARTERED ACCOUNTANTS

- (xii) According to the information and explanations give to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts and timely entries have been made in those records. We also report that the company has held the shares, securities, debentures and other investments in its own name.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on our examination of records and information and explanations given to us, the Company has not borrowed by way of term loan.
- (xvii) According to 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) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) So far, the Company has not issued any debentures.
- (xx) The Company has not raised any money through public issue.
- (xxi) Based on the information and explanations furnished by the management, which have been relied upon by us, there were no fraud on or by the Company noticed ore reported during the year.

For Babu Chokshi & Co.  
Chartered Accountants

*Sanjay B. Chokshi*

Sanjay Chokshi  
Partner

Mem.No.48508

Place: Mumbai  
Date: 24<sup>th</sup> April 2008

