

# Deloitte Haskins & Sells LLP

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF L&T INVESTMENT MANAGEMENT LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **L&T Investment Management Limited** (the "Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's 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 notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. 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.

### **Auditors' 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the 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 aforesaid 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 31<sup>st</sup> March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company 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 in terms of Section 227(4A) 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 purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).

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- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 39826)

MUMBAI, 21<sup>st</sup> April , 2014

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**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 under Report on Other Legal and Regulatory Requirements of our report of even date)

- (i) Having regard to the nature of the Company's business / activities for the year, clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
- (ii) In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c) The fixed assets disposed off (not being assets retired from use) during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) According to the information and explanations given to us, the Company is engaged primarily in services related to asset management services and its activities do not require it to hold any inventories. Therefore, the provisions of paragraph 4 (ii) of the Order are not applicable to the Company.
- (iv) According to the information and explanations given to us, the Company has neither granted nor 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.
- (v) 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 with regard to purchase of fixed assets and for sale of services. The nature of the Company's business is such that it does not involve purchase of inventories and sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not entered into any contracts or arrangements referred to in section 301 of the Companies Act, 1956, during the year, that are needed to be entered into the register maintained under that section. Therefore, the provisions of paragraphs 4(v)(a) and 4(v)(b) of the Order are not applicable to the Company.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year and no order in this respect has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- (viii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

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- (ix) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of the services rendered by the Company.
- (x) According to the information and explanations given to us in respect of statutory dues:
- The Company has been generally regular in depositing undisputed dues, including Provident Fund, Family Pension Fund, Income-tax, Wealth Tax, Service-tax and other material statutory dues applicable to it with the appropriate authorities. To the best of our knowledge and belief, the Company was not required to deposit or pay any dues in respect of Employee's State Insurance, Sales-tax, Customs duty, Excise Duty and Investor Education and Protection Fund during the year.
  - There were no undisputed amounts payable in respect of Provident Fund, Family Pension Fund, Income-tax, Wealth Tax and Service Tax and other material statutory dues in arrears as at 31<sup>st</sup> March, 2014 for a period of more than six months from the date they became payable.
  - There were no dues in respect of sales tax, Wealth Tax, Customs duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2014 on account of disputes except dues related to Income tax which are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount (Rs. lac)
Income tax, 1961	Income tax	Deputy Commissioner of Income tax	Assessment year 2011-12	12.05

It may be noted that the Company has deposited amounts tabulated below in respect of dispute dues

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount (Rs. lac)
Income tax, 1961	Income tax	Commissioner of Income tax	Assessment year 1997-98	3.38

- (xi) The accumulated losses of the Company as at the year end do not exceed fifty percent of its net worth. The Company has not incurred cash losses, during the financial year covered by our audit. However, the Company had incurred cash losses in the immediately preceding financial year.

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- (xii) According to the information and explanations given to us, there were no dues payable by the Company to financial institutions, banks and debenture holders during the year. Therefore, the provisions of paragraph 4 (xi) of the Order are not applicable to the Company.
- (xiii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of paragraph 4 (xii) of the Order are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company does not deal in shares, securities, debentures and other investments. Accordingly, the provisions of paragraph 4 (xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, during the year the Company has not given any guarantee for loans taken by others from banks and financial institutions. Therefore, the provisions of paragraph 4 (xv) of the Order are not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company has not availed any term loan from the banks/financial institutions. Therefore, the provisions of paragraph 4 (xvi) of the Order are not applicable to the Company.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investments.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures during the year. Therefore, the provisions of paragraph 4 (xix) of the Order are not applicable to the Company.
- (xx) According to the information and explanations given to us, during the year the Company has not raised any money through public issue. Therefore, the provisions of paragraph 4 (xx) of the Order are not applicable to the Company.
- (xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 39826)

MUMBAI, 21<sup>st</sup> April , 2014

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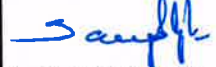
**L&T Investment Management Limited**


**Balance Sheet as at 31st March, 2014**

Particulars	Note No.	As at 31st March, 2014	As at 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	23,585.72	23,585.72
Reserves and surplus	4	31,758.82	41,233.87
		<b>55,344.54</b>	<b>64,819.59</b>
<b>Non-current liabilities</b>			
Long term borrowings	5	5,000.00	-
Other long term liabilities	6	237.40	256.35
Long term provisions	7	63.05	98.06
		<b>5,300.45</b>	<b>354.41</b>
<b>Current liabilities</b>			
Trade payables	8	1,377.43	1,767.43
Other current liabilities	9	670.13	1,623.67
Short term provisions	10	138.96	113.93
		<b>2,186.52</b>	<b>3,505.03</b>
<b>TOTAL</b>		<b>62,831.51</b>	<b>68,679.03</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
(i) Tangible assets	11	485.89	117.96
(ii) Intangible assets	12	50,305.17	173.46
(iii) Intangible assets under development		45.66	-
		<b>50,836.72</b>	<b>291.42</b>
Non-current investments	13	-	63,140.82
Long term loans and advances	14	3,194.56	961.24
		<b>3,194.56</b>	<b>64,102.06</b>
<b>Current assets</b>			
Current investments	15	6,850.00	2,563.96
Trade receivables	16	485.94	772.00
Cash and bank balances	17	194.24	349.92
Short term loans and advances	18	1,270.05	599.67
		<b>8,800.23</b>	<b>4,285.55</b>
<b>TOTAL</b>		<b>62,831.51</b>	<b>68,679.03</b>

See accompanying Notes to the Financial statements 1 to 39

In terms of our report attached  
**For DELOITTE HASKINS & SELLS LLP**  
 Chartered Accountants

  
**Sanjiv V. Pilgaonkar**  
 Partner

  
 Mumbai, 21<sup>st</sup> April, 2014

For and on behalf of the Board of Directors

  
**R. Shankar**  
 Director

  
**R. K. Kulkarni**  
 Director

  
**Raji Chakravartty**  
 Manager

  
**Company Secretary**

Mumbai, 21<sup>st</sup> April, 2014



**L&T Investment Management Limited**

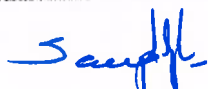
**Statement of Profit and Loss for the year ended 31st March, 2014**

Particulars	Note No.	For the year ended 31st March, 2014	For the year ended 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
<b>CONTINUING OPERATIONS</b>			
Revenue from operations (net of service tax)	19	8,589.93	3,306.16
Other income	20	491.44	120.62
<b>Total</b>		<b>9,081.37</b>	<b>3,426.78</b>
<b>EXPENSES</b>			
Employee benefit expenses	21	4,806.05	3,093.11
Depreciation and amortisation expenses (other than amortisation of asset management rights and goodwill on amalgamation)	22	176.26	64.34
Other expenses	23	4,058.23	4,725.48
<b>Total</b>		<b>9,040.54</b>	<b>7,882.93</b>
<b>Earnings before amortisation of asset management rights and goodwill on amalgamation, exceptional items and tax</b>		<b>40.83</b>	<b>(4,456.15)</b>
Amortisation of asset management rights and goodwill on amalgamation	12 B (II)	7,032.80	-
<b>Profit / (loss) before exceptional items and tax</b>		<b>(6,991.97)</b>	<b>(4,456.15)</b>
Exceptional items	26	-	1,393.08
<b>Profit / (loss) before tax</b>		<b>(6,991.97)</b>	<b>(5,849.23)</b>
<b>Tax expense:</b>			
(a) Current tax expenses	34	-	-
(b) Deferred tax		-	-
<b>Total</b>		-	-
<b>Profit / (loss) for the year from continuing operations</b>		<b>(6,991.97)</b>	<b>(5,849.23)</b>
<b>Basic and diluted earnings per equity share in Rs.</b>	33	<b>(2.96)</b>	<b>(3.17)</b>
Nominal value per share in Rs.		<b>10.00</b>	<b>10.00</b>

See accompanying Notes to the Financial statements


1 to 39

In terms of our report attached  
For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants

  
Sanjiv V. Pilgaonkar  
Partner

  
Director

  
Director

  
Manager

  
Company Secretary

Mumbai, 21<sup>st</sup> April, 2014



Mumbai, 21<sup>st</sup> April, 2014



Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
<b>Cash flow from operating activities</b>				
<b>Profit / (loss) before tax</b>		(6,991.97)		(5,849.23)
<b>Adjustments for:</b>				
Interest on income tax refund	(51.41)		(0.75)	
Interest on fixed deposit	(5.65)		-	
Depreciation on tangible assets	112.32		30.11	
Amortisation on intangible assets	7,096.74		34.23	
Profit on sale of investments (net)	(430.95)		(89.90)	
Fixed assets written off	13.45		140.53	
Provision for doubtful advances	-		6.30	
Provision for compensated expenses	52.76		16.53	
Loss on disposal of assets (net)	-		8.26	
		<b>6,787.26</b>		<b>145.31</b>
<b>Operating profit/(loss) before working capital changes</b>		<b>(204.71)</b>		<b>(5,703.92)</b>
<b>Changes in working capital</b>				
<b>Adjustment for (increase) / decrease in operating assets</b>				
Trade receivables	302.10		(723.22)	
Short term loans and advances	(41.63)		(128.39)	
Long term loans and advances	(184.92)		(433.08)	
<b>Adjustment for increase / (decrease) in operating liabilities</b>				
Other long term liabilities	(18.95)		254.00	
Long term provisions	(35.01)		98.06	
Trade payables	(404.78)		1,384.15	
Other current liabilities	(920.12)		1,421.55	
Short term provisions	(27.73)		(12.03)	
		<b>(1,331.04)</b>		<b>1,861.04</b>
<b>Cash used in operations</b>		<b>(1,535.75)</b>		<b>(3,842.88)</b>
Net taxes paid/ (refunded)		156.84		(276.55)
<b>Net cash used in operating activities (A)</b>		<b>(1,378.91)</b>		<b>(4,119.43)</b>



## L&amp;T Investment Management Limited

## Cash Flow Statement for the year ended 31st March, 2014

(Rs. in lacs)

Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(220.74)		(198.75)	
Proceeds on sale of tangible assets	-		6.45	
Purchase of investments	(151,672.98)		(8,868.32)	
Proceeds on sale of investments	148,045.32		7,523.09	
Interest on fixed deposit received	5.65		-	
Acquisition of L&T Fund Management Private Limited	-		(63,140.82)	
<b>Net cash from investing activities (B)</b>		<b>(3,842.75)</b>		<b>(64,678.35)</b>
<b>Cash flows from financing activities</b>				
Advance from Holding Company (Refer footnote 2)	7,000.00		63,143.00	
Repayment of advance to Holding Company	(2,000.00)		-	
Proceeds from issue of share capital	-		4,560.00	
Securities premium	-		1,440.00	
<b>Net cash generated from financing activities (C)</b>		<b>5,000.00</b>		<b>69,143.00</b>
<b>Net Increase / (Decrease) in cash and cash equivalents (A+B+C)</b>		<b>(221.66)</b>		<b>345.22</b>
Cash and cash equivalents as at beginning of the year		<b>349.92</b>		<b>4.70</b>
Cash and cash equivalents as at 1st April 2013 of erstwhile L&T Fund Management Private Limited transferred on account of amalgamation (Refer footnote 3)		<b>65.97</b>		<b>-</b>
<b>Cash and cash equivalents as at end of the year</b>		<b>194.24</b>		<b>349.92</b>
<b>Cash and cash equivalents comprise:</b>				
Cash on hand		3.54		3.96
Cheque on hand		-		5.28
Balance with banks in current account		190.70		340.68
<b>Total</b>		<b>194.24</b>		<b>349.92</b>

See accompanying Notes to the Financial statements 1 to 39


## Footnotes:

- Interest received on income tax refund Rs. 51.41 lacs (previous year Rs. 0.75 lacs) and interest on delayed receipt of security deposits Rs. Nil (previous year Rs. 4.96 lacs) has been adjusted in determining net cash used in operating activities.
- The advance received during the previous year was converted into fully paid 25,257,200 equity shares of Rs 10 each at a premium of Rs 240 each on 29th March, 2013.
- The opening cash and cash equivalents as at 1st April, 2013 have been increased by Rs 65.97 lacs being the cash and cash equivalents of the erstwhile L&T Fund Management Private Limited ("LFMPL") as on that date. This is to give effect to cash and cash equivalents as on 23rd November, 2012 and the net cash flows for the period 23rd November, 2012 to 31st March, 2013 consequent to the amalgamation of LFMPL with the Company with effect from 23rd November, 2012 (refer Note 24 to the financial statements).

In terms of our report attached.

For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants

For and on behalf of the Board of Directors

  
Sanjiv V. Pilgaonkar  
Partner

  
R. Shankar  
Director

  
R. Patil  
Director

b.

  
Anji Vishwanathan  
Manager

  
Ht  
Company Secretary
Mumbai, 21<sup>st</sup> April, 2014Mumbai, 21<sup>st</sup> April, 2014

## L&T Investment Management Limited

### Notes to the Financial statements

#### 1 Background

L&T Investment Management Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The principal shareholder of the Company as at 31st March, 2014 is L&T Finance Holdings Limited.

The Company's principal activity is to act as an investment manager to L&T Mutual Fund (the "Fund") and to provide Portfolio Management Services ("PMS") to clients under Securities and Exchange Board of India ("SEBI") (Portfolio Managers) Regulations, 1993. The Company is registered with Securities and Exchange Board of India ("SEBI") under the SEBI (Mutual Funds) Regulations, 1996 (the "SEBI" regulation). The Company manages the investment portfolios of the Fund and provides various administrative services to the Fund as laid down in the Investment Management Agreement dated 23rd October, 1996.

#### 2 Summary of significant accounting policies

##### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (Accounting Standards) Rules, 2006 (as amended) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except with regard to accounting for commission on closed ended schemes which is now being amortised over the tenure of the corresponding schemes as described in Note 2.18 and 38. In earlier years, the cost was charged to the Statement of Profit and Loss in the period in which it was incurred.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956.

##### 2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

##### 2.3 Tangible assets & depreciation

Tangible fixed assets acquired by the Company are reported at acquisition cost, with deductions for accumulated depreciation and impairment losses, if any. The acquisition cost includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring it to the site and in the working condition for its intended use.

Depreciation is provided on a straight line basis at rates and in the manner specified in Schedule XIV to the Companies Act, 1956, unless the use of a higher rate or an accelerated charge is justified through technical estimates. Fixed assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

##### 2.4 Intangible assets & amortisation

Intangible assets are valued at cost less amortisation. These generally comprise costs incurred to acquire computer software licenses, implementing the software for internal use (including software coding, installation, testing and certain data conversion), the asset management rights ("AMR") acquired and goodwill on amalgamation. Software licenses are being amortised over their useful lives which is estimated at around 6 years (amortised at the rate of 16.21% per annum). The AMR and goodwill on amalgamation are being amortised on a straight line basis over a period of 10 years and 5 years respectively.



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**Notes to the Financial statements**

**2.5 Impairment of assets**

The carrying value of assets at each balance sheet date is reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

**2.6 Investments**

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. Cost of investments includes acquisition charges such as brokerage, fees and duties. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

**2.7 Revenue recognition**

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

***Investment management fees***

Investment management fees are recognised on an accrual basis in accordance with the Investment Management Agreement and SEBI Regulations, based on average assets under management ("AUM") of L&T Mutual Fund schemes over the period of the agreement in terms of which services are performed.

***Portfolio management fees***

Portfolio management fees are recognised on an accrual basis in accordance with Portfolio Management Agreement entered into with respective clients over the period of the agreement in terms of which the services are rendered.

Investment management fees and portfolio management fees recognised as aforesaid are exclusive of service tax.

***Gain or loss on sale of investments***

The gains/ losses on sale of investments are recognised in the Statement of Profit and Loss on the trade date. Gain or loss on sale of investments is determined on weighted average cost basis.

***Other income***

Interest income is accounted on accrual basis by taking into account the amount outstanding in the financial instrument and applicable interest rate. Dividend income is accounted for when the right to receive it is established.

**2.8 Employee benefits**

**A. Short term**

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of service rendered by the employees to the Company.

**B. Long term**

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed by the Company and in the case of some defined contribution plans, by the Company along with its employees.





## L&T Investment Management Limited

### Notes to the Financial statements

#### Defined contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

#### Defined benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by an independent actuary in a manner that distributes expenses over the employee's working life using the projected unit credit method. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. The fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceed the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

#### C. Other employee benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits.

Where there are restrictions on availment of such accrued benefit or where the availment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

#### D. Employee share based payments

The Company has constituted an Employee Stock Option Plan during the financial year 2009-2010. The plan provides for grant of options to employees of the Company in a specific category to acquire equity shares of the Company that vest in a graded manner on meeting specified conditions and that are to be exercised within a specified period. Employee stock options granted are accounted under the 'Fair Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India (ICAI).

A separate Employees Stock Options Scheme ("the Scheme") has been established by the holding company (i.e. L&T Finance Holdings Limited). The Scheme provides that employees are granted an option to subscribe to equity shares of the holding company that vest in a graded manner. The options may be exercised within a specified period. Measurement and disclosure of Employee Share-based Payment Plan is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-Based Payments, issued by ICAI. The holding company follows the intrinsic value method to account for its stock based employee compensation plans. The cost incurred by the holding company, in respect of options granted to employees of the Company is charged to the statement of profit and loss during the year and recovered by the holding company.

### 2.9 Foreign currency transactions

Transactions in foreign currencies are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange differences arising on settlement thereof during the year are recognised as income or expenses in the Statement of Profit and Loss. Monetary assets and liabilities in foreign currencies as at the balance sheet date are valued at closing-date rates, and unrealised translation differences are included in the Statement of Profit and Loss.





## L&T Investment Management Limited

### Notes to the Financial statements

#### 2.10 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

#### 2.11 Deferred taxation

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

#### 2.12 Segment reporting

The Company identifies its primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The Company's operations predominantly relate to providing asset management services. It acts as an investment manager to schemes launched by the Fund. It also provides portfolio management services ('PMS') to certain corporate and high net worth individuals and advisory services.

The fund management services rendered to the Mutual Funds and its PMS have been identified as separate business segments for which whole separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the management in deciding how to allocate resources and assessing performance. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

Secondary segment reporting does not require separate disclosure as all activities of the Company are within India.

Segment accounting policies are in line with accounting policies of the Company.

#### 2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.



## L&T Investment Management Limited

### Notes to the Financial statements

#### 2.14 Cash and cash equivalents (for purposes of cash flow statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### 2.15 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### 2.16 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented.

#### 2.17 Service tax input credit

Service tax input credit is recognised in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

#### 2.18 Commission

In respect of open ended debt schemes, the Company has funded its distributors through a prepayment of commission and has the right of recovery of such commission under pre-defined circumstances (which includes investor exit upto the "exit period" of the respective mutual fund scheme). On this account, an asset is recognised at the time of payment and charged evenly to the Statement of Profit and Loss over the exit period of the respective scheme. At each balance sheet date, the asset value is reassessed against the net present value of expected future benefits and the shortfall, if any, is charged to the Statement of Profit and Loss.

In the current year, commission paid in respect of close ended schemes has been amortised over the tenure of such schemes. During the previous year, commission paid in respect of closed ended schemes was expensed when incurred by the Company.



## 3 Share capital

The Company has issued equity share capital, the details in respect of which are given below:

Number, face value and amount of shares authorised, issued, subscribed and paid-up	As at 31st March, 2014		As at 31st March, 2013	
	Number	(Rs. in lacs)	Number	(Rs. in lacs)
<b>Authorised</b>				
Equity shares of Rs. 10 each with voting rights	551,257,920	55,125.79	260,000,000	26,000.00
Compulsory convertible preference shares of Rs.100 each	3,300,000	3,300.00	-	-
Non-convertible preference shares of Rs.100 each	22,000,000	22,000.00	-	-
Non-convertible preference shares of Rs.10 each	650,000,000	65,000.00	650,000,000	65,000.00
<b>Issued, Subscribed and Paid-up</b>				
Equity shares of Rs. 10 each fully paid up	235,857,200	23,585.72	235,857,200	23,585.72
<b>Total</b>	<b>235,857,200</b>	<b>23,585.72</b>	<b>235,857,200</b>	<b>23,585.72</b>

## (a) Reconciliation of the number of shares outstanding at the beginning and end of the reporting year

Particulars	As at 31st March, 2014		As at 31st March, 2013	
	Number	(Rs. in lacs)	Number	(Rs. in lacs)
Balance at the beginning of the year	235,857,200	23,585.72	165,000,000	16,500.00
Add : Shares issued during the year	-	-	70,857,200	7,085.72
Less : Shares bought back during the year	-	-	-	-
Balance at the end of the year	235,857,200	23,585.72	235,857,200	23,585.72

(b) The Company has issued only one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts in proportion to their shareholdings.

## (c) Shares in the Company held by shareholders with more than 5% of the aggregate equity shares as at the reporting date

Name of Shareholder	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
L&T Finance Holdings Limited (including its nominee) (Refer footnote (d) below)	235,857,200	100%	235,857,200	100%

## (d) Shares in the Company held by the holding company

235,857,200 equity shares (235,857,200 as at 31st March, 2013) are held by the holding company, including 7 equity shares (7 as at 31st March, 2013) held by nominees of the holding company where the beneficial ownership is with the holding company.

(e) There are no shares allotted as fully paid up by way of bonus shares during 5 years immediately preceding 31st March, 2014.

(f) Refer Note 36(A) for details of shares to be issued under the Employee Stock Option Plan.



b

4 Reserves and surplus	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Securities premium account		
Balance as at the beginning of the year	62,057.28	-
Add : Addition during the year	-	62,057.28
Balance as at the year end	62,057.28	62,057.28
Surplus / (Deficit) in Statement of Profit and Loss		
Balance as at the beginning of the year	(20,823.41)	(14,974.18)
Add: Amalgamation related adjustments (Refer Note 24)	(2,483.08)	-
Add : Net Profit/(Loss) for the year	(6,991.97)	(5,849.23)
Balance as at the year end	(30,298.46)	(20,823.41)
<b>Total</b>	<b>31,758.82</b>	<b>41,233.87</b>

5 Long term borrowings	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Loans and advances from related parties (unsecured) (Refer Note 32)	5,000.00	-
<b>Total</b>	<b>5,000.00</b>	<b>-</b>

Footnotes:

1) There was no default in repayment of loans and interest as on the balance sheet date.

2) Loans and advances from related party constitute interest free borrowings from L&amp;T Finance Holdings Limited, the holding company. The amount outstanding is repayable on 29th May, 2015.

6 Other long term liabilities	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Liability for operating lease obligation (on straight lining - Refer Note 2.13)	237.40	256.35
<b>Total</b>	<b>237.40</b>	<b>256.35</b>

7 Long term provisions	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Provision for employee benefits- Gratuity (Refer Note 35 B )	63.05	98.06
<b>Total</b>	<b>63.05</b>	<b>98.06</b>

8 Trade payables	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Sundry creditors for goods and services (Refer Note 29)	0.06	90.42
Accrued expenses-		
Payroll related liabilities	862.83	423.69
Other liabilities for goods and services (Refer Note 32)	514.54	1,253.32
<b>Total</b>	<b>1,377.43</b>	<b>1,767.43</b>



V



9 Other current liabilities	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Liability for operating lease obligation (on straight lining - Refer Note 2.13)	20.12	19.65
Statutory dues (including provident fund, withholding taxes, etc.)	126.03	165.57
Dues to related parties (Refer Note 32)	474.12	1,344.80
Payables for fixed assets (Refer Note 32)	9.21	17.78
Other current liabilities (other than for goods and services) (Refer Note 32)	40.65	75.87
<b>Total</b>	<b>670.13</b>	<b>1,623.67</b>

10 Short term provisions	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Provision for employee benefits - Compensated absences	138.96	113.93
<b>Total</b>	<b>138.96</b>	<b>113.93</b>





## 11 Tangible assets

Description	Gross block				Depreciation				(Rs. in lacs)		
	Opening as at 01-Apr-13	Additions due to amalgamation	Additions during the year	Disposals / retirements during the year	Closing as at 31-Mar-14	Up to 01-Apr-13	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-14	As at 31-Mar-14
<b>Own assets</b>											
Leasehold improvements	18.52	284.96	65.97	1.10	368.35	0.73	17.20	65.55	0.43	83.05	285.30
Computers	102.50	73.03	14.74	0.64	189.63	41.46	6.91	36.62	0.53	84.46	105.17
Furniture and fittings	8.41	13.27	3.38	1.45	23.61	1.91	0.48	3.79	1.01	5.17	18.44
Office equipments	32.58	47.09	15.14	14.18	80.63	6.72	1.14	5.29	3.80	9.35	71.28
Vehicles	11.25	-	-	-	11.25	4.48	-	1.07	-	5.55	5.70
<b>Total</b>	<b>173.26</b>	<b>418.35</b>	<b>99.23</b>	<b>17.37</b>	<b>673.47</b>	<b>55.30</b>	<b>25.73</b>	<b>112.32</b>	<b>5.77</b>	<b>187.58</b>	<b>485.89</b>

Description	Gross block				Depreciation				Net book value		
	Opening as at 01-Apr-12	Additions due to amalgamation	Additions during the year	Disposals / retirements during the year	Closing as at 31-Mar-13	Up to 01-Apr-12	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-13	As at 31-Mar-13
<b>Own assets</b>											
Leasehold improvements	-	-	33.28	14.76	18.52	-	-	5.63	4.90	0.73	17.79
Computers	128.87	-	24.13	50.50	102.50	71.43	-	18.31	48.28	41.46	61.04
Furniture and fittings	7.80	-	6.27	5.66	8.41	3.55	-	1.26	2.90	1.91	6.50
Office equipments	54.83	-	5.61	27.86	32.58	15.78	-	2.87	11.93	6.72	25.86
Vehicles	29.14	-	-	17.89	11.25	7.40	-	2.04	4.96	4.48	6.77
<b>Total</b>	<b>220.64</b>	<b>-</b>	<b>69.29</b>	<b>116.67</b>	<b>173.26</b>	<b>98.16</b>	<b>-</b>	<b>30.11</b>	<b>72.97</b>	<b>55.30</b>	<b>117.96</b>

# Adjustments represent depreciation and amortisation on tangible and intangible assets acquired pursuant to the scheme of amalgamation with LFMPL (Refer Note 24) for the period 23rd November, 2012 to 31st March, 2013 which has been adjusted with opening reserves.



## 12 Intangible assets

Description	Gross block					Amortisation				(Rs. in lacs)	
	Opening as at 01-Apr-13	Additions due to amalgamation	Additions during the year	Disposals / retirements during the year	Closing as at 31-Mar-14	Up to 01-Apr-13	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-14	Net book value As at 31-Mar-14
Internally generated (A)	-	-	-	-	-	-	-	-	-	-	-
Others (B) Own assets	246.21	108.51	84.15	13.64	425.23	72.75	6.85	63.94	11.79	131.75	293.48
Software and licences	246.21	108.51	84.15	13.64	425.23	72.75	6.85	63.94	11.79	131.75	293.48
Total (I)	246.21	108.51	84.15	13.64	425.23	72.75	6.85	63.94	11.79	131.75	293.48
Asset management rights Goodwill on amalgamation	-	48,655.00	-	-	48,655.00	-	1,705.32	4,862.83	-	6,568.15	42,086.85
Goodwill	-	10,855.78	-	-	10,855.78	-	760.97	2,169.97	-	2,930.94	7,924.84
Total (II)	-	59,510.78	-	-	59,510.78	-	2,466.29	7,032.80	-	9,499.09	50,011.69
Total (B=I+II)	246.21	59,619.29	84.15	13.64	59,936.01	72.75	2,473.14	7,096.74	11.79	9,630.84	50,305.17
Total (A + B)	246.21	59,619.29	84.15	13.64	59,936.01	72.75	2,473.14	7,096.74	11.79	9,630.84	50,305.17

Description	Gross block					Amortisation				Net book value	
	Opening as at 01-Apr-12	Additions due to amalgamation	Additions during the year	Disposals / Retirements during the year	Closing as at 31-Mar-13	Up to 01-Apr-12	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-13	Net book value As at 31-Mar-13
Internally generated (A)	-	-	-	-	-	-	-	-	-	-	-
Others (B) Own assets	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46
Software and licences	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46
Total (I)	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46
Asset management rights Goodwill	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-
Total (II)	-	-	-	-	-	-	-	-	-	-	-
Total (B=I+II)	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46
Total (A + B)	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46

# Adjustments represent depreciation and amortisation on tangible and intangible assets acquired pursuant to the scheme of amalgamation with LFMPL (Refer Note 24) for the period 23rd November, 2012 to 31st March, 2013 which has been adjusted with opening reserves.



Particulars	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
<b>Trade investments (at cost) (unquoted)</b>		
Investment in subsidiary company L&T Fund Management Private Limited (formerly known as FIL Fund Management Private Limited)		
(a) Investment in equity shares of subsidiary company Nil (290,245,920 as at 31st March, 2013) shares of Rs.10 each fully paid up	-	56,738.25
(b) Investment in preference shares of subsidiary company		
(i) Nil (1,175,250 as at 31st March, 2013) 11% cumulative compulsorily convertible preference shares of Rs 100 each, fully paid up	-	2,297.42
(ii) Nil (2,100,000 as at 31st March, 2013) 10% cumulative compulsorily convertible preference shares of Rs 100 each, fully paid up	-	4,105.15
	-	6,402.57
<b>Total</b>	-	<b>63,140.82</b>

## Footnotes:

- 11% cumulative compulsorily convertible preference shares were convertible into ten fully paid up equity shares at face value of Rs.10 within 7 years from the date of allotment (29th June, 2010).
- 10% cumulative compulsorily convertible preference shares were convertible into ten fully paid up equity shares at face value of Rs.10 within 7 years from the date of allotment (30th July, 2008).
- Since the compulsorily convertible preference share holders would have to compulsorily get these shares converted into equity shares, the risk is closer to that of equity holders. Accordingly, based on the proposed conversion terms, the purchase consideration has been allocated in the ratio of equivalent equity shares.
- Refer Note 24 for merger related details.



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Long-term loans and advances	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Unsecured, considered good (unless otherwise stated)		
Capital advances	0.32	17.19
Security deposits	311.75	317.24
Other loans and advances -		
Loans and advances to related parties (Refer Note 32)	404.95	319.94
Loans and advances to vendors and employees	21.26	-
Prepaid expenses	84.39	-
Advance income tax (net of provision for tax Rs 5.68 lacs; Rs.5.68 lacs as at 31st March, 2013)		
Considered good	2,347.03	306.86
Considered doubtful	18.59	18.59
	2,365.62	325.45
Less: Provision for doubtful advances	18.59	18.59
	2,347.03	306.86
Advance fringe benefit tax (net of provision for tax Rs.309.01 lacs; Rs 13.10 lacs as at 31st March, 2013 )	24.86	0.01
<b>Total</b>	<b>3,194.56</b>	<b>961.24</b>



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## 15 Current investments

Particulars	As at 31st March, 2014	As at 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Current portion of long-term investments (at cost)		
Investment in close ended mutual funds	2,200.00	-
Other current investments (unquoted) (at lower of cost and fair value)		
Investments in open ended mutual funds	4,650.00	2,563.96
<b>Total</b>	<b>6,850.00</b>	<b>2,563.96</b>

Details of current investments				
Particulars	No. of shares / units		Rs. in lacs	
	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013
<b>Current portion of long-term investments</b>				
<i>Investments in close ended mutual funds</i>				
L&T FMP Series 8-Plan J - Direct Growth (Maturity date: 15th September, 2014)	2,000,000.0000	-	200.00	-
L&T FMP Series 10 - Plan L - Direct Growth (Maturity date: 26th February, 2015)	20,000,000.0000	-	2,000.00	-
			2,200.00	-
<b>Other current investments</b>				
<i>Investments in open ended mutual funds</i>				
L&T Liquid Fund Direct Plan - Growth	264,598.9640	160,372.4230	4,650.00	2,563.96
			4,650.00	2,563.96
<b>Total current investments</b>			<b>6,850.00</b>	<b>2,563.96</b>
Aggregate value of listed and unquoted investments at cost			2,200.00	-
Aggregate value of unquoted investments at cost			4,650.00	2,563.96





16	Trade receivables	As at 31st March, 2014	As at 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
	Unsecured, considered good (unless otherwise stated)		
	Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
	Others (Refer Note 32)	485.94	772.00
	<b>Total</b>	<b>485.94</b>	<b>772.00</b>
17	Cash and bank balances	As at 31st March, 2014	As at 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
	Cash on hand	3.54	3.96
	Cheques on hand	-	5.28
	Balances with banks - in current accounts	190.70	340.68
	<b>Total</b>	<b>194.24</b>	<b>349.92</b>
18	Short term loans and advances	As at 31st March, 2014	As at 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
	Unsecured, considered good (unless otherwise stated)		
	Security deposits	22.22	11.99
	Service tax asset (net of service tax liability)	55.57	22.89
	Other loans and advances -		
	Loans and advances to related parties (Refer Note 32)	734.78	513.84
	Loans and advances to vendors and employees	99.92	9.02
	Prepaid expenses	357.56	41.93
	<b>Total</b>	<b>1,270.05</b>	<b>599.67</b>



**L&T Investment Management Limited**

19	Revenue from operations	For the year ended 31st March, 2014	For the year ended 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
	Investment management fees	8,576.38	3,270.80
	Portfolio management fees	13.55	35.36
	<b>Total</b>	<b>8,589.93</b>	<b>3,306.16</b>

20	Other income	For the year ended 31st March, 2014	For the year ended 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
	Gain on sale of investments (net)	430.95	89.90
	Interest on income tax refund	51.41	0.75
	Interest on fixed deposit	5.65	-
	Exchange gain (net)	1.75	-
	Reversal of gratuity (Refer Note 35 B)	1.01	-
	Miscellaneous income	0.67	29.97
	<b>Total</b>	<b>491.44</b>	<b>120.62</b>

21	Employee benefit expenses	For the year ended 31st March, 2014	For the year ended 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
	Salaries, wages and bonus	4,440.95	2,846.00
	Contribution to provident and other funds		
	Provident fund (Refer Note 35 A)	157.16	96.97
	Pension fund (Refer Note 35 A)	14.33	11.38
	Superannuation fund (Refer Note 35 A)	103.53	53.68
	Gratuity (Refer Note 35 B)	-	30.25
	ESOP expense (Refer Note 36 B)	3.16	0.02
	Staff welfare	86.92	54.81
	<b>Total</b>	<b>4,806.05</b>	<b>3,093.11</b>

22	Depreciation and amortisation expense (other than amortisation of asset management rights and goodwill on amalgamation)	For the year ended 31st March, 2014	For the year ended 31st March, 2013
		(Rs. in lacs)	(Rs. in lacs)
	Depreciation on tangible assets (Refer Note 11)	112.32	30.11
	Amortisation on intangible assets (Refer Note 12 B (I))	63.94	34.23
	<b>Total</b>	<b>176.26</b>	<b>64.34</b>



23 Other expenses	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	(Rs. in lacs)	(Rs. in lacs)
Electricity charges	81.77	47.20
Rent (Refer Note 31)	742.84	601.71
Rates and taxes	2.03	74.90
Travelling and conveyance	171.11	142.67
Telephone, postage and courier	204.27	181.12
Printing and stationery	31.83	63.30
Outsource service charges	398.17	189.15
Repairs and maintenance -office equipment	3.83	5.04
Repairs and maintenance -others	127.79	60.51
Fixed assets written off (Refer footnote 1)	13.45	140.53
Membership and subscription	175.33	131.06
Professional fees	377.40	412.68
Filing fees	52.77	154.09
Insurance	50.21	54.60
Directors' fees	3.60	2.50
Business promotion expenses (including PMS)	302.48	577.57
Mutual fund scheme and distribution expenses (Refer footnote 2)	870.48	1,775.65
Loss on disposal of assets (net)	-	8.26
Auditors' remuneration towards		
- for audit	9.40	8.29
- for review	9.60	7.20
- for tax audit	8.00	1.50
- for reimbursement of expenses	0.64	0.14
Provision for doubtful advances	-	6.30
Corporate support charges	250.00	-
Miscellaneous expenses	171.23	79.51
<b>Total</b>	<b>4,058.23</b>	<b>4,725.48</b>

## Footnotes:

1) During the previous year, the project under which intangible assets were under development of Rs.87.04 lacs was shelved post the transfer of the asset management business by LFMPL to the Company.

2) Mutual fund scheme and distribution expenses: Expenses of Mutual funds include expenses incurred for the activities of the Mutual Fund Schemes which are borne by the Company in respect of schemes launched by the Fund, other distribution expenses based on the terms of the related offer documents and the SEBI (Mutual Fund) Regulations, 1996.



## Notes to the Financial statements

- 24 On 23rd November, 2012, the Company acquired the entire equity and preference share capital of LFMPL. Post the acquisition of 290,245,920 equity shares of Rs. 10 each, 1,175,250 (11%) and 2,100,000 (10%) cumulative compulsorily convertible preference shares of Rs. 100 each in LFMPL for a sum of Rs. 62,533.92 lacs (net of post acquisition adjustments) by the Company, LFMPL became a wholly owned subsidiary of the Company. The Company had filed a Scheme of Amalgamation (the "Scheme") for the amalgamation of LFMPL with the Company with the Honourable High Court of Judicature at Bombay (the "Honourable Court"). The Honourable Court sanctioned the Scheme with effect from 23rd November, 2012, (the "Appointed Date") vide its Order dated 25th October, 2013. The certified copies of the order of the Honourable Court sanctioning the Scheme were filed with the Registrar of Companies, Maharashtra on 22nd November, 2013 (the "Effective Date"). Consequent to the Scheme becoming effective, it has been given effect to in these financial statements and all assets and liabilities and income and expenditure of the erstwhile LFMPL stand transferred to and vested in the Company.

The amalgamation has been accounted for under the "Purchase Method" as prescribed by AS 14 - Accounting for Amalgamations and as per the specific provisions of the Scheme. Accordingly, the net assets of LFMPL amounting to Rs. 3,023.14 lacs as on the Appointed Date have been transferred to the Company at their respective fair values and the fair value of AMR of the various schemes of the LFMPL, as determined by an independent valuer, have been recognised as an Intangible Asset at a valuation of Rs. 48,655.00 lacs. The balance amount of Rs 10,855.78 lacs out of the total investment has been recorded as Goodwill on Amalgamation. These intangible assets, i.e. the AMR and Goodwill on amalgamation, are being amortised on a straight line basis with effect from 23rd November, 2012. The useful life of AMR is estimated to be 10 years whereas Goodwill is being amortised over a period of 5 years.

Break down of the purchase consideration into net assets and goodwill is as under:

Particulars	Rs. in lacs
<b>I. Consideration paid for acquisition of LFMPL</b>	<b>62,533.92</b>
<b>II. Assets acquired on appointed date</b>	
Fixed assets (including AMR)	49,181.86
Loans and advances	3,439.93
Trade receivables	511.46
Cash and cash equivalents	566.32
<b>Total (A)</b>	<b>53,699.57</b>
Trade payables and Other liabilities	1,075.86
Provisions	945.57
<b>Total (B)</b>	<b>2,021.43</b>
<b>Net Assets (A - B)</b>	<b>51,678.14</b>
<b>III. Goodwill (I - II)</b>	<b>10,855.78</b>

The corresponding figures as at 31st March, 2013 have not been recast. The effect of the order on the losses of the Company for the year ended 31st March, 2013 has been given in the opening reserve as at 1st April, 2013 as explained below and the results of the Company for the year ended 31 March, 2014, include the results of the erstwhile LFMPL from 1 April, 2013 to 22 November, 2013.

Particulars	Rs. (in lacs)
Adjustments on account of amalgamation:	
- Expenses (net of income) of LFMPL for the period 23rd November, 2012 to 31st March, 2013	(16.79)
- Amortisation of AMR and Goodwill for the period 23rd November, 2012 to 31st March, 2013	(2,466.29)
<b>Total adjustments of account of amalgamation</b>	<b>(2,483.08)</b>

- 25 Due to the amalgamation of LFMPL with the Company with effect from appointed date i.e. 23rd November, 2012, as described in Note 24, the figures of the current year will not be comparable to the corresponding figures of the previous year.

## 26 Exceptional items

In relation to acquisition of LFMPL (Refer Note 24), the Company had incurred the following costs which were classified as "Exceptional Items" in the year ended 31st March, 2013:

- Rs. 389.47 lacs incurred on professional fees for advisory services, stamp duty and other rates and taxes;
- Rs. 1,003.61 lacs on account of cost of employee benefits (net of reversal of gratuity liability Rs 201.92 lacs and compensated absences Rs 149.04 lacs)



V

## Notes to the Financial statements

**27 Contingent liabilities**

Claims against the Company not acknowledged as debts

Rs. in lacs

Particulars	Rs. in lacs	
	As at 31st March, 2014	As at 31st March, 2013
Disputed income tax liability (Refer footnote 1 and 2)	3.38	3.38

Footnote:

- 1) The matter is under appeal. The amount has been paid under protest and will be received as refund if the matter is decided in favor of the Company.
- 2) The Company does not expect any outflow of resources in respect of the above contingent liabilities.

**28 Commitments (to the extent not provided for)**

Estimated amount of contracts remaining unexecuted on capital account net of advances for tangible assets - Rs.6.43 lacs and for intangible asset Rs. 34.35 lacs (as at 31st March, 2013- Rs.7.35 lacs for tangible assets and Rs. 5.30 lacs for intangible assets).

**29 Disclosure required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

Based on the information received by the Company from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, there are no amounts due to any suppliers covered under this Act as at the balance sheet date and hence, disclosures relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given. Auditors have relied on this.





## Notes to the Financial statements

## 30 Segment reporting

The Company has identified business segments as its primary segment and geographic segments as its secondary segment. Business segments are primarily Asset Management Services and Portfolio Management Services. Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly attributable to each reportable segment have been allocated on the basis of associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocated expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. As the operations of the Company are carried out within India, there are no geographical segments.

Rs. in lacs

Particulars	Portfolio Management Services		Asset Management Services to Mutual Fund		TOTAL	
	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Segment revenue	13.55	35.36	8,576.38	3,270.80	8,589.93	3,306.16
<b>Segment result</b>	(163.11)	(93.94)	(7,289.06)	(5,684.48)	(7,452.17)	(5,778.42)
Unallocated expenses	-	-	-	-	(31.24)	(191.43)
<b>Net operating income</b>	-	-	-	-	(7,483.41)	(5,969.85)
Unallocated other income	-	-	-	-	491.44	120.62
<b>Net profit/loss before tax</b>	-	-	-	-	(6,991.97)	(5,849.23)
Current tax expense	-	-	-	-	-	-
<b>Profit/(loss) after tax</b>	-	-	-	-	(6,991.97)	(5,849.23)
Segment assets	31.18	36.75	53,328.63	2,257.83	53,359.81	2,294.58
Unallocable assets	-	-	-	-	9,471.70	66,384.45
<b>Total assets</b>	-	-	-	-	<b>62,831.51</b>	<b>68,679.03</b>
Segment liabilities	22.00	39.27	2,447.81	3,747.13	2,469.81	3,786.40
Unallocable liabilities	-	-	-	-	5,017.16	73.04
<b>Total liabilities</b>	-	-	-	-	<b>7,486.97</b>	<b>3,859.44</b>
Total capital expenditure (including capital advances) incurred during the year to acquire segment assets #	-	-	220.74	198.75	220.74	198.75
Depreciation & amortisation expenses (included in segment expense)	7.46	7.48	7,201.60	56.86	7,209.06	64.34
Other significant non-cash adjustments	0.22	0.29	64.99	165.03	65.21	165.32

# Net assets acquired pursuant to the scheme of amalgamation with LFMPL (Refer Note 24) is not considered in determination of total capital expenditure.

## 31 Operating leases

The Company has significant operating leases for premises and furniture & fixtures, which include both cancellable and non-cancellable leases. Most of the leases are renewable for further period on mutually agreeable terms and also include escalation clauses.

Lease payments recognised in the Statement of Profit and Loss during the year Rs.742.84 lacs (Previous Year – Rs.601.71 lacs).

Future minimum rentals payable under non-cancellable operating leases are as follows:

Rs. in lacs

Particulars	As at	As at
	31st March, 2014	31st March, 2013
Within one year	55.34	32.38
After one year but not more than five years	318.31	16.72
More than five years	-	235.14



32 Related party disclosure

Disclosure as required by AS - 18 "Related Party Disclosure" notified under the Companies Act, 1956 is as follows:

A Name of the related parties and description of relationship

(i) Ultimate Holding Company	Larsen & Toubro Limited ("L&T Limited")
(ii) Holding Company	L&T Finance Holdings Limited ("LTFH")
(iii) Subsidiary Company (Refer Footnote 6)	L&T Fund Management Private Limited (Formerly known as FL Fund Management Private Limited) (w.e.f. 24th November, 2012) ("LFMPL")
(iv) Fellow subsidiary (with whom Company had transactions)	L&T Finance Limited (w.e.f. 28th March, 2013, erstwhile holding company till 27th March, 2013) ("LTF")
	L&T Vindavan Properties Limited ("LTVPL")
	L&T Access Financial Advisory Services Limited ("LTAFAASL")
	L&T Infrastructure Finance Company Limited ("LTIIFCL")
	L&T Capital Markets Limited ("LTCML")
	L&T Capital Company Limited ("LTCCL")
	L&T InfoTech Limited ("LTIIL")
	L&T Trustee Services Private Limited ("LTSPL")
	L&T Mutual Fund Schemes ("LTMF")
(v) Associate (with whom Company had transactions)	Raji Vishwanathan, Manager under the Companies Act, 1956
(vi) Key management personnel (Refer Footnote 4)	

(Note: Related parties have been identified by the Management)

B Details of Transactions with Related Parties

Nature of Transaction	L&T Limited	LTFH	LFMPL (Refer note 24)	LTF	LTVPL	LTAFAASL	LTIIFCL	LTCML	LTCCL	LTIIL	LTSPL	LTCCL	LTMF	Rs. in lacs	
														Total	Total
Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment management fees income	-	-	-	-	-	-	-	-	-	-	-	-	8,576.38 (3,270.80)	8,576.38 (3,270.80)	
Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	36.00 (53.01)	9.21	-	-	-	-	-	-	-	-	45.21 (113.09)	
Business promotion expenses (including PMS)	-	-	-	0.62 (1.65)	-	-	-	-	(2.75)	-	-	-	-	0.62 (4.40)	
Repairs and maintenance -others	-	-	-	-	-	-	-	-	-	5.87 (16.54)	-	-	-	5.87 (16.54)	
Professional fees	39.39 (5.10)	-	-	8.04	-	2.25	-	-	-	-	-	-	-	49.68 (5.10)	
ESOP expense	-	3.16 (0.02)	-	-	-	-	-	-	-	-	-	-	-	3.16 (0.02)	
Deputation cost recovery	-	-	-	5.95	-	-	5.95	-	-	-	-	-	-	5.95	
Mutual fund scheme and distribution expenses	-	-	-	-	-	3.06	-	33.35	-	-	-	-	266.19 (780.07)	302.60 (782.45)	
Corporate support charges	-	250.00	-	-	-	-	-	-	-	-	-	-	-	250.00	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets transferred (Refer footnote 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities transferred (Refer footnote 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments redeemed / matured	-	-	-	-	-	-	-	-	-	-	-	-	151,672.98 (8,868.32)	151,672.98 (8,868.32)	
Advance repaid	-	2,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance given to schemes of mutual fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	7,000.00 (63,143.00)	-	-	-	-	-	-	-	-	-	-	-	7,000.00 (63,143.00)	
	-	-	-	-	-	-	-	-	-	-	-	-	940.51 (65.52)	940.51 (65.52)	



Particulars	L&T Limited	LTFH	LFMPL (Refer note 24)	LTF	LTVPL	LTAFASL	LTIIFCL	LTCML	LTCCL	LTIL	LTTSP	LTGICL	LTMF	Rs. in lacs	
														Total	Total
Advance recovered from the schemes of mutual fund	-	-	-	-	-	-	-	-	-	-	-	-	645.70	645.70	
Capital infusion of equity shares (including security premium)	-	-	-	(4,500.00)	-	-	-	-	-	-	-	-	(163.69)	(163.69)	
Fixed assets purchased	-	(1,500.00)	-	-	-	-	-	-	-	20.00	-	-	-	(6,000.00)	20.00
Capital advance paid for intangible assets under development	-	-	-	-	-	-	-	-	-	16.85	-	-	-	-	16.85
<b>Balance outstanding as at end of the year</b>															
<b>Receivables:</b>															
Long-term loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	404.95	404.95	404.95
Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-	(319.94)	(319.94)	(319.94)
Short term loans and advances	-	-	-	6.05	-	-	6.09	-	-	-	(1.00)	-	485.94	485.94	485.94
<b>Payables:</b>															
Long term borrowings	-	5,000.00	-	-	-	-	-	-	-	-	-	-	-	-	5,000.00
Trade payables (includes accrued expenses)	(4.62)	63.98	-	-	-	0.04	-	3.60	-	-	-	-	-	-	67.62
Dues to related parties	29.13	1.64	-	-	-	-	-	-	-	(4.01)	-	-	-	-	(8.63)
Other current liabilities	(49.86)	(0.34)	(160.46)	-	1.89	-	-	-	-	0.64	-	-	442.71	474.12	474.12
	-	-	-	-	-	-	-	-	-	9.21	-	-	(1,134.14)	(1,344.80)	(1,344.80)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11.10

**Footnotes:**

- 1) Reimbursement of expense has not been considered for reporting related party transactions.
- 2) Previous year figures have been shown in brackets.
- 3) The advance received from L&T Finance Holdings Limited in FY 2012 - 13 was converted into fully paid 25,257,200 equity shares of Rs. 10 each at a premium of Rs.240 each on 29th March, 2013.
- 4) Rs. NIL remuneration paid to Manager during the year ended on 31 March 2014 (Rs NIL for the year ended 31 March 2013).
- 5) In accordance with the application made to SEBI seeking its approval for the change in control of LFMPL (wholly owned subsidiary) and change of sponsor, asset manager and trustee of the schemes of erstwhile Fidelity Mutual Fund, LFMPL filed necessary letter with SEBI for withdrawal of approval granted to it to act as an asset management company. The Company was appointed as the asset manager for all schemes of erstwhile Fidelity Mutual Fund effective 24th November 2012. Office leases and employees of LFMPL were also transferred to the Company on this date.



## Notes to the Financial statements

## 33 Earnings per share

Particulars	Unit	For the year ended	
		31st March, 2014	31st March, 2013
Profit / (loss) for the year from the continuing operations	Rs. in lacs	(6,991.97)	(5,849.23)
Nominal value of equity shares	Rs.	10.00	10.00
Weighted average equity shares for basic and diluted earnings per share	No.	235,857,200	184,554,991
Basic and diluted earnings per share	Rs.	(2.96)	(3.17)

## 34 Deferred tax:

The Company has recognised deferred tax asset and deferred tax liability as under:

Rs. in lacs

Particulars	As at	
	31st March, 2014	31st March, 2013
<b>Deferred tax liability</b>		
Timing difference on account of depreciation and amortisation expenses	3,182.47	11.98
<b>Deferred tax asset</b>		
Unabsorbed loss and depreciation restricted upto the amount of deferred tax liability	3,182.47	11.98
<b>Net deferred tax liability</b>	<b>Nil</b>	<b>Nil</b>
<b>Deferred tax expense for the year ended</b>	<b>Nil</b>	<b>Nil</b>

Deferred tax asset in respect of unabsorbed depreciation and amortisation expense is recognised considering the deferred tax liability in respect of timing differences arising in respect of depreciation and amortisation expense. Additional deferred tax assets have not been recognised in the absence of virtual certainty of future taxable profits against which such assets can be offset.

## 35 Disclosure as required under Accounting Standard –15 on “Employee Benefits” is as under:

## A Defined contribution plans

The Company makes provident fund, pension fund and superannuation fund contributions to defined contribution plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised Rs.157.16 lacs (Previous Year – Rs. 96.97 lacs) for provident fund contributions, Rs.14.33 lacs (Previous Year – Rs.11.38 lacs) for family pension fund and Rs.103.53 lacs (Previous Year – Rs.53.68 lacs) for superannuation fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at the rates specified in the rules of the schemes.





## Notes to the Financial statements

**B** Defined benefit plans

The Company offers the gratuity under employee benefit schemes to its employees.

The following tables sets out the fund status of the defined benefit schemes and the amount recognised in the financials.

Rs. in lacs		
Gratuity (Funded plan)	As at 31st March, 2014	As at 31st March, 2013
Projected benefit obligation		
As at beginning of the year	228.54	31.00
Liabilities assumed on acquisition	-	370.57
Service cost	45.44	15.33
Interest cost	21.96	4.08
Actuarial losses / (gains)	(53.12)	(185.26)
Benefits paid	(40.64)	(7.18)
As at end of the year	202.18	228.54
Change in plan assets		
Fair value of plan assets as at beginning of the year	130.48	33.15
Expected returns on plan assets	11.81	2.65
Employer's contribution	34.00	98.69
Benefits paid	(40.64)	(7.18)
Actuarial gain / (loss)	3.48	3.17
Fair value of plan assets as at end of the year	139.13	130.48
Expected employer's contribution next year	40.00	40.00
Amount recognised in the balance sheet		
Liability at the end of the year	202.18	228.54
Fair value of plan assets as at end of the year	(139.13)	(130.48)
Amount recognised in the balance sheet	63.05	98.06
Movement in net liability recognised in the balance sheet		
Opening net liability	98.06	(2.15)
Liabilities assumed on acquisition / (settled on divestiture)	-	370.57
Expenses	(1.01)	(171.67)
Contribution	(34.00)	(98.69)
Closing net liability	63.05	98.06

Cost of the defined benefit plan for the year	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Current service cost	45.44	15.33
Interest on obligation	21.96	4.08
Expected return on plan assets	(11.81)	(2.65)
Net actuarial losses / (gains) recognised in the year	(56.60)	(188.43)
Net cost/ (gain) recognised in the Statement of Profit and Loss	(1.01)	(171.67)
<b>Key assumptions:</b>		
Indian Assured Mortality Ult. table of the year	2006-2008	2006-2008
Discount rate	9.35%	8.10%
Future salary increase	6.00%	6.00%
Expected rate of return on plan assets	8.00%	8.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account inflation, seniority, promotion, increments and other relevant factors.

As the gratuity fund is managed by the life insurance company, details of investment are not available with the Company.

Rs. in lacs					
Particulars	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2010
Defined benefit obligation	202.18	228.54	31.00	26.89	16.57
Plan assets	139.13	130.48	33.15	22.36	16.58
Surplus / (deficit)	(63.05)	(98.06)	2.15	(4.53)	0.01

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2012	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Exp. adj. on plan liabilities	(18.05)	(232.82)	(5.01)	*	*
Exp. adj. on plan assets	3.48	3.17	(0.09)	*	*

Information for experience adjustment of plan liabilities and plan assets prior to 31st March 2012 is not available with the Company.





## Notes to the Financial statements

**36 Employee Stock Option Plan ("ESOP")****A ESOP under the Company ("Plan 1")**

Plan 1 was designed to provide stock options to employees in a specific category. All grants under Plan 1 were to be issued and allotted by the Allotment Committee of the Board of the Company. The options were to be granted to the eligible employees based on certain criteria and approval of the Allotment Committee of the Board.

The options had been granted on 10th September, 2009 at an exercise price equal to the fair value of the shares as determined by an independent valuer.

The employees were to be allotted a pre-defined number of equity shares against each option and the options were to vest over a period of five years from the date of grant at a pre-defined percentage of the total vesting. Each of the options were to be subject to the condition that the employees will secure specific annual performance rating for every allotment and the Company shall achieve certain performance targets. The vesting of the shares could be carried forward for a maximum of 2 years. Options could have been exercised anytime within a period of 5 years from the date of vesting. The employees also had an exit option which they could exercise under certain defined events.

Graded Vesting Details -

Date of Vesting	July, 2010	July, 2011	July, 2012	July, 2013	July, 2014
% Vesting	25%	25%	20%	20%	10%

The compensation costs of stock options granted to employees were to be accounted by the Company using the fair value method.

Since the options were to be granted at an exercise price equal to the fair value of the shares as determined by an independent valuer, there would be no charge to the Statement of Profit and Loss. As at 31st March, 2014 all outstanding options have lapsed.

A summary of status of the Company's Employee Stock Option Scheme in terms of option granted, forfeited and exercised by the employees is as follows:-

Summary of stock options	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
	No. of stock options	Weighted average exercise price (Rs.)	No. of stock options	Weighted average exercise price (Rs.)
Opening options outstanding	60,000	10.50	320,000	10.50
Options granted during the year	-	-	-	-
Options forfeited during the year	-	-	240,000	-
Options lapsed during the year	60,000	-	20,000	-
Options exercised during the year	-	-	-	-
Closing options outstanding	-	-	60,000	10.50
Options exercisable at the end of the year	-	-	-	-
Options vested but not exercised at the end of the year	-	-	-	-

The weighted average remaining contractual life of options (comprising of the vesting period and the exercise period) is Nil years as at 31st March, 2014 (6.33 years as at 31st March, 2013).

**B ESOP from the holding company ("Plan 2")**

Pursuant to Plan 2 being established by the holding company (i.e. L&T Finance Holdings Limited), stock options were granted to the employees of the Company during the financial year 2012-13 and 2010-11. The total cost incurred by the holding company in respect of options granted to employees of the Company amounts to Rs. 6.71 lacs (Rs 1.27 lacs for 2012-13). This sum is being recovered from the Company over the period of vesting. Accordingly, a sum of Rs 3.16 lacs has been recovered from the Company during the year (Rs 0.02 lacs during 2012-13), which has been charged to the Statement of Profit and Loss. The balance sum of Rs. 3.53 lacs (Rs 1.25 lacs as at 31st March, 2013) will be recovered in future periods.



## Notes to the Financial statements

## 37 Foreign currency expenditure

Rs. in lacs

Particulars	Rs. in lacs	
	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Membership and subscription	2.25	-
Staff welfare	1.02	-
<b>Total</b>	<b>3.27</b>	<b>-</b>

38 From 1 April 2013, the Company has changed its accounting policy in respect of accounting for commission on closed ended schemes. Commission paid in respect of closed ended schemes is now being amortised over the tenure of such schemes. In earlier years, the cost was charged to the Statement of Profit and Loss in the period in which it was incurred. As a result of the change in accounting policy, the commission charged to the Statement of Profit and Loss and loss for the year are lower by Rs.62.07 lacs.

39 Previous year figures have been reclassified to conform to this year's classification.



*R. Shankar*  
Director

*Ratna*  
Director

Place: Mumbai

Date: 21st April, 2014.

*Kaji Ushwanth*

Manager

*ht*  
Company Secretary

## DIRECTORS' REPORT

### TO THE MEMBERS OF L&T INVESTMENT MANAGEMENT LIMITED

The Directors present their Eighteenth Annual Report and the Audited Statement of annual accounts for the year ended March 31, 2014.

### FINANCIAL RESULTS

Particulars	Amt (Rs. in lakhs)	
	2013-14	2012-13
Gross Income	9,081.37	3,426.78
Loss b/f from previous year	(20,823.41)	(14,974.18)
Amalgamation related adjustments	(2,483.08)	0
Profit After Tax	(6,991.97)	(5,849.23)
Surplus / (Deficit) in the statement of Profit and Loss	(30,298.46)	(20,823.41)

### DIVIDEND

In view of the loss incurred, no dividend is recommended on equity shares for the financial year ended March 31, 2014.

### ISSUE OF CAPITAL

During the Financial Year under review, your Company has not issued any further shares.

### OPERATIONS OF THE COMPANY

- In the financial year 2013-14, L&T Mutual Fund (“the Fund”) was one of the fastest growing fund houses in the Indian mutual fund industry. The average assets under management (AAUM) stood at Rs 18,255 crores for the year ended March 2014 as against Rs 11,170 crores in March 2013, a stellar growth of 63%. This growth in assets has been against a backdrop of industry’s 11% growth during the same period and at a time when financial markets in India faced significant volatility.
- Post acquisition of the asset management company (L&T Fund Management Private Limited (“LTFMPL”)) of Fidelity in India, with a view to simplify the holding structure of the group and bring operational efficiency, LTFMPL was amalgamated with the Company post completion of the necessary regulatory formalities effective November 22, 2013 (appointed date being November 23, 2012).

### MARKET OVERVIEW AND OUTLOOK

#### Equity Market Overview and Outlook

The Indian economy is going through a period of trough and has been growing at sub 5%. Observing the breakup of the real GDP, it is seen that the industrial growth has slowed down considerably whereas services has held up steady and agriculture has bounced back in FY14. The Current Account Deficit which went above 6% in Dec 2012 has been reigned in now to below 2% and so have the rupee depreciation and consumer inflation. These factors are more benign now compared to mid FY14 when these were proving to destabilize the economic environment.



Going forward, few key factors may decide the fate of the economy viz. 1. New Government and its policies 2. The lagged impact of last year's policy measures of the incumbent Government. 3. The monsoon and its impact on agriculture growth in the wake of a threat of El -Nino 4. Rupee movement and its impact on exports 5. Consumer Inflation and the resultant RBI stance on interest rates. As is known, RBI has stated 6% CPI inflation target by Jan 2016 and has indicated inflation its topmost priority.

As far as the Indian stock markets are concerned, the rally in the recent months indicates that the market is expecting a positive election verdict. The BSE Sensex is trading at about 15XFY14E and 13XFY15E. The markets had traded upto peak valuations of 22X one year forward earnings estimates in end 2007.

Today, there is a wide disparity in valuations across sectors with consumers and pharmaceutical stocks trading much higher versus remaining sectors, although recent rally has bridged the gap partially. Overall, in an expansionary economy mode, one may witness a further rally in the markets and bridging of the valuation gap within cyclical and defensives.

Foreign funds continued to be positive on Indian markets. FII flows which were strong at 20bn\$ in 2013 have continued to be positive till March 2014.

Compared to emerging markets, India is either at par or marginally expensive. However, given our favourable demographics, such premium may be justified. Overall, the Indian markets still look undervalued from a longer term growth perspective.

### **Debt Market Overview and Outlook**

Indian government bond yields have risen around 85 bps over the course of FY14, ending the year at 8.80% versus a low of 7.12% in May 2013. In its bi-monthly review of the monetary policy on 1 April, the RBI kept key rates unchanged (repo rate at 8%), maintaining their focus on bringing CPI down sustainably to 8% by Jan 2015 and 6% by Jan 2016. The RBI increased the liquidity provided under term repos from 0.5% of NDTL of the banking system to 0.75%, and decreased the liquidity provided under overnight repos under the LAF from 0.5% of bank-wise NDTL to 0.25% with immediate effect.

The government will raise Rs. 3.68 trillion (\$61.4 billion) through bond sales in the first half of the fiscal beginning 1 April, which is 61.6% of the total borrowing scheduled for FY 2015. With the new auction calendar kick-starting in April, markets will be keenly watching investor appetite as also any signs of RBI resuming its open market operations at the longer end of the curve. However, communication from the RBI governor so far has been fairly clear that it would not use OMOs to support yields, but only for liquidity injection through securities at the short end. Hence, markets would have to evolve an equilibrium level for gsec yields, devoid of RBI support. Similar to equities - critical trigger for fixed income markets would be the election results, and strength and resolve of the new government to implement credible fiscal consolidation and inflation control strategies.

Hence – while the pre-election period is likely to witness range-bound yields with an upward bias to yields on account of large supply, medium term clarity on the direction of fixed income markets is expected to emerge only after the elections.

### **DIRECTORS:**

Presently the Board comprises Mr. R. Shankar Raman, Mr. Ved Prakash Chaturvedi, Mr. M.V. Nair and Mr. P.H. Ravikumar as Directors of the Company. Mr. M.V. Nair and Mr. P. H. Ravikumar who were appointed as additional directors on April 1, 2013 and April 17, 2013 respectively were

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Mumbai 400 021

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appointed as the Directors of the company by the members at the last Annual General Meeting and are categorized as Independent Directors of the Company in accordance with the requirements of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

The provisions of Section 149(4) of the Companies Act, 2013 (“the Act”) pertaining to the appointment of Independent Directors, have been notified by the Ministry of Corporate Affairs with effect from April 1, 2014. Pursuant to the coming into force of Section 149 of the Act from April 1, 2014, the Company has re-assessed the status of its directors with a view to determine whether they qualify as Independent Directors in terms of Section 149(6) of the Act. Mr. M.V. Nair and Mr. P.H. Ravikumar fulfill the criteria laid out in Section 149(6) of the Act in this regard and necessary confirmations /declarations have been received from them.

Section 149(10) of the Act restricts the tenure of Independent Directors to two terms of up to ten years, with a single term not exceeding five years, which shall be effective from April 1, 2014. In view of the aforesaid, Mr. M.V. Nair and Mr. P.H. Ravikumar shall retire by rotation at the forthcoming Annual General Meeting and they, being eligible, have offered themselves for appointment as Independent Directors of your Company pursuant to the provisions of the Act to hold office for a period up to March 31, 2019.

The Board of Directors recommends the appointment of Mr. M.V. Nair and Mr. P.H. Ravikumar as Independent Directors on the Board of the Company who will not be liable to retire by rotation.

In terms of the provisions of the Act, Mr. R. Shankar Raman, Director of the Company retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.

The Board of Directors recommends the appointment of Mr. R. Shankar Raman as Director on the Board of the Company.

## **AUDIT COMMITTEE**

The Audit Committee is constituted primarily to review quarterly as well as annual financial statements and recommend its adoption to the Board of Directors of the Company and to ensure compliance of internal control systems and internal audit systems.

The Audit Committee of the Board consists of, Mr. R. Shankar Raman, Mr. M.V. Nair and Mr. P.H. Ravikumar. None of the Members of the Audit Committee is a Whole-time Director of the Company.

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956.

## **AUDITORS**

Deloitte Haskins & Sells LLP, retires at the forthcoming Annual General Meeting and are eligible for re-appointment.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Act for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, the Company cannot appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting (“AGM”).

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Mumbai 400 021

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The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

Considering, Deloitte Haskins & Sells LLP has already served as Statutory Auditors of the Company for a period of more than 10 years, the Company could re-appoint them for a maximum period of 3 years. The Audit committee and Board of Directors of the Company have recommended their appointment for one year i.e. from the conclusion of the Eighteenth AGM till the conclusion of the Nineteenth AGM, subject to approval by the Members in the AGM of the Company.

The Company has received necessary declarations / certificate from the Auditors with respect to the proposed appointment as required under the provisions of the Act.

### **AUDITORS' REPORT**

The Auditors' Report to the shareholders does not contain any qualification. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of the Directors.

### **PARTICULARS OF EMPLOYEES**

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and the rules made thereunder is given in a separate Annexure to this report and forms part of this report. The same would be furnished to the Members on request.

### **CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION**

The Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 pertaining to conservation of energy in Form A and Technology Absorption in Form B prescribed by the Rules are not applicable to the Company, considering the nature of its operations.

### **FOREIGN EXCHANGE EARNING AND OUTGOING**

During the period under review, the details of foreign exchange inflow or outgo is as follows:

Foreign Exchange Earnings: NIL

Foreign Exchange Outgo: Rs 3.27 lacs

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

The Directors, based on the representation received from the Management, confirms that:

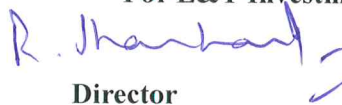
- (a) in the preparation of annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these generally have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the loss of the Company for the year ended on that date;

- (c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis;
- (e) proper systems are in place to ensure compliance of all laws applicable to the Company;

#### **ACKNOWLEDGEMENT**

Your Directors place on record their appreciation to the Company's Bankers, Custodians, Registrars and most of all, the Investors of the Fund, for their continued co-operation and support. Your Directors wish to place on record their appreciation of the dedication and commitment of your Company's employees.

**On behalf of the Board  
For L&T Investment Management Limited**

  
**Director**

  
**Director**

Place: Mumbai  
Date: April 21, 2014