

**Annual Report 2005-2006**

# Quantum Mutual Fund



**Quantum Asset Management Company Private Limited**

## INDEX

Particulars	Page No.
Report of the Trustees	3
Auditors Report	6
Balance Sheet as at March 31, 2006	7
Revenue Account for the year ended March 31, 2006	8
Schedules	9
Significant Accounting Policies	11
Notes to Accounts	15

**Quantum Mutual Fund**

107, Regent Chambers, 1st Floor,  
Nariman Point, Mumbai – 400 021  
Tel: 022 2287 5923  
Fax: 022 22854318  
Email: [info@QuantumAMC.com](mailto:info@QuantumAMC.com)  
Website: [www.QuantumAMC.com](http://www.QuantumAMC.com)

**Board of Directors****Quantum Trustee Company Private Limited (Trustee to Quantum Mutual Fund)**

Mr. S. S. Thakur	Chairman
Mr. Hormazdiyaar Vakil	Trustee
Mr. Mahesh Vyas	Trustee
Mr. Satish Mehta	Trustee

**Board of Directors****Quantum Asset Management Company Private Limited (Investment Manager to Quantum Mutual Fund)**

Mr. Anil Harish	Chairman
Mr. Ajit Dayal	Director
Mr. Suresh Lulla	Director
Mr. C. Srinivasan	Director

## SPONSOR

**Quantum Advisors Private Limited**

Registered Office : #103-104, 1st Floor,  
Regent Chambers, Nariman Point,  
Mumbai – 400021

## ASSET MANAGEMENT COMPANY

**Quantum Asset Management Company Private Limited**

Registered Office : #107-108, 1st Floor,  
Regent Chambers, Nariman Point,  
Mumbai – 400021  
Tel. No. : 022-2287 5923  
Toll Free no. 1800 22 3863 (from BSNL/MTNL lines) or 2282 9414  
Website : [www.QuantumAMC.com](http://www.QuantumAMC.com)

## TRUSTEE

**Quantum Trustee Company Private Limited**

Registered Office : #107-108, 1st Floor,  
Regent Chambers, Nariman Point,  
Mumbai – 400021

## REGISTRAR &amp; TRANSFER AGENTS

**Karvy Computershare Private Limited**

46, Road No. 4, Street No. 1, Banjara Hills,  
Hyderabad 500 034  
Tel. No. : 040-23312454  
Website : [www.Karvy.com](http://www.Karvy.com)

## CUSTODIAN

**The Hongkong & Shanghai Banking Corporation Ltd., (HSBC)**

Corporate, Investment Banking & Markets,  
S. K. Ahire Marg, Worli,  
Mumbai – 400 030

## BANKER

**HDFC Bank Ltd**

Maneckji Wadia Bldg,  
Nanik Motwani Marg,  
Mumbai-400023

## STATUTORY AUDITORS

**M/s Haribhakti & Co., Chartered Accountants**

42, Free Press House, 4th Floor,  
215, Nariman Point,  
Mumbai – 400 021

## LEGAL ADVISORS

**Dave & Girish & Co.**

Sethna Building, 1st Floor,  
55, Maharshi Karve Road,  
Marine Drive,  
Mumbai-400002

**TRUSTEE REPORT TO THE UNITHOLDERS OF  
QUANTUM MUTUAL FUND FOR THE YEAR ENDED MARCH 31, 2006**

Dear Unitholders,

We have great pleasure in presenting the first annual report of Quantum Mutual Fund ('the Fund') for the year ended March 31, 2006, along with the audited financial statements for that period.

**Schemes of Quantum Mutual Fund**

**Scheme launched during the year**

Quantum Mutual Fund ('the Fund') was registered with Securities & Exchange Board of India (SEBI) on December 2, 2005 and the Fund launched its first scheme 'Quantum Long-Term Equity Fund' (QLTEF) an open ended equity scheme, on February 8, 2006. The New Fund Offer (NFO) period closed on February 25, 2006, units were allotted on March 13, 2006 and the scheme reopened for continuous offer on March 16, 2006. This being the first year, the Fund launched only one scheme in the year ended March 31, 2006.

**Investment Objective**

The investment objective of QLTEF is to achieve long-term capital appreciation by investing primarily in shares of companies that are typically included in the BSE 200 index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets. The resources of the scheme have been invested in line with the investment objective.

The investment strategy of the Mutual Fund is to invest in companies it believes are attractively priced in the market as compared to the Investment Manager's valuation. The Investment Manager's valuation will be based on a number of factors, including the Investment Manager's assessment of the skill and expertise of the company's management and the long term potential for both the company as well as the sectors in which it operates.

The Investment Manager's tried and tested disciplined research and investment process provides clients with a long-term investment philosophy which seeks to outperform on the upside and limit the downside.

**Amount Mobilized:**

QLTEF mobilized a sum of Rs. 10.57 crores during the New Fund Offer (NFO) period from 760 Unitholders spread over 85 cities. An additional amount of Rs. 0.46 crore was raised after the NFO till March 31, 2006 from 47 Unitholders at the prevailing NAV. As on March 31, 2006, the Fund had collected a sum of Rs. 11.03 crores from 807 Unitholders. As on the date of this report, the QLTEF assets were at Rs. 22.14 crores from 1,240 unitholders.

**Performance:**

As on March 31, 2006, QLTEF had invested 34.4% of its initial corpus and owned 15 stocks. As on that date, the total Net Asset Value (NAV) of the Fund was Rs. 11.29 crores. Since inception till March 31, 2006, the NAV of QLTEF had increased by 2.3%, as compared to the benchmark BSE-30 Total Return Index which had increased by 4.5%.

Since inception (i.e., March 13, 2006) till the date of this report, QLTEF is up +7.7% and the BSE-30 Total Return Index is up +9.1%.

Since the Fund Manager could not find value in a frothy market, the Investment Manager stuck to the Fund's investment strategy and discipline, and without rushing to buy stocks, decided to wait for the stocks to come to more attractive entry price levels. The market decline in May and June gave the Investment Manager the opportunity to invest more money in stocks. As on the date of this report, the cash levels are 18% and number of stocks owned is 29.

**Direct Marketing:**

Quantum Mutual Fund is dedicated to service its investors in every way and has adopted a unique method of marketing its schemes. By dealing directly with the investor, the Fund avoids brokers and distributors, thus saving money by eliminating commissions and trail commissions, and minimizing other expenses, that are normally borne by investors. The Fund believes in directly marketing its schemes and keeping the costs low, as a result of which a greater proportion of the investors' money gets invested.

**Investor Services:**

At Quantum, our constant endeavour is to offer the investor a high degree of convenience, through effective use of technology. Our Scheme provides various facilities such as:

- Our website ([www.QuantumAMC.com](http://www.QuantumAMC.com)) contains comprehensive information and provides various online tools that allow easy navigation. It also provides online investment facility, making the investment process simpler and easier for the investor.
- The monthly scheme fact sheet is available online on our website (<http://www.QuantumAMC.com/schemes/schemes.html>). The factsheet gives details of the investments in each scheme.
- We have initiated steps to facilitate investors to invest through the Systematic Investment Plan (SIP) route via ECS (Electronic Clearing Service). This means that the investor does not have to issue post-dated cheques for investment through SIP. Just giving a one-time debit instruction to his bank would suffice. This facility will be made available shortly.

With a view to enhancing customer convenience, the AMC has introduced Direct Credit Facility (for direct credit of redemption and dividend proceeds) with HDFC Bank and HSBC Bank. Investors banking with these banks can avail of this facility. The internal standards on redemption payouts are being consistently met.

**Market Outlook**

In the view of the fund manager, the Indian stock market remains attractive and presents ample investment opportunities to long-term investors. Domestic consumption, exports and infrastructure development continue to be dominant themes in India. The risk on a near term basis is the expected increase in interest rates, in India as well as globally. The increase in interest rates globally could have an impact on capital flows and demand for Indian equities.

With the increase in interest rates having an impact on longer duration bonds, the fixed income fund manager continues to recommend debt funds that have shorter durations; example: liquid funds or cash funds.

**Statutory Details**

Quantum Mutual Fund (QMF) has been constituted in accordance with the provisions of the Indian Trust Act, 1882 and is registered as a Trust under the Indian Registration Act, 1908. QMF has also been registered with the Securities and Exchange Board of India (SEBI). Quantum Advisors Private Limited is the settlor and sponsor of QMF and has contributed a sum of Rs. 100,000/- (Rupees One Lakh only) for setting up the Fund. In terms of the Trust Deed dated October 7, 2005, Quantum Trustee Company Private Limited ('Trustee Company') has been appointed as the Trustee of the Fund. The Trustee Company is responsible for holding the Trust property. The Trustee Company has appointed Quantum Asset Management Company Private Limited (Quantum AMC) as the Asset Management Company of Quantum Mutual Fund. Quantum AMC is required to manage the Fund's schemes in accordance with the offer document of the scheme and comply with the provisions of the Trust Deed and the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time. The Sponsor is not responsible or liable for any loss resulting from the operations of the Fund beyond the initial contribution of Rs. 100,000/-. The Annual Results of the Fund have been approved by the Board of Directors of the Trustee Company and the Board of Directors of the Asset Management Company on August 28, 2006.

The price and redemption value of the units and income from them, can go up as well as down on account of fluctuations in the market value of the underlying investments.

On written request, present and prospective Unitholders/Investors can obtain a copy of the Trust Deed, the Annual Report of the Scheme and the Annual Report of Quantum Asset Management Company Private Limited.

**Liabilities and Responsibilities of Trustees and Sponsors**

The main responsibility of the Trustees is to safeguard the interests of the unitholders and inter-alia ensure that Quantum Asset Management Company Private Limited (Quantum AMC) functions in the interest of the investors and in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the provisions of the Trust Deed and the Offer Document of the scheme. From the information provided to the Quantum Trustee Company Private Limited and the reviews it has undertaken, the Directors of the Trustee Company believe that Quantum AMC has been conducting the operations of Quantum Mutual Fund in the interest of the unitholders and in accordance with the applicable regulatory requirements.

**Annual Results**

The Balance Sheet as on March 31, 2006 and the Revenue Account for the year ended March 31, 2006 in respect of QLTEF, the only scheme of Quantum Mutual Fund as on March 31, 2006 are annexed to this report.

**Acknowledgement**

The Directors of the Trustee Company wish to thank the unitholders of QLTEF for their encouraging response to the scheme and the Securities and Exchange Board of India (SEBI) as well as the Association of Mutual Funds in India (AMFI) for the valuable guidance provided by them. The Directors also appreciate the services and support provided by all concerned including the Registrar and Transfer Agent, Custodian, Bankers and Quantum Asset Management Company Private Limited.

For and on behalf of the Board of Directors of  
**Quantum Trustee Company Private Limited**  
**S. S. Thakur**  
**Chairman**

Date: August 28, 2006  
Place: Mumbai  
Encl.: Audited Accounts and Auditors Report

**AUDITORS' REPORT  
TO THE BOARD OF TRUSTEES OF QUANTUM TRUSTEE COMPANY PRIVATE LIMITED**

We have audited the attached Balance Sheet of the Scheme '**Quantum Long - Term Equity Fund**' of **Quantum Mutual Fund** as at March 31, 2006 and the Revenue Account of the Scheme for the period ended March 31, 2006 and report thereon as follows:

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) 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.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2006 and
  - (ii) in the case of the Revenue Account, of the Deficit of the Scheme for the period ended March 31, 2006.

For **HARIBHAKTI & CO.**  
**Chartered Accountants**

**CHETAN DESAI**  
**Partner**

Membership No.17000

Place : Mumbai,  
Date : August 28, 2006

QUANTUM LONG TERM EQUITY FUND  
BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 Amount (Rs)
<b>LIABILITIES</b>		
Unit Capital	'A'	110,348,966
Reserves and Surplus	'B'	2,526,416
Current Liabilities and Provisions	'C'	2,755,956
<b>Total</b>		<b>115,631,338</b>
<b>ASSETS</b>		
Investments	'D'	111,807,458
Deposits	'E'	0
Other Current Assets	'F'	1,253,881
Deferred Revenue Expenses not written off	'G'	2,569,999
<b>Total</b>		<b>115,631,338</b>
Significant accounting policies and Notes to Accounts 'H'		

The Schedules referred to herein form an integral part of the Financial Statements.  
This is the Balance Sheet referred to in our report of even date

For Haribhakti & Co.

Chetan Desai  
Partner

For Quantum Trustee Company Pvt Ltd

Mr. S.S.Thakur  
Chairman

Mr. Hormazdiyaar S.Vakil  
Director

For Quantum Asset Management  
Company Pvt Ltd

Mr. Anil Harish  
Chairman

Mr. Ajit Dayal  
Director

Mr. Arjun Marphatia  
CEO

Mr. I V. Subramaniam  
Sr. Fund Manager & Head - Research

Place : Mumbai,  
Date : August 28, 2006

QUANTUM LONG TERM EQUITY FUND  
REVENUE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2006

	Period Ended March 31, 2006 Amount (Rs)
<b>INCOME</b>	
Dividend	-
Interest	413,473
Profit on sale / redemption of investments (Other than inter-scheme transfers / sale)	-
Profit on interscheme transfer / sale of investments	-
<b>Total</b>	<b>413,473</b>
<b>EXPENSES AND LOSSES</b>	
Loss on sale / redemption of investments ( Other than inter-scheme transfers / sale)	-
Loss on interscheme transfer / sale of investments	-
Management fees	205,647
Trustee expenses	16,516
Marketing and Selling Expenses	1,480
Audit fees	110,200
Custodian fees	53,733
Registrar & Transfer Agent's fees	112,152
Bank Charges	1,064
Insurance Premium	45,916
Deferred Revenue Expenses Written Off	75,375
	<u>622,083</u>
Less: Excess of Expenditure over permissible limit recovered from AMC	171,405
<b>Total</b>	<b>450,678</b>
Net Deficit for the period Carried Forward	(37,205)

The Schedules referred to herein form an integral part of the Financial Statements.  
This is the Revenue Account referred to in our report of even date

For Haribhakti & Co.

Chetan Desai  
Partner

For Quantum Trustee Company Pvt Ltd

Mr. S.S.Thakur  
Chairman

Mr. Hormazdiyaar S.Vakil  
Director

For Quantum Asset Management  
Company Pvt Ltd

Mr. Anil Harish  
Chairman

Mr. Ajit Dayal  
Director

Mr. Arjun Marphatia  
CEO

Mr. I V. Subramaniam  
Sr. Fund Manager & Head - Research

Place : Mumbai,  
Date : August 28, 2006

**QUANTUM LONG TERM EQUITY FUND**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006**

	Units	March 31, 2006 Amount (Rs)
<b>SCHEDULE 'A'</b>		
<b>UNIT CAPITAL</b>		
<b>(Face Value of Rs. 10 Each)</b>		
Unit Capital (Opening Balance)	-	-
Add : Subscription during New Fund Offer period	10,571,650	105,716,500
Add : Subscription during the period from 16.03.06 to 31.03.06	463,247	4,632,466
Less : Redemption during the period from 16.03.06 to 31.03.06	-	-
<b>Unit Capital (Closing Balance)</b>	<b>11,034,897</b>	<b>110,348,966</b>
<b>SCHEDULE 'B'</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Unit Premium</b>		
Opening Balance		-
Add / (Less) : Net Additions / (Deduction) during the period		56,764
Less:-Transferred to / (from) Equalisation Account		-
<b>Closing Balance</b>		<b>56,764</b>
<b>Equalisation Account</b>		
Transferred from / (to) Unit Premium Reserve		-
Less: Transferred to / (from) Revenue Account		-
Closing Balance		-
<b>UNREALISED APPRECIATION IN THE VALUE OF INVESTMENTS</b>		
Opening Balance		-
Add:Net change during the year		2,506,857
		<b>2,506,857</b>
<b>Appropriation Account</b>		
Surplus/Deficit carried forward		(37,205)
<b>Total Reserves &amp; Surplus</b>		<b>2,526,416</b>

March 31, 2006  
Amount (Rs)

**SCHEDULE 'C'****CURRENT LIABILITIES & PROVISIONS**

Marketing Expenses Payable	1,480
Purchase contract outstanding	2,256,228
Management Fees Payable	205,647
Trustee Fees Payable	16,516
Advt & Publication Exp Payable	-
Audit Charges Payable	110,200
Custodian Fees Payable	53,733
Registrar & Transfer Agent Fees Payable	112,152

**Total** **2,755,956**

**SCHEDULE 'D'****INVESTMENTS**

Equity	38,697,792
Preference Shares	-
Repo	73,109,666
Calls Paid in Advance	-

**Total** **111,807,458**

**SCHEDULE 'E'****DEPOSITS**

-

**Total** **-**

**SCHEDULE 'F'****OTHER CURRENT ASSETS**

Balances with Banks in Current Account, including cheques on hand	541,614
Sales Contract outstanding	-
Outstanding and Accrued Income	13,020
Subscription Receivable (other than Inter Scheme)	298,259
Receivable from Quantum Asset Mangement Company Private Limited	171,405
Prepaid Insurance Premium	229,583
Receivable (Others)	-
Dividend Receivable	-
T.D.S	-

**Total** **1,253,881**

**SCHEDULE 'G'****DEFERRED REVENUE EXPENDITURE**

Opening Balance	-
Add : Addition during the year 2006	2,645,374
Less : Ammortisation during the year 2006	75,375

**Closing Balance** **2,569,999**

**SCHEDULE "H" - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****1. ORGANISATION**

Quantum Mutual Fund ("the Fund") was registered with Securities & Exchange Board of India (SEBI) on December 2, 2005 and the Fund launched its first scheme Quantum Long Term Equity Fund ("the Scheme") an open-ended growth scheme of Quantum Mutual Fund on February 8, 2006. Quantum Mutual Fund, has been Sponsored by Quantum Advisors Private Ltd. The duration of the scheme is perpetual. The Scheme closed for initial subscription on February 25, 2006, and re-opened for issue and redemption of units on March 16, 2006.

In accordance with the Securities and Exchange Board of India ("SEBI") (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') have appointed Quantum Asset Management Company Private Limited ('the AMC') as the Asset Management Company to manage the Fund's affairs and operate its Schemes. The investment objective of the Scheme is to achieve long-term capital appreciation. The Scheme offers its investors a Dividend Plan and Growth Plan (collectively 'the Plans').

**2. SIGNIFICANT ACCOUNTING POLICIES****(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of account on an accrual basis. These financial statements have been prepared in accordance with regulations and the accounting policies and standards specified in the ninth schedule of Securities and Exchange Board of India ( Mutual Funds) Regulation, 1996 ( the "Regulation") and amendments thereto as applicable.

**(2.2) INVESTMENTS**

Investments are accounted on the trade date. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investments traded during the financial year is recorded and reflected in the financial statements for that year. The cost of investments includes cost of acquisition, brokerage and stamp duty, if any.

Rights/Bonus entitlements, if any, are accounted on ex-right/ex-bonus date of the principal stock exchange

**(2.3) PORTFOLIO VALUATION**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. The net asset value of the units of the scheme is determined separately for the units issued under the respective Plans In valuing the Scheme's investments.

- I. Equity securities listed on a recognized stock exchange are valued at the last quoted closing price on Mumbai Stock Exchange (BSE) on which the security is traded. If on a particular valuation date, a security is not traded on BSE the value at which it is traded on the National Stock Exchange (NSE) of India is used. If no sale is recorded at that time the last quoted closing price of the Mumbai Stock Exchange is used when it is not more than thirty days prior to the valuation date.
- II. Non traded and thinly traded equity securities including those not traded within thirty days prior to the

valuation date are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the Regulations read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by the Securities and Exchange Board of India (SEBI)

- III. Privately placed equity securities are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the guidelines for valuation of unlisted equity securities for mutual fund dated May 9, 2002 issued by SEBI.
- IV. Equity Securities awaiting listing are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- V. Debt Securities listed on a recognized stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that time such security is valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- VI. Non traded and thinly traded debt securities are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the Regulations read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and subsequent amendments thereto, as applicable, issued by SEBI.
- VII. Privately placed debt securities are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- VIII. Money market instruments are valued at cost plus accrued interest, traded money market securities are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instruments are valued at cost plus accrued interest.
- IX. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest upto the date of resale.
- X. There were no investments recognised as Non-performing Assets (NPAs), as on March 31, 2006. An investment is regarded as non-performing, if the interest and/or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- XI. The above policies are followed as and when applicable.
- XII. In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds issued by the Institute of Chartered Accountants of India (pursuant to the Eleventh Schedule of the SEBI Regulations) the net unrealised gain or loss in the value of investments is determined separately for each category of investments. The change in net unrealised loss, if any, between two balance sheet dates is recognised in the revenue account and net unrealised gain, if any, is adjusted in the unrealised appreciation reserve. The loss on investments sold / transferred during the year is charged to the revenue account instead of being first adjusted against the provision for depreciation, if already created in the previous year, as recommended by the Guidance Note, this departure from the Guidance Note does not have any net impact on the scheme's net assets.

#### (2.4) INVESTMENT INCOME

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned.

Dividend income is recognised on the ex-dividend date

Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption.

Profit/loss on sale of investments is accounted for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

#### (2.5) NET ASSET VALUE FOR GROWTH / DIVIDEND PLANS

The net asset value of the units of the scheme is determined separately for units issued under the Growth and Dividend Plans. For reporting the net asset value for the plans, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are allocated to the Plans in proportion to the value of units outstanding.

#### (2.6) UNIT PREMIUM RESERVE

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the Scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve. The unit premium reserve is available for dividend distribution except to the extent it is represented by unrealized net appreciation in value of investments.

#### (2.7) INCOME EQUALIZATION RESERVE

The net distributable income relating to units issued/repurchased is transferred to/from income equalization reserve for determining the net surplus/deficit, transferred from/to unit premium reserve.

#### (2.8) CUSTODY FEES

HSBC Limited provides custodial services to the scheme for which it receives custody fees.

#### (2.9) INVESTMENT MANAGEMENT FEES

The Scheme has paid or provided for investment management fees payable to Quantum Asset Management Company Private Limited for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment management fees chargeable to the Scheme does not exceed 1.25% per annum of the average daily net asset values recorded by the Scheme upto Rs.100 crores and 1% per annum of the excess over Rs.100 crores. All costs, charges and expenses incurred by Quantum Asset Management Company Private Limited in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 and amendments thereto, as applicable, are on their own account for which they receive investment management fees.

#### (2.10) TRUSTEE FEES

Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (the Settlor)

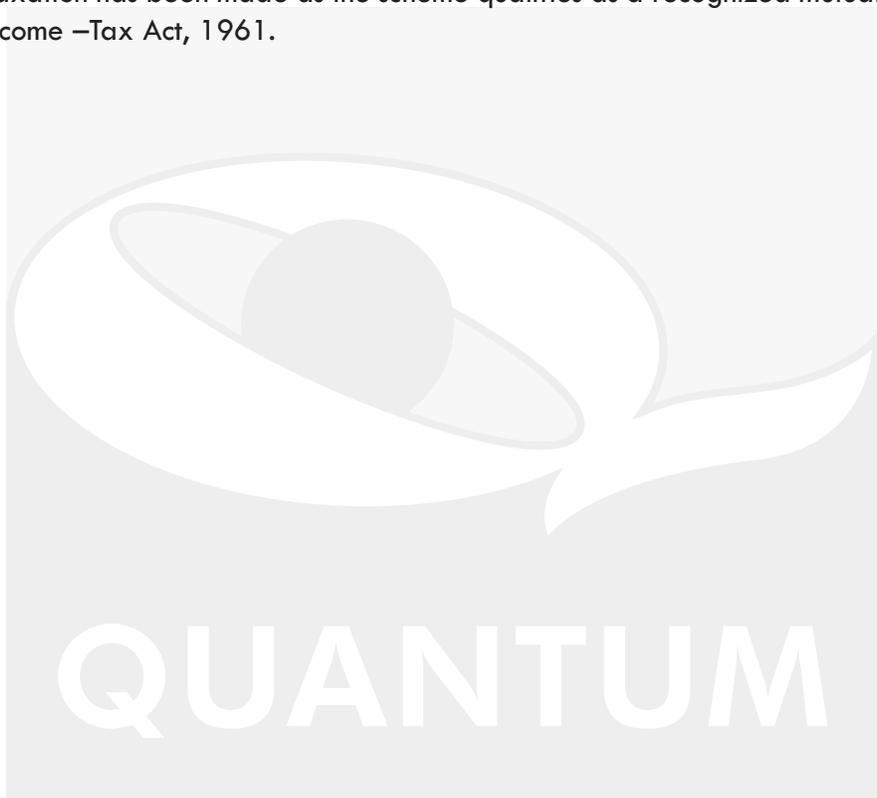
and the Quantum Trustee Company Private Limited (Trustee to the Quantum Mutual Fund), the Fund is authorized to pay the Trustee a fee, for rendering service as a Trustee of the Fund.

(2.11) REGISTRAR & TRANSFER AGENT FEES

Karvy Computershare Private Limited provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

(2.12) INCOME TAXES

No Provision for taxation has been made as the scheme qualifies as a recognized mutual fund under section 10(23D) of the Income –Tax Act, 1961.



MUTUAL FUND  
Profit with Process

**(3) NOTES TO ACCOUNTS**

- 1) The Scheme has two plans Growth Plan and Dividend Plan. A combined Balance Sheet and Revenue Account is prepared for the Scheme.
- 2) **The Cost and Market Value/Fair Value of Investments as on March 31, 2006 is given below.**

SR.NO.	SECURITIES	COST RS.	MARKET VALUE RS.
1	Equity	36,190,934.34	38,697,791.60
2	Repo	73,109,666.67	73,109,666.67
	<b>TOTAL</b>	<b>109,300,601.01</b>	<b>111,807,458.27</b>

**3) Non Performing investments.**

Type of investments	Carrying value Amount(Rs.)	Market value Amount(Rs.)	Provisions
NIL	NIL	NIL	NIL

**4) Net Asset Value (NAV) per unit of a Face Value of Rs.10 as on March 31, 2006**

SCHEME	NAV ( March 31, 2006 )
Growth Plan	10.23
Dividend Plan	10.23

**5) Aggregate net appreciation in value of investments as on March 31, 2006 is as follows:**

SECURITIES	As on March 31, 2006
Equity Shares	
Un-realised Appreciation	2,754,503.5
Un-realised Depreciation	(247,646.24)
Net Un-realised Appreciation	2,506,857.26

**6) Aggregate of Purchases and Sales made during the period, expressed as a percentage of average daily net assets value:**

Particulars	Amount (Rs.)	% of Average Daily Net Assets
Purchases (excluding Reverse repos, Call money & Fixed deposits)	36,190,937.34	34%.
Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits)	Nil	Nil

- 7) Percentage of Income to Average Daily Net Assets is 0.39 % (excluding unrealised appreciation) and Percentage of Expenses to Average Daily Net Assets is 2.50% (excluding unrealised depreciation and amortization of Deferred Revenue Expenditure).
- 8) Investment Management Fees has been computed on the basis of Average Daily Net Assets of the Scheme accrued on a daily basis. Management Fees accrued during the period is Rs. 205,646.76.
- 9) Initial Issue Expenses is being amortised equally over a period of 5 years.
- 10) There were no contracts for sale pending deliveries as on March 31, 2006. Purchases of securities by the Scheme, the deliveries of which were pending, as on March 31, 2006 amounted to Rs. 2,256,228/-.

#### 11) Movement in Unit Capital

Particular	As on March 31, 2006	
	No of Units	Amount
Units of Rs. 10 each fully paid up Growth Plan		
Issued		
-New Fund Offer Period	8,606,900	86,069,000
-During the period 16.03.06 to 31.03.06	134,861.74	1,348,617.39
Redeemed during the period 16.03.06 to 31.03.06	Nil	Nil
Outstanding at end of period	8,741,761.74	87,417,617.39
Dividend Plan		
Issued		
-New Fund Offer	1,964,750	19,647,500
-During the period 16.03.06 to 31.03.06	328,384.82	3,283,848.24
Redeemed during the period 16.03.06 to 31.03.06	Nil	Nil
Outstanding at end of the period	2,293,134.82	22,931,348.24
Grand Total		
-New Fund Offer	10,571,650	105,716,500
-During the period 16.03.06 to 31.03.06	463,246.56	4,632,465.63
Redeemed during the period	Nil	Nil
Outstanding at end of the period	11,034,896.56	110,348,965.63

#### 12) Disclosure under regulations 25 (8) of the SEBI Regulations – Payments of Fees to Associate Companies.

Services of Quantum Information Services Private Ltd (QIS) an associate of Quantum Asset Management Company Private Limited (AMC) were utilized by the scheme during the period under review for acting as a collecting agent. QIS was paid a sum of Rs. 99,180 by the scheme for acting as a collecting agent.

**13) Investments in group companies**

Quantum Long Term Equity Fund, the only Scheme launched by Quantum Mutual Fund during the period ended March 31, 2006, has made no investments in group companies.

**14) Unit holders holding over 25% of NAV of the Scheme:**

One Unit holder holds 47.30% of the total net asset of the Scheme as on March 31, 2006.

**15) Disclosure under regulation 25(11) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended**

Although two companies (Bajaj Auto Limited holding 47.30% and Tolani Shipping Co. Ltd holding 9.06% of the scheme NAV) have invested more than 5% of the Net Assets Value of the Quantum Long Term Equity Fund (which is the only scheme of the Quantum Mutual Fund as on March 31, 2006), Quantum Long Term Equity Fund has not made any investment in the aforesaid companies or its subsidiaries, during the period ended March 31, 2006.

**16) Supplementary investment portfolio information and industrywise classification**

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments as on March 31, 2006, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2006, as well as the aggregate investments in each investment category.

Instrument	Industry Classification	Quantity	Amount	Percentage to Investment Category	Percentage to Net Assets
Equity Share					
Aditya Birla Nuvo Ltd	Textile Products	3,646	2,708,796	7.00%	
Arvind Mills Ltd	Textile Products	21,903	2,199,061	5.68%	
Bharat Petroleum Corp Ltd	Petroleum Products	5,293	2,255,083	5.83%	
Corporation Bank	Banks	1,855	708,054	1.83%	
Geometric Software Solutions Co Ltd	Software	18,000	1,826,100	4.72%	
Infosys Technologies Ltd	Software	731	2,179,001	5.63%	
Ing Vysya Bank Ltd	Banks	17,976	2,566,973	6.63%	
New Delhi Television Ltd	Media & Entertainment	8,411	2,163,309	5.59%	
Oil & Natural Gas Corp Ltd	Oil	3,061	4,008,380	10.36%	
Ptc India Ltd	Power	50,620	2,989,111	7.72%	
Ranbaxy Laboratories Ltd	Pharmaceuticals	6,040	2,606,864	6.74%	
Tata Consultancy Services Ltd	Software	2,667	5,105,038	13.19%	
Tata Motors Ltd	Auto	2,278	2,124,463	5.49%	
Tata Power Co Ltd	Power	5,153	2,985,906	7.72%	
Tata Steel Ltd	Ferrous Metals	4,235	2,271,654	5.87%	
<b>Total</b>		<b>151,869</b>	<b>38,697,792</b>	<b>100.00%</b>	<b>34.28%</b>
CBLO / Reverse Repo Investments			73,109,667	100.00%	64.77%
Net Receivable / (Payables)			526,309	100.00%	0.47%
Cash Balance			541,614	100.00%	0.48%
<b>Grand Total</b>			<b>112,875,382</b>	<b>100.00%</b>	

**17) Prior period comparatives**

As this is the first financial statement of the Scheme since the date of its launch, there are no prior period comparatives.

18) On written request, present and prospective unit holders/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.

19) No bonus has been declared by the scheme during the period ended March 31, 2006.

20) The scheme has not made any borrowing during the period ended March 31, 2006.

21) The scheme has no exposure to derivatives products, foreign securities, ADR and GDR.

22) The unit holders, if they so desire, may request for the annual report of Quantum Asset Management Company Private Limited.

For and on behalf of  
**Quantum Trustee Company Pvt. Ltd**

For and on behalf of  
**Quantum Asset Management Company Pvt. Ltd**

**Mr. S.S.Thakur**  
Chairman

**Mr. Anil Harish**  
Chairman

**Mr. Hormazdiyaar S. Vakil**  
Director

**Mr. Ajit Dayal**  
Director

**QUANTUM**  
MUTUAL FUND  
Profit with Process

**Mr. Arjun Marphatia**  
CEO

**Mr. I.V. Subramaniam**  
Sr. Fund Manager & Head - Research

**HISTORICAL PER UNIT STATISTICS**

No.	Particulars	Quantum Long Term Equity Fund (" the Scheme ") Audited as of March 31, 2006.
(a)	Net Assets Value, per unit-Growth/Dividend Option	10.23
(b)	Gross Income per-unit broken up into the following components	
(i)	income other than profit on sale of investment, per unit	0.04
(ii)	income from profit on inter scheme sales / transfer of investment per unit	0.00
(iii)	income from profit on sale of investment to third party, per unit	0.00
(iv)	transfer to revenue account from past years' reserve, per unit	0.00
c)	Aggregate of expenses, write off, amortisation and charges, per-unit	0.04
d)	net unrealised appreciation in value of investments	0.23
e)	Net Income per unit	0.23
	Highest sale price per unit	10.23
	Lowest sale price per unit	10.00
	Highest repurchase price per unit	9.82
	Lowest repurchase price per unit	9.60
	Price earning ratio	N.A
f)	Ratio of expense to average daily net assets by % per unit (excluding unrealized depreciation and ammortisation of deferred revenue expenditure)	2.50%
g)	Ratio of Income to average daily net asset by % per unit	0.39%

Note: Details are not available for the past 3 years, since this is the first year of the Quantum Mutual Fund

MUTUAL FUND  
Profit with Process