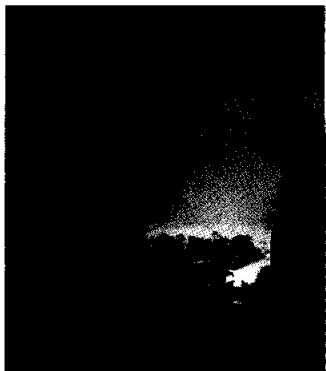




ANNUAL REPORT 2000-2001



Continuing a tradition of trust.

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**SPONSOR****Housing Development Finance Corporation Limited**

Registered Office :  
Ramon House, H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate, Mumbai 400 020

**TRUSTEE****HDFC Trustee Company Limited**

Registered Office :  
Ramon House, 3rd Floor,  
H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate,  
Mumbai 400 020

**ASSET MANAGEMENT COMPANY****HDFC Asset Management Company Limited**

In association with Standard Life Investments  
Registered Office :  
Ramon House, 3rd Floor,  
H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate,  
Mumbai 400 020

**CUSTODIAN****HDFC Bank Limited**

Kamala Mills Compound,  
Senapati Bapat Marg, Lower Parel,  
Mumbai 400 013

**STATUTORY AUDITORS****S. B. Billimoria & Co.**

Chartered Accountants  
Meher Chambers, R. Kamani Road,  
Ballard Estate, Mumbai 400 001

**LEGAL ADVISORS****Dave & Girish & Co.**

Sethna Building, 1st Floor,  
55, Maharshi Karve Road,  
Marine Lines, Mumbai 400 002

**REGISTRAR AND TRANSFER AGENT****Computer Age Management Services (Private) Limited**

A & B, Lakshmi Bhawan,  
609, Anna Salai, Chennai 600 006

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**Toll-free number - 1-600-116 117**

(Bangalore, Chennai, Delhi, Kolkata and Mumbai)



**Investor Services (at Mumbai) :**

**Toll-free number : 1600 115 373**

**Dedicated numbers : 231 6300 - 4**

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**BOARD OF DIRECTORS****HDFC Trustee Company Limited (Trustee)**

Mr. Kalyan Banerji - Chairman

Mr. Anil Kumar Hirjee

Mr. Shishir K. Diwanji

Mr. Keki M. Mistry

Mr. Ranjan Sanghi

Mr. R. V. S. Rao

**BOARD OF DIRECTORS****HDFC Asset Management Company Limited (AMC)**

Mr. Deepak S. Parekh - Chairman

Mr. A. S. Bell

Mr. P. M. Thampi

Mr. Hoshang S. Billimoria

Dr. Deepak B. Phatak

Mr. Humayun Dhanrajgir

Ms. Renu S. Karnad

Mr. Milind Barve - Managing Director

## Trustee's Report

for the period ended March 31, 2001

The Trustee presents its first report and the audited financial statements of the Schemes of HDFC Mutual Fund, for the period ended March 31, 2001.

### HDFC MUTUAL FUND

HDFC Mutual Fund ('the Fund') has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882, by Housing Development Finance Corporation Limited ('Sponsor' or 'HDFC'). The Fund has been registered with the Securities and Exchange Board of India ('SEBI') vide registration number MF/044/00/6 dated June 30, 2000.

HDFC Trustee Company Limited, a Company incorporated under the Companies Act, 1956, is the Trustee to the Fund vide Trust Deed dated June 8, 2000. HDFC Trustee Company Limited ('the Trustee') is a wholly owned subsidiary of HDFC. The Trustee has appointed HDFC Asset Management Company Limited ('the AMC') as the Investment Manager to the Fund vide Investment Management Agreement dated June 8, 2000. The AMC was approved to act as an Asset Management Company for the Fund by SEBI on July 3, 2000.

The AMC is also registered with SEBI as a Portfolio Manager vide Registration No. PM/INP000000506 dated December 22, 2000 under the SEBI (Portfolio Managers) Regulations, 1993. The Certificate of Registration is valid from January 1, 2001 to December 31, 2003. The AMC is providing Portfolio Management Services and such activities are not in conflict with the activities of the Fund.

In its Initial Public Offering, the Fund offered three open-ended schemes viz. HDFC Growth Fund, HDFC Balanced Fund and HDFC Income Fund. During the initial offer period (July 20, 2000 to August 10, 2000), these schemes collected Rs. 654.33 crore. Later during the year, the Fund launched three additional schemes, namely HDFC Liquid Fund, HDFC Tax Plan 2000 and HDFC Children's Gift Fund.

As at March 31, 2001, the assets under the management were Rs.1239 crore. The Fund had 128,931 investor accounts in its various schemes as at March 31, 2001.

### OBJECTIVES, INVESTMENT POLICY AND REVIEW OF THE SCHEMES

#### ► HDFC Growth Fund - An Open-ended Growth Scheme

The investment objective of HDFC Growth Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 135.07 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from September 21, 2000. The net assets of the Scheme were Rs. 109.75 crore as at March 31, 2001.

Name of the Scheme	Per Unit NAV as at Sept 11, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)	
			Growth Plan	S&P CNX Nifty
HDFC Growth Fund	10.000	7.462	-25.38	-21.16

\* Date of Allotment / Inception.

HDFC Growth Fund's approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity.

### ► **HDFC Balanced Fund - An Open-ended Balanced Scheme**

The investment objective of HDFC Balanced Fund is to generate capital appreciation along with current income from a combined portfolio of equity & equity related and debt & money market instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 122.02 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from September 21, 2000. The net assets of the Scheme were Rs. 121.03 crore as at March 31, 2001.

Name of the Scheme	Per Unit NAV as at Sept 11, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC Balanced Fund	10.000	9.238	-7.62

\* Date of Allotment / Inception.

The Scheme aims to provide a lower risk alternative while retaining some of the upside potential from equities exposure. The equity investment approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity. During the period under review, investments in debt securities were primarily in AAA and P1+ rated instruments, which have been assigned as "highest investment grade" by a credit rating agency registered with SEBI.

### ► **HDFC Income Fund - An Open-ended Income Scheme**

The investment objective of HDFC Income Fund is to optimize returns while maintaining a balance of safety, yield and liquidity. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 397.24 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from September 21, 2000. The net assets of the Scheme were Rs. 816.58 crore as at March 31, 2001.

As at March 31, 2001, the per Unit NAV of the Growth Plan was Rs. 10.851 and the per Unit NAV of the Dividend Plan was Rs. 10.116. On March 19, 2001, the Scheme, under the Dividend Plan, declared a maiden dividend of Rs. 0.60 per Unit. The cum dividend NAV as at the record date i.e. March 19, 2001 was Rs. 10.835 per Unit. Dividend was declared on the face value of Rs. 10 per Unit. Past performance may or may not be sustained in future.

Name of the Scheme	Per Unit NAV as at Sept 11, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC Income Fund - Growth Plan	10.000	10.851	8.51

\* Date of Allotment / Inception.

The Scheme aims to identify securities that offer superior levels of yields at low level of risks. An internal credit analysis studies the potential investments in terms of credit risk, interest rate risk and liquidity risk. Investments in bonds and debentures are usually made in instruments that have been assigned high investment grade ratings by a credit rating agency registered with SEBI. As at March 31, 2001, the Scheme had 68.85% of its Net Assets in AAA / P1+ rated instruments and Government Securities and 17.09% of its Net Assets in call money / net receivables. The Scheme attempts to reduce liquidity risk by investing in securities that result in a staggered maturity profile and which enjoy easy liquidity and have reasonable secondary market activity.

### ► **HDFC Liquid Fund - An Open-ended Liquid Income Scheme**

The investment objective of HDFC Liquid Fund, is to enhance income consistent with a high level of liquidity, through a judicious portfolio mix comprising of money market and debt instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Reinvestment Plan. The Scheme was launched on October 17, 2000. The Scheme collected Rs. 49.78 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from October 18, 2000. The net assets of the Scheme were Rs. 171.98 crore as at March 31, 2001. Since inception, the Scheme under the Dividend Reinvestment Plan has maintained a consistent track record of weekly dividends. As at March 31, 2001, the per Unit NAV of the Growth Plan was Rs. 10.4207 and the per Unit NAV of the Dividend Reinvestment Plan was Rs. 10.0157. Past performance may or may not be sustained in future.

Name of the Scheme	Per Unit NAV as at Oct 17, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Annualised Returns (%) (From inception to March 31, 2001)
HDFC Liquid Fund - Growth Plan	10.0000	10.4207	9.25

\* Date of Allotment / Inception.

Every investment opportunity is assessed with regard to credit risk, interest rate risk and liquidity risk. Investments in bonds and debentures are usually made in instruments that have been assigned high investment grade ratings by a credit rating agency registered with SEBI.

#### ► **HDFC Tax Plan 2000 - An Open-ended Equity Linked Savings Scheme**

The Initial Public Offer of HDFC Tax Plan 2000 was open from December 26, 2000 to December 27, 2000. The investment objective of the Scheme is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 0.17 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on an ongoing basis from January 2, 2001. The net assets of the Scheme were Rs. 1.65 crore as at March 31, 2001. As at March 31, 2001, the per Unit NAV of the Scheme was Rs. 9.293.

Name of the Scheme	Per Unit NAV as at Jan 2, 2001* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC Tax Plan 2000	10.000	9.293	-7.07

\* Date of Allotment / Inception.

The assessment of investments is a function of extensive research and based on data and reasoning rather than current fashion and emotion. The equity investment approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity.

#### ► **HDFC Children's Gift Fund - An Open-ended Balanced Scheme**

The Initial Public Offer of HDFC Children's Gift Fund (HDFC CGF) was open from January 25, 2001 to February 9, 2001. The Scheme offers investors two Plans : (i) Investment Plan (Equity oriented) (ii) Savings Plan (Debt oriented).

The investment objective of both the Plans under the Scheme is to generate long term capital appreciation. The Scheme collected Rs. 8.84 crore in the Investment Plan and Rs. 8.48 crore in the Savings Plan during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on an ongoing basis from March 7, 2001. The net assets of the Investment Plan were Rs. 9.02 crore and of the Savings Plan were Rs.8.99 crore as at March 31, 2001. As at March 31, 2001, the per Unit NAV of the Investment Plan was Rs. 9.703 and the per Unit NAV of the Savings Plan was Rs. 9.959. Both Plans remained largely invested in cash during the period ended March 31, 2001.

Name of the Scheme	Per Unit NAV as at Mar 2, 2001* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC CGF - Investment Plan	10.000	9.703	-2.97
HDFC CGF - Savings Plan	10.000	9.959	-0.41

\* Date of Allotment / Inception.

The net assets of the Investment Plan are primarily invested in Equities and Equity related instruments. The net assets of the Plan are also invested in Debt / Money market instruments with an objective of generating long term returns and maintaining risk under control.

The net assets of the Savings Plan are primarily invested in Debt and Money market instruments. The net assets of the Plan are also invested in Equity and Equity related instruments. This Plan seeks to generate steady long term returns with relatively low levels of risk.

The equity investment approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity. Investment in debt securities will usually be in instruments, which have been assigned as "high investment grade" by a credit rating agency registered with SEBI.

### **SHAREHOLDING PATTERN OF THE AMC**

Pursuant to the Joint Participation Agreement entered between HDFC and Standard Life Investments Limited, HDFC transferred 52,00,000 equity shares of the AMC (amounting to 26% of the paid up share capital) to The Standard Life Assurance Company, the parent company of Standard Life Investments Limited on April 17, 2001. Consequent to this transfer, HDFC now holds 74% of the paid up share capital of the AMC.

The Standard Life Assurance Company through SLAC (Mauritius Holdings) Limited is holding 9.92% of the paid up equity share capital of HDFC as at April 17, 2001.

### **EQUITY MARKET OUTLOOK**

Equity investment requires discipline and a long term perspective. The AMC believes that the environment for equities is encouraging because of improving underlying fundamentals, ample liquidity and the prospect of progress on economic policy reform. The Indian equity markets have become more complex with increased correlation with global markets, greater volatility and increased dispersion between the winners and losers in the market. The AMC seeks to use its research base and investment processes to identify trends and winners in such a market.

### **DEBT MARKET OUTLOOK**

The financial year 2001-02 is expected to start with an easing of inflation (YoY) and a stable outlook for the rupee. With economic figures pointing towards a slowdown and with the government showing its resolve to restrict its borrowings to the budgeted limit, it seems probable that a gradual monetary easing is on the cards in the current fiscal. Positive measures announced in the budget and the borrowing program which would be largely concentrated in the first half of the year would determine the trend for that period. On the negative side, the stock market debacle could result in some slowdown in fiscal reform and the disinvestment process.

### **INVESTOR SERVICES**

The Fund presently has 22 Investor Service Centres (ISCs) in 18 cities. The Fund aims to offer its investors a T + 1 standard for transactions, which means that transactions of any day are confirmed to investors on the next business day. Account Statements confirming these transactions are generally issued on the next business day. Similarly, redemption cheques / drafts are also normally couriered on the next business day.

Investors can contact through dedicated numbers, hotlines, toll free numbers at various locations for latest information about the Fund. A single point e-mail facility is also available for investors to communicate with the AMC / ISCs. It is the endeavor of the AMC to increase the network of ISCs to other locations. Since the maiden Initial Public Offer in July / August 2000, the AMC has added Nashik and Bhubaneswar as new ISCs. In addition to the existing network of ISCs, the AMC has plans to add ISCs at Kanpur, Aurangabad, Surat, Rajkot, Jamshedpur, Thiruvananthapuram, Panjim, Tiruchirapalli, Madurai, Ludhiana and Jalandhar in the new financial year.

Technologically, it is proposed to provide added value based services like the PIN facility, wherein investors will be able to carry out non-financial transactions to begin with, on our website. The website currently provides a host of information

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to the investor, besides the monthly fact sheets and quarterly newsletters that are regular communications from the Fund. The AMC proposes to add information kiosks at ISCs and also specially trained personnel to guide investors.

In addition, during the period under review, the AMC has reduced the exit load for investments made in HDFC Income Fund on or after January 18, 2001. The revised exit load is applicable if Units are redeemed on or before 3 months from the date of allotment. The AMC has also reduced the minimum application amount to Rs. 10,000 and in multiples of Rs. 1,000 thereafter under the Growth Plan of HDFC Liquid Fund.

#### **UNCLAIMED DIVIDENDS**

Dividends declared in the HDFC Liquid Fund - Dividend Reinvestment Plan are compulsorily reinvested in the Units of the Plan and there is no payout to the Unit holders. Hence, there are no cases of unclaimed dividend amount.

The maiden Dividend under the Dividend Plan of HDFC Income Fund was declared on March 19, 2001. The dividend warrants were despatched during the last week of March 2001. Out of the 16879 dividend warrants despatched, till date 32 dividend warrants aggregating to Rs. 43616.26 have been returned undelivered.

#### **STATUTORY DETAILS**

HDFC Mutual Fund has been set up as a trust by Housing Development Finance Corporation Limited (liability restricted to the initial corpus of Rs.1 lakh) with HDFC Trustee Company Limited as the trustee (Trustee under the Indian Trusts Act, 1882) and with HDFC Asset Management Company Limited as the Investment Manager.

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

The per Unit NAV of the respective Schemes on the date of Allotment / Inception is taken as Rs. 10 for computation of returns in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

On written request, present and prospective Unit holder / investors can obtain a copy of the Trust Deed, the Annual Report and the text of the relevant Scheme. Unit holders, if they so desire, may request for the annual report of the AMC.

#### **LIABILITY AND RESPONSIBILITY OF TRUSTEE AND SPONSOR**

The main responsibility of the Trustee is to safeguard the interest of the Unit holders and *inter alia* ensure that the AMC functions in the interest of investors and in accordance respectively with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the provisions of the Trust Deed and the Offer Documents of the respective Schemes. From the information provided to the Trustee and the reviews the Trustee has undertaken, the Trustee believes the AMC has operated in the interests of the Unit holders.

The Sponsor is not responsible or liable for any loss or shortfall resulting from the operation of the Schemes beyond the initial contribution of Rs. 1 lakh made by it towards setting up of the HDFC Mutual Fund.

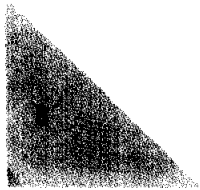
#### **ACKNOWLEDGEMENTS**

The Trustee thanks the investors, Investor Service Centres, distributors, key partners, service providers, the AMC and its employees for their commitment and looks forward to their continued support.

For and on behalf of the Board of Directors  
of **HDFC Trustee Company Limited,**

**Kalyan Banerji**  
Chairman

April 17, 2001  
Mumbai





## Auditors' Report

To the Board of Directors of HDFC Trustee Company Limited

We have audited the attached Balance Sheet of **HDFC GROWTH FUND** as at March 31, 2001 and the Revenue Account of the Fund for the period July 20, 2000 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) 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.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- 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 give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of expenditure over income for the period from July 20, 2000 to March 31, 2001.

For **S.B.Billimoria & Co.**  
Chartered Accountants

Mumbai, April 17, 2001

**P. R. Ramesh**  
Partner

**Balance Sheet**  
as at March 31, 2001

	Schedule	Rupees
<b>LIABILITIES</b>		
Unit Capital	1	1,470,536,912
Reserves & Surplus	2	(372,994,323)
Current Liabilities	3	21,151,896
TOTAL		<b>1,118,694,485</b>
<b>ASSETS</b>		
Investments	4	984,733,448
Deposits	5	83,200,000
Other Current Assets	6	50,761,037
TOTAL		<b>1,118,694,485</b>

Notes forming part of the Accounts annexed hereto in Schedule '9'  
form part of the Balance Sheet and Revenue Account

As per our report of even date attached

For **S.B.Billimoria & Co.**  
*Chartered Accountants*

**P. R. Ramesh**  
*Partner*

For **HDFC Asset Management  
Company Limited**

**Deepak S. Parekh**  
*Chairman*

**Milind Barve**  
*Managing Director*

**Sanjoy Bhattacharyya**  
*Chief Investment Officer*

For **HDFC Trustee Company  
Limited**

**Kalyan Banerji**  
*Chairman*

**Keki M. Mistry**  
*Director*

Mumbai  
April 17, 2001

## Revenue Account

for the period from July 20, 2000 to March 31, 2001

	Schedule	Rupees
<b>INCOME</b>		
Dividend		1,847,769
Interest	7	35,769,436
Profit on sale / redemption of investments (other than inter-scheme transfer / sale)		39,669,766
Profit on inter-scheme transfer / sale of investments		4,920
<b>TOTAL</b>		<b>77,291,891</b>
<b>EXPENSES</b>		
Investment Management Fees		8,619,773
Trusteeship Fees		138,111
Loss on sale / redemption of investments (other than inter-scheme transfer / sale)		146,110,326
Custodian Fees and Expenses		1,542,084
Registrars' Fees and Expenses		651,011
Audit Fees and Expenses		78,750
Agents' Commission (Note 7)		2,219,144
Publicity Expenses (Note 7)		2,395,496
Initial Issue Expenses		27,014,547
Other Operating Expenses		1,084,749
<b>TOTAL</b>		<b>189,853,991</b>
Deficit for the period		(112,562,100)
Income Equalisation		(9,584)
		(112,571,684)
Net unrealised loss in the value of investments	8	(240,570,149)
Deficit carried forward to Balance Sheet		<b>(353,141,833)</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
Chartered Accountants

**P. R. Ramesh**  
Partner

For **HDFC Asset Management  
Company Limited**

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Sanjoy Bhattacharyya**  
Chief Investment Officer

For **HDFC Trustee Company  
Limited**

**Kalyan Banerji**  
Chairman

**Keki M. Mistry**  
Director

Mumbai  
April 17, 2001

## Schedules

forming part of the Balance Sheet as at March 31, 2001 and  
the Revenue Account for the period from July 20, 2000 to March 31, 2001

	Units	Rupees
<b>Schedule 1 – Unit Capital</b>		
<b>(A) Growth Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>34,156,876.000</b>	<b>341,568,760</b>
<b>Outstanding :</b>		
Initial Capital	34,156,876.000	341,568,760
Issued during the period	14,626,906.239	146,269,062
	48,783,782.239	487,837,822
Redeemed during the period	(8,847,104.588)	(88,471,046)
At the end of the period	<b>39,936,677.651</b>	<b>399,366,776</b>
<b>(B) Dividend Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>100,915,860.300</b>	<b>1,009,158,603</b>
<b>Outstanding :</b>		
Initial Capital	100,915,860.300	1,009,158,603
Issued during the period	11,861,382.668	118,613,827
	112,777,242.968	1,127,772,430
Redeemed during the period	(5,660,229.405)	(56,602,294)
At the end of the period	<b>107,117,013.563</b>	<b>1,071,170,136</b>
<b>TOTAL (A) + (B)</b>	<b>147,053,691.214</b>	<b>1,470,536,912</b>

### Schedule 2 – Reserves and Surplus

Unit Premium Reserve	(20,072,207)
Net Deficit transferred from Revenue Account	(353,141,833)
Accumulated Load	219,717
	<b>(372,994,323)</b>

### Schedule 3 – Current Liabilities

Investment Management Fees	1,154,055
Trusteeship Fees	34,831
Audit Fees	49,560
Client Servicing Fees	150,620
Agents' Commission	889,424
Contracts for Purchase of Investments	11,750,723
Registrars' Fees	66,459
Publicity Expenses	2,310,323
Load Payable to AMC	1,014,779
Inter Scheme Dues	3,499,519
Other Current Liabilities	231,603
	<b>21,151,896</b>

**HDFC Growth Fund**

Rupees

**Schedule 4 – Investments**

Equity Shares	904,769,600
Privately Placed Debentures	79,963,848
	<b>984,733,448</b>

**Schedule 5 – Deposits**

Deposits with Scheduled Banks	77,200,000
Deposits with Companies / Institutions	6,000,000
	<b>83,200,000</b>

**Schedule 6 – Other Current Assets**

Balances with Banks and Reserve Bank of India in Current Account	2,407,793
Contracts for sale of investments	45,505,426
Outstanding and accrued income	2,847,818
	<b>50,761,037</b>

**Schedule 7 – Interest**

Call Money Lending	30,318,151
Commercial Paper	512,727
Term Deposits	176,076
Non-Convertible Debentures / Bonds	4,762,482
	<b>35,769,436</b>

**Schedule 8 – Net unrealised loss in the value of Investments**

Equity Shares	(240,590,717)
Non-Convertible Debentures / Bonds	20,568
	<b>(240,570,149)</b>

## Schedule 9 – Notes to the Accounts

### 1. Background

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

HDFC Growth Fund ("the Scheme") is an open ended Scheme of HDFC Mutual Fund and was launched on July 20, 2000. The Scheme closed for initial subscription on August 10, 2000 and re-opened for issue and redemption of Units on September 21, 2000. The duration of the Scheme is perpetual. The investment objective of the Scheme is to generate long term capital appreciation from a combined portfolio of equity / equity related, debt & money market instruments and from a portfolio that is predominantly invested in equity and equity related instruments. The Scheme has two plans i.e. Dividend Plan and Growth Plan.

### 2. Significant Accounting Policies

#### 2.1 Basis of Accounting

The Scheme maintains its books of account on an accrual basis.

#### 2.2 Portfolio Valuation

Investments are stated at market / fair value at the Balance Sheet date / date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
  - (ii) (a) Non-Traded / Thinly Traded Securities of over 182 days to maturity are valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.
  - (b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).
  - (c) Thinly Traded Equity/Equity Related Securities are those securities whose trade in a month, are both less than Rs.5 lacs and the total volume is less than 50,000 shares.
- Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.
- Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.
- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.
- Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

2.3 Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

#### 2.4 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 Equalisation Reserve.

## HDFC Growth Fund

The Unit Premium Reserve is available for dividend distribution except to the extent it is represented by unrealised net appreciation in value of investments.

### 2.5 Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting(debiting) the equalisation account in respect of purchase (or redemption) of units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

### 2.6 Load Charges

Load amount collected is utilised for meeting the selling and distribution expenses. The entire load amount is utilised for meeting the selling and distribution expenses. Any surplus in this account is shown as Reserves but not considered for computation of the Net Asset Value.

## 3. Investment Management and Advisory Fees

The Scheme pays for investment management and advisory fees under an agreement with the AMC at the annual rate of 1.25% of the average weekly net assets recorded by the Scheme upto Rs.100 crore and at an annual rate of 1% of the excess over Rs.100 crore.

## 4. Trustee Fees

In accordance with the Trust Deed dated June 8, 2000 constituting the HDFC Mutual Fund and the offer document of the Scheme, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate not exceeding 0.10% per annum of the daily average net assets of the Schemes or a sum of Rs. 15,00,000 per annum whichever is higher.

The Trustee has decided with effect from October 1, 2000 to charge in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate of 0.01% per annum of the daily average net assets of the Schemes. This rate can be subsequently revised by the Trustee subject to the above limits as specified in the Trust Deed.

## 5. Custodian Fees

HDFC Bank Limited (an associate of the Sponsor) provides custodial services to the Scheme for which it receives custody fees including transaction and safe keeping fees.

## 6. Initial Issue Expenses

Initial Issue expenses are charged to revenue account.

## 7. Utilisation of Load Charges

During the period, the load charges have been utilised for meeting the following expenses in addition to those charged to revenue account.

Nature of Expense	Amount (Rs. in lacs)
Agents' Commission	18.65
Publicity Expenses	9.87

## 8. Aggregate Fair Value of Non-Traded Investments

Aggregate fair value of non-traded investments, valued in 'good faith' by the Investment Manager on the basis of the valuation principles laid down by SEBI as at the end of the financial period is Rs. 799.64 lacs.

## 9. Aggregate Value of Purchases and Sale of Investments

The aggregate value of investments purchased and sold (including matured) during the financial period as a percentage of average daily net assets are as under:

Purchase value (Rs. in Lacs)	%	Sale value (Rs. in Lacs )	%
24,798.03	189.65	11,484.19	87.83

## 10. Income / Expenditure

The total income and expenditure (excluding initial issue expenses and loss on sale of investments) as a percentage of the average daily net assets during the period are given below:

Income	: 10.68
Expenditure	: 2.31

**11. Disclosure under Regulation 25(8) of the SEBI Regulations, 1996 and other applicable Regulations**

- (i) The Scheme has paid following charges to the parties associated with the Sponsor in which the AMC or its major shareholders or its subsidiaries are having a substantial interest.

Entity	Nature	Amount (Rs. in lacs)	% of equity capital held by the Sponsor & its subsidiaries / associates
HDFC Bank Limited	Bank Charges	0.54	28.268
	Custody Charges	15.42	
	Commission on distribution of units	63.42	
HDFC Securities Limited	Brokerage	0.61	
	Commission on distribution of units	0.005	68.51
HDFC Asset Management Company Limited	Investment Management and Advisory Fees	86.20	100.00
HDFC Trustee Company Limited	Trusteeship Fees	1.38	100.00
Computer Age Management Services Limited	Registrar and Transfer Agent Fees	6.16	50.00

- (ii) An amount of Rs. 10.30 lacs has been paid as Client Servicing fees to the Sponsor. The AMC is availing the services of the Sponsor for Client Servicing. The Client Servicing fees may be higher than the market rates due to superior quality of services rendered and prime locations of the Investor Service Centres.
- (iii) HDFC Bank Limited, an associate of the Sponsor, is on the panel of Bankers with whom the Mutual Fund places money on call and fixed deposits from time to time at competitive rates. The amount of deposits outstanding as at March 31, 2001 was Rs. 140.00 lacs.

**12. Disclosure under Regulation 25(11) of the SEBI Regulations, 1996 as amended**

Investments made by Schemes of HDFC Mutual Fund in Companies that have invested more than 5% of the net assets of any scheme.

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Schemes which have invested	Aggregate cost of acquisition during the year (Rs. in lacs)	Outstanding as at March 31, 2001 at Fair/Market Value (Rs. in lacs)
Industrial Development Bank of India Ltd. (IDBI) Raymond Ltd.	HDFC Growth Fund	HDFC Income Fund	8,511.26 @	3361.93
		HDFC Liquid Fund	2,555.85 @	555.12
	HDFC Income Fund and HDFC Liquid Fund	HDFC Liquid Fund	1,000.00 @	Nil
Global Trust Bank Ltd.	HDFC Income Fund	HDFC Growth Fund	266.80 #	Nil
Tata Chemicals Ltd.	HDFC Balanced Fund	HDFC Liquid Fund	975.51 \$	Nil
Tata Power Ltd.	HDFC Balanced Fund, HDFC Liquid Fund and HDFC Income Fund	HDFC Balanced Fund HDFC Children's Gift Fund - Investment Plan	150.14 # 14.67 #	99.75 9.98
Larsen & Toubro Ltd.	HDFC Liquid Fund	HDFC Growth Fund HDFC Liquid Fund	242.89 # 3,496.33 @	198.94 Nil

@ Investments in Debentures and Bonds      \$ Investments in Commercial Paper      # Investments in Equity Shares

These investments have been made on account of their high credit quality and competitive yield for the investment in fixed income/money market instruments and in case of equity shares because of attractive valuations of these companies.

IDBI Capital Market Services Limited, a wholly owned subsidiary of IDBI Limited, is on the panel of the Primary Dealers/ Bankers with whom the Mutual Fund places money on call from time to time at competitive rates.

**HDFC Growth Fund**
**13. Net Asset Value Per Unit as at March 31, 2001**

	(Rs.)
Face Value	10.000
Net Asset Value	7.462

**14. Perspective Historical Per Unit Statistics \***

	March 31, 2001 (Rs.)
(A) Gross Income	
(i) income other than profit on sale of investments	0.256
(ii) income from profit on inter Scheme sales / transfer of investments	0.001
(iii) income from profit on sale/redemption of investments to third parties	0.269
(iv) transfer to revenue account from past year's reserves	-
(B) Aggregate of expenses, write off, amortisation and charges	(1.291)
(C) Net income	(0.765)
(D) Net unrealised appreciation/diminution in value of investments	(1.636)
(E) Equalisation Reserve and Unit Premium Reserve	(0.137)
(F) Net Asset Value	7.462
(G) Repurchase Prices during the Period #	
i) Highest repurchase price	10.164
ii) Lowest repurchase price	7.353
(H) Resale Prices during the Period #	
i) Highest ongoing sale price	10.371
ii) Lowest ongoing sale price	7.503
(I) Ratio of expenses to average daily net assets by percentage @	2.31
(J) Ratio of gross income to average daily net assets by percentage @	10.68

\* Per unit calculations based on number of units in issue at the end of the period.

@ Annualised for the period September 11, 2000 to March 31, 2001.

# The highest and lowest sale price of the units of the scheme has been determined after adding to the highest and lowest NAV, the maximum sales load applicable.

**15. Prior Period Figures**

As these are the first financial statements of the Scheme since the date of commencement, there are no comparative figures.

**16. Statement of Portfolio Holding as at March 31, 2001**

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>EQUITY SHARES</b>				
<b>Automobiles</b>		<b>42,495,000</b>	<b>3.87</b>	<b>4.70</b>
Hero Honda Motors Ltd.	300,000	42,495,000	3.87	4.70
<b>Communication</b>		<b>19,736,000</b>	<b>1.80</b>	<b>2.18</b>
MRO-TEK Ltd.	500,000	12,475,000	1.14	1.38
Sterlite Optical Technologies Ltd.	20,000	7,261,000	0.66	0.80
<b>Consumer Durables</b>		<b>61,362,500</b>	<b>5.59</b>	<b>6.78</b>
Asian Paints (India) Ltd.	250,000	61,362,500	5.59	6.78
<b>Conglomerate</b>		<b>19,894,500</b>	<b>1.81</b>	<b>2.20</b>
Larsen & Toubro Ltd.	90,000	19,894,500	1.81	2.20

## HDFC Growth Fund

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>Engineering</b>		<b>21,597,839</b>	<b>1.97</b>	<b>2.39</b>
Carrier Aircon Ltd.	175,000	11,803,750	1.08	1.30
Cummins India Ltd.	170,184	9,794,089	0.89	1.08
<b>Fast Moving Consumer Goods</b>		<b>251,226,307</b>	<b>22.90</b>	<b>27.77</b>
Britannia Industries Ltd.	71,940	50,289,657	4.58	5.56
Hindustan Lever Ltd.	225,000	49,331,250	4.50	5.45
Smithkline Beecham Consumer Healthcare Ltd.	130,000	47,833,500	4.36	5.29
I.T.C. Ltd.	50,000	40,700,000	3.71	4.50
Marico Industries Ltd.	179,750	39,616,900	3.61	4.38
Tata Tea Ltd.	100,000	23,455,000	2.14	2.59
<b>Information Technology</b>		<b>106,083,000</b>	<b>9.67</b>	<b>11.72</b>
Infosys Technologies Ltd.	12,000	49,005,000	4.47	5.42
NIIT Ltd.	50,000	36,100,000	3.29	3.99
Visualsoft Technologies Ltd.	60,000	13,584,000	1.24	1.50
HCL Technologies Ltd.	20,000	7,394,000	0.67	0.82
<b>Logistics</b>		<b>32,287,500</b>	<b>2.94</b>	<b>3.57</b>
Container Corporation of India Ltd.	225,000	32,287,500	2.94	3.57
<b>Metals</b>		<b>46,284,000</b>	<b>4.22</b>	<b>5.12</b>
Hindalco Industries Ltd.	60,000	46,284,000	4.22	5.12
<b>Oil &amp; Gas</b>		<b>76,620,000</b>	<b>6.98</b>	<b>8.47</b>
Bharat Petroleum Corporation Ltd.	400,000	76,620,000	6.98	8.47
<b>Packaging</b>		<b>14,400,880</b>	<b>1.31</b>	<b>1.59</b>
ITW Signode India Ltd.	360,022	14,400,880	1.31	1.59
<b>Petrochemicals</b>		<b>79,857,750</b>	<b>7.28</b>	<b>8.83</b>
Reliance Industries Limited	205,000	79,857,750	7.28	8.83
<b>Pharmaceuticals</b>		<b>91,950,824</b>	<b>8.38</b>	<b>10.16</b>
Knoll Pharmaceuticals Ltd.	115,776	34,744,378	3.17	3.84
Hoechst Marion Roussel Ltd.	75,000	34,132,500	3.11	3.77
Cipla Ltd.	10,000	9,981,000	0.91	1.10
German Remedies Ltd.	15,000	7,926,750	0.72	0.88
Rhone Poulenc India Ltd.	9,846	5,166,196	0.47	0.57
<b>Power</b>		<b>21,397,500</b>	<b>1.95</b>	<b>2.36</b>
Bharat Heavy Electricals Ltd.	150,000	21,397,500	1.95	2.36
<b>Steel</b>		<b>19,576,000</b>	<b>1.78</b>	<b>2.16</b>
Tata Iron & Steel Company Ltd.	160,000	19,576,000	1.78	2.16
<b>Sub-Total</b>		<b>904,769,600</b>	<b>82.45</b>	<b>100.00</b>
<b>DEBENTURES</b>				
<b>(a) Privately Placed Debentures</b>				
<b>Finance</b>		<b>79,963,848</b>	<b>7.28</b>	<b>100.00</b>
GE Capital Services India	8	79,963,848	7.28	100.00
<b>Sub-Total</b>		<b>79,963,848</b>		
<b>Call Money &amp; Net Current Assets</b>		<b>112,809,141</b>	<b>10.27</b>	
<b>Net Assets</b>		<b>1,097,542,589</b>	<b>100.00</b>	

## Balance Sheet

as at March 31, 2001

	Schedule	Rupees
<b>LIABILITIES</b>		
Unit Capital	1	1,309,770,252
Reserves & Surplus	2	(99,482,715)
Current Liabilities	3	29,253,460
<b>TOTAL</b>		<b><u>1,239,540,997</u></b>
<b>ASSETS</b>		
Investments	4	1,122,430,802
Deposits	5	70,100,000
Other Current Assets	6	47,010,195
<b>TOTAL</b>		<b><u>1,239,540,997</u></b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
Chartered Accountants

**P. R. Ramesh**  
Partner

For **HDFC Asset Management**  
**Company Limited**

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Pankaj Chopra**  
Senior Fund Manager

For **HDFC Trustee Company**  
**Limited**

**Kalyan Banerji**  
Chairman

**Keki M. Mistry**  
Director

Mumbai  
April 17, 2001



## Auditors' Report

To the Board of Directors of HDFC Trustee Company Limited

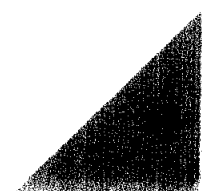
We have audited the attached Balance Sheet of **HDFC BALANCED FUND** as at March 31, 2001 and the Revenue Account of the Fund for the period July 20, 2000 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) 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.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- 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 give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of expenditure over income for the period from July 20, 2000 to March 31, 2001.

For **S.B. Billimoria & Co.**  
Chartered Accountants

Mumbai, April 17, 2001

**P. R. Ramesh**  
Partner



## Revenue Account

for the period from July 20, 2000 to March 31, 2001

	Schedule	Rupees
<b>INCOME</b>		
Interest	7	51,130,696
Dividend		491,965
Profit on sale / redemption of investments (other than inter-scheme transfer / sale)		16,897,938
Profit on inter-scheme transfer / sale of investments		424,473
Other Income		20,411
<b>TOTAL</b>		<b>68,965,483</b>
<b>EXPENSES</b>		
Investment Management Fees		8,599,830
Trusteeship Fees		131,908
Loss on sale / redemption of investments (other than inter-scheme transfer / sale)		79,970,544
Loss on inter-scheme transfer / sale of investments		12,875
Custodian Fees and Expenses		1,199,282
Registrars' Fees and Expenses		611,107
Audit Fees and Expenses		78,750
Publicity Expenses (Note 7)		1,793,477
Agents' Commission (Note 7)		2,265,776
Initial Issue Expenses		18,302,403
Other Operating Expenses		1,068,494
<b>TOTAL</b>		<b>114,034,446</b>
Deficit for the period		(45,068,963)
Income Equalisation		(78,855)
		(45,147,818)
Net unrealised loss in the value of investments	8	(43,809,603)
Deficit carried forward to Balance Sheet		<b>(88,957,421)</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
Chartered Accountants

**P. R. Ramesh**  
Partner

For **HDFC Asset Management**  
Company Limited

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

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Senior Fund Manager

For **HDFC Trustee Company**  
Limited

**Kalyan Banerji**  
Chairman

**Keki M. Mistry**  
Director

Mumbai  
April 17, 2001

## Schedules

forming part of the Balance Sheet as at March 31, 2001 and  
the Revenue Account for the period from July 20, 2000 to March 31, 2001

	Units	Rupees
<b>Schedule 1 – Unit Capital</b>		
<b>(A) Growth Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>20,636,200.000</b>	<b>206,362,000</b>
Outstanding :		
Initial Capital	20,636,200.000	206,362,000
Issued during the period	31,741,124.528	317,411,245
	52,377,324.528	523,773,245
Redeemed during the period	(25,237,874.769)	(252,378,748)
At the end of the period	<b>27,139,449.759</b>	<b>271,394,497</b>
<b>(B) Dividend Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>101,379,820.200</b>	<b>1,013,798,202</b>
Outstanding :		
Initial Capital	101,379,820.200	1,013,798,202
Issued during the period	7,484,309.067	74,843,091
	108,864,129.267	1,088,641,293
Redeemed during the period	(5,026,553.828)	(50,265,538)
At the end of the period	<b>103,837,575.439</b>	<b>1,038,375,755</b>
TOTAL (A) + (B)	<b>130,977,025.198</b>	<b>1,309,770,252</b>
<b>Schedule 2 – Reserves and Surplus</b>		
Unit Premium Reserve		(10,904,537)
Net Deficit transferred from Revenue Account		(88,957,421)
Accumulated Load		379,243
		<b>(99,482,715)</b>
<b>Schedule 3 – Current Liabilities</b>		
Investment Management Fees		1,235,474
Trusteeship Fees		36,379
Audit Fees		49,560
Agents' Commission		956,062
Registrars' Fees		72,565
Contracts for purchase of investments		23,598,230
Publicity Expenses		2,216,320
Load payable to AMC		657,941
Client Servicing Fee		161,877
Other Current Liabilities		269,052
		<b>29,253,460</b>

**HDFC Balanced Fund**

Rupees

**Schedule 4 – Investments**

Equity Shares	696,307,598
Privately Placed Debentures	150,643,304
Debentures and Bonds Listed / Awaiting Listing	178,152,698
Commercial Paper	97,327,202
	<b>1,122,430,802</b>

**Schedule 5 – Deposits**

Deposits with Scheduled Banks	69,000,000
Deposits with Companies / Institutions	1,100,000
	<b>70,100,000</b>

**Schedule 6 – Other Current Assets**

Balances with Banks and Reserve Bank of India in Current Account	1,027,179
Contracts for sale of investments	29,121,351
Outstanding and accrued income	16,853,149
Inter-Scheme Dues	8,516
	<b>47,010,195</b>

**Schedule 7 – Interest**

Call Money lending	28,635,561
Commercial paper	2,387,398
Term Deposits	239,658
Non-Convertible Debentures / Bonds	19,868,079
	<b>51,130,696</b>

**Schedule 8 – Net unrealised loss/ gain in the value of Investments**

Equity Shares	(45,259,089)
Non-Convertible Debentures / Bonds	1,449,486
	<b>(43,809,603)</b>

## **Schedule 9 – Notes to the Accounts**

### **1. Background**

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

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### **2. Significant Accounting Policies**

#### **2.1 Basis of Accounting**

The Scheme maintains its books of account on an accrual basis.

#### **2.2 Portfolio Valuation**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- (ii) (a) Non-Traded / Thinly Traded Securities of over 182 days to maturity are valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.  
(b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).  
(c) Thinly Traded Equity / Equity Related Securities are those securities whose trade in a month, are both less than Rs.5 lacs and the total volume is less than 50,000 shares.  
Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.  
Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.
- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.  
Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

2.3 Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

#### **2.4 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 Equalisation Reserve.

## **HDFC Balanced Fund**

The Unit Premium Reserve is available for dividend distribution except to the extent it is represented by unrealised net appreciation in value of investments.

### **2.5 Income Equalisation Reserve**

Income Equalisation Reserve is being maintained by crediting(debiting) the equalisation account in respect of purchase (or redemption) of Units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

### **2.6 Load Charges**

Load amount collected is utilised for meeting the selling and distribution expenses. The entire load amount is utilised for meeting the selling and distribution expenses. Any surplus in this account is shown as Reserves but not considered for computation of the Net Asset Value.

## **3. Investment Management and Advisory Fees**

The Scheme pays for investment management and advisory fees under an agreement with the AMC at the annual rate of 1.25% of the average weekly net assets recorded by the Scheme upto Rs.100 crore and at an annual rate of 1% of the excess over Rs.100 crore.

## **4. Trustee Fees**

In accordance with the Trust Deed dated June 8, 2000 constituting the HDFC Mutual Fund and the offer document of the Scheme, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate not exceeding 0.10% per annum of the daily average net assets of the Schemes or a sum of Rs. 15,00,000 per annum whichever is higher.

The Trustee has decided with effect from October 1, 2000 to charge in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate of 0.01% per annum of the daily average net assets of the Schemes. This rate can be subsequently revised by the Trustee subject to the above limits as specified in the Trust Deed.

## **5. Custodian Fees**

HDFC Bank Limited (an associate of the Sponsor) provides custodial services to the Scheme for which it receives custody fees including transaction and safe keeping fees.

## **6. Initial Issue Expenses**

Initial Issue expenses are charged to revenue account.

## **7. Utilisation of Load Charges**

During the period, the load charges have been utilised for meeting the following expenses in addition to those charged to revenue account.

Nature of Expense	Amount (Rs. in lacs)
Agent's Commission	38.98
Publicity Expenses	9.66

## **8. Aggregate Fair Value of Non-Traded Investments**

Aggregate fair value of non-traded investments, valued in 'good faith' by the Investment Manager on the basis of the valuation principles laid down by SEBI as at the end of the financial period is Rs. 2,981.93 lacs.

## **9. Aggregate Value of Purchases and Sale of Investments**

The aggregate value of investments purchased and sold (including matured) during the financial period as a percentage of average daily net assets are as under:

Purchase value (Rs. in Lacs)	%	Sale value (Rs. in Lacs )	%
26,127.47	200.38	14,461.87	110.91

## **10. Income / Expenditure**

The total income and expenditure (excluding initial issue expenses and loss on sale of investments ) as a percentage of the average daily net assets during the period are given below:

Income	: 9.56
Expenditure	: 2.18

## HDFC Balanced Fund

### 11. Disclosure under Regulation 25(8) of the SEBI Regulations 1996 and other applicable Regulations

- (i) The Scheme has paid following amounts to the parties associated with the Sponsor in which the AMC or its major shareholders or its subsidiaries are having a substantial interest.

Entity	Nature	Amount (Rs. in lacs)	% of equity capital held by the Sponsor & its subsidiaries / associates
HDFC Bank Limited	Bank Charges	0.36	28.268
	Custody Charges	12.00	
	Commission on distribution of Units	41.58	
HDFC Asset Management Company Limited	Investment Management and Advisory Fees	86.00	100.00
HDFC Trustee Company Limited	Trusteeship Fees	1.32	100.00
Computer Age Management Services Limited	Registrar and Transfer Agent Fees	6.11	50.00
HDFC Securities Limited	Brokerage	0.74	68.51

- (ii) An amount of Rs. 10.32 lacs has been paid as Client Servicing fees to the Sponsor. The AMC is availing the services of the Sponsor for Client Servicing and also to act as collection and distribution agent. Client Servicing fees may be higher than the market rates due to superior quality of services rendered and prime locations of the Investor Service Centres.
- (iii) HDFC Bank Limited, an associate of the Sponsor, is on the panel of Bankers with whom the Mutual Fund places money on call and fixed deposits from time to time at competitive rates. The amount of deposits outstanding as at March 31, 2001 was Rs. 70.00 lacs.

### 12. Disclosure under Regulation 25(11) of the SEBI Regulations, 1996 as amended

Investments made by Schemes of HDFC Mutual Fund in Companies that have invested more than 5% of the net assets of any scheme

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Schemes which have invested	Aggregate cost of acquisition during the period (Rs. in lacs)	Outstanding as at March 31, 2001 at Fair/Market Value (Rs. in lacs)
Industrial Development Bank of India Ltd. (IDBI)	HDFC Growth Fund	HDFC Income Fund	8,511.26 @	3361.93
Raymond Ltd.	HDFC Income Fund and HDFC Liquid Fund	HDFC Liquid Fund	2,555.85 @	555.12
Global Trust Bank Ltd.	HDFC Income Fund	HDFC Liquid Fund	1,000.00 @	Nil
Tata Chemicals Ltd.	HDFC Growth Fund	HDFC Income Fund	266.80 #	Nil
Tata Power Ltd.	HDFC Balanced Fund	HDFC Liquid Fund	975.51 \$	Nil
	HDFC Balanced Fund, HDFC Liquid Fund and HDFC Income Fund	HDFC Balanced Fund	150.14 #	99.75
		HDFC Children's Gift Fund - Investment Plan	14.67 #	9.98
Larsen & Toubro Ltd.	HDFC Liquid Fund	HDFC Growth Fund	242.89 #	198.94
		HDFC Liquid Fund	3,496.33 @	Nil

@ Investments in Debentures and Bonds      \$ Investments in Commercial Paper      # Investments in Equity Shares

These investments have been made on account of their high credit quality and competitive yield for the investment in fixed income / money market instruments and in case of equity shares because of attractive valuations of these companies.

IDBI Capital Market Services Limited, a wholly owned subsidiary of IDBI Limited, is on the panel of the Primary Dealers / Bankers with whom the Mutual Fund places money on call from time to time at competitive rates.

**HDFC Balanced Fund**
**13. Net Asset Value Per Unit as at March 31, 2001**

	(Rs.)
Face Value	10.00
Net Asset Value	9.238

**14. Perspective Historical Per Unit Statistics \***

	March 31, 2001 (Rs.)
(A) Gross Income	
(i) income other than profit on sale of investments	0.394
(ii) income from profit on inter Scheme sales / transfer of investments	0.003
(iii) income from profit on sale / redemption of investments to third parties	0.129
(iv) transfer to revenue account from past year's reserves	
(B) Aggregate of expenses, write off, amortisation and charges	(0.871)
(C) Net income	(0.344)
(D) Net unrealised appreciation/diminution in value of investments	(0.334)
(E) Equalisation Reserve and Unit Premium Reserve	(0.083)
(F) Net Asset Value	9.238
(G) Repurchase Prices during the Period #	
i) Highest repurchase price	10.368
ii) Lowest repurchase price	9.115
(H) Resale Prices during the Period #	
i) Highest ongoing sale price	10.526
ii) Lowest ongoing sale price	9.254
(I) Ratio of expenses to average daily net assets by percentage @	2.18
(J) Ratio of gross income to average daily net assets by percentage @	9.56

\* Per unit calculations based on number of Units in issue at the end of the period.

@ Annualised for the period September 11, 2000 to March 31, 2001.

# The highest and lowest sale price of the Units of the scheme has been determined after adding to the highest and lowest NAV, the maximum sales load applicable.

**15. Prior Period Figures**

As these are the first financial statements of the Scheme since the date of commencement, there are no comparative figures.

**16. Statement of Portfolio Holding as at March 31, 2001**

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>EQUITY SHARES</b>				
<b>Automobiles</b>		<b>11,990,000</b>	<b>0.99</b>	<b>1.72</b>
Mahindra & Mahindra Ltd.	100,000	11,990,000	0.99	1.72
<b>Banks</b>		<b>40,210,000</b>	<b>3.32</b>	<b>5.77</b>
State Bank of India	200,000	40,210,000	3.32	5.77
<b>Fast Moving Consumer Goods</b>		<b>242,891,846</b>	<b>20.07</b>	<b>34.88</b>
Nestle India Ltd.	120,920	61,457,590	5.08	8.83
Britannia Industries Ltd.	80,000	55,924,000	4.62	8.03
I.T.C. Ltd.	65,000	52,910,000	4.37	7.60
Hindustan Lever Ltd.	200,000	43,850,000	3.62	6.30
Tata Tea Ltd.	85,000	19,936,750	1.65	2.86
Smithkline Beecham Consumer Healthcare Ltd.	23,953	8,813,506	0.73	1.27

**HDFC Balanced Fund**

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>Information Technology</b>		<b>64,501,750</b>	<b>5.33</b>	<b>9.26</b>
Infosys Technologies Ltd.	9,600	39,204,000	3.24	5.63
HCL Technologies Ltd.	40,000	14,788,000	1.22	2.12
Satyam Computers Services Ltd.	45,000	10,509,750	0.87	1.51
<b>Metals</b>		<b>62,267,502</b>	<b>5.14</b>	<b>8.94</b>
Hindalco Industries Ltd.	62,944	48,555,002	4.01	6.97
National Aluminium Company Ltd.	250,000	13,712,500	1.13	1.97
<b>Oil &amp; Gas</b>		<b>63,320,000</b>	<b>5.23</b>	<b>9.10</b>
Hindustan Petroleum Corporation Ltd.	275,000	44,165,000	3.65	6.35
Bharat Petroleum Corporation Ltd.	100,000	19,155,000	1.58	2.75
<b>Petrochemicals</b>		<b>58,432,500</b>	<b>4.83</b>	<b>8.39</b>
Reliance Industries Ltd.	150,000	58,432,500	4.83	8.39
<b>Power</b>		<b>24,240,000</b>	<b>2.01</b>	<b>3.48</b>
Bharat Heavy Electricals Ltd.	100,000	14,265,000	1.18	2.05
Tata Power Company Ltd.	100,000	9,975,000	0.83	1.43
<b>Pharmaceuticals</b>		<b>94,724,500</b>	<b>7.83</b>	<b>13.61</b>
Dr. Reddy's Laboratories Ltd.	40,000	49,810,000	4.12	7.16
Cipla Ltd.	45,000	44,914,500	3.71	6.45
<b>Telecommunications</b>		<b>33,729,500</b>	<b>2.79</b>	<b>4.85</b>
Videsh Sanchar Nigam Ltd.	115,000	33,729,500	2.79	4.85
<b>Sub-Total</b>		<b>696,307,598</b>	<b>57.54</b>	<b>100.00</b>
<b>DEBENTURES &amp; BONDS</b>				
<b>(a) Privately Placed Debentures</b>				
<b>Finance</b>				
GE Capital Services India	10	100,175,014	8.28	66.50
Sundaram Finance Ltd.	500	50,468,290	4.17	33.50
<b>Sub-Total</b>		<b>150,643,304</b>	<b>12.45</b>	<b>100.00</b>
<b>(b) Listed / awaiting listing on Stock Exchanges</b>				
<b>Fast Moving Consumer Goods</b>		<b>97,234,748</b>	<b>8.03</b>	<b>54.58</b>
Nirma Ltd.	5	50,183,730	4.14	28.17
Nestle India Ltd.	90	47,051,018	3.89	26.41
<b>Financial Institutions</b>		<b>50,310,000</b>	<b>4.16</b>	<b>28.24</b>
ICICI Ltd.	500,000	50,310,000	4.16	28.24
<b>Metals</b>		<b>30,607,950</b>	<b>2.53</b>	<b>17.18</b>
Hindalco Industries Ltd.	3	30,607,950	2.53	17.18
<b>Sub-Total</b>		<b>178,152,698</b>	<b>14.72</b>	<b>100.00</b>
<b>COMMERCIAL PAPER</b>				
Sundaram Finance Ltd.		48,785,052	4.03	
BPL Ltd.		48,542,150	4.01	
<b>Sub-Total</b>		<b>97,327,202</b>	<b>8.04</b>	
<b>Call Money &amp; Net Current Assets</b>		<b>87,856,735</b>	<b>7.25</b>	
<b>Net Assets</b>		<b>1,210,287,537</b>	<b>100.00</b>	



## Auditors' Report

To the Board of Directors of HDFC Trustee Company Limited

We have audited the attached Balance Sheet of **HDFC INCOME FUND** as at March 31, 2001 and the Revenue Account of the Fund for the period July 20, 2000 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) 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.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- 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 give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of income over expenditure for the period from July 20, 2000 to March 31, 2001.

For **S.B. Billimoria & Co.**  
Chartered Accountants

Mumbai, April 17, 2001

**P. R. Ramesh**  
Partner

**Balance Sheet**  
as at March 31, 2001

	Schedule	Rupees
<b>LIABILITIES</b>		
Unit Capital	1	7,715,997,078
Reserves & Surplus	2	449,773,028
Current Liabilities	3	24,220,395
TOTAL		<b>8,189,990,501</b>
<b>ASSETS</b>		
Investments	4	6,714,425,940
Deposits	5	89,300,000
Other Current Assets	6	1,386,264,561
TOTAL		<b>8,189,990,501</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
*Chartered Accountants***P. R. Ramesh**  
*Partner*For **HDFC Asset Management**  
**Company Limited****Deepak S. Parekh**  
*Chairman***Milind Barve**  
*Managing Director***Rajiv Shastri**  
*Fund Manager*For **HDFC Trustee Company**  
**Limited****Kalyan Banerji**  
*Chairman***Keki M. Mistry**  
*Director*Mumbai  
April 17, 2001

## Revenue Account

for the period from July 20, 2000 to March 31, 2001

	Schedule	Rupees
<b>INCOME</b>		
Interest	7	459,944,352
Profit on sale / redemption of investments (other than inter-scheme transfer / sale)		80,233,108
Profit on inter-scheme transfer / sale of investments		1,496,837
Other Income		145,988
<b>TOTAL</b>		<b>541,820,285</b>
<b>EXPENSES</b>		
Investment Management Fees		38,811,662
Trusteeship Fees		584,135
Custodian Fees and Expenses		1,998,343
Registrars' Fees and Expenses		3,422,668
Loss on sale / redemption of investments (other than inter-scheme transfer / sale)		8,783,455
Loss on inter-scheme transfer / sale of investments		15,565
Client Servicing Expenses		5,451,298
Audit Fees and Expenses		157,500
Publicity Expenses (Note 6)		2,583,846
Agents' Commission (Note 6)		18,321,458
Other Operating Expenses		396,166
<b>TOTAL</b>		<b>80,526,096</b>
Surplus for the period		<b>461,294,189</b>
	<b>Growth Plan</b>	<b>Dividend Plan</b>
Surplus for the period	216,346,188	244,948,001
Income Equalisation	145,360,946	53,818,091
	361,707,134	298,766,092
Net unrealised gain in the value of investments	29,743,098	39,437,742
	391,450,232	338,203,834
Dividend Distribution	-	(239,513,510)
Dividend Tax	-	(53,651,026)
Surplus carried forward to Balance Sheet	<b>391,450,232</b>	<b>45,039,298</b>
		<b>436,489,530</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
Chartered Accountants

**P. R. Ramesh**  
Partner

For **HDFC Asset Management**  
Company Limited

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Rajiv Shastri**  
Fund Manager

For **HDFC Trustee Company**  
Limited

**Kalyan Banerji**  
Chairman

**Keki M. Mistry**  
Director

Mumbai  
April 17, 2001

## Schedules

forming part of the Balance Sheet as at March 31, 2001 and  
the Revenue Account for the period from July 20, 2000 to March 31, 2001

	Units	Rupees
<b>Schedule 1 – Unit Capital</b>		
<b>(A) Growth Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>149,232,250.000</b>	<b>1,492,322,500</b>
<b>Outstanding :</b>		
Initial Capital	149,232,250.000	1,492,322,500
Issued during the period	619,247,712.922	6,192,477,129
	768,479,962.922	7,684,799,629
Redeemed during the period	(289,121,177.506)	(2,891,211,775)
At the end of the period	<b>479,358,785.416</b>	<b>4,793,587,854</b>
<b>(B) Dividend Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>248,012,610.000</b>	<b>2,480,126,100</b>
<b>Outstanding :</b>		
Initial Capital	248,012,610.000	2,480,126,100
Issued during the period	351,368,367.954	3,513,683,680
	599,380,977.954	5,993,809,780
Switch In		
Redeemed during the period	(307,140,055.570)	(3,071,400,556)
At the end of the period	292,240,922.384	2,922,409,224
TOTAL (A) + (B)	<b>771,599,707.800</b>	<b>7,715,997,078</b>
<b>Schedule 2 – Reserves and Surplus</b>		
<b>(A) Growth Plan</b>		
Unit Premium Reserve		16,617,730
Net Surplus transferred from Revenue Account		391,450,232
		<b>408,067,962</b>
<b>(B) Dividend Plan</b>		
Unit Premium Reserve		(11,288,548)
Net Surplus transferred from Revenue Account		45,039,298
		<b>33,750,750</b>
<b>(C) Accumulated Load</b>		<b>7,954,316</b>
TOTAL (A) + (B) + (C)		<b>449,773,028</b>

**HDFC Income Fund**
**Rupees**
**Schedule 3 – Current Liabilities**

Investment Management Fees	7,749,403
Trusteeship Fees	217,887
Audit Fees	99,120
Custodian Fees and Expenses	69,096
Agents' Commission	9,107,612
Registrars' Fees	529,562
Contracts for purchase of investments	140,000
Client Servicing Fees	1,158,311
Load payable to AMC	820,670
Inter-Scheme Dues	64,513
Other Current Liabilities	4,264,221
	<b>24,220,395</b>

**Schedule 4 – Investments**

Privately Placed Debentures	1,313,178,666
Debentures and Bonds Listed / Awaiting Listing	3,395,378,574
Government Securities	1,958,560,000
Commercial Paper	47,308,700
	<b>6,714,425,940</b>

**Schedule 5 – Deposits**

Deposits with Scheduled Banks	65,400,000
Deposits with Companies / Institutions	23,900,000
	<b>89,300,000</b>

**Schedule 6 – Other Current Assets**

Balances with Banks and Reserve Bank of India in Current Account	1,070,100,095
Outstanding and accrued income	266,164,466
Debentures / Bonds Pending Allotment	50,000,000
	<b>1,386,264,561</b>

**Schedule 7 – Interest**

Treasury Bills	10,460,347
Call Money Lending	73,173,885
Commercial Paper	33,472,086
Term Deposits	607,709
Government Securities	92,416,708
Non-Convertible Debentures / Bonds	249,813,617
	<b>459,944,352</b>

**Schedule 8 – Net unrealised gain in the value of Investments**

Government Securities	13,084,794
Non-Convertible Debentures / Bonds	56,096,046
	<b>69,180,840</b>

## Schedule 9 – Notes to the Accounts

### 1. Background

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

HDFC Income Fund ("the Scheme") is an open ended income Scheme of HDFC Mutual Fund and was launched on July 20, 2000. The Scheme closed for initial subscription on August 10, 2000 and re-opened for issue and redemption of Units on September 21, 2000. The duration of the Scheme is perpetual. The investment objective of the Scheme is to optimise returns while maintaining a balance of safety, yield and liquidity. The Scheme has two plans i.e. Dividend Plan and Growth Plan.

### 2. Significant Accounting Policies

#### 2.1 Basis of Accounting

The Scheme maintains its books of account on an accrual basis.

#### 2.2 Portfolio Valuation

Investments are stated at market / fair value at the Balance Sheet date / date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- (ii) (a) Non-Traded / Thinly Traded Securities of over 182 days to maturity are valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.
- (b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).
- (c) Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.

Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.

- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.

Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

- 2.3 Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

#### 2.4 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 Equalisation Reserve.

The Unit Premium Reserve is available for dividend distribution except to the extent it is represented by unrealised net appreciation in value of investments.

### 2.5 Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting(debiting) the equalisation account in respect of purchase (or redemption) of Units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

### 2.6 Load Charges

Load amount collected is utilised for meeting the selling and distribution expenses. The entire load amount is utilised for meeting the selling and distribution expenses. Any surplus in this account is shown as Reserves but not considered for computation of the Net Asset Value.

## 3. Investment Management and Advisory Fees

The Scheme pays for investment management fees under an agreement with the AMC at the annual rate of 1.25% of the average weekly net assets recorded by the Scheme upto Rs.100 crore and at an annual rate of 1% of the excess over Rs.100 crore.

## 4. Trustee Fees

In accordance with the Trust Deed dated June 8, 2000 constituting the HDFC Mutual Fund and the offer document of the Scheme, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate not exceeding 0.10% per annum of the daily average net assets of the Schemes or a sum of Rs. 15,00,000 per annum whichever is higher.

The Trustee has decided with effect from October 1, 2000 to charge in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate of 0.01% per annum of the daily average net assets of the Schemes. This rate can be subsequently revised by the Trustee subject to the above limits as specified in the Trust Deed.

## 5. Custodian Fees

HDFC Bank Limited (an associate of the Sponsor) provides custodial services to the Scheme for which it receives custody fees including transaction and safe keeping fees.

## 6. Utilisation of Load Charges

During the period, the load charges have been utilised for meeting the following expenses in addition to those charged to the revenue account.

Nature of Expense	Amount (Rs. in lacs)
Agent's Commission	3.58
Publicity Expenses	30.66

## 7. Aggregate Fair Value of Non-Traded Investments

Aggregate fair value of non-traded investments, valued in 'good faith' by the Investment Manager on the basis of the valuation principles laid down by SEBI as at the end of the period is Rs. 31,581.80 lacs.

## 8. Aggregate Value of Purchases and Sale of Investments

The aggregate value of investments purchased and sold (including matured) during the period ended March 31, 2001 as a percentage of average daily net assets are as under:

Purchase value (Rs. in Lacs)	%	Sale value (Rs. in Lacs )	%
1,93,843.76	284.16	1,26,821.62	186.91

## 9. Income / Expenditure

The total income and expenditure (excluding loss on sale of investments) as a percentage of the average daily net assets during the period are given below:

Income	: 14.48
Expenditure	: 1.92

## HDFC Income Fund

### 10. Disclosure under Regulation 25(8) of the SEBI Regulations, 1996 and other applicable Regulations.

- (i) The Scheme has paid following amounts to the parties associated with the Sponsor in which the AMC or its major shareholders have a substantial interest.

Entity	Nature	Amount (Rs. in lacs)	% of equity capital held by the Sponsor & its subsidiaries / associates
HDFC Bank Limited	Bank Charges	3.96	28.268
	Custody Charges	19.98	
	Commission on distribution of Units	56.21	
HDFC Securities Limited	Brokerage	0.003	68.51
HDFC Asset Management Company Limited	Investment Management and Advisory Fees	388.12	100.00
HDFC Trustee Company Limited	Trusteeship Fees	5.84	100.00
Computer Age Management Services Limited	Registrar & Transfer Agents Fees	34.23	50.00

- (ii) An amount of Rs. 54.51 lacs has been paid as Client Servicing fees to the Sponsor. The AMC is availing the services of the Sponsor for Client Servicing and also to act as collection and distribution agent. Client Servicing fees may be higher than the market rates due to superior quality of services rendered and prime locations of the Investor Service Centres.
- (iii) HDFC Bank Limited, an associate of the Sponsor, is on the panel of Bankers with whom the Mutual Fund places money on call and fixed deposits from time to time at competitive rates. The amount of deposits outstanding as at March 31, 2001 was Rs. 355.00 lacs.

### 11. Disclosure under Regulation 25(11) of the SEBI Regulations, 1996 as amended

Investments made by Schemes of HDFC Mutual Fund in Companies that have invested more than 5% of the net assets of any scheme

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Schemes which have invested	Aggregate cost of acquisition during the year (Rs. in lacs)	Outstanding as at March 31, 2001 at Fair/Market Value (Rs. in lacs)
Industrial Development Bank of India Ltd. (IDBI)	HDFC Growth Fund	HDFC Income Fund	8,511.26 @	3361.93
Raymond Ltd.	HDFC Income Fund and HDFC Liquid Fund	HDFC Liquid Fund	2,555.85 @	555.12
			1,000.00 @	Nil
Global Trust Bank Ltd.	HDFC Income Fund	HDFC Growth Fund	266.80 #	Nil
Tata Chemicals Ltd.	HDFC Balanced Fund	HDFC Liquid Fund	975.51 \$	Nil
Tata Power Ltd.	HDFC Balanced Fund, HDFC Liquid Fund and HDFC Income Fund	HDFC Balanced Fund HDFC Children's Gift Fund - Investment Plan	150.14 #	99.75
			14.67 #	9.98
Larsen & Toubro Ltd.	HDFC Liquid Fund	HDFC Growth Fund	242.89 #	198.94
		HDFC Liquid Fund	3,496.33 @	Nil

@ Investments in Debentures and Bonds      \$ Investments in Commercial Paper      # Investments in Equity Shares

These investments have been made on account of their high credit quality and competitive yield for the investment in fixed income/money market instruments and in case of equity shares because of attractive valuations of these companies.

IDBI Capital Market Services Limited, a wholly owned subsidiary of IDBI Limited, is on the panel of the Primary Dealers / Bankers with whom the Mutual Fund places money on call from time to time at competitive rates.

### 12. Net Asset Value Per Unit as at March 31, 2001.

	(Rs.)
Face Value	10.000
Net Asset Value : Growth Plan	10.851
Dividend Plan	10.116

**HDFC Income Fund**
**13. Perspective Historical Per Unit Statistics\***
**March 31, 2001**  
**(Rs.)**

(A)	Gross Income		
	(i) income other than profit on sale of investments		0.596
	(ii) income from profit on inter Scheme sales / transfer of investments		0.002
	(iii) income from profit on sale/redemption of investments to third parties		0.104
	(iv) transfer to revenue account from past year's reserves		
(B)	Aggregate of expenses, write off, amortisation and charges		(0.104)
(C)	Net income		0.598
(D)	Net unrealised appreciation/diminution in value of investments		0.090
(E)	Equalisation Reserve and Unit Premium Reserve		0.265
(F)	Dividend Distribution		(0.380)
(G)	Growth Per Unit		0.573
		<b>Growth Plan</b>	<b>Dividend Plan</b>
(H)	Net Asset Value	10.851	10.116
(I)	Repurchase Prices during the Period #		
	i) Highest repurchase price	10.798	10.066
	ii) Lowest repurchase price	10.079	10.047
(J)	Resale Prices during the Period #		
	i) Highest ongoing sale price	10.851	10.116
	ii) Lowest ongoing sale price	10.129	10.101
(K)	Ratio of expenses to average daily net assets by percentage @		1.92
(L)	Ratio of gross income to average daily net assets by percentage @		14.48

\* Per unit calculations based on number of Units in issue at the end of the period

@ Annualised for the period September 11, 2000 to March 31, 2001.

# The highest and lowest repurchase price of the Units of the scheme has been determined after reducing from the highest and lowest NAV, the maximum repurchase load applicable.

**14. Prior Period Figures**

As these are the first financial statements of the Scheme since the date of commencement, there are no comparative figures.

**15. Statement of Portfolio Holding as at March 31, 2001**

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>DEBENTURES &amp; BONDS</b>				
<b>a) Privately Placed Debentures</b>				
<b>Cements</b>				
Lafarge India Ltd.	25	251,558,143	3.08	19.16
<b>Finance</b>				
Sundaram Finance Ltd.	2,000	201,873,160	2.47	15.36
Mahindra & Mahindra Financial Services Ltd.	15	152,335,761	1.87	11.60
Citicorp Finance (India) Ltd.	1,500	150,000,000	1.84	11.42
Ford Credit Kotak Mahindra Ltd.	13	131,421,948	1.61	10.01
Kotak Mahindra Primus Ltd.	12	121,726,994	1.49	9.27
Cyrus Investment Ltd.	1,000	103,187,280	1.26	7.86
Associates India Financial Services Ltd.	1,000	101,075,380	1.24	7.70
Orix Auto Finance Ltd.	1,000,000	100,000,000	1.22	7.62
<b>Sub-Total</b>		<b>1,313,178,666</b>	<b>16.08</b>	<b>100.00</b>

**HDFC Income Fund**

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>(b) Listed / awaiting listing on stock exchanges</b>				
<b>Auto</b>		<b>151,491,265</b>	<b>1.85</b>	<b>4.40</b>
Ashok Leyland Ltd.	10	101,152,360	1.24	2.94
Telco Ltd.	5	50,338,905	0.62	1.46
<b>Bank</b>		<b>519,729,200</b>	<b>6.36</b>	<b>15.09</b>
State Bank of India	4,000,000	413,355,400	5.07	12.00
EXIM Bank	1,000	106,373,800	1.30	3.09
<b>Cements</b>		<b>197,048,784</b>	<b>2.42</b>	<b>5.72</b>
Gujarat Ambuja Cements Ltd.	2,000,000	197,048,784	2.42	5.72
<b>Chemicals</b>		<b>50,000,000</b>	<b>0.61</b>	<b>1.45</b>
BASF India Ltd.	5	50,000,000	0.61	1.45
<b>Diversified</b>		<b>103,034,445</b>	<b>1.26</b>	<b>2.99</b>
Grasim Industries Ltd.	1,000,000	103,034,445	1.26	2.99
<b>Fast Moving Consumer Goods</b>		<b>207,151,252</b>	<b>2.54</b>	<b>6.01</b>
Nestle India Ltd.	300	156,836,727	1.92	4.55
Nirma Ltd.	5	50,314,525	0.62	1.46
<b>Finance</b>		<b>244,623,148</b>	<b>2.99</b>	<b>7.10</b>
GE Capital Services India	15	150,452,659	1.84	4.37
Reliance Capital Ltd.	550,000	94,170,489	1.15	2.73
<b>Financial Institutions</b>		<b>759,565,180</b>	<b>9.30</b>	<b>22.05</b>
ICICI Ltd.	4,000,000	423,371,840	5.19	12.29
IDBI Ltd.	3,250,000	336,193,340	4.12	9.76
<b>Infrastructure</b>		<b>456,559,300</b>	<b>5.59</b>	<b>13.25</b>
Power Finance Corporation Ltd.	2,500,000	256,559,300	3.14	7.45
HUDCO	2,000	200,000,000	2.45	5.80
<b>Metals</b>		<b>204,053,000</b>	<b>2.50</b>	<b>5.92</b>
Hindalco Industries Ltd.	20	204,053,000	2.50	5.92
<b>Paper</b>		<b>51,000,000</b>	<b>0.63</b>	<b>1.48</b>
Ballarpur Industries Ltd.	34	51,000,000	0.63	1.48
<b>Petrochemicals</b>		<b>501,123,000</b>	<b>6.14</b>	<b>14.54</b>
Reliance Industries Ltd.	4,400,000	451,123,000	5.53	13.09
Reliance Petroleum Ltd.	500,000	50,000,000	0.61	1.45
<b>Sub-Total</b>		<b>3,445,378,574</b>	<b>42.19</b>	<b>100.00</b>
<b>GOVERNMENT SECURITIES</b>				
12.32% GOI 2011	3,000,000	331,500,000	4.06	
11.99% GOI 2009	3,000,000	327,300,000	4.01	
11.90% GOI 2007	2,500,000	274,900,000	3.37	
11.40% GOI 2008	2,000,000	216,640,000	2.66	
11.00% GOI 2006	2,000,000	212,280,000	2.60	
12.25% GOI 2010	1,500,000	164,550,000	2.02	
11.75% GOI 2006	1,500,000	162,870,000	2.00	
12.29% GOI 2010	1,000,000	109,950,000	1.35	
11.03% GOI 2012	1,000,000	104,120,000	1.27	
12.00% GOI 2008	500,000	54,450,000	0.66	
<b>Sub-Total</b>		<b>1,958,560,000</b>	<b>23.99</b>	
<b>COMMERCIAL PAPER</b>				
BPL Ltd.	500,000	47,308,700	0.58	
<b>Sub-Total</b>		<b>47,308,700</b>	<b>0.58</b>	
<b>Call Money &amp; Net Current Assets</b>		<b>1,401,344,166</b>	<b>17.16</b>	
<b>Net Assets</b>		<b>8,165,770,106</b>	<b>100.00</b>	



## Auditors' Report

To the Board of Directors of HDFC Trustee Company Limited

We have audited the attached Balance Sheet of **HDFC LIQUID FUND** as at March 31, 2001 and the Revenue Account of the Fund for the period from October 17, 2000 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) 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.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- 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 give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of income over expenditure for the period from October 17, 2000 to March 31, 2001.

For **S.B.Billimoria & Co.**  
Chartered Accountants

Mumbai, April 17, 2001

**P. R. Ramesh**  
Partner

**Balance Sheet**  
as at March 31, 2001

	Schedule	Rupees
<b>LIABILITIES</b>		
Unit Capital	1	1,669,926,570
Reserves & Surplus	2	49,877,361
Current Liabilities	3	9,872,097
TOTAL		<b>1,729,676,028</b>
<b>ASSETS</b>		
Investments	4	1,136,294,157
Deposits	5	497,300,000
Other Current Assets	6	96,081,871
TOTAL		<b>1,729,676,028</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
*Chartered Accountants***P. R. Ramesh**  
*Partner*For **HDFC Asset Management**  
**Company Limited****Deepak S. Parekh**  
*Chairman***Milind Barve**  
*Managing Director***Shabbir Kapasi**  
*Fund Manager*For **HDFC Trustee Company**  
**Limited****Kalyan Banerji**  
*Chairman***Keki M. Mistry**  
*Director*Mumbai  
April 17, 2001

## Revenue Account

for the period from October 17, 2000 to March 31, 2001

	Schedule	Rupees
<b>INCOME</b>		
Interest	7	100,919,485
Profit on sale / redemption of investments (other than inter-scheme transfer / sale)		695,831
Profit on inter-scheme transfer / sale of investments		85,804
Other income		4,170
<b>TOTAL</b>		<b>101,705,290</b>
<b>EXPENSES</b>		
Investment Management Fees		4,999,430
Trusteeship Fees		99,853
Loss on sale / redemption of investments (other than inter-scheme transfer / sale)		771,502
Loss on inter-scheme transfer / sale of investments		180
Custodian Fees		318,606
Registrars' Fees		761,448
Audit Fees and Expenses		26,250
Agents' Commission		1,497,799
Client Servicing Fees		1,520,078
Other Operating Expenses		775,396
<b>TOTAL</b>		<b>10,770,542</b>
<b>Surplus for the period</b>		<b>90,934,748</b>

	Growth Plan	Dividend Reinvestment Plan	
Surplus for the period	42,655,175	48,279,573	90,934,748
Income Equalisation	5,038,405	1,125,470	6,163,875
	47,693,580	49,405,043	97,098,623
Net unrealised gain in the value of investments	163,323	59,043	222,366
	47,856,903	49,464,086	97,320,989
Dividend Distributions	-	(39,838,219)	(39,838,219)
Dividend Tax	-	(8,819,145)	(8,819,145)
Surplus carried forward to Balance Sheet	<b>47,856,903</b>	<b>806,722</b>	<b>48,663,625</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'  
form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
Chartered Accountants

**P. R. Ramesh**  
Partner

For **HDFC Asset Management  
Company Limited**

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Shabbir Kapasi**  
Fund Manager

For **HDFC Trustee Company  
Limited**

**Kalyan Banerji**  
Chairman

**Keki M. Mistry**  
Director

Mumbai  
April 17, 2001

## Schedules

forming part of the Balance Sheet as at March 31, 2001 and  
the Revenue Account for the period from October 17, 2000 to March 31, 2001

	Units	Rupees
<b>Schedule 1 – Unit Capital</b>		
<b>(A) Growth Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	7,490,000.000	74,900,000
<b>Outstanding :</b>		
Initial Capital	7,490,000.000	74,900,000
Issued during the period	1,304,080,912.290	13,040,809,123
	1,311,570,912.290	13,115,709,123
Redeemed during the period	(1,194,903,577.340)	(11,949,035,773)
At the end of the period	116,667,334.950	1,166,673,350
<b>(B) Dividend Reinvestment Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	42,292,500.000	422,925,000
<b>Outstanding :</b>		
Initial Capital	42,292,500.000	422,925,000
Issued during the period	729,271,174.882	7,292,711,748
	771,563,674.882	7,715,636,748
Redeemed during the period	(721,238,352.812)	(7,212,383,528)
At the end of the period	50,325,322.070	503,253,220
TOTAL (A) + (B)	166,992,657.020	1,669,926,570

## Schedule 2 – Reserves and Surplus

<b>(A) Growth Plan</b>	
Unit Premium Reserve	1,229,349
Net Surplus transferred from Revenue Account	47,856,903
	49,086,252
<b>(B) Dividend Reinvestment Plan</b>	
Unit Premium Reserve	(15,613)
Net Surplus transferred from Revenue Account	806,722
	791,109
TOTAL (A) + (B)	49,877,361

## HDFC Liquid Fund

Rupees

### Schedule 3 – Current Liabilities

Investment Management Fees	889,403
Trusteeship Fees	62,915
Custodian Charges	9,094
Audit Fees	24,780
Agents' Commission	33,500
Registrars' Fees	144,616
Publicity Expenses	139,354
Client Servicing Expenses	266,823
Brokerage & Trial Fees	1,000,243
Units pending allotment	7,215,000
Other Liabilities	86,369
	<b>9,872,097</b>

### Schedule 4 – Investments

Privately Placed Debentures	80,000,000
Debentures and Bonds Listed / Awaiting Listing	574,504,457
Commercial Paper	481,789,700
	<b>1,136,294,157</b>

### Schedule 5 – Deposits

Deposits with Scheduled Banks	449,700,000
Deposit with Companies / Institutions	47,600,000
	<b>497,300,000</b>

### Schedule 6 – Other Current Assets

Balances with Banks and Reserve Bank of India in Current Account	3,142,237
Sundry Debtors	50,000,000
Outstanding and accrued income	39,367,412
Inter-Scheme dues	3,553,849
Other Current Assets	18,373
	<b>96,081,871</b>

### Schedule 7 – Interest

Treasury Bills	4,930,415
Call Money Lending	25,729,071
Commercial Paper	30,322,040
Government Securities	96,250
Non-Convertible Debentures / Bonds	39,841,709
	<b>100,919,485</b>

### Schedule 8 – Net unrealised gain in the value of Investments

Debentures and Bonds	222,366
	<b>222,366</b>

## **Schedule 9 – Notes to the Accounts**

### **1. Background**

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

HDFC Liquid Fund ("the Scheme") is an open ended liquid income Scheme of HDFC Mutual Fund and was launched on October 17, 2000 and re-opened for issue and redemption of Units on October 18, 2000. The duration of the Scheme is perpetual. The investment objective of the Scheme is to enhance income consistent with a high level of liquidity, through a judicious mix comprising of money market and debt instruments. The Scheme has two plans i.e. Dividend Reinvestment Plan and Growth Plan.

### **2. Significant Accounting Policies**

#### **2.1 Basis of Accounting**

The Scheme maintains its books of account on an accrual basis.

#### **2.2 Portfolio Valuation**

Investments are stated at market/fair value at the Balance Sheet date/ date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- (ii) (a) Non-Traded / Thinly Traded Securities of over 182 days to maturity be valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.
- (b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).
- (c) Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.

Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.

- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.

Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

- 2.3 Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

**2.4 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 Equalisation Reserve.

The Unit Premium Reserve is available for dividend distribution except to the extent it is represented by unrealised net appreciation in value of investments.

**2.5 Income Equalisation Reserve**

Income Equalisation Reserve is being maintained by crediting(debiting) the equalisation account in respect of purchase (or redemption) of units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

**3. Investment Management and Advisory Fees**

The Scheme pays for investment management and advisory fees under an agreement with the AMC at the annual rate of 0.50% of the average weekly net assets recorded by the Scheme.

**4. Trustee Fees**

In accordance with the Trust Deed dated June 8, 2000 constituting the HDFC Mutual Fund and the offer document of the Scheme, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate not exceeding 0.10% per annum of the daily average net assets of the Schemes or a sum of Rs. 15,00,000 per annum whichever is higher.

The Trustee has decided with effect from October 1, 2000 to charge in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate of 0.01% per annum of the daily average net assets of the Schemes. This rate can be subsequently revised by the Trustee subject to the above limits as specified in the Trust Deed.

**5. Custodian Fees**

HDFC Bank Limited (an associate of the Sponsor) provides custodial services to the Scheme for which it receives custody fees including transaction and safe keeping fees.

**6. Aggregate Fair Value of Non-Traded Investments**

Aggregate fair value of non-traded investments, valued in 'good faith' by the Investment Manager on the basis of the valuation principles laid down by SEBI as at the end of the financial period is Rs. 4270.59 lacs.

**7. Aggregate Value of Purchases and Sale of Investments**

The aggregate value of investments purchased and sold (including matured) during the period as a percentage of average daily net assets are as under:

Purchase value (Rs. in Lacs)	%	Sale value (Rs. in Lacs )	%
72,067.87	327.80	67,470.99	306.89

**8. Income / Expenditure**

The total income and expenditure as a percentage of the average daily net assets during the period are given below:

Income : 10.17  
Expenditure : 1.00

## HDFC Liquid Fund

### 9. Disclosure under Regulation 25(8) of the SEBI Regulations, 1996 and other applicable Regulations.

- (i) The Scheme has paid following amounts to the parties associated with the Sponsor in which the AMC or its major shareholders have a substantial interest.

Entity	Nature	Amount (Rs. in lacs)	% of equity capital held by the Sponsor & its subsidiaries / associates
HDFC Bank Limited	Bank Charges	0.19	28.268
	Custody Charges	3.19	
	Commission on distribution of units	6.76	
HDFC Securities Limited	Commission on distribution of units	0.002	68.51
HDFC Asset Management Company Limited	Investment Management and advisory Fees	49.99	100.00
HDFC Trustee Company Limited	Trusteeship Fees	1.00	100.00
Computer Age Management Services Limited	Registrar and Transfer Agent Fees	7.61	50.00

- (ii) An amount of Rs.15.20 lacs has been paid as Client Servicing fees to the Sponsor. The AMC is availing the services of the Sponsor for Client Servicing and also to act as collection and distribution agent. The Client Servicing fees may be higher than the market rates due to superior quality of services rendered and prime locations of the Investor Service Centres.
- (iii) HDFC Bank Limited, an associate of the Sponsor, is on the panel of Bankers with whom the Mutual Fund places money on call and fixed deposits from time to time at competitive rates. The amount of deposits outstanding as at March 31, 2001 was Rs.970.00 lacs.

### 10. Disclosure under Regulation 25(11) of the SEBI Regulations, 1996 as amended

Investments made by Schemes of HDFC Mutual Fund in Companies that have invested more than 5% of the net assets of any scheme

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Schemes which have invested	Aggregate cost of acquisition during the year (Rs. in lacs)	Outstanding as at March 31, 2001 at Fair/Market Value (Rs. in lacs)
Industrial Development Bank of India Ltd. (IDBI)	HDFC Growth Fund	HDFC Income Fund	8,511.26 @	3361.93
Raymond Ltd.	HDFC Income Fund and HDFC Liquid Fund	HDFC Liquid Fund	2,555.85 @	555.12
			1,000.00 @	Nil
Global Trust Bank Ltd.	HDFC Income Fund	HDFC Growth Fund	266.80 #	Nil
Tata Chemicals Ltd.	HDFC Balanced Fund	HDFC Liquid Fund	975.51 \$	Nil
Tata Power Ltd.	HDFC Balanced Fund, HDFC Liquid Fund and HDFC Income Fund	HDFC Balanced Fund	150.14 #	99.75
		HDFC Children's Gift Fund - Investment Plan	14.67 #	9.98
Larsen & Toubro Ltd.	HDFC Liquid Fund	HDFC Growth Fund	242.89 #	198.94
		HDFC Liquid Fund	3,496.33 @	Nil

@ Investments in Debentures and Bonds      \$ Investments in Commercial Paper      # Investments in Equity Shares

These investments have been made on account of their high credit quality and competitive yield for the investment in fixed income/money market instruments and in case of equity shares because of attractive valuations of these companies.

IDBI Capital Market Services Limited, a wholly owned subsidiary of IDBI Limited, is on the panel of the Primary Dealers / Bankers with whom the Mutual Fund places money on call from time to time at competitive rates.

## HDFC Liquid Fund

### 11. Net Asset Value Per Unit as at March 31, 2001

	(Rs.)
Face Value	10.0000
Net Asset Value	
– Growth Plan	10.4207
– Dividend Reinvestment Plan	10.0157

### 12. Perspective Historical Per Unit Statistics \*

	March 31, 2001 (Rs.)	
(A) Gross Income		
(i) income other than profit on sale of investment		0.6043
(ii) income from profit on inter Scheme sales/transfer of investments		0.0005
(iii) income from profit on sale/redemption of investment to third parties		0.0042
(iv) transfer to revenue account from past year's reserves		
(B) Aggregate of expenses, write off, amortisation and charges		(0.0645)
(C) Net income		0.5445
(D) Net unrealised appreciation/diminution in value of investments		0.0013
(E) Equalisation Reserve and Unit Premium Reserve		0.0442
(F) Dividend Distribution per Unit		(0.2913)
(G) Growth per Unit		0.2987
	<b>Growth Plan</b>	<b>Dividend Reinvestment Plan</b>
(H) Net Asset Value	10.4207	10.0157
(I) Repurchase Prices during the Period		
i) Highest repurchase price	10.4207	10.0223
ii) Lowest repurchase price	10.0035	10.0023
(J) Resale Prices during the Period		
i) Highest ongoing sale price	10.4207	10.0223
ii) Lowest ongoing sale price	10.0035	10.0023
(K) Ratio of expenses to average daily net assets by percentage @		1.00
(L) Ratio of gross income to average daily net assets by percentage @		10.17

\* Per unit calculations based on number of units in issue at the end of the period

@ Annualised for the period October 17, 2000 to March 31, 2001.

### 13. Prior Period Figures

As these are the first financial statements of the Scheme since the date of commencement, there are no comparative figures.

## 14. Statement of Portfolio Holding as at March 31, 2001

Name of the instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>DEBENTURES &amp; BONDS</b>				
<b>(a) Privately Placed Debentures</b>				
<b>Metals</b>		<b>80,000,000</b>		
Sterlite Industries Ltd.	8	80,000,000	4.65	
<b>Sub-Total</b>		<b>80,000,000</b>	<b>4.65</b>	<b>100.00</b>
<b>(b) Listed / awaiting listing on Stock Exchanges</b>				
<b>Fast Moving Consumer Goods</b>		<b>50,992,940</b>	<b>2.97</b>	<b>8.88</b>
Nirma Ltd.	5	50,992,940	2.97	8.88
<b>Financial Institutions</b>		<b>253,341,150</b>	<b>14.73</b>	<b>44.10</b>
ICICI Ltd.	2,000,000	197,880,000	11.50	34.45
IDBI Ltd.	555,000	55,461,150	3.23	9.65
<b>Finance</b>		<b>270,170,367</b>	<b>15.71</b>	<b>47.02</b>
GE Capital Services India Ltd.	17	169,944,602	9.88	29.58
Citicorp Finance India Ltd.	500	50,225,765	2.92	8.74
Mahindra & Mahindra Financial Services Ltd.	5	50,000,000	2.91	8.70
<b>Sub-Total</b>		<b>574,504,457</b>	<b>33.41</b>	<b>100.00</b>
<b>COMMERCIAL PAPER</b>				
Ashok Leyland Ltd.		145,954,800	8.49	
Mahindra & Mahindra Financial Services Ltd.		142,267,550	8.27	
Cholamandalam Investment & Finance Co. Ltd.		97,359,300	5.66	
BPL Ltd.		96,208,050	5.60	
<b>Sub-Total</b>		<b>481,789,700</b>	<b>28.02</b>	
<b>Call Money &amp; Net Current Assets</b>		<b>583,509,774</b>	<b>33.92</b>	
<b>Net Assets</b>		<b>1,719,803,931</b>	<b>100.00</b>	



## Auditors' Report

To the Board of Directors of HDFC Trustee Company Limited

We have audited the attached Balance Sheet of **HDFC TAX PLAN 2000** as at March 31, 2001 and the Revenue Account of the Fund for the period from December 26, 2000 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) 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.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- 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 give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of expenditure over income for the period from December 26, 2000 to March 31, 2001.

For **S.B.Billimoria & Co.**  
Chartered Accountants

Mumbai, April 17, 2001

**P. R. Ramesh**  
Partner

**Balance Sheet**  
as at March 31, 2001

	<u>Schedule</u>	<u>Rupees</u>
<b>LIABILITIES</b>		
Unit Capital	1	17,775,820
Reserves & Surplus	2	(1,255,786)
Current Liabilities	3	824,670
TOTAL		<u><u>17,344,704</u></u>
<b>ASSETS</b>		
Investments	4	6,307,966
Deposits	5	9,000,000
Other Current Assets	6	2,036,738
TOTAL		<u><u>17,344,704</u></u>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
*Chartered Accountants*

**P. R. Ramesh**  
*Partner*

For **HDFC Asset Management**  
**Company Limited**

**Deepak S. Parekh**  
*Chairman*

**Milind Barve**  
*Managing Director*

**Sanjoy Bhattacharyya**  
*Chief Investment Officer*

For **HDFC Trustee Company**  
**Limited**

**Kalyan Banerji**  
*Chairman*

**Keki M. Mistry**  
*Director*

Mumbai  
April 17, 2001

## Revenue Account

for the period from December 26, 2000 to March 31, 2001

	Schedule	Rupees
<b>INCOME</b>		
Interest	7	85,560
Profit on sale of investments		87,042
<b>TOTAL</b>		<b>172,602</b>
<b>EXPENSES</b>		
Investment Management Fees		24,184
Trusteeship Fees		193
Loss on sale of Investment		190,192
Custodian Fees and Expenses		12,015
Registrars' Fees and Expenses		1,400
Audit Fees and Expenses		5,250
Bank Charges		5,304
<b>TOTAL</b>		<b>238,538</b>
Deficit for the period		(65,936)
Income Equalisation		75,150
		9,214
Net unrealised loss in the value of investments	8	(879,124)
Deficit carried forward to Balance Sheet		<b>(869,910)</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9' form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
Chartered Accountants

**P. R. Ramesh**  
Partner

For **HDFC Asset Management Company Limited**

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Sanjoy Bhattacharyya**  
Chief Investment Officer

For **HDFC Trustee Company Limited**

**Kalyan Banerji**  
Chairman

**Keki M. Mistry**  
Director

Mumbai  
April 17, 2001

## Schedules

forming part of the Balance Sheet as at March 31, 2001 and  
the Revenue Account for the period from December 26, 2000 to March 31, 2001

	Units	Rupees
<b>Schedule 1 – Unit Capital</b>		
<b>(A) Growth Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>62,200.000</b>	<b>622,000</b>
<b>Outstanding :</b>		
Initial Capital	62,200.000	622,000
Issued during the period	488,827.450	4,888,275
	<b>551,027.450</b>	<b>5,510,275</b>
Redeemed during the period	–	–
At the end of the period	<b>551,027.450</b>	<b>5,510,275</b>
<b>(B) Dividend Plan</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<b>107,600.000</b>	<b>1,076,000</b>
<b>Outstanding :</b>		
Initial Capital	107,600.000	1,076,000
Issued during the period	1,118,954.573	11,189,545
	<b>1,226,554.573</b>	<b>12,265,545</b>
Redeemed during the period	–	–
At the end of the period	<b>1,226,554.573</b>	<b>12,265,545</b>
TOTAL (A) + (B)	<b>1,777,582.023</b>	<b>17,775,820</b>

### Schedule 2 – Reserves and Surplus

Unit Premium Reserve	(385,876)
Net Deficit transferred from Revenue Account	(869,910)
	<b>(1,255,786)</b>

### Schedule 3 – Current Liabilities

Investment Management Fees	13,057
Trusteeship Fees	182
Audit Fees	4,956
Custodian Fees and Expenses	1,012
Registrars' Fees	757
Contracts for purchase of investments	801,129
Other Current Liabilities	3,577
	<b>824,670</b>

**HDFC Tax Plan 2000**

	Rupees
<b>Schedule 4 – Investments</b>	
Equity Shares	6,307,966
	<b>6,307,966</b>
<b>Schedule 5 – Deposits</b>	
Deposits with Scheduled Banks	8,800,000
Deposit with Companies / Institutions	200,000
	<b>9,000,000</b>
<b>Schedule 6 – Other Current Assets</b>	
Balances with Banks and Reserve Bank of India in Current Account	1,493,061
Outstanding and accrued income	4,753
Contracts for sale of investments	463,837
Other Current Assets	75,087
	<b>2,036,738</b>
<b>Schedule 7 – Interest</b>	
Call Money lending	85,560
	<b>85,560</b>
<b>Schedule 8 – Net unrealised loss in the value of Investments</b>	
Equity Shares	(879,124)
	<b>(879,124)</b>

## **Schedule 9 – Notes to the Accounts**

### **1. Background**

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

HDFC Tax Plan 2000 ("the Scheme") is an open ended Equity Linked Savings Scheme of HDFC Mutual Fund and was launched on December 26, 2000. The Scheme closed for initial subscription on December 27, 2000 and re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on January 2, 2001. The primary objective of the Scheme is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments. The Scheme has two plans i.e. Dividend Plan and Growth Plan.

### **2. Significant Accounting Policies**

#### **2.1. Basis of Accounting**

The Scheme maintains its books of account on an accrual basis.

#### **2.2. Portfolio Valuation**

Investments are stated at market/fair value at the Balance Sheet date/ date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- (ii) (a) Non-Traded/Thinly Traded Securities of over 182 days to maturity are valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.
- (b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).
- (c) Thinly Traded Equity/Equity Related Securities are those securities whose trade in a month, are both less than Rs.5 lacs and the total volume is less than 50,000 shares.

Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.

Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.

- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.

Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

- 2.3. Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

#### 2.4. 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 Equalisation Reserve

The Unit Premium Reserve is available for dividend distribution except to the extent it is represented by unrealised net appreciation in value of investments.

#### 2.5. Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting(debiting) the equalisation account in respect of purchase (or redemption) of units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

#### 2.6 Load Charges

Load amount collected is utilised for meeting the selling and distribution expenses. The entire load amount is utilised for meeting the selling and distribution expenses. Any surplus in this account is shown as Reserves but not considered for computation of the Net Asset Value.

### 3. Investment Management and Advisory Fees

The Scheme pays for investment management and advisory fees under an agreement with the AMC at the annual rate of 1.25% of the average weekly net asset value recorded by the Scheme upto Rs.100 crore and at an annual rate of 1% of the excess over Rs.100 crore.

### 4. Trustee Fees

In accordance with the Trust Deed dated June 8, 2000 constituting the HDFC Mutual Fund and the offer document of the Scheme, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate not exceeding 0.10% per annum of the daily average net assets of the Schemes or a sum of Rs. 15,00,000 per annum whichever is higher.

The Trustee has decided with effect from October 1, 2000 to charge in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate of 0.01% per annum of the daily average net assets of the Schemes. This rate can be subsequently revised by the Trustee subject to the above limits as specified in the Trust Deed.

### 5. Custodian Fees

HDFC Bank Limited (an associate of the Sponsor) provides custodial services to the Scheme for which it receives custody fees including transaction and safe keeping fees.

### 6. Initial Issue Expenses

Initial Issue expenses are charged to revenue account.

### 7. Aggregate Fair Value of Non-Traded Investments

Aggregate fair value of non-traded investments, valued in 'good faith' by the Investment Manager on the basis of the valuation principles laid down by SEBI as at the end of the financial period is Nil.

### 8. Aggregate Value of Purchases and Sale of Investments

The aggregate value of investments purchased and sold (including matured) during the period as a percentage of average daily net assets are as under:

Purchase value (Rs. in Lacs)	%	Sale value (Rs. in Lacs )	%
87.54	110.33	14.63	18.44

### 9. Income / Expenditure

The total income and expenditure as a percentage of the average daily net assets during the period are given below:

Income	:	8.92
Expenditure	:	2.50

**10. Disclosure Under Regulation 25(8) of the SEBI Regulations, 1996 and other applicable Regulations**

- (i) The Scheme has paid following amounts to the parties associated with the Sponsor in which the AMC or its major shareholders have a substantial interest.

Entity	Nature	Amount (Rs. in lacs)	% of equity capital held by the Sponsor & its subsidiaries / associates
HDFC Bank Limited	Bank Charges	0.05	28.268
	Custody Charges	0.12	
	Commission on distribution of units	0.17	
HDFC Asset Management Company Limited	Investment Management and Advisory Fees	0.24	100.00
HDFC Trustee Company Limited	Trusteeship Fees	0.002	100.00
Computer Age Management Services Limited	Registrar and Transfer Agent Fees	0.01	50.00

- (ii) An amount of Rs.0.03 lacs has been paid as Client Servicing fees to the Sponsor. The AMC is availing the services of the Sponsor for Client Servicing and also to act as collection and distribution agent. Client Servicing fees may be higher than the market rates due to superior quality of services rendered and prime locations of the Investor Service Centres.
- (iii) HDFC Bank Limited, an associate of the Sponsor, is on the panel of Bankers with whom the Mutual Fund places money on call and fixed deposits from time to time at competitive rates. The amount of deposits outstanding as at March 31, 2001 was Rs.10.00 lacs.

**11. Disclosure Under Regulation 25(11) of the SEBI Regulations, 1996 as amended**

Investments made by Schemes of HDFC Mutual Fund in Companies that have invested more than 5% of the net assets of any scheme

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Schemes which have invested	Aggregate cost of acquisition during the year (Rs. in lacs)	Outstanding as at March 31, 2001 at Fair/Market Value (Rs. in lacs)
Industrial Development Bank of India Ltd. (IDBI) Raymond Ltd.	HDFC Growth Fund	HDFC Income Fund	8,511.26 @	3361.93
		HDFC Liquid Fund	2,555.85 @	555.12
Global Trust Bank Ltd. Tata Chemicals Ltd.	HDFC Income Fund and HDFC Liquid Fund	HDFC Liquid Fund	1,000.00 @	Nil
	HDFC Income Fund	HDFC Growth Fund	266.80 #	Nil
Tata Power Ltd.	HDFC Balanced Fund	HDFC Liquid Fund	975.51 \$	Nil
	HDFC Balanced Fund, HDFC Liquid Fund and HDFC Income Fund	HDFC Balanced Fund HDFC Children's Gift Fund - Investment Plan	150.14 # 14.67 #	99.75 9.98
Larsen & Toubro Ltd.	HDFC Liquid Fund	HDFC Growth Fund	242.89 #	198.94
		HDFC Liquid Fund	3,496.33 @	Nil

@ Investments in Debentures and Bonds      \$ Investments in Commercial Paper      # Investments in Equity Shares

These investments have been made on account of their high credit quality and competitive yield for the investment in fixed income/money market instruments and in case of equity shares because of attractive valuations of these companies.

IDBI Capital Market Services Limited, a wholly owned subsidiary of IDBI Limited, is on the panel of the Primary Dealers / Bankers with whom the Mutual Fund places money on call from time to time at competitive rates.

**12. Net Asset Value Per Unit as at March 31, 2001**

	(Rs.)
Face Value	10.00
Net Asset Value	9.293

**13. Perspective Historical Per Unit Statistics\***

	March 31, 2001 (Rs.)
(A) Gross Income	
(i) income other than profit on sale of investment	0.048
(ii) income from profit on inter Scheme sales/transfer of investments	
(iii) income from profit on sale/redemption of investment to third parties	0.049
(iv) transfer to revenue account from past year's reserves	
(B) Aggregate of expenses, write off, amortisation and charges	(0.134)
(C) Net income	(0.037)
(D) Net unrealised appreciation/diminution in value of investments	(0.494)
(E) Equalisation Reserve and Unit Premium Reserve	(0.176)
(F) Net Asset Value	9.293
(G) Repurchase Prices during the Period #	
i) Highest repurchase price	N.A.
ii) Lowest repurchase price	N.A.
(H) Resale Prices during the Period#	
i) Highest ongoing sale price	10.48
ii) Lowest ongoing sale price	9.16
(I) Ratio of expenses to average daily net assets by percentage @	2.50
(J) Ratio of gross income to average daily net assets by percentage @	8.92

\* Per unit calculations based on number of units in issue at the end of the period

@ Annualised for the period January 2, 2001 to March 31, 2001.

# The highest and lowest sale price of the units of the scheme has been determined after adding to the highest and lowest NAV, the maximum sales load applicable.

**14. Prior Period Figures**

As these are the first financial statements of the Scheme since the date of commencement, there are no comparative figures.

**15. Statement of Portfolio Holding as at March 31, 2001**

Name of the instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>EQUITY SHARES</b>				
<b>Automobiles</b>		<b>141,650</b>	<b>0.86</b>	<b>2.25</b>
Hero Honda Motors Ltd.	1000	141,650	0.86	2.25
<b>Banks</b>		<b>110,100</b>	<b>0.72</b>	<b>1.75</b>
Corporation Bank Ltd.	1000	110,100	0.67	1.75
<b>Communication</b>		<b>99,800</b>	<b>0.60</b>	<b>1.58</b>
MRO-TEK Ltd.	4000	99,800	0.60	1.58
<b>Consumer Durable</b>		<b>368,175</b>	<b>2.23</b>	<b>5.84</b>
Asian Paints (India) Ltd.	1500	368,175	2.23	5.84

**HDFC Tax Plan 2000**

Name of the instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>Engineering</b>		<b>464,404</b>	<b>2.81</b>	<b>7.36</b>
Ingersoll-Rand (India) Ltd.	1500	180,675	1.09	2.86
Carrier Aircon Ltd.	2500	168,629	1.02	2.67
Cummins India Ltd.	2000	115,100	0.70	1.82
<b>Fast Moving Consumer Goods</b>		<b>1,854,300</b>	<b>11.22</b>	<b>29.40</b>
I.T.C. Ltd.	1000	814,000	4.92	12.90
Tata Tea Ltd.	2000	469,100	2.84	7.44
Smithkline Beecham Consumer Healthcare Ltd.	1000	367,950	2.22	5.83
McDowell & Company Ltd.	5000	203,250	1.23	3.22
<b>Information Technology</b>		<b>202,150</b>	<b>1.22</b>	<b>3.20</b>
Visualsoft Technologies Ltd.	500	113,200	0.68	1.79
Sierra Optima Ltd.	1500	88,950	0.54	1.41
<b>Logistics</b>		<b>143,500</b>	<b>0.86</b>	<b>2.27</b>
Container Corporation of India Ltd.	1000	143,500	0.86	2.27
<b>Oil &amp; Gas</b>		<b>574,650</b>	<b>3.47</b>	<b>9.11</b>
Bharat Petroleum Corporation Ltd.	3000	574,650	3.47	9.11
<b>Packaging</b>		<b>200,000</b>	<b>1.21</b>	<b>3.17</b>
ITW Signode India Ltd.	5000	200,000	1.21	3.17
<b>Petrochemicals</b>		<b>389,550</b>	<b>2.35</b>	<b>6.18</b>
Reliance Industries Ltd.	1000	389,550	2.35	6.18
<b>Pharmaceuticals</b>		<b>1,046,999</b>	<b>6.33</b>	<b>16.60</b>
Unichem Laboratories Ltd.	2500	397,500	2.40	6.30
Hoechst Marion Rousel Ltd.	500	227,550	1.38	3.61
German Remedies Ltd.	420	221,949	1.34	3.52
Astra IDL Ltd.	500	200,000	1.21	3.17
<b>Power</b>		<b>285,300</b>	<b>1.72</b>	<b>4.52</b>
Bharat Heavy Electricals Ltd.	2000	285,300	1.72	4.52
<b>Publications</b>		<b>182,688</b>	<b>1.10</b>	<b>2.90</b>
Navneet Publications (India) Ltd.	1250	182,688	1.10	2.90
<b>Steel</b>		<b>244,700</b>	<b>1.48</b>	<b>3.87</b>
Tata Iron & Steel Company Ltd.	2000	244,700	1.48	3.87
<b>Sub Total</b>		<b>6,307,966</b>	<b>38.18</b>	<b>100</b>
<b>Call Money &amp; Net Current Assets</b>		<b>10,212,068</b>	<b>61.82</b>	
<b>Net Assets</b>		<b>16,520,034</b>	<b>100.00</b>	

**INVESTMENT PLAN****Auditors' Report**

**To the Board of Directors of HDFC Trustee Company Limited**

We have audited the attached Balance Sheet of **HDFC CHILDREN'S GIFT FUND - INVESTMENT PLAN** as at March 31, 2001 and the Revenue Account of the Fund for the period from January 25, 2001 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) 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.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- 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 give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of expenditure over income for the period from January 25, 2001 to March 31, 2001.

For **S.B.Billimoria & Co.**  
*Chartered Accountants*

Mumbai, April 17, 2001

**P. R. Ramesh**  
*Partner*

**Balance Sheet**  
as at March 31, 2001

	Schedule	Rupees
<b>LIABILITIES</b>		
Unit Capital	1	92,948,196
Reserves & Surplus	2	(2,761,821)
Current Liabilities	3	185,653
TOTAL		<b>90,372,028</b>
<b>ASSETS</b>		
Investments	4	75,431,042
Deposits	5	12,000,000
Other Current Assets	6	2,940,986
TOTAL		<b>90,372,028</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
*Chartered Accountants*

**P. R. Ramesh**  
*Partner*

For **HDFC Asset Management**  
**Company Limited**

**Deepak S. Parekh**  
*Chairman*

**Milind Barve**  
*Managing Director*

**Pankaj Chopra**  
*Senior Fund Manager*

For **HDFC Trustee Company**  
**Limited**

**Kalyan Banerji**  
*Chairman*

**Keki M. Mistry**  
*Director*

Mumbai  
April 17, 2001

**HDFC Children's Gift Fund - Investment Plan**

**Revenue Account**  
for the period from January 25, 2001 to March 31, 2001

	<u>Schedule</u>	<u>Rupees</u>
<b>INCOME</b>		
Interest	7	929,414
<b>TOTAL</b>		<b>929,414</b>
 <b>EXPENSES</b>		
Investment Management Fees		90,925
Trusteeship Fees		704
Custodian Fees and Expenses		15,618
Registrars' Fees and Expenses		5,465
Audit Fees and Expenses		10,500
Agents' Commission		18,961
Initial Issue Expenses		883,745
Other Operating Expenses		13,353
<b>TOTAL</b>		<b>1,039,271</b>
Deficit for the period		(109,857)
Net unrealised loss in the value of investments	8	(2,549,504)
Deficit carried forward to Balance Sheet		<b>(2,659,361)</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9' form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
*Chartered Accountants*

**P. R. Ramesh**  
*Partner*

For **HDFC Asset Management Company Limited**

**Deepak S. Parekh**  
*Chairman*

**Milind Barve**  
*Managing Director*

**Pankaj Chopra**  
*Senior Fund Manager*

For **HDFC Trustee Company Limited**

**Kalyan Banerji**  
*Chairman*

**Keki M. Mistry**  
*Director*

Mumbai  
April 17, 2001

## Schedules

forming part of the Balance Sheet as at March 31, 2001 and  
the Revenue Account for the period from January 25, 2001 to March 31, 2001

	Units	Rupees
<b>Schedule 1 – Unit Capital</b>		
Initial Capital Issued and Subscribed : Units of Rs.10 each fully paid up	<b>8,837,453.000</b>	<b>88,374,530</b>
<b>Outstanding :</b>		
Initial Capital	8,837,453.000	88,374,530
Issued during the period	457,366.622	4,573,666
At the end of the period	<b>9,294,819.622</b>	<b>92,948,196</b>
<b>Schedule 2 – Reserves and Surplus</b>		
Unit Premium Reserve		(102,460)
Net Deficit transferred from Revenue Account		(2,659,361)
		<b>(2,761,821)</b>
<b>Schedule 3 – Current Liabilities</b>		
Investment Management Fees		90,925
Trusteeship Fees		664
Audit Fees		9,912
Client servicing Fees		10,929
Agents' Commission		19,961
Registrars' Fees		5,465
Load payable to AMC		46,275
Other Current Liabilities		1,522
		<b>185,653</b>
<b>Schedule 4 – Investments</b>		
Equity Shares		20,039,842
Privately Placed Debentures		10,000,000
Debentures and Bonds Listed / Awaiting Listing		20,565,650
Commercial Paper		24,825,550
		<b>75,431,042</b>
<b>Schedule 5 – Deposits</b>		
Deposits with Scheduled Banks		11,400,000
Deposits with Companies / Institutions		600,000
		<b>12,000,000</b>

## **Schedule 9 – Notes to the Accounts**

### **1. Background**

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

HDFC Children's Gift Plan - Investment Plan (the "Scheme") is an open ended balanced Scheme of HDFC Mutual Fund and was launched on January 25, 2001. The Scheme closed for initial subscription on February 09, 2001 and re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on March 7, 2001. The duration of the Scheme is perpetual. The primary objective of the Plan under the Scheme is to generate long term capital appreciation.

### **2. Significant Accounting Policies**

#### **2.1. Basis of Accounting**

The Scheme maintains its books of account on an accrual basis.

#### **2.2. Portfolio Valuation**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- (ii) (a) Non-Traded / Thinly Traded Securities of over 182 days to maturity are valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.
- (b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).
- (c) Thinly Traded Equity / Equity Related Securities are those securities whose trade in a month, are both less than Rs.5 lacs and the total volume is less than 50,000 shares.

Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.

Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.

- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.

Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

2.3. Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

#### **2.4. 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 Equalisation Reserve.

**HDFC Children's Gift Fund - Investment Plan**
**Rupees**
**Schedule 6 – Other Current Assets**

Balances with Banks and Reserve Bank of India in Current Account	1,147,850
Outstanding and accrued income	1,062,731
Inter - Scheme Dues	730,405
	<b>2,940,986</b>

**Schedule 7 – Interest**

Call Money Lending	685,729
Commercial Paper	71,071
Non-Convertible Debentures / Bonds	172,614
	<b>929,414</b>

**Schedule 8 – Net unrealised loss in the value of Investments**

Equity Shares	(2,547,837)
Non-Convertible Debentures / Bonds	(1,667)
	<b>(2,549,504)</b>

## Schedule 9 – Notes to the Accounts

### 1. Background

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

HDFC Children's Gift Plan - Investment Plan (the "Scheme") is an open ended balanced Scheme of HDFC Mutual Fund and was launched on January 25, 2001. The Scheme closed for initial subscription on February 09, 2001 and re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on March 7, 2001. The duration of the Scheme is perpetual. The primary objective of the Plan under the Scheme is to generate long term capital appreciation.

### 2. Significant Accounting Policies

#### 2.1. Basis of Accounting

The Scheme maintains its books of account on an accrual basis.

#### 2.2. Portfolio Valuation

Investments are stated at market / fair value at the Balance Sheet date / date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- (ii) (a) Non-Traded / Thinly Traded Securities of over 182 days to maturity are valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.
- (b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).
- (c) Thinly Traded Equity / Equity Related Securities are those securities whose trade in a month, are both less than Rs.5 lacs and the total volume is less than 50,000 shares.  
  
Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.  
  
Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.
- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.

Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

- 2.3. Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

#### 2.4. 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 Equalisation Reserve.

## HDFC Children's Gift Fund - Investment Plan

The Unit Premium Reserve is available for dividend distribution except to the extent it is represented by unrealised net appreciation in value of investments.

### 2.5. Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting(debiting) the equalisation account in respect of purchase (or redemption) of units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

### 2.6. Load Charges

Load amount collected is utilised for meeting the selling and distribution expenses. The entire load amount is utilised for meeting the selling and distribution expenses. Any surplus in this account is shown as Reserves but not considered for computation of the Net Asset Value.

## 3. Investment Management and Advisory Fees

The Scheme pays for investment management fees under an agreement with the AMC at the annual rate of 1.25% of the average weekly net assets recorded by the Scheme upto Rs.100 crore and at an annual rate of 1% of the excess over Rs.100 crore.

## 4. Trustee Fees

In accordance with the Trust Deed dated June 8, 2000 constituting the HDFC Mutual Fund and the offer document of the Scheme, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate not exceeding 0.10% per annum of the daily average net assets of the Schemes or a sum of Rs. 15,00,000 per annum whichever is higher.

The Trustee has decided with effect from October 1, 2000 to charge in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate of 0.01% per annum of the daily average net assets of the Schemes. This rate can be subsequently revised by the Trustee subject to the above limits as specified in the Trust Deed.

## 5. Custodian Fees

HDFC Bank Limited (an associate of the Sponsor) provides custodial services to the Scheme for which it receives custody fees including transaction and safe keeping fees.

## 6. Initial Issue Expenses

Initial Issue expenses are charged to revenue account.

## 7. Aggregate Fair Value of Non-Traded Investments

Aggregate fair value of non-traded investments, valued in 'good faith' by the Investment Manager on the basis of the valuation principles laid down by SEBI as at the end of the financial period is Nil.

## 8. Aggregate Value of Purchases and Sale of Investments

The aggregate value of investments purchased and sold (including matured) during the period as a percentage of average daily net assets are as under:

Purchase value (Rs. in Lacs)	%	Sale value (Rs. in Lacs )	%
780.00	88.14	Nil	Nil

## 9. Income / Expenditure

The total income and expenditure (excluding Initial Issue Expenses) as a percentage of the average daily net assets during the period are given below:

Income	: 12.78
Expenditure	: 2.14

**10. Disclosure under Regulation 25(8) of the SEBI Regulations, 1996 and other applicable Regulations**

- (i) The Scheme has paid following amounts to the parties associated with the Sponsor in which the AMC or its major shareholders have a substantial interest.

Entity	Nature	Amount (Rs. in lacs)	% of equity capital held by the Sponsor & its subsidiaries / associates
HDFC Bank Limited	Bank Charges	0.02	28.268
	Custody Charges	0.16	
	Commission on distribution of units	1.04	
HDFC Securities Limited	Commission on distribution of units	0.003	68.51
HDFC Asset Management Company Limited	Investment Management and Advisory Fees	0.91	100.00
HDFC Trustee Company Limited	Trusteeship Fees	0.001	100.00
Computer Age Management Services Limited	Registrar and Transfer Agent Fees	0.05	50.00

- (ii) An amount of Rs. 0.11 lacs has been paid as Client Servicing fees to the Sponsor. The AMC is availing the services of the Sponsor for Client Servicing to act as collection and distribution agent. Client Servicing fees may be higher than the market rates due to superior quality of services rendered and prime locations of the Investor Service Centres.
- (iii) HDFC Bank Limited, an associate of the Sponsor, is on the panel of Bankers with whom the Mutual Fund places money on call and fixed deposits from time to time at competitive rates. The amount of deposits outstanding as at March 31, 2001 was Rs. 18.00 lacs.

**11. Disclosure under Regulation 25(11) of the SEBI Regulations, 1996 as amended**

Investments made by Schemes of HDFC Mutual Fund in Companies that have invested more than 5% of the net assets of any scheme

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Schemes which have invested	Aggregate cost of acquisition during the year (Rs. in lacs)	Outstanding as at March 31, 2001 at Fair/Market Value (Rs. in lacs)
Industrial Development Bank of India Ltd. (IDBI) Raymond Ltd.	HDFC Growth Fund	HDFC Income Fund	8,511.26 @	3361.93
		HDFC Liquid Fund	2,555.85 @	555.12
	HDFC Income Fund and HDFC Liquid Fund	HDFC Liquid Fund	1,000.00 @	Nil
Global Trust Bank Ltd.	HDFC Income Fund	HDFC Growth Fund	266.80 #	Nil
Tata Chemicals Ltd.	HDFC Balanced Fund	HDFC Liquid Fund	975.51 \$	Nil
Tata Power Ltd.	HDFC Balanced Fund, HDFC Liquid Fund and HDFC Income Fund	HDFC Balanced Fund	150.14 #	99.75
		HDFC Children's Gift Fund - Investment Plan	14.67 #	9.98
Larsen & Toubro Ltd.	HDFC Liquid Fund	HDFC Growth Fund	242.89 #	198.94
		HDFC Liquid Fund	3,496.33 @	Nil

@ Investments in Debentures and Bonds      \$ Investments in Commercial Paper      # Investments in Equity Shares

These investments have been made on account of their high credit quality and competitive yield for the investment in fixed income/money market instruments and in case of equity shares because of attractive valuations of these companies.

IDBI Capital Market Services Limited, a wholly owned subsidiary of IDBI Limited, is on the panel of the Primary Dealers / Bankers with whom the Mutual Fund places money on call from time to time at competitive rates.

## HDFC Children's Gift Fund - Investment Plan

### 12. Net Asset Value Per Unit as at March 31, 2001

	(Rs.)
Face Value	10.00
Net Asset Value	9.703

### 13. Perspective Historical Per Unit Statistics \*

	March 31, 2001 (Rs.)
(A) Gross Income	
(i) income other than profit on sale of investments	0.100
(ii) income from profit on inter Scheme sales/transfer of investments	-
(iii) income from profit on sale/redemption of investments to third parties	-
(iv) transfer to revenue account from past year's reserves	
(B) Aggregate of expenses, write off, amortisation and charges	(0.112)
(C) Net income/(Deficit)	(0.012)
(D) Net unrealised appreciation/diminution in value of investments	(0.274)
(E) Equalisation Reserve and Unit Premium Reserve	(0.011)
(F) Net Asset Value	9.703
(G) Repurchase Prices during the Period #	
i) Highest repurchase price	N.A.
ii) Lowest repurchase price	N.A.
(H) Resale Prices during the Period #	
i) Highest ongoing sale price	10.04
ii) Lowest ongoing sale price	9.74
(I) Ratio of expenses to average daily net assets by percentage @	2.14
(J) Ratio of gross income to average daily net assets by percentage @	12.78

\* Per unit calculations based on number of units in issue at the end of the period.

@ Annualised for the period March 02, 2001 to March 31, 2001.

# The highest and lowest sale price of the units of the scheme has been determined after adding to the highest and lowest NAV, the maximum sales load applicable.

### 13. Prior Period Figures

As these are the first financial statements of the Scheme since the date of commencement, there are no comparative figures.

### 14. Statement of Portfolio Holding as at March 31, 2001

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>EQUITY SHARES</b>				
<b>Banks</b>		<b>2,010,500</b>	<b>2.23</b>	<b>10.03</b>
State Bank of India	10000	2,010,500	2.23	10.03
<b>Fast Moving Consumer Goods</b>		<b>2,505,600</b>	<b>2.78</b>	<b>12.50</b>
Tata Tea Ltd.	7000	1,641,850	1.82	8.19
Henkel SPIC India Ltd.	25000	863,750	0.96	4.31

**HDFC Children's Gift Fund - Investment Plan**

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>Information Technology</b>		<b>2,801,250</b>	<b>3.10</b>	<b>13.98</b>
Infosys Technologies Ltd.	400	1,633,500	1.81	8.15
Satyam Computers Services Ltd.	5000	1,167,750	1.29	5.83
<b>Metals</b>		<b>1,208,400</b>	<b>1.34</b>	<b>6.03</b>
National Aluminium Company Ltd.	22031	1,208,400	1.34	6.03
<b>Oil &amp; Gas</b>		<b>3,521,500</b>	<b>3.90</b>	<b>17.57</b>
Bharat Petroleum Corporation Ltd.	10000	1,915,500	2.12	9.56
Hindustan Petroleum Corporation Ltd.	10000	1,606,000	1.78	8.01
<b>Pharmaceuticals</b>		<b>4,102,092</b>	<b>4.55</b>	<b>20.47</b>
Cipla Ltd.	2000	1,996,200	2.22	9.96
Dr. Reddy's Laboratories Ltd.	1500	1,867,875	2.07	9.32
Hoechst Marion Roussel Ltd.	523	238,017	0.26	1.19
<b>Power</b>		<b>2,424,000</b>	<b>2.69</b>	<b>12.10</b>
Bharat Heavy Electricals Ltd.	10000	1,426,500	1.58	7.12
Tata Power Company Ltd.	10000	997,500	1.11	4.98
<b>Telecommunications</b>		<b>1,466,500</b>	<b>1.63</b>	<b>7.32</b>
Videsh Sanchar Nigam Ltd.	5000	1,466,500	1.63	7.32
<b>Sub-Total</b>		<b>20,039,842</b>	<b>22.22</b>	<b>100.00</b>
<b>DEBENTURES AND BONDS</b>				
<b>(a) Privately Placed Debentures</b>				
<b>Metals</b>				
Sterlite Industries Ltd.	1	10,000,000	11.09	100.00
<b>Sub-Total</b>		<b>10,000,000</b>	<b>11.09</b>	<b>100.00</b>
<b>(b) Listed / awaiting listing on Stock Exchanges</b>				
<b>Petrochemicals</b>				
Reliance Industries Ltd.	1	10,363,000	11.49	50.39
<b>Metals</b>				
Hindalco Industries Ltd.	1	10,202,650	11.31	49.61
<b>Sub-Total</b>		<b>20,565,650</b>	<b>22.80</b>	<b>100.00</b>
<b>COMMERCIAL PAPER</b>				
BPL Limited		24,825,550	27.53	100.00
<b>Sub-Total</b>		<b>24,825,550</b>	<b>27.53</b>	
<b>Call Money &amp; Net Current Assets</b>		<b>14,755,333</b>	<b>16.36</b>	
<b>Net Assets</b>		<b>90,186,375</b>	<b>100.00</b>	



## **Auditors' Report**

**To the Board of Directors of HDFC Trustee Company Limited**

We have audited the attached Balance Sheet of **HDFC CHILDREN'S GIFT FUND - SAVINGS PLAN** as at March 31, 2001 and the Revenue Account of the Fund for the period from January 25, 2001 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) 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.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- 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 give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of expenditure over income for the period from January 25, 2001 to March 31, 2001.

For **S.B.Billimoria & Co.**  
*Chartered Accountants*

Mumbai, April 17, 2001

**P. R. Ramesh**  
*Partner*

## Balance Sheet

as at March 31, 2001

	Schedule	Rupees
<b>LIABILITIES</b>		
Unit Capital	1	90,316,513
Reserves & Surplus	2	(368,142)
Current Liabilities	3	894,279
TOTAL		<b>90,842,650</b>
<b>ASSETS</b>		
Investments	4	57,024,700
Deposits	5	30,800,000
Other Current Assets	6	3,017,950
TOTAL		<b>90,842,650</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9'**  
**form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
*Chartered Accountants*

**P. R. Ramesh**  
*Partner*

For **HDFC Asset Management**  
**Company Limited**

**Deepak S. Parekh**  
*Chairman*

**Millind Barve**  
*Managing Director*

**Pankaj Chopra**  
*Senior Fund Manager*

For **HDFC Trustee Company**  
**Limited**

**Kalyan Banerji**  
*Chairman*

**Keki M. Mistry**  
*Director*

Mumbai  
 April 17, 2001

## Revenue Account

for the period from January 25, 2001 to March 31, 2001

	Schedule	Rupees
<b>INCOME</b>		
Interest	7	1,009,745
<b>TOTAL</b>		<b>1,009,745</b>
<b>EXPENSES</b>		
Investment Management Fees		89,008
Trusteeship Fees		689
Custodian Fees and Expenses		3,759
Registrars' Fees and Expenses		5,349
Audit Fees and Expenses		10,500
Agents' Commission		18,623
Initial Issue Expenses		847,970
Other Operating Expenses		14,313
<b>TOTAL</b>		<b>990,211</b>
Surplus for the period		19,534
Net unrealised loss in the value of investments	8	(364,883)
Deficit carried forward to Balance Sheet		<b>(345,349)</b>

**Notes forming part of the Accounts annexed hereto in Schedule '9' form part of the Balance Sheet and Revenue Account**

As per our report of even date attached

For **S.B.Billimoria & Co.**  
Chartered Accountants

**P. R. Ramesh**  
Partner

For **HDFC Asset Management Company Limited**

**Deepak S. Parekh**  
Chairman

**Milind Barve**  
Managing Director

**Pankaj Chopra**  
Senior Fund Manager

For **HDFC Trustee Company Limited**

**Kalyan Banerji**  
Chairman

**Keki M. Mistry**  
Director

Mumbai  
April 17, 2001

## Schedules

forming part of the Balance Sheet as at March 31, 2001 and  
the Revenue Account for the period from January 25, 2001 to March 31, 2001

	Units	Rupees
<b>Schedule 1 – Unit Capital</b>		
Initial Capital Issued and Subscribed :		
Units of Rs.10 each fully paid up	<u>8,479,700.000</u>	<u>84,797,000</u>
<b>Outstanding :</b>		
Initial Capital	8,479,700.000	84,797,000
Issued during the period	<u>551,951.321</u>	<u>5,519,513</u>
At the end of the period	<u><u>9,031,651.321</u></u>	<u><u>90,316,513</u></u>
<b>Schedule 2 – Reserves and Surplus</b>		
Unit Premium Reserve		(22,793)
Net Deficit transferred from Revenue Account		(345,349)
		<u><u>(368,142)</u></u>
<b>Schedule 3 – Current Liabilities</b>		
Investment Management Fees		89,008
Trusteeship Fees		650
Audit Fees		9,912
Client servicing Fees		10,698
Agents' Commission		19,623
Registrars' Fees		5,349
Load payable to AMC		27,565
Custodian Charges		2,009
Inter Scheme Dues		728,739
Other Current Liabilities		726
		<u><u>894,279</u></u>
<b>Schedule 4 – Investments</b>		
Equity Shares		1,633,500
Privately Placed Debentures		10,000,000
Debentures and Bonds Listed / Awaiting Listing		20,565,650
Commercial Paper		24,825,550
		<u><u>57,024,700</u></u>

**HDFC Children's Gift Fund - Savings Plan**

	<u>Rupees</u>
<b>Schedule 5 – Deposits</b>	
Deposits with Scheduled Banks	30,200,000
Deposits with Companies / Institutions	600,000
	<u><b>30,800,000</b></u>
<b>Schedule 6 – Other Current Assets</b>	
Balances with Banks and Reserve Bank of India in Current Account	1,945,039
Outstanding and accrued income	1,072,911
	<u><b>3,017,950</b></u>
<b>Schedule 7 – Interest</b>	
Call Money Lending	766,060
Commercial Paper	71,071
Non-Convertible Debentures / Bonds	172,614
	<u><b>1,009,745</b></u>
<b>Schedule 8 – Net unrealised loss in the value of Investments</b>	
Equity Shares	(363,216)
Non-Convertible Debentures / Bonds	(1,667)
	<u><b>(364,883)</b></u>

## **Schedule 9 – Notes to the Accounts**

### **1. Background**

HDFC Mutual Fund ("the Mutual Fund") was set up as a trust under the Indian Trusts Act, 1882, by way of a trust deed dated June 8, 2000 executed by Housing Development Finance Corporation Limited ("Sponsor"), the sponsor of the Mutual Fund. In accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 ("the SEBI Regulations"), the Board of Directors of HDFC Trustee Company Limited ("the Trustee") has appointed HDFC Asset Management Company Limited, ("AMC"), incorporated under the Companies Act, 1956, as the Asset Management Company ("Investment Manager").

HDFC Children's Gift Plan -Savings Plan ("the Scheme") is an open ended balanced Scheme of HDFC Mutual Fund and was launched on January 25, 2001. The Scheme closed for initial subscription on February 09, 2001 and re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on March 7, 2001. The duration of the Scheme is perpetual. The primary objective of the Plan under the Scheme is to generate long term capital appreciation .

### **2. Significant Accounting Policies**

#### **2.1 Basis of Accounting**

The Scheme maintains its books of account on an accrual basis.

#### **2.2 Portfolio Valuation**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. In valuing the Scheme's investments:

- (i) Traded Securities are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- (ii) (a) Non-Traded / Thinly Traded Securities of over 182 days to maturity are valued in good faith by the Investment Manager on the basis of the valuation principles laid down by SEBI. The approach in valuation of Non-Traded Debt Securities is based on the concept of using spreads over the Government Securities to arrive at the yields for pricing the Non-Traded Debt Security.
- (b) Money Market Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments).
- (c) Thinly Traded Equity/Equity Related Securities are those securities whose trade in a month, are both less than Rs.5 lacs and the total volume is less than 50,000 shares.  
  
Thinly Traded Debt Securities and Non-Traded Debt Securities with residual maturity of upto 182 days are those securities other than Government Securities that has a trading volume of less than Rs.15 crore for a period of thirty days prior to the valuation date.  
  
Non-Traded Securities are securities other than Government Securities which are not traded on any stock exchange for a period of thirty days prior to the valuation.
- (iii) Investments in Government Securities which have traded on the balance sheet date are stated at the closing prices on the stock exchange where a majority of these securities are principally traded.  
  
Government Securities which are non-traded are valued at yield to maturity based on the prevailing market rate.

2.3 Investment transactions are accounted for on a trade date basis. In determining the holding cost of investments and the gain or loss on sale of investments, the 'weighted average cost' method is followed.

#### **2.4 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 Equalisation Reserve

## **HDFC Children's Gift Fund - Savings Plan**

The Unit Premium Reserve is available for dividend distribution except to the extent it is represented by unrealised net appreciation in value of investments.

### **2.5 Income Equalisation Reserve**

Income Equalisation Reserve is being maintained by crediting(debiting) the equalisation account in respect of purchase (or redemption) of Units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

### **2.6 Load Charges**

Load amount collected is utilised for meeting the selling and distribution expenses. The entire load amount is utilised for meeting the selling and distribution expenses. Any surplus in this account is shown as Reserves but not considered for computation of the Net Asset Value.

## **3. Investment Management and Advisory Fees**

The Scheme pays for investment management and advisory fees under an agreement with the AMC at the annual rate of 1.25% of the average weekly net assets recorded by the Scheme upto Rs.100 crore and at an annual rate of 1% of the excess over Rs.100 crore.

## **4. Trustee Fees**

In accordance with the Trust Deed dated June 8, 2000 constituting the HDFC Mutual Fund and the offer document of the Scheme, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate not exceeding 0.10% per annum of the daily average net assets of the Schemes or a sum of Rs. 15,00,000 per annum whichever is higher.

The Trustee has decided with effect from October 1, 2000 to charge in addition to the reimbursement of all costs, charges and expenses, a quarterly fee computed at a rate of 0.01% per annum of the daily average net assets of the Schemes. This rate can be subsequently revised by the Trustee subject to the above limits as specified in the Trust Deed.

## **5. Custodian Fees**

HDFC Bank Limited (an associate of the Sponsor) provides custodial services to the Scheme for which it receives custody fees including transaction and safe keeping fees.

## **6. Initial Issue Expenses**

Initial Issue expenses are charged to revenue account.

## **7. Aggregate Fair Value of Non-Traded Investments**

Aggregate fair value of non-traded investments, valued in 'good faith' by the Investment Manager on the basis of the valuation principles laid down by SEBI as at the end of the financial period is Nil.

## **8. Aggregate Value of Purchases and Sale of Investments**

The aggregate value of investments purchased and sold (including matured) during the period as a percentage of average daily net assets are as under:

Purchase value (Rs. in Lacs)	%	Sale value (Rs. in Lacs )	%
574.09	66.27	Nil	Nil

## **9. Income / Expenditure**

The total income and expenditure (excluding initial issue expenses ) as a percentage of the average daily net assets during the period are given below:

Income	: 14.18
Expenditure	: 2.00

## HDFC Children's Gift Fund - Savings Plan

### 10. Disclosure Under Regulation 25(8) of the SEBI Regulations, 1996 and other applicable Regulations

- (i) The Scheme has paid following amounts to the parties associated with the Sponsor in which the AMC or its major shareholders have a substantial interest.

Entity	Nature	Amount (Rs. in lacs)	% of equity capital held by the Sponsor & its subsidiaries / associates
HDFC Bank Limited	Bank Charges	0.04	28.268
	Custody Charges	0.04	
	Commission on distribution of Units	0.83	
HDFC Securities Limited	Commission on distribution of Units	0.001	68.51
HDFC Asset Management Company Limited	Investment Management and Advisory Fees	0.89	100.00
HDFC Trustee Company Limited	Trusteeship Fees	0.001	100.00
Computer Age Management Services Limited	Registrar and Transfer Agent Fees	0.05	50.00

- (ii) An amount of Rs. 0.11 lacs has been paid as Client Servicing fees to the Sponsor. The AMC is availing the services of the Sponsor for Client Servicing to act as collection and distribution agent. Client Servicing fees may be higher than the market rates due to superior quality of services rendered and prime locations of the Investor Service Centres.
- (iii) HDFC Bank Limited, an associate of the Sponsor, is on the panel of Bankers with whom the Mutual Fund places money on call and fixed deposits from time to time at competitive rates. The amount of deposits outstanding as at March 31, 2001 was Rs. 33.00 lacs.

### 11. Disclosure under Regulation 25(11) of the SEBI Regulations, 1996 as amended

Investments made by Schemes of HDFC Mutual Fund in Companies that have invested more than 5% of the net assets of any scheme

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Schemes which have invested	Aggregate cost of acquisition during the year (Rs. in lacs)	Outstanding as at March 31, 2001 at Fair/Market Value (Rs. in lacs)
Industrial Development Bank of India Ltd. (IDBI) Raymond Ltd.	HDFC Growth Fund	HDFC Income Fund	8,511.26 @	3361.93
		HDFC Liquid Fund	2,555.85 @	555.12
	HDFC Income Fund and HDFC Liquid Fund	HDFC Liquid Fund	1,000.00 @	Nil
Global Trust Bank Ltd.	HDFC Income Fund	HDFC Growth Fund	266.80 #	Nil
Tata Chemicals Ltd.	HDFC Balanced Fund	HDFC Liquid Fund	975.51 \$	Nil
Tata Power Ltd.	HDFC Balanced Fund,	HDFC Balanced Fund	150.14 #	99.75
	HDFC Liquid Fund and HDFC Income Fund	HDFC Children's Gift Fund - Investment Plan	14.67 #	9.98
Larsen & Toubro Ltd.	HDFC Liquid Fund	HDFC Growth Fund	242.89 #	198.94
		HDFC Liquid Fund	3,496.33 @	Nil

@ Investments in Debentures and Bonds      \$ Investments in Commercial Paper      # Investments in Equity Shares

These investments have been made on account of their high credit quality and competitive yield for the investment in fixed income/money market instruments and in case of equity shares because of attractive valuations of these companies.

IDBI Capital Market Services Limited, a wholly owned subsidiary of IDBI Limited, is on the panel of the Primary Dealers / Bankers with whom the Mutual Fund places money on call from time to time at competitive rates.

## HDFC Children's Gift Fund - Savings Plan

### 12. Net Asset Value Per Unit as at March 31, 2001

	(Rs.)
Face Value	10.000
Net Asset Value	9.959

### 13. Perspective Historical Per Unit Statistics\*

	March 31, 2001 (Rs.)
(A) Gross Income	
(i) income other than profit on sale of investments	0.112
(ii) income from profit on inter Scheme sales/transfer of investments	-
(iii) income from profit on sale/redemption of investments to third parties	-
(iv) transfer to revenue account from past year's reserves	-
(B) Aggregate of expenses, write off, amortisation and charges	(0.110)
(C) Net income	0.002
(D) Net unrealised appreciation/diminution in value of investments	(0.040)
(E) Equalisation Reserve and Unit Premium Reserve	(0.003)
(F) Net Asset Value	9.959
(G) Repurchase Prices during the Period	
i) Highest repurchase price	N.A.
ii) Lowest repurchase price	N.A.
(H) Resale Prices during the Period #	
i) Highest ongoing sale price	10.084
ii) Lowest ongoing sale price	9.968
(I) Ratio of expenses to average daily net assets by percentage @	2.00
(J) Ratio of gross income to average daily net assets by percentage @	14.18

\* Per unit calculations based on number of Units in issue at the end of the period

@ Annualised for the period January 25, 2001 to March 31, 2001.

# The highest and lowest sale price of the Units of the scheme has been determined after adding to the highest and lowest NAV, the maximum sales load applicable.

### 14. Prior Period Figures

As these are the first financial statements of the Scheme since the date of commencement, there are no comparative figures.

### 15. Statement of Portfolio Holding as at March 31, 2001

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>EQUITY SHARES</b>				
<b>Information Technology</b>				
Infosys Technologies Ltd.	400	1,633,500	1.82	100.00
<b>Sub-Total</b>		<u>1,633,500</u>	<u>1.82</u>	<u>100.00</u>
<b>DEBENTURES AND BONDS</b>				
<b>(a) Privately Placed Debentures</b>				
<b>Metals</b>				
Sterlite Industries Ltd.	1	10,000,000	11.12	17.54
<b>Sub-Total</b>		<u>10,000,000</u>	<u>11.12</u>	<u>17.54</u>

**HDFC Children's Gift Fund - Savings Plan**

Name of the Instrument	Quantity	Market/Fair Value of Investments	Percentage to Net Assets	Percentage to Investment Category
<b>(b) Listed / awaiting listing on Stock Exchanges</b>				
<b>Petrochemicals</b>				
Reliance Industries Ltd.	1	10,363,000	11.52	50.39
<b>Metals</b>				
Hindalco Industries Ltd.	1	10,202,650	11.34	49.61
<b>Sub-Total</b>		<b>20,565,650</b>	<b>22.86</b>	<b>100.00</b>
<b>COMMERCIAL PAPER</b>				
BPL Ltd.		24,825,550	27.60	100.00
<b>Sub-Total</b>		<b>24,825,550</b>	<b>27.60</b>	<b>100.00</b>
<b>Call Money &amp; Net Current Assets</b>		<b>32,923,671</b>	<b>36.60</b>	
<b>Net Assets</b>		<b>89,948,371</b>	<b>100.00</b>	

## Investor Service Centres for HDFC Mutual Fund

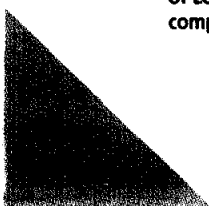
STATE	CITY	ADDRESS
ANDHRA PRADESH	Hyderabad	101, Moghul's Court, Near Deccan Towers, Basheer Baug, Hyderabad 500 001 Tel: 040-3233875 / 3237964 Fax: 040-3243348
DELHI	New Delhi	HDFC House, B-6/3 Safdarjung Enclave, DDA Commercial Complex, (Opp. Deer Park) New Delhi 110 029 Tel: 011-6103146 / 1978 Fax: 011-6194617
GUJARAT	Ahmedabad	HDFC House, Near Mithakhali, Six Roads, Navrangpura, Ahmedabad 380 009 Tel: 079-6560806 / 6560859 Fax: 079-6563379
	Vadodara	1st Floor, World Trade Centre, Sayaji Gunj, Vadodara 390 005 Tel: 0265-361926, 361807 Fax: 0265-363290
KARNATAKA	Bangalore	HDFC House, No. 51 Kasturba Road, Bangalore 560 001 Tel: 080-2274600 / 2234142 Fax: 080-2275754
KERALA	Kochi	HDFC House, Post Bag No. 1667, Ravipuram Junction, M G Road, Kochi 682 015 Tel: 0484-332325 / 382402 Fax: 0484-371863
MADHYA PRADESH	Indore	Silver Mall, 1st Floor, 8-A R.N.T. Marg, Indore 452 001 Tel: 0731-523776 / 517360 Fax: 0731-513784
MAHARASHTRA	Mumbai	Mistry Bhavan, 122, Backbay Reclamation, Dinsha Vachha Road, Churchgate, Mumbai 400 020 Tel: 022-2820282 Fax: 022-2821366
	Parel	Damodar Hall Annexe Bldg., Near Social Service League, Dr. Ambedkar Road, Parel, Mumbai 400 012. Tel.: 022-4137497 Fax: 022-4150884
	Vashi	Plot No. 82, Sector 17, Vashi, Navi Mumbai 400 705 Tel: 022-7905203 / 04, Fax: 022-7905208
	Andheri *	2nd Floor, Rajgir Chambers, Old Nagardas Road, Andheri (E), Mumbai 400 069. Tel.: 022-8250048 / 49 / 50 Fax: 022-8250047
	Thane *	Manjula Arcade, First Floor, Gokhale Road, Near Ice Factory, Thane (W) 400 602 Tel: 022-5451114 / 15 / 16 Fax: 022-5331178
	Nagpur	2nd Floor, 90 Canal Road, Ramdaspath, Nagpur 440 010 Tel: 0712-522691 Fax: 0712-522690
	Nashik	HDFC House, Sharanpur Link Road, Nashik 422 005 Tel: 0253-571492/3, 578840 Fax: 0253-570256
	Pune	HDFC House, 1500 Shivaji Nagar, University Road, Pune 411 005 Tel: 020-5535615 Fax: 020-5536213 / 0868
ORISSA	Bhubaneswar *	HDFC Limited, Madhukunj, 2nd Floor, 116, Station Square, Bhubaneswar 751 001 Tel: 0674-534335, 534942 Fax: 0674-534666
PUNJAB	Chandigarh	SCO 343-344, Near Khyber Restaurant, Sector 35-B, Chandigarh 160 022 Tel: 0172-603717 / 603880 Fax: 0172-603855
RAJASTHAN	Jaipur	O - 19A, Ashok Marg, C-Scheme, Jaipur 302 001 Tel: 0141-363895 / 377171 / 2 / 3 Fax: 0141-367699
TAMIL NADU	Chennai	Second Floor, ITC Centre, 760, Anna Salai, Chennai 600 002 Tel: 044-8553838 Fax: 044-8553372
	Coimbatore	HDFC House, No. 29, Kamaraj Road, (Near Circuit House) Coimbatore 641 018 Tel: 0422-210735 / 211262 Fax: 0422-216530
UTTAR PRADESH	Lucknow	Second Floor, Hindustan Times House, 25 Ashok Marg, Lucknow 226 001 Tel: 0522-205813 / 14 Fax: 0522-205106
WEST BENGAL	Kolkata	Cooke and Kelvey Building, 1st Floor, 20 Old Court House Street, Kolkata 700 001 Tel: 033-2481981 / 2481327 Fax: 033-2489755

\* Except for HDFC Liquid Fund

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**Risk Factors:** Mutual Funds and securities investments are subject to market risks and there can be no assurance or guarantee that the Scheme(s) objectives will be achieved. As with any investment in securities, the Net Asset Value of Units issued under the Scheme(s) may go up or down depending on the various factors and forces affecting the capital markets. Past performance of the Sponsor/Mutual Fund/Scheme(s) and its affiliates do not indicate the future performance of the Scheme(s) of the Mutual Fund. The Sponsor is not responsible or liable for any loss or shortfall resulting from the operations of the Scheme(s) beyond the initial contribution of Rs. 1 lakh made by it towards setting up of the Mutual Fund. HDFC Growth Fund, HDFC Balanced Fund, HDFC Income Fund, HDFC Liquid Fund, HDFC Tax Plan 2000 and HDFC Children's Gift Fund are the names of the Scheme(s) and do not in any manner indicate either the quality of the Scheme(s) or their future prospects and returns. **Investors in the Scheme(s) are not being offered any guaranteed/assured returns.** Please call any of the Investor Service Centres (ISCs) and obtain a copy of the respective Offer Documents and read the same carefully before investing. In view of the individual nature of tax consequences, each investor is advised to consult his/her professional tax advisor.

**Statutory Details:** HDFC Mutual Fund has been set up as a trust by Housing Development Finance Corporation Limited (liability restricted to the initial corpus of Rs.1 lakh) with HDFC Trustee Company Limited as the trustee (Trustee under the Indian Trusts Act, 1882) and with HDFC Asset Management Company Limited as the Investment Manager. Applications would be accepted at ISCs and on-going Redemptions (**subject to completion of Lock-in-Period**) can be made at the ISCs on all Business Days. The AMC will calculate and publish NAVs and offer Sales and Redemptions (**subject to completion of Lock-in-Period**) of Units at NAV based prices on all Business Days.





**Continuing a tradition of trust.**

**HDFC Asset Management Company Limited**  
In association with Standard Life Investments

Registered Office: Ramon House, 3rd Floor, H. T. Parekh Marg, 169, Bockbay Reclamation, Churchgate, Mumbai 400 020, India.

Phones: 022-2029111, 2316030. Fax: 022-2028862. Visit us at [www.hdfcfund.com](http://www.hdfcfund.com)