



HDFC PENSION MANAGEMENT COMPANY LIMITED

SCHEME E TIER I

SCHEME E TIER II

SCHEME C TIER I

SCHEME C TIER II

SCHEME G TIER I

SCHEME G TIER II

SCHEME NPS LITE

ANNUAL REPORT 2013-14

CONTENTS

1. BRIEF BACKGROUND	
a) THE TRUST	3
b) SPONSORS	3
c) PENSION FUND MANAGEMENT COMPANY	4
2. BASIS AND POLICY OF INVESTMENTS	4
3. ECONOMIC SCENARIO	6
4. SCHEME PERFORMANCE AND OPERATIONS.....	12
5. INVESTMENT OBJECTIVE OF THE SCHEME	17
6. LIABILITIES AND RESPONSIBILITIES OF THE COMPANY	18
7. FINANCIAL STATEMENTS OF THE SCHEMES	18
a) Scheme E Tier I - Equity market instruments	
b) Scheme E Tier II - Equity market instruments	
c) Scheme C Tier I - Credit risk bearing fixed income instruments	
d) Scheme C Tier II - Credit risk bearing fixed income instruments	
e) Scheme G Tier I - Government securities	
f) Scheme G Tier II - Government securities	
g) Scheme NPS Lite	

HDFC Pension Management Company Limited ('the Company') presents its maiden annual report along with the audited financial statements of the Schemes for the period ended March 31, 2014.

During the period ending March 31, 2014, the Company managed the following schemes under the National Pension System (NPS):

- Scheme E Tier I - Equity market instruments
- Scheme E Tier II - Equity market instruments
- Scheme C Tier I - Credit risk bearing fixed income instruments
- Scheme C Tier II - Credit risk bearing fixed income instruments
- Scheme G Tier I - Government securities
- Scheme G Tier II - Government securities
- Scheme NPS Lite

(All the above schemes collectively referred as "Schemes" in this document)

The Asset under Management as at March 31, 2014 of all the schemes collectively was ₹ 586.65 Lakhs

1. BRIEF BACKGROUND OF THE TRUST, SPONSORS AND PENSION FUND MANAGEMENT COMPANY

a) THE TRUST

The National Pension System Trust (NPS Trust) was established by Pension Fund Regulatory and Development Authority ("PFRDA") on February 27, 2008 with the execution of the NPS Trust Deed. The NPS Trust has been set up and constituted for taking care of the assets and funds under the National Pension System (NPS) in the interest of the beneficiaries (subscribers). Individual NPS subscribers shall be the beneficiaries of the NPS Trust.

PFRDA was established by the Government of India on August 23, 2003 to promote old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds and for matters connected therewith or incidental thereto.

b) SPONSOR

HDFC Standard Life Insurance Company Limited ("HDFC Life") is the Sponsor of the Company. HDFC Life is a joint venture between Housing Development Finance Corporation

Limited (HDFC Ltd) and Standard Life plc of UK (through Standard Life (Mauritius Holdings) 2006 Limited). HDFC Life was incorporated on August 14, 2000 as a Company registered under the Companies Act, 1956 ('the Act') and licensed by the Insurance Regulatory and Development Authority ('IRDA') for carrying out Life Insurance business in India.

The Sponsor reaches its customers through 429 Branches in more than 993 cities at March 31, 2014. At March 31, 2014 the Sponsor has 14,050 employees and 55,678 advisors and is thus well equipped to cater to the needs of customers.

Assets under management of the Sponsor grew by 25 % during the year with 54% of the assets in debt and 46% in equity at the end of the year.

HDFC Life acts as a Sponsor for the Company and as at March 31, 2014, it has infused share capital amounting to Rs 28 Crores into the Company.

c) PENSION FUND MANAGEMENT COMPANY

The Company was incorporated on June 20, 2011 as a Company registered under the Act. It has been appointed as a Pension Fund Manager ('PFM') by the NPS Trust for the management of Pension Schemes (Private Sector) under the NPS Trust. The Company was granted a Certificate of Registration bearing No. PFRDA/007/2013/PFM dated April 23, 2013.

2. BASIS AND POLICY OF INVESTMENTS

Investment Policy

The Investment Policy for the Company outlines the process and the principles for the management of all the invested assets under different fund categories. Invested assets are all the investments made in market instruments using the Subscribers funds under various schemes.

The Board of the Directors of the Company ("Board") reviews the investment policy and its implementation and makes such necessary modifications to bring it in tune with the requirements of the law and regulations – in regard to protection of subscribers' interest and pattern of investment laid down by PFRDA.

Investment Structure

The broad Investment Structure of the Company is discussed below;

a) Investment Committee

The Board of Directors of the Company has constituted an Investment Committee to oversee the investments of the Company. The responsibility for the selection and management of the invested assets rests in the first instance with the Investment Committee. The Investment Committee may delegate this investment authority subject to putting in place consistent control and monitoring mechanisms. The Investment Policy is defined by the Investment Committee to set the contours of the investment activity, process, prudential risk limits and performance objectives.

b) Investment Front Office :

The investment front office is headed by the Chief Investment Officer (CIO) who is responsible for the following set of process

- 1) Market research;
- 2) Investment Recommendations;
- 3) Approval of recommendation;
- 4) Deal execution & Order Placement;
- 5) Deal entry in Front Office System;
- 6) Placement of daily funds inflow;

c) Investment Mid and Back Office :

The Investment Mid and Back office is responsible for the following set of processes

- 1) Fund Accounting
- 2) Trade Settlement
- 3) Investment Compliance
- 4) NAV Calculation & Declaration
- 5) Valuation of Securities
- 6) Regulatory Reporting & Internal MIS

An external Custodian, appointed by PFRDA, is responsible for the custody of the assets, tracking corporate actions and also undertakes valuation of securities.

Investment Strategy

The overall investment strategy of the Company is focused on ensuring adequate returns on investments to subscribers consistent with protection, safety and liquidity of the funds alongside complying with the applicable investment guidelines as prescribed under IMA.

Investments in the Fixed Income instruments are made with the objective of optimising the returns by actively managing the risks associated with fixed income securities like Credit Risk, Interest Rate Risk & Liquidity Risk.

Investments in Equity are made in scrip's that constitute the Benchmark Index with a complete replication of their weights as in the index.

Brief details of investment in various Schemes are as under:

Scheme E: It is managed as an index fund. The fund strategy is to closely replicate the benchmark index so as to achieve returns closer to that of the index.

Scheme C: The funds under Scheme C are invested in fixed deposits, money market instruments and corporate debentures of rated corporate issuers. Investments in corporate debentures are made in high quality long term debentures following internal due diligence and credit rating from independent credit rating agencies.

Scheme G: The funds under Scheme G are invested in State Government and Central Government Securities as per the scheme objective. The scheme is managed actively based on the view on interest rates in the market.

3. ECONOMIC SCENARIO

A. Equity Market Review

The economy entered FY 2013-14 in a cyclical down turn and equity markets reflected the macro concerns emanating from the widespread growth slowdown, sharp improvement in CAD, elevated yet improving inflation, restoration of fiscal consolidation (although qualitatively inferior) and political volatility. While the slowdown in real GDP growth in India during FY 2011-12 and FY 2012-13 was in sync with trends in similar emerging economies. The downturn has been more pronounced in the Indian case, owing to domestic and structural factors. An upward movement in some of the quarters in FY 2011-12 and FY 2012-13 between raised the hope for a turnaround but that was belied.

1) Economic growth:

Growth continued to remain disappointing with seven consecutive quarters of below 5% growth. The slowdown which started in FY 2011-12 from mining, spread to most sectors of the economy, with the biggest impact being in manufacturing averaging negative growth in the first three quarters. Besides the low headline overall growth, the sectors of economy which have high correlation with the equity markets like manufacturing, mining and construction were worse performers and the growth was largely on the back of respectable performance of agriculture, government expenditure and the impact of FCNR deposits on the calculation of financial services, which has low impact on the equity markets. .

- What hit the markets the most was the abysmal overall **industrial growth** (which has the maximum impact in the equity markets) in FY 2013-14, which is expected to come lowest in 22-years at 0.7% y-y, with mining contracting for the second year in row at -1.9% y-y and manufacturing at -0.2% y-y. Growth in manufacturing would have been lower but for the rebound in exports in the later part of the year due to the impact of weak currency. Growth in electricity gas and water supply was the only saving grace at a strong 6.0%, while construction posted 1.7% growth. However, the impact of high growth in electricity was not felt in the power stocks because of the problems related to weak health of the state electricity boards.
- Growth slowdown was also reflected in **services sector** growth (which has been the growth driver of the economy in the last decade) which continued its weakening growth trend and estimated at 6.9% y-y with the largest component of GDP 'trade, hotels, transport and communications' growing by just 3.5% y-y (2 decade low), 'financing, insurance, real estate and business services' at 11.2% and community, social and personal service at 7.4%. Headline growth would have been much lower but for the impact of FCNR deposits on the services growth number.
- Agriculture remained the key outperformer owing to the excellent monsoon and is expected to post a growth of 4.6% in the year. This failed to provide a major boost owing to the general growth slowdown, but had a favourable impact on inflation and hence rates.

2) Fiscal balance remains the Achilles heel:

We believe that prolonged loose fiscal stance of the government, with fiscal deficit rising more than 4X in the last 6 years has been a key drag on the economy contributing to prolonged episode of high inflation thereby necessitating tight monetary policy and high interest rates, weak investment climate and external sector vulnerability through high CAD. While significant improvement has been made in fiscal consolidation since Dr. Chidambaram took over as the FM, the quality of fiscal consolidation still remains weak.

3) **Politics remained one of the key drivers of the equity markets through the year:**

Given that most of the macro concerns had emanated from the policy side, significant movement in equity markets was due to the expectations of post general elections dispensation. The two decade old economic reform are still work-in-progress, and growth in many sectors of the economy continuing to be stunted due to reform deficit and regulatory/policy framework; thus, government remains arguably one of the most important determinant on the economy's performance.

4) **Tale of two halves in the currency market:**

After relative stability of about a year, ₹ depreciated sharply from beginning of May to early September, depreciating by 27% in 4 month period. The sharp depreciation mirrored similar depreciation in other current account deficit emerging market economies, severely impacting FII confidence and triggering outflows thereby impacting equity markets in a big way.

However, the sentiments changed sharply in early September following the series of steps taken by the RBI and government to stem the decline. Things improved further later in the year, owing to the impact of weak currency and improvement in global markets on India's exports and current account deficit which corrected sharply from close to 5% of the GDP in 1Q FY 2013-14 to our expectation of surplus in the fourth quarter of the fiscal. The sharp improvement in CAD together with the improving forex reserves will lead to relative outperformance of India vis-à-vis other emerging economies.

5) **Benign international commodity prices:**

Benign international commodity prices had been one of the key positive for the economy at a time when the economy was buffeted by high inflation and rising CAD. YTD growth in CRB Index and crude prices has been almost flat which prevented much of the negative impact of ₹ depreciation on inflation. Commodities comprise ~60% of India's imports, and commodity linked products has a nearly ~40% weight in the WPI basket. Moreover, commodity prices also significantly impact government's subsidy bill and fiscal deficit.

6) **Improvement in macro-stability risks:**

Improvement in macro-stability risks has been a key reason for renewed attraction for the foreign investors

- The biggest improvement was in **external risks**, due to sharp improvement in current account deficit on the back of uptick in exports and benign commodity prices. RBI also changed its stance and prudently used the FCNR deposits to build up its forex

- reserves which gave added comfort to FIIs
- **Fiscal health** also showed decent improvement with the FM yet again able to improve on the budgetary fiscal targets. However, the quality of fiscal consolidation remained weak
 - Inflation moderated further in the year due to the combined impact of low growth, benign commodity prices, high interest rates and healthy agriculture growth
 - While **global risks** remain, the conditions improved significantly from the FY 2011-12 levels

B. Fixed Income Review

For fixed income market, FY 2013-14 proved to be a very volatile yet interesting year with benchmark 10-year paper moving by more than 213bp through the year and rising by 75bp from the end of FY 2012-13. The volatility on shorter end of the yield curve was much sharper, with a range of 450bp, as RBI tightened sharply in 1H to ward off a run on the currency. The year also witnessed major changes in the paradigm of the liquidity support from the RBI, with the central bank restricting access to the LAF borrowing and attempting to develop the term repo market. Key macro drivers of the fixed income market in FY 2013-14 were:

1) Currency market and its spill over to the fixed income market:

After relative stability of about a year, ₹ started depreciated sharply from beginning of May depreciating by 27% in the 4-month period to September. The sharp depreciation mirrored similar depreciation in other current account deficit emerging market economies severely impacting FII confidence and triggering outflows especially in the fixed income market. Total FII outflow from 21st May to November end from the Indian fixed income market was ~US \$ 14.5 bn, which is almost a third of the total cumulative FII investments in the Indian fixed income market.

The sharp outflow was triggered by expectation of Fed tapering and its impact on the US and global yields. RBI initially tried to stem the decline in currency through the classical route of liquidity tightening, which took the short term yields to above 12%, but failed to stem the decline in currency. The sentiments in the currency market changed sharply in early September following the concessional swap window for FCNR deposits and banks' borrowing resulting in appreciation of ₹ from ~68 to below 65 levels. However, FII outflows continued till November as FII used the strength in the currency to liquidate their position. The impact of the restrictions in gold imports also paid rich dividends.

Things improved further later in the year, owing to the impact of weak currency and improvement in global markets on India's exports and current account deficit, which corrected sharply from close to 5% of the GDP in 1Q FY 2013-14 to our expectation of

surplus in the fourth quarter of the fiscal. The sharp improvement in CAD together with the improving foreign exchange reserves will lead to relative outperformance of India vis-à-vis other emerging economies.

As currency market improved, RBI gradually withdrew the exceptional measures undertaken to clam the currency market which thereby resulted in normalization of yields.

2) Accumulation of forex reserves:

RBI changed its policy stance in the currency market, from one of laissez faire to frequent intervention in the currency market and attempt to boost the forex reserves. Accordingly, forex reserves have risen by close to US \$ 20 bn since early September. One off-shoot of the rising forex reserves was the simultaneous release of primary liquidity in the money market of close to ₹ 1.2 tn thereby obviating the need of G-sec OMO purchases, which through reduced demand from RBI, created an upward bias on the yields. With the central bank looking to further boost its reserves, OMOs purchases of government papers is likely to remain muted in the near term.

3) Inflation:

The year began with benign headline WPI inflation even as CPI inflation remained close to double digits. However, as the year progressed, inflation began to rise due to combination of the rise in vegetable prices, the impact of ₹ depreciation and higher government spending. While the WPI moved from 4.6% in May to 7.5% in November, the CPI moved from 9.31% to 11.16%. The decline in inflation from November onwards was largely on the back of decline in vegetable prices and continued weak growth impulses. With growth remaining weak, RBI shifting to CPI targeting, commodity prices remaining benign and the new government likely to be fiscally more prudent, we expect inflation to remain within comfort zone in FY 2014-15.

4) Monetary policy:

After 100bp rate decline in FY 2011-12, the year started with a downward bias on interest rates as growth continued to lag, and inflation was within RBI's target zone. Consequently, RBI effected the first rate cut of the fiscal in early May reducing the repo to 7.25%.

However, the sharp currency depreciation in second half of May resulted in RBI mounting an interest rate defense, with sharply reduced access to LAF market, and increase in MSF rate by 200bp, which took the G-sec yields to above 9% and CP/CD rates to above 12% as banks which were used to unlimited liquidity from the LAF window scrambled for funds.

Things started to change in early September with the new dispensation in RBI and the concessional swap window, which besides obviating the need for interest rate defence and the consequent liquidity tightness, also resulted in release of primary liquidity through forex accretion.

However, with inflation rising again from June onwards (partially due to weak currency), the liquidity easing from September, coincided with rise in repo rate by 50bp in CY 2012-13. There has been another paradigm shift in the monetary policy with the release of Dr. Urjit Patel committee, which had recommended CPI as the nominal monetary anchor, thereby creating a sustained medium term upward bias on the interest rates.

5) Fiscal consolidation:

The government was able to improve on the fiscal deficit target for the second consecutive year. However, the target has been achieved through postponement of expenses and preponement of revenues besides sharp curtailment in plan expenditure, which is not sustainable and raises question mark over the future fiscal health. We will especially like to highlight the rise in committed expenditure from FY 2014-15 onwards through food security act.

Outlook

A. Equity Outlook

Inflation has been coming off and situation on external trade and currency front has been improving. Infact the ₹ has been amongst the best performing currencies in the emerging markets. The steps taken by government in clearing stuck projects are bearing fruit and we are seeing early signs of pick up in the execution of these projects. We believe that inflation should start coming off gradually to lower levels in coming months, which should bode well for the 2014 calendar year. Since general elections are scheduled in April and May, we expect election outcome to decide the future course of the market in the medium term. Also global monetary policy in terms of rolling back stimulus will be key for the global liquidity and could be the key event to watch out for the direction of FII flows in the market.

We expect the market volatility to increase as we approach the elections.

The market valuations are attractive at about 13.5x FY 2014-15 estimated earnings for SENSEX, which are building in about 18% earnings growth in FY 2014-15.

B. Fixed Income Outlook

Bond markets direction is dependent on the developments on the inflation front and the developments on the Government's finances. Inflation control has become the primary agenda of the RBI's monetary policy. Food prices have proved to be quite volatile in the past and RBI is probably watching the developments on the core inflation portion more closely. Core inflation has been very stable at elevated levels in the past few months, and there are no early signs of any significant reversals on this front. Hence, there are no expectations of any rate cuts from RBI in the near future.

In the absence of any rate cut expectations, the bond markets are likely to be guided by the Developments on the Government's finances and consequently, its borrowing requirements. Even though the Government did project a lower than expected fiscal deficit for the next year, these numbers are likely to undergo a revision, most probably on the higher side, once the new Government presents its budget for the year. Hence, the markets were not really impressed with the lower deficit projection in the Interim budget. This uncertainty is likely to keep the markets cautious in the coming months. As the next year's borrowing gets underway from April, we may see renewed pressure on bond yields from the incessant supply.

The short end of the yield curve is likely to see some relief as the liquidity tightness eases from April. The key reason, apart from seasonal factors, for the tightness has been the Increase in the Government's cash balances, as spending has been compressed to meet the Fiscal deficit targets. Once the Government starts spending its cash hoard, system liquidity will improve.

4. SCHEME PERFORMANCE AND OPERATIONS

SCHEME E TIER I - Equity market instruments

Investment Objective

The investment objective of Scheme E Tier I is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.

Scheme Performance against Benchmark

The performance of the scheme is measured by reference to the total performance (dividends reinvested) of the NSE Nifty 50 Index.

The performance of Scheme E Tier I as at March 31, 2014 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	29.20%	29.67%
6 months	37.85%	37.96%
Since inception @	32.09%	27.87%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: NSE Nifty 50 Index

@ Date of Inception: August 01, 2013.

Since inception returns of the scheme has outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as at March 31, 2014 stood at ₹ 217.59 lakhs

As at March 31, 2014, 96.97% of the net assets were invested in Equity Shares, 3.03% in money market instruments and cash/cash equivalent & net current assets.

SCHEME E TIER II - Equity market instruments

Investment Objective

The investment objective of Scheme E Tier II is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.

Scheme Performance against Benchmark

The performance of the scheme is measured by reference to the total performance (dividends reinvested) of the NSE Nifty 50 Index.

The performance of Scheme E Tier II as at March 31, 2014 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
3 months	16.83%	29.67%
6 months	13.00%	37.96%
Since inception @	12.36%	27.87%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: NSE Nifty 50 Index

@ Date of Inception: August 01, 2013.

\$ Due to small fund size of Scheme E Tier II, investment has been made temporarily in Liquid Mutual Fund. The fund has started investment in equity securities in the month of March, 2014. Hence, Fund performance of the scheme for the period is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme as at March 31, 2014 stood at ₹ 4.92 lakhs

As at March 31, 2014, 92.75% of the net assets were invested in equity shares, 7.25% in money market instruments and cash/cash equivalent & net current assets.

SCHEME C TIER I - Credit risk bearing fixed income instruments

Investment Objective

The investment objective of Scheme C Tier I is to optimise returns by investing in the chosen asset class.

Scheme Performance against Benchmark

The performance of Scheme C Tier I as at March 31, 2014 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	9.54%	11.01%
6 months	10.71%	10.48%
Since inception @	10.89%	7.10%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: CRISIL Composite Bond Index

@ Date of Inception: August 01, 2013.

Since inception returns of the scheme has outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as at March 31, 2014 stood at ₹ 156.56 lakhs.

As at March 31, 2014, 85.79% of the net assets were invested in bonds and non-convertible debentures, 14.21% in money market instruments and cash/cash equivalent & net current assets.

SCHEME C TIER II - Credit risk bearing fixed income instruments

Investment Objective

The investment objective of Scheme C Tier II is to optimise returns by investing in the chosen asset class.

Scheme Performance against Benchmark

The performance of Scheme C Tier II as at March 31, 2014 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) # \$
3 months	8.97%	11.01%
6 months	9.25%	10.48%
Since inception @	9.49%	7.10%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: CRISIL Composite Bond Index

@ Date of Inception: August 01, 2013.

\$ Due to small fund size of Scheme C Tier II, investment has been made temporarily in Liquid Mutual Fund. Hence, Fund performance of the scheme for the period is not comparable with the benchmark.

AUM and Asset Mix

The net assets of the Scheme as at March 31, 2014 stood at ₹ 3.41 lakhs.

As at March 31, 2014, due to small fund size, 100.00% of the net asset was invested in money market instruments and cash/cash equivalent & net current assets.

SCHEME G TIER I - Government securities

Investment Objective

The investment objective of Scheme G Tier I is to optimise returns by investing in the chosen asset class.

Scheme Performance against Benchmark

The performance of Scheme G Tier I as at March 31, 2014 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	12.88%	13.43%
6 months	10.22%	9.89%
Since inception @	5.05%	2.75%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: ISEC - LIBEX

@ Date of Inception: August 01, 2013.

Since inception returns of the scheme has outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as at March 31, 2014 stood at ₹ 200.91 lakhs.

As at March 31, 2014, 93.82% of the net assets were invested in government securities, 6.18% in money market instruments and cash/cash equivalent & net current assets.

SCHEME G TIER II - Government securities

Investment Objective

The investment objective of Scheme G tier II is to optimise returns by investing in the chosen asset class.

Scheme Performance against Benchmark

The performance of Scheme G Tier II as at March 31, 2014 is presented below:

Period	Returns (%) [^]	Benchmark Returns (%) #
3 months	10.54%	13.43%
6 months	10.43%	9.89%
Since inception @	9.18%	2.75%

[^] Past performance may or may not be sustained in the future, returns are compounded annualised (CAGR).

Benchmark index: ISEC - LIBEX

@ Date of Inception: August 01, 2013

Since inception returns of the scheme has outperformed the benchmark returns.

AUM and Asset Mix

The net assets of the Scheme as at March 31, 2014 stood at ₹ 3.26 lakhs.

As at March 31, 2014, 92.87% of the net assets were invested in government securities, 7.13% in money market instruments and cash/cash equivalent & net current assets.

SCHEME NPS LITE

During the period ended March 31, 2014, there was no subscriptions received in Scheme NPS Lite, hence Financial Statements for this scheme have not been prepared.

Disclaimer:

Since the Schemes permit investments in shares, bonds, debentures and other scripts or securities whose value can fluctuate, the price and redemption value of the units of the Schemes and income from them can go up as well as come down with the fluctuations in the market value of these underlying investments.

5. INVESTMENT OBJECTIVE OF THE SCHEME

The investment objective of the Scheme(s) managed by HDFC Pension Management Company Limited during the year under review is as under :

Sr. No	Name of The Scheme	Investment Objective
1	SCHEME E TIER I	The Investment objective is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.
2	SCHEME E TIER II	The investment objective is to optimise returns while investing in the NSE Nifty 50 Index over a rolling annual basis.
3	SCHEME C TIER I	The investment objective is to optimise returns by investing in the chosen asset class.
4	SCHEME C TIER II	The investment objective is to optimise returns by investing in the chosen asset class
5	SCHEME G TIER I	The investment objective is to optimise returns by investing in the chosen asset class.
6	SCHEME G TIER II	The investment objective is to optimise returns by investing in the chosen asset class.

6. LIABILITIES AND RESPONSIBILITIES OF THE COMPANY

The Company has been appointed by PFRDA as a pension fund manager for management of investments of the Schemes referred above and, in that capacity, makes investment decisions and manages the Scheme in accordance with the Investment Guidelines, Scheme Objectives, Investment Management Agreement (IMA) and provisions given under the PFRDA guidelines /regulation /rules. The transactions entered into by the Company are in accordance with the PFRDA Guidelines, IMA and the code of ethics prescribed by the Trustees.

The Company has exercised necessary due diligence and vigilance in carrying out its duties of IMA and in protecting the rights and interests of the subscribers. Investment decisions have been taken with emphasis on safety and optimum returns. The Company has not dealt in any speculative transactions in dealing for investments. The Company will be responsible for the acts of omissions or commissions of its employees or the persons whose services have been procured by the Company.

7. FINANCIAL STATEMENTS OF THE SCHEMES

- a) SCHEME E TIER I - Equity market instruments
- b) SCHEME E TIER II - Equity market instruments
- c) SCHEME C TIER I - Credit risk bearing fixed income instruments
- d) SCHEME C TIER II - Credit risk bearing fixed income instruments
- e) SCHEME G TIER I - Government securities
- f) SCHEME G TIER II - Government securities



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME E TIER I**

**Financial Statements together
with Auditors' Report**

For the Financial year (period) ended March 31, 2014

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme E – Tier I under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd. (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and the Revenue Account for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.

e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA.

8. We further certify that

- a) Investments have been valued in accordance with the guidelines issued by the Authority.
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

REVENUE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2014

(In ₹)

Particulars	Schedule	For the period ended
		March 31, 2014
		Amount
Income & Gain		
Interest income		-
Dividend income		46,103
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		24,820
Profit on inter-scheme transfer/sale of investments		-
Unrealised gain on appreciation in investments		1,567,267
Total Income & Gain (A)		1,638,190
Expenses & Losses		
Unrealised losses in value of investments		-
Provision for outstanding accrued income considered doubtful		-
Provision for doubtful deposits and current assets		-
Loss on sale/redemption of investments (other than inter-scheme transfer/sale)		5,853
Loss on inter-scheme transfer/sale of investments		-
Management fees		12,668
Trusteeship/regulatory fees		-
Publicity expenses		-
Audit fees		-
Custodian fees		357
Trustee bank fees		-
CRA fees		15,968
Less : Amount recovered on sale of units on account of CRA Charges		(15,968)
Total Expenses & Losses (B)		18,878
Net income/(expenditure) for the period (A-B = C)		1,619,312
Balance at the beginning of the period		-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(1,567,267)
Balance at the end of the period carried to Balance Sheet		52,045
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		24.10%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.19%
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Tier I Scheme E. Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

BALANCE SHEET AS AT MARCH 31, 2014

(In ₹)

Particulars	Schedule	As at March 31, 2014
		Amount
Sources of funds		
Unitholders Funds		
Unit Capital	1	18,111,753
Reserves & Surplus	2	3,647,491
Current Liabilities and Provisions	3	495,300
Borrowings		
Total		22,254,544
Application of funds		
Investments (Long term and short term)	4	22,131,115
Deposits	5	-
Other Current Assets	6	123,429
Total		22,254,544
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		21,759,244
(b) Number of units outstanding		1,811,175.32
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		12.0138
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier I . Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Initial capital		-
Unit capital		
Opening balance		-
Additions during the period	1,826,041	18,260,405
Deduction during the period	(14,865)	(148,652)
Closing balance	1,811,175	18,111,753

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2014	
	Amount	
Unit premium reserve		
Opening balance		-
Additions during the period		2,047,385
Deduction during the period		(19,206)
Closing balance		2,028,179
Unrealised Appreciation Reserve		
Opening balance		-
Change in net unrealised appreciation in value of investments		1,567,267
Closing balance		1,567,267
Surplus/(deficit) in Revenue account		
Opening balance		-
Additions during the period		52,045
Deduction during the period		-
Closing balance		52,045
General reserve*		-
Appropriation account*		-
Total	-	3,647,491

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2014	
	Amount	
Current liabilities		
Sundry creditors		13,025
Contracts for purchase of investments		453,945
Interest received in advance		-
Unclaimed distributed income		-
Unit redemption payable		28,330
Provisions		-
Total		495,300

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Schedules forming part of the financial statements

Schedule 4: Investments

(In ₹)

Particulars	As at March 31, 2014
	Amount
Equity shares	21,100,143
Preference shares	-
Debentures and bonds	-
Central and state government securities (including treasury bills)	-
Commercial Paper	-
Others - Mutual funds	1,030,972
Total	22,131,115

Schedule 5: Deposits

(In ₹)

Particulars	As at March 31, 2014
	Amount
Deposits with scheduled banks	-
Others	-
Total	-

Schedule 6: Other current assets

(In ₹)

Particulars	As at March 31, 2014
	Amount
Balances with banks in current / saving account	202
Cash on hand	-
Sundry debtors	282
Contracts for sale of investments	109,600
Outstanding and accrued income	-
Advance, deposits etc.	-
Shares/debentures/ others application money pending allotment	-
Others - Dividend receivable	13,345
Total	123,429

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA) : National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS

Some of the key responsibilities of the CRA include the following:

- * Recordingkeeping, Administration and Customer service function for NPS subscriber,
- * Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- * Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- * PRAN Transaction Statement,
- * An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME E TIER I being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

- Scheme E - Equity market instruments
- Scheme C - Credit risk bearing fixed income instruments
- Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Securities traded at a stock exchange:

The securities are valued at the daily close price on the stock exchange.

Listed equity shares are valued at market value, being the last quoted closing price on the National stock exchange (NSE). If they are not quoted on NSE, then the last quoted closing price on the Bombay stock exchange (BSE) is taken.

Collateralized borrowing and lending obligations (CBLO) and rediscounted bills are valued at cost plus accrued interest.

Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.

Securities not traded at a stock exchange:

Non-traded / thinly traded / privately placed equity securities including those not traded within thirty days are valued "in-good faith" on the basis of following valuation methods approved by the Authority/Trust:

Equity instruments are generally valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity.

1.4 Income Recognition

Dividend Income is recognised on the "Ex-Dividend" date in case of listed equity shares.

Bonus entitled shares are recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Rights entitlements are recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

Profit or loss on sale of equity is the difference between the sale consideration net of expenses and the weighted average book cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.6 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company is charging investment management fee @ 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1 dated August 31, 2012.

1.7 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.8 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.

1.9 NAV

NAV disclosed in the Balance Sheet is as of March 31, 2013 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2014
Uncalled liability on partly paid shares	Nil
Other commitments	Nil

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the period ended March 31,2014:

(In ₹)

Nature of Transaction	Amount
Investment management fees	11,274

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Amount
Investment management fees payable	11,274

Aggregate investments made in the Associates and group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
HDFC Ltd	Equity	1,180,880	1,296,681

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
HDFC Bank Ltd	Equity	1,134,522	1,293,926

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier I. Accordingly, previous year figures are not furnished.

2.4 Provision

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

Notes to accounts

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31,2014 is as follows :

(In ₹)	
Particular	Amount
Average Net Asset Value	6,774,047
Purchase of Investment	55,145,287
% to average Net Assets Value	814.07%
Sale of Investment	34,590,439
% to average Net Assets Value	510.63%

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31,2014 is as follows :

(In ₹)	
Particular	Amount
Average Net Asset Value	6,774,047
Purchase of Investment	19,690,645
% to average Net Assets Value	290.68%
Sale of Investment	149,771
% to average Net Assets Value	2.21%

*Liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

Industry Classification	(In ₹)	
	As at March 31, 2014	
	Market value	% of Industry Classification
Monetary intermediation of commercial banks, saving banks, postal savings bank and discount houses	4,291,979	19.72%
Writing , modifying, testing of computer program to meet the needs of a particular client excluding web-page designing	3,495,019	16.06%
Manufacture of cigarettes, cigarette tobacco	1,834,114	8.43%
Manufacture of refined petroleum products	1,425,909	6.55%
Activities of specialized institutions granting credit for house purchases that also take deposits	1,296,680	5.96%
Manufacture of allopathic pharmaceutical preparations	1,119,644	5.15%
Others (Industries constitute less than 5%)	7,636,798	35.10%
Mutual Funds	1,030,972	4.74%
Net Current Assets	(371,871)	-1.71%
Net Asset Value	21,759,244	100.00%

Note :

1. Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.

2.The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier I . Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

2.7 PORTFOLIO STATEMENT AS ON MARCH 31, 2014

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	ITC Ltd	5,198	1,834,113	8.43%
	Infosys Ltd	462	1,516,654	6.97%
	Reliance Industries Ltd	1,532	1,425,909	6.55%
	ICICI Bank Ltd	1,059	1,318,508	6.06%
	HDFC Bank Ltd	1,728	1,293,926	5.95%
	Housing Devt Finance Corpn Ltd	1,467	1,296,681	5.96%
	Tata Consultancy Services Ltd	484	1,032,445	4.74%
	Larsen & Toubro Ltd	770	979,363	4.50%
	Tata Motors Ltd	1,693	674,914	3.10%
	State Bank of India	289	554,215	2.55%
	Oil & Natural Gas Corporation Ltd	1,620	516,294	2.37%
	AXIS Bank Ltd	290	423,545	1.95%
	Mahindra & Mahindra Ltd	431	422,682	1.94%
	Sun Pharmaceuticals Industries Ltd	719	413,245	1.90%
	Hindustan Unilever Ltd	667	403,902	1.86%
	HCL Technologies Ltd	257	357,410	1.64%
	Bharati Airtel Ltd	1,132	359,693	1.65%
	Wipro Ltd	624	338,957	1.56%
	Dr Reddys Laboratories Ltd	121	310,232	1.43%
	Kotak Mahindra Bank Ltd	351	274,149	1.26%
	Bajaj Auto Ltd	126	262,534	1.21%
	Tech Mahindra Ltd	139	249,554	1.15%
	Hero Motocorp Ltd	112	254,778	1.17%
	Tata Steel Ltd	635	250,158	1.15%
	Maruti Suzuki India Ltd	125	246,469	1.13%
	National Thermal Power Corporation Ltd	1,987	238,241	1.09%
	Asian Paints (India) Ltd	423	231,783	1.07%
	Power Grid Corporation of India Ltd	2,065	216,825	1.00%
	Lupin Ltd	226	210,892	0.97%
	Sesa Goa Ltd	1,164	219,472	1.01%
	UltraTech Cement Ltd	96	209,947	0.96%
	United Spirits Ltd	75	198,559	0.91%
	IndusInd Bank Ltd	389	195,220	0.90%
	Cipla Ltd	484	185,275	0.85%
	Cairn India Ltd	557	185,481	0.85%
	Grasim Industries Ltd	60	173,283	0.80%
	Coal India Ltd	582	168,053	0.77%
	Hindalco Industries Ltd	1,217	172,510	0.79%
	Gas Authority of India Ltd	409	153,804	0.71%
	Bharat Heavy Electricals Ltd	745	146,057	0.67%
	Tata Power Co. Ltd	1,718	146,288	0.67%
	Infrastructure Development Finance Company Ltd	1,174	143,522	0.66%
	Ambuja Cements Ltd	717	144,977	0.67%
Bank of Baroda	179	129,014	0.59%	
Associated Cement Co Ltd	88	123,160	0.57%	
Bharat Petroleum Corporation Ltd	243	111,792	0.51%	
Punjab National Bank	139	103,402	0.48%	
National Mineral Development Corporation Ltd	728	101,374	0.47%	
Jindal Steel & Power Ltd	351	102,650	0.47%	
DLF Ltd	416	73,403	0.34%	
TATA Power Ltd (Rights)	192	4,829	0.02%	
Equity Shares Total		38,455	21,100,143	96.97%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	5,432	1,030,972	4.74%
Mutual Fund Units Total		5,432	1,030,972	4.74%
Net Current Assets		-	(371,871)	-1.71%
Grand Total		43,887	21,759,244	100.00%

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER I

2.8 KEY STATISTICS FOR THE PERIOD ENDED MARCH 31, 2014

Sr No	Particulars	For the period ended March 31, 2014
1	NAV per unit (₹) I Open High Low End @	9.9999 11.9990 9.4795 11.9990
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	217.59 67.74
3	Gross income as % of AAuM III	24.18%
4	Expense ratio a Total expense as % of AAuM (scheme wise) IV b Management fee as % of AAuM (scheme wise) V	0.19% 0.28%
5	Net income as % of AAuM VI	23.90%
6	Portfolio turnover ratio VII	2.21%
7	Total dividend per unit distributed during the period	N.A.
8	Returns: (%) a Last one year Benchmark b Since inception Benchmark c Compound annualised yield (%) VIII Last 1 year Last 3 years Last 5 years Since launch of the scheme Launch Date	N.A. N.A. 19.99% 17.47% N.A. N.A. N.A. 32.09% August 01, 2013
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))	
II	AAuM = Average daily net assets	
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain	
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss	
V	Management fee as % of AAuM is annualised	
VI	Net income = Total income less Total expenses and losses	
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management	
VIII	Compounded annualised yield is to be calculated based on following formula: = (1+ cumulative return) ⁿ -1 (where n=365/no. of days) @ The declared NAV of March 28, 2014 is considered, as NAV for March 31, 2014 was not declared on account of holiday.	
<p>Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier I. Accordingly, previous year figures are not furnished.</p>		



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME E TIER II**

**Financial Statements together
with Auditors' Report**

For the Financial year (period) ended March 31, 2014

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme E – Tier II under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd. (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and the Revenue Account for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.

e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA.

8. We further certify that

- a) Investments have been valued in accordance with the guidelines issued by the Authority.
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

REVENUE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2014

(In ₹)

Particulars	Schedule	For the period ended March 31, 2014
		Amount
Income & Gain		
Interest income		-
Dividend income		149
Profit on sale/redemption of investments (other than inter-scheme transfer/sale)		7,124
Profit on inter-scheme transfer/sale of investments		-
Unrealised gain on appreciation in investments		8,477
Total Income & Gain (A)		15,750
Expenses & Losses		
Unrealised losses in value of investments		-
Provision for outstanding accrued income considered doubtful		-
Provision for doubtful deposits and current assets		-
Loss on sale/redemption of investments (other than inter-scheme transfer/sale)		-
Loss on inter-scheme transfer/sale of investments		-
Management fees		247
Trusteeship/regulatory fees		-
Publicity expenses		-
Audit fees		-
Custodian fees		3
Trustee bank fees		-
CRA fees		85
Less : Amount recovered on sale of units on account of CRA Charges		(85)
Total expenditure (B)		250
Net income/(expenditure) for the period (A-B) appropriated to Balance Sheet		15,500
Balance at the beginning of the period		-
Net Unrealised Appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(8,477)
Balance at the end of the period carried to Balance Sheet		7,023
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		11.93%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.19%
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Tier II Scheme E. Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. KAPADIA & CO.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

BALANCE SHEET AS AT MARCH 31, 2014

(In ₹)

Particulars	Schedule	As at March 31, 2014
		Amount
Sources of funds		
Unitholders Funds		
Unit capital	1	455,258
Reserves and surplus	2	36,655
Current liabilities and provisions	3	11,478
Borrowings		-
Total		503,391
Application of funds		
Investments (long term and short term)	4	500,812
Deposits	5	-
Other current assets	6	2,579
Total		503,391
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		491,913
(b) Number of units outstanding		45,526
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 1.9)		10.8051
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier II. Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. KAPADIA & CO.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Initial capital		-
Unit capital		
Opening balance		-
Additions during the period	45,778	457,780
Deduction during the period	(252)	(2,522)
Closing balance	45,526	455,258

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2014	
		Amount
Unit premium reserve		
Opening balance		-
Additions during the period		21,293
Deduction during the period		(138)
Closing balance		21,155
Unrealised Appreciation Reserve		
Opening balance		-
Change in net unrealised appreciation in value of investments		8,477
Closing balance		8,477
Surplus/(deficit) in Revenue account		
Opening balance		-
Additions during the period		7,023
Deduction during the period		-
Closing balance		7,023
General reserve*		-
Appropriation account*		-
Total	-	36,655

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2014	
		Amount
Current liabilities		
Sundry creditors		250
Contracts for purchase of investments		10,807
Interest received in advance		-
Unclaimed distributed income		-
Unit redemption payable		421
Provisions		-
Total		11,478

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST AC/ HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II**Schedules forming part of the financial statements****Schedule 4: Investments****(In ₹)**

Particulars	As at March 31, 2014
	Amount
Equity shares	456,265
Preference shares	-
Debentures and bonds	-
Central and state government securities (including treasury bills)	-
Commercial Paper	-
Others - Mutual funds	44,547
Total	500,812

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Deposits with scheduled banks	-
Others	-
Total	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Balances with banks in current / saving account	142
Cash on hand	-
Sundry debtors	6
Contracts for sale of investments	2,282
Outstanding and accrued income	-
Advance, deposits etc.	-
Shares/debentures/ others application money pending allotment	-
Others - Dividend receivable	149
Total	2,579

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA) : National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS. Some of the key responsibilities of the CRA include the following:

- * Recordingkeeping, Administration and Customer service function for NPS subscriber,
- * Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- * Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- * PRAN Transaction Statement,
- * An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME E TIER II being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments
Scheme C - Credit risk bearing fixed income instruments
Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to/from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Securities traded at a stock exchange:

The securities are valued at the daily close price on the stock exchange.

Listed equity shares are valued at market value, being the last quoted closing price on the National stock exchange (NSE). If they are not quoted on NSE, then the last quoted closing price on the Bombay stock exchange (BSE) is taken.

Collateralized borrowing and lending obligations (CBLO) and rediscounted bills are valued at cost plus accrued interest.

Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.

Securities not traded at a stock exchange:

Non-traded / thinly traded / privately placed equity securities including those not traded within thirty days are valued "in-good faith" on the basis of following valuation methods approved by the Authority/Trust:

Equity instruments are generally valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity.

1.4 Income Recognition

Dividend Income is recognised on the "Ex-Dividend" date in case of listed equity shares.

Bonus entitled shares are recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Rights entitlements are recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

Profit or loss on sale of equity is the difference between the sale consideration net of expenses and the weighted average book cost as on the date of sale.

1.5 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.6 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company is charging investment management fee @ 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1 dated August 31, 2012.

1.7 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.8 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

1.9 NAV

NAV disclosed in the Balance Sheet is as of March 31, 2013 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2014
Uncalled liability on partly paid shares	Nil
Other commitments	Nil

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the period ended March 31,2014:

(In ₹)

Nature of Transaction	Amount
Investment management fees	220

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Amount
Investment management fees payable	220

Aggregate investments made in the Associates and group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
HDFC Ltd	Equity	27,224	28,285

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
HDFC Bank Ltd	Equity	27,663	27,706

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

Notes to accounts

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	132,028
Purchase of Investment	2,564,139
% to average Net Assets Value	1942.11%
Sale of Investment	2,078,702
% to average Net Assets Value	1574.44%

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	132,028
Purchase of Investment	450,294
% to average Net Assets Value	341.06%
Sale of Investment	2,282
% to average Net Assets Value	1.73%

*liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

(In ₹)

Industry Classification	As at March 31, 2014	
	Market value	% of Industry Classification
Monetary intermediation of commercial banks, saving banks, postal savings bank and discount houses	91,989	18.70%
Writing , modifying, testing of computer program to meet the needs of a particular client excluding web-page designing	74,951	15.24%
Manufacture of cigarettes, cigarette tobacco	39,519	8.03%
Manufacture of refined petroleum products	30,715	6.24%
Activities of specialized institutions granting credit for house purchases that also take deposits	28,285	5.75%
Manufacture of allopathic pharmaceutical preparations	25,380	5.16%
Others (Industries constitute less than 5%)	165,426	33.63%
Mutual Funds	44,547	9.06%
Net Current Assets	(8,899)	-1.81%
Net Asset Value	491,913	100.00%

Note :

1. Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.

2.The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier II . Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

2.7 PORTFOLIO STATEMENT AS ON MARCH 31, 2014

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Equity Shares	ITC Ltd	112	39,518	8.03%
	Infosys Ltd	10	32,827	6.67%
	Reliance Industries Ltd	33	30,714	6.24%
	ICICI Bank Ltd	23	28,636	5.82%
	Housing Devt Finance Corpn Ltd	32	28,285	5.75%
	HDFC Bank Ltd	37	27,706	5.63%
	Larsen & Toubro Ltd	17	21,622	4.40%
	Tata Consultancy Services Ltd	10	21,332	4.34%
	Tata Motors Ltd	37	14,750	3.00%
	Oil & Natural Gas Corporation Ltd	35	11,155	2.27%
	State Bank of India	6	11,506	2.34%
	Sun Pharmaceuticals Industries Ltd	16	9,196	1.87%
	AXIS Bank Ltd	6	8,763	1.78%
	Mahindra & Mahindra Ltd	9	8,826	1.79%
	HCL Technologies Ltd	6	8,344	1.70%
	Hindustan Unilever Ltd	14	8,478	1.72%
	Dr Reddys Laboratories Ltd	3	7,692	1.56%
	Bharati Airtel Ltd	24	7,626	1.55%
	Wipro Ltd	13	7,062	1.44%
	Kotak Mahindra Bank Ltd	8	6,248	1.27%
	Bajaj Auto Ltd	3	6,251	1.27%
	Maruti Suzuki India Ltd	3	5,915	1.20%
	Tech Mahindra Ltd	3	5,386	1.09%
	Tata Steel Ltd	14	5,515	1.12%
	United Spirits Ltd	2	5,295	1.08%
	National Thermal Power Corporation Ltd	43	5,156	1.05%
	Asian Paints (India) Ltd	9	4,932	1.00%
	Power Grid Corporation of India Ltd	45	4,725	0.96%
	Lupin Ltd	5	4,666	0.95%
	Sesa Goa Ltd	25	4,714	0.96%
	Hero Motocorp Ltd	2	4,550	0.92%
	UltraTech Cement Ltd	2	4,374	0.89%
	IndusInd Bank Ltd	8	4,015	0.82%
	Cairn India Ltd	12	3,996	0.81%
	Cipla Ltd	10	3,828	0.78%
	Coal India Ltd	13	3,754	0.76%
	Gas Authority of India Ltd	9	3,384	0.69%
	Hindalco Industries Ltd	26	3,686	0.75%
	Tata Power Co. Ltd	37	3,151	0.64%
	Bharat Heavy Electricals Ltd	16	3,137	0.64%
	Ambuja Cements Ltd	16	3,235	0.66%
	Infrastructure Development Finance Company Ltd	25	3,056	0.62%
	Bank of Baroda	4	2,883	0.59%
	Grasim Industries Ltd	1	2,888	0.59%
	Associated Cement Co Ltd	2	2,799	0.57%
	Bharat Petroleum Corporation Ltd	5	2,300	0.47%
	Punjab National Bank	3	2,232	0.45%
Jindal Steel & Power Ltd	8	2,340	0.48%	
National Mineral Development Corporation Ltd	16	2,228	0.45%	
DLF Ltd	9	1,588	0.32%	
Equity Shares Total		827	456,265	92.75%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	235	44,547	9.06%
Mutual Fund Units Total		235	44,547	9.06%
Net Current Assets		-	(8,899)	-1.81%
Grand Total		1,062	491,913	100.00%

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME E TIER II

2.8 KEY STATISTICS FOR THE PERIOD ENDED MARCH 31, 2014

Sr No	Particulars	For the period ended March 31, 2014
1	NAV per unit (₹) I Open High Low End @	9.9999 10.7929 10.7095 10.7929
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	4.92 1.32
3	Gross income as % of AAuM III	11.93%
4	Expense ratio a Total expense as % of AAuM (scheme wise) IV b Management fee as % of AAuM (scheme wise) V	0.19% 0.28%
5	Net income as % of AAuM VI	11.74%
6	Portfolio turnover ratio VII	1.73%
7	Total dividend per unit distributed during the period	N.A.
8	Returns: (%) a Last one year Benchmark b Since inception Benchmark IX c Compound annualised yield (%) VIII Last 1 year Last 3 years Last 5 years Since launch of the scheme Launch Date	N.A. N.A. 7.93% 17.47% N.A. N.A. N.A. 12.36% August 01, 2013
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))	
II	AAuM = Average daily net assets	
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain	
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Realised/Unrealised Gain	
V	Management fee as % of AAuM is annualised	
VI	Net income = Gross income less Total expenses and losses	
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management	
VIII	Compounded annualised yield is to be calculated based on following formula: $(1 + \text{cumulative return})^{n/365} - 1$ (where n=365/no. of days) .	
IX	\$ Due to small fund size of Scheme E Tier II, investment has been made temporarily in Liquid Mutual Fund. The fund has started investment in equity securities in the month of March, 2014. Hence, Fund performance of the scheme for the period is not comparable with the benchmark. @ The declared NAV of March 28, 2014 is considered, as NAV for March 31, 2014 was not declared on account of holiday. Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme E Tier II. Accordingly, previous year figures are not furnished.	



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME C TIER I**

**Financial Statements together
with Auditors' Report**

For the Financial year (period) ended March 31, 2014

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme C – Tier I under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd. (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and the Revenue Account for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.

e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA.

8. We further certify that

- a) Investments have been valued in accordance with the guidelines issued by the Authority.
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

REVENUE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2014

(In ₹)

Particulars	Schedule	For the period ended March 31, 2014
		Amount
Income & Gain		
Interest income		224,095
Dividend income		-
Profit on sale/redemption of investments(other than inter-scheme transfer/sale)		72,932
Profit on inter-scheme transfer/sale of investments		-
Unrealised gain on appreciation in investments		52,967
Total Income & Gain (A)		349,994
Expenses & Losses		
Unrealised losses in value of investments		-
Provision for outstanding accrued income considered doubtful		-
Provision for doubtful deposits and current assets		-
Loss on sale/redemption of investments(other than inter-scheme transfer/sale)		-
Loss on inter-scheme transfer/sale of investments		-
Management fees		9,337
Trusteeship/regulatory fees		-
Publicity expenses		-
Audit fees		-
Custodian fees		220
Trustee bank fees		-
CRA fees		10,688
Less : Amount recovered on sale of units on account of CRA Charges		(10,688)
Total Expenses & Losses (B)		9,557
Net Income & Gain/(Expenses & Losses) for the period (A-B) appropriated to Balance Sheet		340,437
Balance at the beginning of the period		-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(52,967)
Balance at the end of the period carried to Balance Sheet		287,470
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		7.01%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.19%
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I. Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. KAPADIA & CO.
Chartered Accountants
Firm Registration No. 39569

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 104767W

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

BALANCE SHEET AS AT MARCH 31, 2014

(In ₹)

Particulars	Schedule	As at March 31, 2014
		Amount
Sources of funds		
Unitholders Funds		
Unit capital	1	14,621,570
Reserves and surplus	2	1,034,011
Current liabilities and provisions	3	322,442
Borrowings		
Total		15,978,023
Application of funds		
Investments (long term and short term)	4	15,406,408
Deposits	5	-
Other current assets	6	571,615
Total		15,978,023
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		15,655,581
(b) Number of units outstanding		1,462,157
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 2)		10.7071
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I . Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. KAPADIA & CO.
Chartered Accountants
Firm Registration No. 39569

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 104767W

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Initial capital		-
Unit capital		
Opening balance		-
Additions during the period	1,483,441	14,834,409
Deduction during the period	(21,284)	(212,839)
Closing balance	1,462,157	14,621,570

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Unit premium reserve		
Opening balance		-
Additions during the period		705,810
Deduction during the period		(12,236)
Closing balance		693,574
Unrealised Appreciation Reserve		
Opening balance		-
Change in net unrealised appreciation in value of investments		52,967
Closing balance		52,967
Surplus/(deficit) in Revenue account		
Opening balance		-
Additions during the period		287,470
Deduction during the period		-
Closing balance		287,470
General reserve*		-
Appropriation account*		-
Total	-	1,034,011

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Current liabilities		
Sundry creditors		9,557
Contracts for purchase of investments		299,796
Interest received in advance		-
Unclaimed distributed income		-
Unit redemption payable		13,089
Provisions		
Total		322,442

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I**Schedules forming part of the financial statements****Schedule 4: Investments****(In ₹)**

Particulars	As at March 31, 2014
	Amount
Equity shares	-
Preference shares	-
Debentures and bonds	13,431,122
Central and state government securities (including treasury bills)	-
Commercial Paper	-
Others - Mutual funds	1,975,286
Total	15,406,408

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Deposits with scheduled banks	-
Others	-
Total	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Balances with banks in current / saving account	5,113
Cash on hand	-
Sundry debtors	-
Contracts for sale of investments	-
Outstanding and accrued income	566,502
Advance, deposits etc.	-
Shares/debentures/ others application money pending allotment	-
Others - Dividend receivable	-
Total	571,615

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I . Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA) : National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS. Some of the key responsibilities of the CRA include the following:

- * Recordingkeeping, Administration and Customer service function for NPS subscriber,
- * Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- * Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- * PRAN Transaction Statement,
- * An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME C TIER I being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments
Scheme C - Credit risk bearing fixed income instruments
Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges. Any front-end discount offered for Privately placed debt instruments are reduced from the cost of the investment.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

Securities traded at a stock exchange:

The securities are valued at the daily close price on the stock exchange.

Debt securities (other than government securities) are valued at the last quoted closing price on the principal exchange on which the security is traded.

Collateralized borrowing and lending obligations (CBLO) and rediscounted bills are valued at cost plus accrued interest.

Money market instruments like treasury bills, commercial paper, and certificate of deposit are valued at amortised cost. If they are traded, then they are valued at the last traded price on NSE.

Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.

Securities not traded at a stock exchange:

Non-traded / thinly traded / privately placed debt securities including those not traded within fifteen days are valued "in-good faith" on the basis of following valuation methods approved by the Authority/Trust:

Non-traded debt securities i.e. securities not traded on a day are valued on a yield to maturity basis by using the benchmark rate / matrix of spread over risk free benchmark yield obtained from CRISIL and ICRA.

Debt securities are valued at yield to maturity based on the methodology provided by Independent valuation Agencies.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date up to the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date up to the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of debt securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/instalment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company is charging investment management fee @ 0.25% per annum (inclusive of brokerage, transaction cost etc. but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1 dated August 31, 2012.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 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

2. NAV

NAV disclosed in the Balance Sheet is as of March 31, 2013 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2014
	Amount
Uncalled liability on partly paid shares	Nil
Other commitments	Nil

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the period ended March 31,2014:

(In ₹)

Nature of Transaction	Amount
Investment management fees	8,310

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Amount
Investment management fees payable	8,310

Aggregate investments made in the Associates and group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
-	-	-	-

Investment with other Group Companies

(In ₹)

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

Notes to accounts

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	4,992,880
Purchase of Investment	138,131,191
% to average Net Assets Value	2766.56%
Sale of Investment	122,231,070
% to average Net Assets Value	2448.11%

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	4,992,880
Purchase of Investment	15,049,441
% to average Net Assets Value	301.42%
Sale of Investment	1,050,390
% to average Net Assets Value	21.04%

*liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

(In ₹)

Industry Classification	As at March 31, 2014	
	Market value	% of Industry Classification
Other credit granting	4,787,551	30.58%
Other monetary intermediation services n.e.c.	1,866,606	11.92%
Monetary intermediation of commercial banks, saving banks, postal savings bank and discount houses	1,436,350	9.17%
Service activities incidental to water transportation	1,039,413	6.64%
Activities of holding companies	1,011,361	6.46%
Electric power generation and transmission by nuclear power plants	993,153	6.34%
Transmission of electric energy	970,481	6.20%
Activities of specialized institutions granting credit for house purchases that also take deposits	926,519	5.92%
Others (Industries constitute less than 5%)	399,688	2.55%
Mutual Funds	1,975,286	12.62%
Net Current Assets	249,173	1.59%
Net Asset Value	15,655,581	100.00%

Note :

1. Industry classification has been taken at sub class level of National Industrial Classification (NIC) 2008.

2.The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I . Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

2.7 PORTFOLIO STATEMENT AS ON MARCH 31, 2014

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Non-convertible debenture	8.50% EXIM Bank Mat 08-07-2023	2	1,866,606	11.92%
	0% NABARD ZCB Mat 01-01-2018	100	1,436,350	9.17%
	10.40% Reliance Ports and Terminal Ltd NCD Mat 19-07-2021	1	1,039,413	6.64%
	9.85% Tata Sons Ltd NCD Mat 21-05-2017	1	1,011,361	6.46%
	9.18% Nuclear Power Corporation Ltd Mat 23-01-2029	1	993,153	6.34%
	9.33% IDFC Ltd NCD Mat 14-03-2026	1	982,134	6.27%
	8.95% Power Finance Corporation Ltd Mat 11-03-2018	1	980,959	6.27%
	8.70% Power Grid Ltd NCD Mat 15-07-2018	1	970,481	6.20%
	8.82% Rural Electrification Corporation Ltd Mat 12-04-2023	1	953,796	6.09%
	8.94% Power Finance Corporation Ltd Mat 25-03-2028	1	951,366	6.08%
	8.37% LIC Housing Finance Co. Ltd Mat 21-05-2023	1	926,519	5.92%
	7.74%IRFC Ltd NCD Mat 22-12-2020	1	919,297	5.87%
	10.75% Shriram Transport Finance Ltd Mat 24-10-2018	397	399,687	2.55%
Non-convertible debenture Total		509	13,431,122	85.79%
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	10,408	1,975,286	12.62%
Mutual Fund Units Total		10,408	1,975,286	12.62%
Net Current Assets		-	249,173	1.59%
Grand Total		10,917	15,655,581	100.00%

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I . Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER I

2.8 KEY STATISTICS FOR THE PERIOD ENDED MARCH 31, 2014

Sr No	Particulars	For the period ended March 31, 2014
1	NAV per unit (₹) I Open High Low End @	9.9999 10.7002 9.9999 10.7002
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	156.56 49.93
3	Gross income as % of AAuM III	7.01%
4	Expense ratio a Total expense as % of AAuM (scheme wise) IV b Management fee as % of AAuM (scheme wise) V	0.19% 0.28%
5	Net income as % of AAuM VI	6.82%
6	Portfolio turnover ratio VII	21.04%
7	Total dividend per unit distributed during the period	N.A.
8	Returns: (%) a Last one year Benchmark b Since inception Benchmark c Compound annualised yield (%) VIII Last 1 year Last 3 years Last 5 years Since launch of the scheme Launch Date	N.A. N.A. 7.00% 4.59% N.A. N.A. N.A. 10.89% August 01, 2013
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))	
II	AAuM = Average daily net assets	
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain	
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss	
V	Management fee as % of AAuM is annualised	
VI	Net income = Total income less Total expenses and losses	
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management	
VIII	Compounded annualised yield is to be calculated based on following formula: $' = (1 + \text{cumulative return})^n - 1$ (where n=365/no. of days) @ the declared NAV of March 28, 2014 is considered, as NAV for March 31, 2014 was not declared on account of holiday.	
	Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier I . Accordingly, previous year figures are not furnished.	



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME C TIER II**

**Financial Statements together
with Auditors' Report**

For the Financial year (period) ended March 31, 2014

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme C – Tier II under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd. (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and the Revenue Account for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.

e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA.

8. We further certify that

- a) Investments have been valued in accordance with the guidelines issued by the Authority.
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

REVENUE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2014

(In ₹)

Particulars	Schedule	For the period ended March 31, 2014
		Amount
Income & Gain		
Interest income		-
Dividend income		-
Profit on sale/redemption of investments(other than inter-scheme transfer/sale)		4,756
Profit on inter-scheme transfer/sale of investments		-
Unrealised gain on appreciation in investments		967
Total Income & Gain (A)		5,723
Unrealised losses in value of investments		-
Provision for outstanding accrued income considered doubtful		-
Provision for doubtful deposits and current assets		-
Loss on sale/redemption of investments(other than inter-scheme transfer/sale)		-
Loss on inter-scheme transfer/sale of investments		-
Management fees		182
Trusteeship/regulatory fees		-
Publicity expenses		-
Audit fees		-
Custodian fees		2
Trustee bank fees		-
CRA fees		67
Less : Amount recovered on sale of units on account of CRA Charges		(67)
Total Expenses & Losses (B)		184
Net Income & Gain/(Expenses & Losses) for the period (A-B) appropriated to Balance Sheet		5,539
Balance at the beginning of the period		-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(967)
Balance at the end of the period carried to Balance Sheet		4,572
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		5.88%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.19%
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier II . Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

BALANCE SHEET AS AT MARCH 31, 2014

(In ₹)

Particulars	Schedule	As at March 31, 2014
		Amount
Sources of funds		
Unitholders Funds		
Unit capital	1	321,050
Reserves and surplus	2	19,850
Current liabilities and provisions	3	343
Borrowings		
Total		341,243
Application of funds		
Investments (long term and short term)	4	340,966
Deposits	5	-
Other current assets	6	277
Total		341,243
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		340,900
(b) Number of units outstanding		32,105
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 2)		10.6182
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier II . Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Initial capital		-
Unit capital		
Opening balance		-
Additions during the period	32,482	324,823
Deduction during the period	(377)	(3,773)
Closing balance	32,105	321,050

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2014	
		Amount
Unit premium reserve		
Opening balance		-
Additions during the period		14,485
Deduction during the period		(174)
Closing balance		14,311
Unrealised Appreciation Reserve		
Opening balance		-
Change in net unrealised appreciation in value of investments		967
Closing balance		967
Surplus/(deficit) in Revenue account		
Opening balance		-
Additions during the period		4,572
Deduction during the period		-
Closing balance		4,572
General reserve*		-
Appropriation account*		-
Total	-	19,850

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2014	
		Amount
Current liabilities		
Sundry creditors		184
Contracts for purchase of investments		-
Interest received in advance		-
Unclaimed distributed income		-
Unit redemption payable		159
Provisions		-
Total		343

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II**Schedules forming part of the financial statements****Schedule 4: Investments****(In ₹)**

Particulars	As at March 31, 2014
	Amount
Equity shares	-
Preference shares	-
Debentures and bonds	-
Central and state government securities (including treasury bills)	-
Commercial Paper	-
Others - Mutual funds	340,966
Total	340,966

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Deposits with scheduled banks	-
Others	-
Total	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Balances with banks in current / saving account	277
Cash on hand	-
Sundry debtors	-
Contracts for sale of investments	-
Outstanding and accrued income	-
Advance, deposits etc.	-
Shares/debentures/ others application money pending allotment	-
Others - Dividend receivable	-
Total	277

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ('PFRDA') for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ('PFRDA' / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA) : National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS. Some of the key responsibilities of the CRA include the following:

- * Recordingkeeping, Administration and Customer service function for NPS subscriber,
- * Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- * Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- * PRAN Transaction Statement,
- * An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME C TIER II being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments
Scheme C - Credit risk bearing fixed income instruments
Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges. Any front-end discount offered for Privately placed debt instruments are reduced from the cost of the investment.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

Securities traded at a stock exchange:

The securities are valued at the daily close price on the stock exchange.

Debt securities (other than government securities) are valued at the last quoted closing price on the principal exchange on which the security is traded.

Collateralized borrowing and lending obligations (CBLO) and rediscounted bills are valued at cost plus accrued interest.

Money market instruments like treasury bills, commercial paper, and certificate of deposit are valued at amortised cost. If they are traded, then they are valued at the last traded price on NSE.

Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.

Securities not traded at a stock exchange:

Non-traded / thinly traded / privately placed debt securities including those not traded within fifteen days are valued "in-good faith" on the basis of following valuation methods approved by the Authority/Trust:

Non-traded debt securities i.e. securities not traded on a day are valued on a yield to maturity basis by using the benchmark rate / matrix of spread over risk free benchmark yield obtained from CRISIL and ICRA.

Debt securities are valued at yield to maturity based on the methodology provided by Independent valuation Agencies.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of debt securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/instalment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company is charging investment management fee @ 0.25% per annum (inclusive of brokerage, transaction cost etc. but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1 dated August 31, 2012.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 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

2. NAV

NAV disclosed in the Balance Sheet is as of March 31, 2013 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2014
Uncalled liability on partly paid shares	Nil
Other commitments	Nil

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the period ended March 31,2014:

(In ₹)

Nature of Transaction	Amount
Investment management fees	162

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Amount
Investment management fees payable	162

Aggregate investments made in the Associates and group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
-	-	-	-

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
-	-	-	-

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

Notes to accounts

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	97,318
Purchase of Investment	1,515,907
% to average Net Assets Value	1557.69%
Sale of Investment	1,180,663
% to average Net Assets Value	1213.21%

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	97,318
Purchase of Investment	-
% to average Net Assets Value	-
Sale of Investment	-
% to average Net Assets Value	-

*liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

(In ₹)

Industry Classification	As at March 31, 2014	
	Market value	% of investment class
Mutual Funds	340,966	100.02%
Net Current Assets	(66)	-0.02%
Net Asset Value	340,900	100.00%

2.7 Portfolio Statement as on March 31, 2014

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	1,797	340,966	100.02%
Mutual Fund Units Total		1,797	340,966	100.02%
Net Current Assets		-	(66)	-0.02%
Grand Total		1,797	340,900	100.00%

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME C TIER II

2.8 KEY STATISTICS FOR THE PERIOD ENDED MARCH 31, 2014

Sr No	Particulars	For the period ended March 31, 2014
1	NAV per unit (₹) I Open High Low End @	9.9999 10.6116 9.9998 10.6116
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	3.41 0.97
3	Gross income as % of AAuM III	5.88%
4	Expense ratio a Total expense as % of AAuM (scheme wise) IV b Management fee as % of AAuM (scheme wise) V	0.19% 0.28%
5	Net income as % of AAuM VI	5.69%
6	Portfolio turnover ratio VII	0.00%
7	Total dividend per unit distributed during the period	N.A
8	Returns: (%) a Last one year Benchmark b Since inception Benchmark IX c Compound annualised yield (%) VIII Last 1 year Last 3 years Last 5 years Since launch of the scheme Launch Date	N.A N.A 6.12% 4.59% N.A N.A N.A 9.49% August 01, 2013
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))	
II	AAuM = Average daily net assets	
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain	
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised /Realised loss	
V	Management fee as % of AAuM is annualised	
VI	Net income = Total income less Total expenses and losses	
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management	
VIII	Compounded annualised yield is to be calculated based on following formula: $'=(1 + \text{cumulative return})^n - 1$ (where n=365/no. of days)	
IX	\$ Due to small fund size of Scheme C Tier II , investment has been made temporarily in Liquid Mutual Fund. Hence, Fund performance of the scheme for the period is not comparable with the benchmark. @ The declared NAV of March 28, 2014 is considered, as NAV for March 31, 2014 was not declared on account of holiday.	
	Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme C Tier II. Accordingly, previous year figures are not furnished.	



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME G TIER I**

**Financial Statements together
with Auditors' Report**

For the Financial year (period) ended March 31, 2014

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme G – Tier I under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd. (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and the Revenue Account for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment or the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.

e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA.

8. We further certify that

- a) Investments have been valued in accordance with the guidelines issued by the Authority.
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

REVENUE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2014

(In ₹)

Particulars	Schedule	For the period ended March 31, 2014
		Amount
Income & Gain		
Interest income		382,152
Dividend income		-
Profit on sale/redemption of investments(other than inter-scheme transfer/sale)		10,001
Profit on inter-scheme transfer/sale of investments		-
Unrealised gain on appreciation in investments		53,628
Total Income & Gain (A)		445,781
Expenses & Losses		
Unrealised losses in value of investments		-
Provision for outstanding accrued income considered doubtful		-
Provision for doubtful deposits and current assets		-
Loss on sale/redemption of investments(other than inter-scheme transfer/sale)		-
Loss on inter-scheme transfer/sale of investments		-
Management Fees		12,924
Trusteeship/regulatory fees		-
Publicity expenses		-
Audit fees		-
Custodian fees		388
Trustee bank fees		-
CRA fees		14,045
Less : Amount recovered on sale of units on account of CRA Charges		(14,045)
Total Expenses & Losses (B)		13,312
Net Income & Gain/(Expenses & Losses) for the period (A-B) appropriated to Balance Sheet		432,469
Balance at the beginning of the period		-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(53,628)
Balance at the end of the period carried to Balance Sheet		378,841
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		6.45%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.19%
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier I. Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

BALANCE SHEET AS AT MARCH 31, 2014

(In ₹)

Particulars	Schedule	As at March 31, 2014
		Amount
Sources of funds		
Unitholders Funds		
Unit capital	1	19,444,475
Reserves and surplus	2	646,530
Current liabilities and provisions	3	18,897
Borrowings		-
Total		20,109,902
Application of funds		
Investments (long term and short term)	4	19,739,911
Deposits	5	-
Other current assets	6	369,991
Total		20,109,902
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		20,091,005
(b) Number of units outstanding		1,944,448
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 2)		10.3325
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier I. Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

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For G. M. Kapadia & Co.
Chartered Accountants
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Place : Mumbai

Date : April 17, 2014

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Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi

Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Initial capital		-
Unit capital		
Opening balance		-
Additions during the period	1,951,073	19,510,733
Deduction during the period	(6,626)	(66,258)
Closing balance	1,944,447	19,444,475

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2014	
		Amount
Unit premium reserve		
Opening balance		-
Additions during the period		215,527
Deduction during the period		(1,466)
Closing balance		214,061
Unrealised Appreciation Reserve		
Opening balance		-
Change in net unrealised appreciation in value of investments		53,628
Closing balance		53,628
Surplus/(deficit) in Revenue account		
Opening balance		-
Additions during the period		378,841
Deduction during the period		-
Closing balance		378,841
General reserve*		-
Appropriation account*		-
Total	-	646,530

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2014	
		Amount
Current liabilities		
Sundry creditors		13,313
Contracts for purchase of investments		-
Interest received in advance		-
Unclaimed distributed income		-
Unit redemption payable		5,584
Provisions		
Total		18,897

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I**Schedules forming part of the financial statements****Schedule 4: Investments****(In ₹)**

Particulars	As at March 31, 2014
	Amount
Equity shares	-
Preference shares	-
Debentures and bonds	-
Central and state government securities (including treasury bills)	18,848,831
Commercial Paper	-
Others - Mutual funds	891,080
Total	19,739,911

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Deposits with scheduled banks	-
Others	-
Total	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Balances with banks in current / saving account	360
Cash on hand	-
Sundry debtors	-
Contracts for sale of investments	-
Outstanding and accrued income	369,631
Advance, deposits etc.	-
Shares/debentures/ others application money pending allotment	-
Others - Dividend receivable	-
Total	369,991

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA) : National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS. Some of the key responsibilities of the CRA include the following:

- * Recordingkeeping, Administration and Customer service function for NPS subscriber,
- * Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- * Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- * PRAN Transaction Statement,
- * An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME G TIER I being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments
Scheme C - Credit risk bearing fixed income instruments
Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges. Any front-end discount offered for Privately placed debt instruments are reduced from the cost of the investment.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Central government securities are valued at the aggregated prices received from independent valuation agencies.

Treasury bills are valued at amortised cost. If they are traded, then they are valued at the last traded price on NSE.

Collateralized borrowing and lending obligations (CBLO) and rediscounted bills are valued at cost plus accrued interest.

Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount relating to Treasury bills is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of Government securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/installment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company is charging investment management fee @ 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1 dated August 31, 2012.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 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

2. NAV

NAV disclosed in the Balance Sheet is as of March 31, 2013 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2014
Uncalled liability on partly paid shares	Nil
Other commitments	Nil

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the period ended March 31, 2014:

(In ₹)

Nature of Transaction	Amount
Investment management fees	11,503

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Amount
Investment management fees payable	11,503

Aggregate investments made in the Associates and group companies as at March 31, 2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
-	-	-	-

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31, 2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
-	-	-	-

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier I . Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

Notes to accounts

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	6,911,321
Purchase of Investment	47,210,339
% to average Net Assets Value	683.09%
Sale of Investment	27,167,243
% to average Net Assets Value	393.08%

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	6,911,321
Purchase of Investment	19,235,985
% to average Net Assets Value	278%
Sale of Investment	73,516
% to average Net Assets Value	1.06%

*liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

(In ₹)

Industry Classification	As at March 31, 2014	
	Market value	% of Industry Classification
Central Government Securities	18,848,831	93.82%
Mutual Funds	891,080	4.44%
Net Current Assets	351,094	1.75%
Net Asset Value	20,091,005	100.00%

2.7 Portfolio Statement as on March 31, 2014

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Government Securities	8.28% GOI Mat 21-09-2027	24,000	2,240,400	11.15%
	8.28% GOI Mat 15-02-2032	22,000	2,036,100	10.13%
	8.24% GOI Mat 15-02-2027	20,700	1,928,205	9.60%
	8.12% GOI Mat 10-12-2020	18,700	1,784,541	8.88%
	8.33% GOI Mat 09-07-2026	17,100	1,608,255	8.00%
	7.28% GOI Mat 03-06-2019	16,900	1,580,826	7.87%
	9.20% GOI Mat 30-09-2030	14,700	1,483,083	7.38%
	8.30% GOI Mat 31-12-2042	13,500	1,242,000	6.18%
	8.32% GOI Mat 02-08-2032	12,700	1,180,148	5.87%
	8.83% GOI Mat 25-11-2023	9,000	901,350	4.49%
	8.20% GOI Mat 24-09-2025	9,400	877,960	4.37%
	8.33% GOI Mat 07-06-2036	8,000	740,640	3.69%
	8.83% GOI Mat 12-12-2041	7,100	692,498	3.45%
	7.16% GOI Mat 20-05-2023	6,300	552,825	2.75%
	Government Securities Total		200,100	18,848,831
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	4,695	891,080	4.44%
Mutual Fund Units Total		4,695	891,080	4.44%
Net Current Assets		-	351,094	1.75%
Grand Total		204,795	20,091,005	100.00%

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier I. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER I

2.8 KEY STATISTICS FOR THE PERIOD ENDED MARCH 31, 2014

SCHEME G TIER I

Sr No	Particulars	For the period ended March 31, 2014
1	NAV per unit (₹) I Open High Low End @	9.9999 10.3490 9.6357 10.3277
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	200.91 69.11
3	Gross income as % of AAuM III	6.45%
4	Expense ratio a Total expense as % of AAuM (scheme wise) IV b Management fee as % of AAuM (scheme wise) V	0.19% 0.28%
5	Net income as % of AAuM VI	6.26%
6	Portfolio turnover ratio VII	1.06%
7	Total dividend per unit distributed during the period	NA
8	Returns: (%) a Last one year Benchmark b Since inception Benchmark c Compound annualised yield (%) VIII Last 1 year Last 3 years Last 5 years Since launch of the scheme Launch Date	N.A. N.A. 3.28% 1.79% N.A. N.A. N.A. 5.05% August 01, 2013
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))	
II	AAuM = Average daily net assets	
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain	
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Realised/Unrealised Losses	
V	Management fee as % of AAuM is annualised	
VI	Net income = Gross income less Total expenses and losses	
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management	
VIII	Compounded annualised yield is to be calculated based on following formula: $(1 + \text{cumulative return})^n - 1$ (where $n=365/\text{no. of days}$) @ The declared NAV of March 28, 2014 is considered, as NAV for March 31, 2014 was not declared on account of holiday. Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier I. Accordingly, previous year figures are not furnished.	



**NPS TRUST A/C HDFC PENSION MANAGEMENT
COMPANY LIMITED - SCHEME G TIER II**

**Financial Statements together
with Auditors' Report**

For the Financial year (period) ended March 31, 2014

Contents

Auditors' Report

Balance Sheet

Revenue Account

Accounting Policies and Notes to Accounts

INDEPENDENT AUDITORS' REPORT

To,

The Board of Trustees
National Pension System (NPS) Trust
1st Floor, ICADR Building,
6, Vasant Kunj Institutional Area- Phase II,
New Delhi 110 070

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c HDFC Pension Fund Scheme G – Tier II under the National Pension System Trust (NPS Trust)** managed by **HDFC Pension Management Company Ltd. (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and the Revenue Account for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as of March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date:

Report on Other Legal and Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditors Report of Schemes under National Pension System) Guidelines 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transactions expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.

e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA.

8. We further certify that

- a) Investments have been valued in accordance with the guidelines issued by the Authority.
- b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Place: Mumbai
Dated:

Atul Shah
Partner
Membership No. 39569

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

REVENUE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2014

(In ₹)

Particulars	Schedule	For the period ended March 31, 2014
		Amount
Income & Gain		
Interest income		3,682
Dividend income		-
Profit on sale/redemption of investments(other than inter-scheme transfer/sale)		499
Profit on inter-scheme transfer/sale of investments		-
Unrealised gain on appreciation in investments		1,220
Total Income & Gain (A)		5,401
Expenses & Losses		
Unrealised losses in value of investments		-
Provision for outstanding accrued income considered doubtful		-
Provision for doubtful deposits and current assets		-
Loss on sale/redemption of investments(other than inter-scheme transfer/sale)		-
Loss on inter-scheme transfer/sale of investments		-
Management fees		139
Trusteeship/regulatory fees		-
Publicity expenses		-
Audit fees		-
Custodian fees		5
Trustee bank fees		-
CRA fees		54
Less : Amount recovered on sale of units on account of CRA Charges		(54)
Total Expenses & Losses (B)		144
Net Income & Gain/(Expenses & Losses) for the period (A-B) appropriated to Balance Sheet		5,257
Balance at the beginning of the period		-
Net Unrealised appreciation in value of Investment transferred from/ (to) Unrealised Appreciation Reserve		(1,220)
Balance at the end of the period carried to Balance Sheet		4,037
Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis.		7.26%
Total expenditure expressed as a percentage of average net assets, calculated on a daily basis.		0.19%
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier II . Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

BALANCE SHEET AS AT MARCH 31, 2014

(In ₹)

Particulars	Schedule	As at March 31, 2014
		Amount
Sources of funds		
Unitholders Funds		
Unit capital	1	307,299
Reserves and surplus	2	18,337
Current liabilities and provisions	3	143
Borrowings		
Total		325,779
Application of funds		
Investments (long term and short term)	4	320,920
Deposits	5	-
Other current assets	6	4,859
Total		325,779
(a) Net asset as per Balance Sheet (Schedule 4+5+6 -3)		325,636
(b) Number of units outstanding		30,730
(c) NAV per unit (a)/(b) (₹) (Refer Schedule 7 Note 2)		10.5967
Significant accounting policies and notes to accounts	7	

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier II. Accordingly, previous year figures are not furnished.

The notes referred to above form an integral part of the financial statements.

For and on behalf of Board of Directors of HDFC Pension Management Company Limited

As per our report of even date

Amitabh Chaudhry
Director

Vibha Padalkar
Director

For G. M. Kapadia & Co.
Chartered Accountants
Firm Registration No. 104767W

Sumit Shukla
Chief Executive Officer

Nagesh Pai
Company Secretary

Atul Shah
Partner
Membership No. 39569

Place : Mumbai
Date : April 17, 2014

For and on Behalf of NPS Trust

Chairman, NPS Trust Board

Chief Executive Officer & Trustee

Place : New Delhi
Date : -

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Schedules forming part of the financial statements

Schedule 1: Unit capital

(In ₹)

Particulars	As at March 31, 2014	
	Units	Amount
Initial capital		-
Unit capital		
Opening balance		-
Additions during the period	30,779	307,785
Deduction during the period	(49)	(486)
Closing balance	30,730	307,299

Schedule 2: Reserves and surplus

(In ₹)

Particulars	As at March 31, 2014	
	Amount	
Unit premium reserve		
Opening balance		-
Additions during the period		13,105
Deduction during the period		(25)
Closing balance		13,080
Unrealised Appreciation Reserve		
Opening balance		-
Change in net unrealised appreciation in value of investments		1,220
Closing balance		1,220
Surplus/(deficit) in Revenue account		
Opening balance		-
Additions during the period		4,037
Deduction during the period		-
Closing balance		4,037
General reserve*		-
Appropriation account*		-
Total	-	18,337

* The balances have been nil throughout the period

Schedule 3: Current liabilities and provisions

(In ₹)

Particulars	As at March 31, 2014	
	Amount	
Current liabilities		
Sundry creditors		143
Contracts for purchase of investments		-
Interest received in advance		-
Unclaimed distributed income		-
Unit redemption payable		-
Provisions		-
Total		143

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II**Schedules forming part of the financial statements****Schedule 4: Investments****(In ₹)**

Particulars	As at March 31, 2014
	Amount
Equity shares	-
Preference shares	-
Debentures and bonds	-
Central and state government securities (including treasury bills)	302,408
Commercial Paper	-
Others - Mutual funds	18,512
Total	320,920

Schedule 5: Deposits**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Deposits with scheduled banks	-
Others	-
Total	-

Schedule 6: Other current assets**(In ₹)**

Particulars	As at March 31, 2014
	Amount
Balances with banks in current / saving account	266
Cash on hand	-
Sundry debtors	-
Contracts for sale of investments	-
Outstanding and accrued income	4,593
Advance, deposits etc.	-
Shares/debentures/ others application money pending allotment	-
Others - Dividend receivable	-
Total	4,859

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

1.1 Background

HDFC Pension Management Company Limited ('the Company') has been appointed as a Pension Fund Manager ('PFM') by the Pension Fund Regulatory and Development Authority ("PFRDA") for the management of Pension Schemes under the National Pension System ('NPS'). Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS Trust. The Pension Fund Regulatory and Development Authority ("PFRDA" / "Authority") guidelines require each PFM to manage subscribers' funds. As per unbundled architecture of the NPS, the main responsibility of PFM is to manage funds in accordance with the laid down guidelines and declare NAV. As per the architecture, the NSDL e-Governance Infrastructure Ltd., being the Central Recordkeeping Agency (CRA) provides consolidated data to PFM for allotment / redemption of units and Axis Bank, being the Trustee Bank, provides / receives funds on consolidated basis in respect of such allotment / redemption.

Central Record Keeping Agency (CRA) : National Securities Depository Limited (NSDL) and PFRDA have set up Central Recordkeeping Agency (CRA) for the NPS. Some of the key responsibilities of the CRA include the following:

- * Recordingkeeping, Administration and Customer service function for NPS subscriber,
- * Providing Unique Permanent Retirement Account Number (PRAN) to each subscriber,
- * Maintaining database of all PRANs issued and recording transactions relating to each subscribers PRAN,
- * PRAN Transaction Statement,
- * An operational interface between PFRDA and other NPS intermediaries such as Pension Funds, Annuity Service Providers, Trust Bank etc.

CRA is responsible to resolve all queries pertaining to investors. CRA informs about the fund flow to Pension Fund Managers (PFM) and also instruct AXIS Bank to credit PFM's pool account maintained with them.

NPS trust has designated Stock Holding Corporation of India Ltd. (SHCIL) as the custodian, who is responsible for safe custody of securities and settlements of trades.

The fees payable to CRA, in terms of IMA, is charged to the investor by redeeming the equivalent number of units on receipt of intimation from CRA. As stated above, the amount of funds received from the subscribers is intimated by the Trustee Bank on consolidated basis on T+2 basis. PFM records the same on receipt basis. Accordingly, funds with Trustee Bank at the yearend do not get reflected in the financial statements.

1.2 Basis of preparation

The financial statements have been prepared to comply with the Pension Fund Regulatory and Development Authority Act, 2013, PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except as otherwise stated.

The financials have been prepared for SCHEME G TIER II being managed by the Company.

The Company manages six separate schemes under the two tiered structure (Tier I and II) prescribed under the NPS. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:

Scheme E - Equity market instruments
Scheme C - Credit risk bearing fixed income instruments
Scheme G - Government securities

1.3 Investments

Transactions for purchase and sale of securities are accounted on trade date.

The holding cost of investments is determined by the weighted average cost method and the cost does not include brokerage and other transaction charges.

The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges. Any front-end discount offered for Privately placed debt instruments are reduced from the cost of the investment.

Investments are reconciled with the custodian records on daily basis.

Valuation of Investments

The scheme marks all investments to market and carries investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.

The change in unrealised appreciation/depreciation in the value of investments is determined separately for each assets category at the year-end and is recognised in the Revenue Account. The change in net unrealised appreciation, if any, is transferred to /from "Unrealised Appreciation Reserve" shown as part of Reserves and Surplus.

As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL) effective April 1, 2011. The Investment valuation methodology adopted by SHCIL is as follows:

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Schedule 7

Significant accounting policies & notes to accounts for the period ended March 31, 2014

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines - 2012.

Central government securities are valued at the aggregated prices received from independent valuation agencies.

Treasury bills are valued at amortised cost. If they are traded, then they are valued at the last traded price on NSE.

Collateralized borrowing and lending obligations (CBLO) and rediscounted bills are valued at cost plus accrued interest.

Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.

1.4 Income Recognition

Interest income on all interest bearing investment is recognised on daily accrual basis; when investments are purchased, interest paid for the period from the last interest due date upto the date of purchase is debited to Interest Recoverable Account and not included in cost of purchase. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale credited to Interest Recoverable Account and not included in sale value.

Accretion of discount relating to Treasury bills is recognised over the holding / maturity period on a straight-line basis.

Profit or loss on sale of Government securities is the difference between the sale consideration net of expenses and the weighted average amortised cost as on the date of sale.

Profit or loss on sale of mutual fund units is the difference between the sale consideration net of expenses and the weighted average book cost.

1.5 Non-Performing Assets

An investment is regarded as non-performing, if interest/principal or both amount has not been received or has remained outstanding for 90 days from the day such income/installment has fallen due.

Where income receivable on investments has accrued but has not been received for a period of 90 days beyond the due date, provision is made by debiting to the Revenue Account for the income so accrued and no further accrual of income shall be made in respect of such investments.

Income on non-performing assets (NPA) are recognised on receipt and other incomes of miscellaneous nature are accounted for when there is certainty of collection.

1.6 Units reconciliation

The subscribers' units as per Investment management system are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.

1.7 Investment management fees

Investment management fees are recognised on daily accrual basis on closing Asset Under Management (AUM) in accordance with IMA. The Investment management fee is inclusive of brokerage but excludes custodian charges and applicable taxes, if any.

The Company is charging investment management fee @ 0.25% per annum (inclusive of brokerage but excluding custodian charges and applicable taxes), in terms of the Pension Fund Regulatory and Development Authority's circular no. PFRDA/CIR/1/PFM/1 dated August 31, 2012.

1.8 Other Expenses

Custody charges are recognised on daily accrual basis in accordance with IMA. Trustee bank charges, if any, are recognised when they are debited by the trustee bank on a quarterly basis.

1.9 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

2. NAV

NAV disclosed in the Balance Sheet is as of March 31, 2013 however, for the FY 2013-14, the last business day was March 28, 2014 and hence, the last declared NAV was as of March 28, 2014.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Notes to accounts

2.1 Contingent liabilities

(In ₹)

Particulars	As at March 31, 2014
Uncalled liability on partly paid shares	Nil
Other commitments	Nil

2.2 Investments

All investments are performing investments. All investments of the scheme are in the name of the NPS Trust. All investments are traded investments.

2.3 Details of transactions with sponsor and its related parties

Nature of relationship	Name of the related party
Pension fund manager	HDFC Pension Management Company Limited
Sponsor company	HDFC Standard Life Insurance Company Limited
Associates and group companies	
Holding Company	HDFC Limited
Mr. Amitabh Chaudhry	Key Management Personnel
Ms. Vibha Padalkar	Key Management Personnel
Mr. Sumit Shukla	Key Management Personnel

The following represents significant transactions between the Company and its related parties for the period ended March 31,2014:

(In ₹)

Nature of Transaction	Amount
Investment management fees	124

Balances with HDFC Pension Management Company Limited are as follows:

(In ₹)

Nature of Transaction	Amount
Investment management fees payable	124

Aggregate investments made in the Associates and group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
-	-	-	-

Investment with other Group Companies

Nature of relationship	Name of the related party
Associates of Holding Company	HDFC Bank Limited

Aggregate investments made in the other group companies as at March 31,2014 are as follows:

(In ₹)

Name of the Company	Asset type	Cost	Market value
-	-	-	-

2.4 Provision

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

Notes to accounts

2.5 Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	74,424
Purchase of Investment	1,328,040
% to average Net Assets Value	1784.44%
Sale of Investment	1,002,149
% to average Net Assets Value	1346.55%

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average assets as at March 31,2014 is as follows :

(In ₹)

Particular	Amount
Average Net Asset Value	74,424
Purchase of Investment	307,890
% to average Net Assets Value	413.70%
Sale of Investment	-
% to average Net Assets Value	-

*liquid mutual fund investments are held for day to day cash management, hence excluded

2.6 Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

(In ₹)

Industry Classification	As at March 31, 2014	
	Market value	% of Industry Classification
Central Government Securities	302,408	92.87%
Mutual Funds	18,512	5.68%
Net Current Assets	4,716	1.45%
Net Asset Value	325,636.00	100.00%

2.7 Portfolio Statement as on March 31, 2014

(In ₹)

Asset Head	Scrip Name	Quantity	Market Value	% of Portfolio
Government Securities	8.24% GOI Mat 15-02-2027	800	74,520	22.89%
	8.20% GOI Mat 24-09-2025	600	56,040	17.21%
	9.20% GOI Mat 30-09-2030	500	50,445	15.49%
	8.28% GOI Mat 21-09-2027	500	46,675	14.33%
	8.32% GOI Mat 02-08-2032	300	27,877	8.56%
	8.28% GOI Mat 15-02-2032	300	27,765	8.53%
	8.12% GOI Mat 10-12-2020	200	19,086	5.86%
	Government Securities Total		3,200	302,408
Mutual Fund Units	ICICI Prudential Liquid - Direct Plan - Growth	98	18,512	5.68%
Mutual Fund Units Total		98	18,512	5.68%
Net Current Assets		-	4,716	1.45%
Grand Total		3,298	325,636	100.00%

Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier II. Accordingly, previous year figures are not furnished.

NPS TRUST A/C HDFC PENSION MANAGEMENT COMPANY LIMITED - SCHEME G TIER II

2.8 KEY STATISTICS FOR THE PERIOD ENDED MARCH 31, 2014

Sr No	Particulars	For the period ended March 31, 2014
1	NAV per unit (₹) I Open High Low End @	9.9999 10.6369 9.9981 10.5917
2	Closing Assets Under Management (₹ in Lakhs) End Average daily net assets (AAuM) II	3.26 0.74
3	Gross income as % of AAuM III	7.26%
4	Expense ratio a Total expense as % of AAuM (scheme wise) IV b Management fee as % of AAuM (scheme wise) V	0.19% 0.28%
5	Net income as % of AAuM VI	7.06%
6	Portfolio turnover ratio VII	-
7	Total dividend per unit distributed during the period	N.A.
8	Returns: (%) a Last one year Benchmark b Since inception Benchmark c Compound annualised yield (%) VIII Last 1 year Last 3 years Last 5 years Since launch of the scheme Launch Date	N.A. N.A. 5.92% 1.79% N.A. N.A. N.A. 9.18% August 01, 2013
I	NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))	
II	AAuM = Average daily net assets	
III	Gross income = Income includes Interest, Dividend, Realised/Unrealised Gain	
IV	Total expenses = Expenses include management fees, custody fees, trustee bank charges but excludes Unrealised/Realised loss	
V	Management fee as % of AAuM is annualised	
VI	Net income = Total income less Total expenses and losses	
VII	Portfolio turnover = Lower of sales or purchase divided by the average AUM for the period. Investments in liquid mutual fund is excluded from the turnover as the same is primarily for liquidity management	
VIII	Compounded annualised yield is to be calculated based on following formula: $=(1 + \text{cumulative return})^n - 1$ (where n=365/no. of days) @ The declared NAV of March 28, 2014 is considered, as NAV for March 31, 2014 was not declared on account of holiday.	
	Note :- The Scheme has commenced its operations from August 1, 2013 and this is the first accounting period of the Scheme G Tier II. Accordingly, previous year figures are not furnished.	