

## ANNUAL REPORT 2006 - 2007

Principal PNB Fixed Maturity Plan - 460 Days - Series I • Principal PNB Fixed Maturity Plan - 385 Days - Series I • Principal PNB Fixed Maturity Plan - 385 Days - Series II • 'Principal PNB Fixed Maturity Plan - 460 Days Series II' • Principal PNB Fixed Maturity Plan - 385 Days Series III • 'Principal PNB Fixed Maturity Plan - 91 Days Series VI' • Principal PNB Fixed Maturity Plan - 540 Days Series I • 'Principal PNB Fixed Maturity Plan - 91 Days Series VII' • 'Principal PNB Fixed Maturity Plan - 91 Days Series VIII' • 'Principal PNB Fixed Maturity Plan - 460 Days Series III' • 'Principal PNB Fixed Maturity Plan - 385 Days Series IV' • 'Principal PNB Fixed Maturity Plan - 91 Days - Series IX'



## REPORT OF THE TRUSTEES TO THE UNITHOLDERS OF PRINCIPAL MUTUAL FUND

The Directors of the Trustee Company have pleasure in presenting before you the Thirteenth Annual Report of the schemes of Principal Mutual Fund for the year ended March 31, 2007.

### OVERVIEW – EQUITY MARKETS

The performance of the key stock market indices during the year was as below :

Indices	Performance (1 year)	2 years	3 years
NSE Nifty	12.31%	37.02%	29.20%
BSE Sensex	15.89%	41.89%	32.73%
BSE 500 Index	9.71%	34.61%	30.23%
BSE Midcap Index	0.66%	32.19%	37.24%

(Performance for 1 year, 2 years and 3 years CAGR numbers)

The performance of the relative stock indices has shown a trend in the past three years. In 2004-05, the mid-cap indices outperformed the large cap indices like the Sensex and the NSE Nifty by a very large margin. In 2005-06, the performance of the large cap and the mid-cap indices was very similar, and in the last year, the large cap indices have outperformed the mid-cap index very substantially. The first quarter of the financial year was very volatile for stocks globally. The likelihood of substantially higher interest rates on account of higher inflation spooked the markets, and there was a good correction in markets worldwide. In India, the large cap indices fell about 30% from May to June, while the mid-cap indices fell substantially more, nearly 38%, during the period.

India was a mid-rung performer among emerging markets during the year. India's valuations remain at a premium to other emerging markets however.

During the year, the sectors which did well were financials, IT and energy. The automobile, consumer goods and pharmaceuticals sectors performed poorly.

Overall inflows from FIIs and Mutual Funds were strong during the year.

### Equity Schemes – Investment Objectives & Performance during Financial Year 2006-07

#### PRINCIPAL GROWTH FUND

**Investment Objective:** To achieve long-term capital appreciation.

#### Performance:

Period	Date	Appreciation	
		NAV <sup>^</sup>	S&P Nifty
As On	30-03-07		
Last 1 Year	30-03-06	-1.06%	11.78%
Last 3 Years	30-03-04	35.81%	29.73%
Last 5 Years	28-03-02	36.18%	27.55%
Since Inception	25-10-00	27.01%	19.99%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option

#### PRINCIPAL LARGE CAP FUND

**Investment Objective:** The Investment Objective of the scheme would be to provide capital appreciation and /or dividend distribution by predominantly investing in Companies having a large market capitalization.

#### Performance:

Period	Date	Appreciation	
		NAV <sup>^</sup>	S&P Nifty
As On	30-03-07		
Last 1 Year	30-03-06	12.53%	11.78%
Since Inception	11-11-05	42.14%	34.09%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option

#### PRINCIPAL INFRASTRUCTURE & SERVICES INDUSTRIES FUND

**Investment Objective:** To provide capital appreciation and income distribution to the unit holders by investing predominantly in equity/equity related securities of the companies belonging to the infrastructure and service industries and the balance in debt securities and money market instruments including call money.

#### Performance:

Period	Date	Appreciation	
		NAV <sup>^</sup>	S&P Nifty
As On	30-03-07		
Last 1 Year	30-03-06	3.40%	11.78%
Since Inception	06-03-06	8.98%	18.46%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option

#### PRINCIPAL DIVIDEND YIELD FUND

**Investment Objective:** The scheme would be to provide capital appreciation and / or dividend distribution by investing predominantly in a well-diversified portfolio of companies that have a relatively high dividend yield.

#### Performance:

Period	Date	Appreciation	
		NAV <sup>^</sup>	S&P CNX 500 Nifty
As On	30-03-07		
Last 1 Year	30-03-06	-14.37%	8.42%
Since Inception	15-10-04	15.88%	34.89%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option

#### PRINCIPAL JUNIOR CAP FUND

**Investment Objective:** The investment objective of the scheme is to provide capital appreciation and/ or income in the form of dividend by investing predominantly (at least 65% of net assets) in the equity and equity related instruments of the companies within the market capitalization range of the companies comprising CNX Nifty Junior Index. Of this, at least 51% will be invested in the equity and equity related instruments of the companies that comprise the CNX Nifty Junior Index. Upto 35% of net assets will be invested in the stocks of companies with the market capitalization below Rs. 2000 crore as on the date of investment.

#### Performance :

Period	Date	Appreciation	
		NAV <sup>^</sup>	CNX Nifty Junior
As On	30-03-07		
Last 1 Year	30-03-06	4.39%	9.76%
Since Inception	30-06-05	21.43%	29.23%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option

**PRINCIPAL FOCUSED ADVANTAGE FUND**

**Investment Objective:** The Investment Objective of the scheme would be to provide capital appreciation and /or dividend distribution by investing in companies from a maximum of six sectors, depending upon their growth prospects and valuation at any given point in time.

**Performance:**

Period	Date	Appreciation	
		NAV^	S&P Nifty
As On	30-03-07		
Last 1 Year	30-03-06	0.13%	11.78%
Since Inception	15-03-05	23.68%	33.19%

**Note:** The past performance may or may not be sustained in the future.

^ Growth Option

**PRINCIPAL RESURGENT INDIA EQUITY FUND**

**Investment Objective:** To generate long term capital appreciation by investing in equity and equity related securities of Indian Companies that are perceived to be potential growth stories.

**Performance:**

Period	Date	Appreciation	
		NAV^	S&P Nifty
As On	30-03-07		
Last 1 Year	30-03-06	11.91%	11.78%
Last 3 Years	29-03-04	30.50%	29.41%
Last 5 Years	28-03-02	46.31%	27.55%
Since Inception	30-06-00	33.64%	15.19%

**Note:** The past performance may or may not be sustained in the future.

^ Growth Option

**PRINCIPAL TAX SAVINGS FUND**

**Investment Objective:** To build a high quality growth-oriented portfolio to provide long-term capital gains to the investors. The scheme aims at providing returns through capital appreciation.

**Performance:**

Period	Date	Appreciation	
		NAV	S&P Nifty
As On	30-03-07		
Last 1 Year	30-03-06	8.25%	11.78%
Last 3 Years	30-03-04	41.48%	29.73%
Last 5 Years	28-03-02	41.18%	27.55%
Since Inception	31-03-96	23.25%	12.98%

**Note:** The past performance may or may not be sustained in the future.

**PRINCIPAL PERSONAL TAX SAVER FUND**

**Investment Objective:** The investment objective of the scheme is to provide long term growth of capital. The Investment Manager will aim to achieve a return on assets in excess of the performance of BSE 100 Index.

**Performance :**

Period	Date	Appreciation	
		NAV	BSE 100
As On	30-03-07		
Last 1 Year	30-03-06	8.21%	11.70%
Last 3 Years	29-03-04	32.29%	30.76%
Last 5 Years	28-03-02	33.64%	30.81%
Since Inception	12-04-96	31.86%	13.78%

**Note:** The past performance may or may not be sustained in the future

**PRINCIPAL BALANCED FUND**

**Investment Objective:** To provide long-term appreciation and current income by investing in a portfolio of equity, equity related securities and fixed income securities.

**Performance:**

Period	Date	Appreciation	
		NAV^	Crisil Balanced Fund
As On	30-03-07		
Last 1 Year	30-03-06	-1.14%	10.37%
Last 3 Years	29-03-04	21.31%	18.03%
Last 5 Years	28-03-02	24.82%	N.A.
Since Inception	14-01-00	10.68%	N.A.

**Note:** The past performance may or may not be sustained in the future

^ Growth Option

**PRINCIPAL CHILD BENEFIT FUND**

**Investment Objective:** To generate regular returns and / or capital appreciation / accretion with the aim of giving lumpsum capital growth at the end of the chosen target period or otherwise to the Beneficiary.

**Performance:**

Period	Date	Career Builder Plan		Future Guard Plan	
		Appreciation		Appreciation	
		NAV^	Crisil Balanced Fund Index	NAV^	Crisil Balanced Fund Index
As On	30-03-07				
Last 1 Year	30-03-06	19.18%	10.37%	19.10%	10.37%
Last 3 Years	30-03-04	30.24%	18.03%	30.25%	18.03%
Last 5 Years	28-03-02	27.38%	N.A.	27.39%	N.A.
Since Inception	07-01-98	20.41%	N.A.	20.24%	N.A.

**Note:** The past performance may or may not be sustained in the future.

^ Growth Option

**PRINCIPAL INDEX FUND**

**Investment Objective:** To invest principally in securities that comprise S&P CNX Nifty (NSE) and subject to tracking errors endeavour to attain results commensurate with the Nifty.

**Performance:**

Period	Date	Appreciation	
		NAV^	S&P Nifty
As On	30-03-07		
Last 1 Year	30-03-06	8.98%	11.78%
Last 3 Years	30-03-04	27.29%	29.73%
Last 5 Years	28-03-02	25.94%	27.55%
Since Inception	27-07-99	14.01%	14.96%

**Note:** The past performance may or may not be sustained in the future

^ Growth Option

**PRINCIPAL GLOBAL OPPORTUNITIES FUND**

**Investment Objective:** To build a high quality International Equity portfolio out of the permissible Investments as defined and permitted under the regulations from time to time, and provide returns and/or capital appreciation along with regular liquidity to the investors.

## Performance:

Period	Date	Appreciation	
		NAV <sup>^</sup>	MSCI World Index
As On	30-03-07		
Last 1 Year	30-03-06	14.37%	12.75%
Since Inception	29-03-04	14.17%	12.87%

**Note:** The past performance may or may not be sustained in the future  
<sup>^</sup> Growth Option

### Notes :

- 1) AMFI prescribed indices have been used for comparison
- 2) The tracking deviation for the year ended March 31, 2007 for Index Fund stood at 2.01%
- 3) Returns are calculated on **compounded annualized basis** for a period of **more** than 1 year.

### Performance of Equity Schemes during 2006-07

Our portfolio of funds managed to deliver another year of solid performance, maintaining their consistent run across time horizons. The year also saw our performance being recognized by leading mutual fund evaluating agencies. ICRA Mutual Funds Awards 2007 awarded Gold to **Principal Tax Savings Fund<sup>^</sup>** in the category of Open Ended Equity Linked Saving Schemes for its 1-year performance till December 31, 2006. Besides this the Principal Large Cap Fund was nominated among the diversified equity funds category for 1 year performance till December 31, 2006.

### DEBT MARKETS DURING FINANCIAL YEAR 2006-07

2006-07 was a continuation of a trend of the previous year. Equity remained strong and debt remained weak. Equity markets performed well due to global liquidity finding its way in emerging market equities, and debt markets suffered from tightening in domestic liquidity, especially during the second half of the year. Central bankers across the globe increased rates in order to reduce surplus liquidity and remove the accommodative stance of the monetary policy. Inflation remained the major concern for Central Bankers across the globe. Yields inched up during the year on a net basis, moving higher by 50-75bps across the sovereign curve. Corporate spreads too widened thereby increasing the cost of funds for domestic borrowers. Investors remained in the relative safety of cash funds largely and the issuance of fixed maturity plans increased during the year.

### Key Indicators

Benchmarks	Current Month 31/03/07	Previous Month 28/02/07	Previous Year 31/03/06	Change (Month)	Change (Since March)
364Day Tbill (primary)	7.98%	7.73%	6.42%	0.25%	1.56%
5-year benchmark	7.94%	7.96%	7.33%	-0.02%	0.61%
10-year benchmark	8.00%	7.99%	7.55%	0.01%	0.45%
15-year benchmark	8.16%	8.11%	7.70%	0.05%	0.46%
30-year benchmark	8.33%	8.22%	7.83%	0.11%	0.50%
91 Day Manufacturing CP(P1+)	11.50%	10.60%	8.25%	0.90%	3.25%
Annualised 1-yr AAA spreads	2.75%	3.00%	2.00%	-0.25%	0.75%
Annualised 5-yr AAA spreads	2.00%	2.00%	0.80%	0.00%	1.20%
5-yr OIS	7.86%	7.95%	7.00%	-0.09%	0.86%
Bank Rate	6.00%	6.00%	6.00%	0.00%	0.00%
RBI LAF- Reverse Repo Rate*	6.00%	6.00%	5.50%	0.00%	0.50%
Foreign Exchange Reserve (\$ bn)	197.74	188.91	148.66	8.83	49.08
Nymex Crude	65.87	61.45	66.73	4.42	(0.86)
US Fed funds rate	5.25%	5.25%	4.75%	0.00%	0.50%
US 10-yr gilt	4.64%	4.55%	4.85%	0.09%	-0.21%
INR/USD (inverted scale)	43.38	44.31	44.62	2.10%	2.78%
INR/Euro (inverted scale)	57.98	58.62	54.00	1.08%	-7.37%
USD/Euro	1.3366	1.3229	1.2103	-1.04%	-10.44%
USD/Yen	118.15	118.49	117.68	-0.29%	0.40%

\*RBI Repo rate at 7.50%.

Source- Internal

## Debt Funds Investment Objectives & Performance during Financial Year 2006-07

### PRINCIPAL INCOME FUND

**Investment Objective:** To generate regular income and capital appreciation/accretion through investment in debt instruments and related securities besides preservation of capital. The investment objective of the Short Term Plan (STP) under Income Fund is the same as that of the Principal Income Fund. However, the STP has been designed to achieve stable returns over shorter-term investment horizons.

### Performance:

Period	Date	Appreciation			
		NAV <sup>^</sup>	Crisil Composite Bond Fund Index	Institutional Plan	
				NAV <sup>^</sup>	Crisil Composite Bond Fund Index
As On	30-03-07				
Last 1 Year	29-03-06	6.81%	3.68%	7.27%	3.68%
Last 3 Years	29-03-04	4.12%	2.40%	4.73%	2.40%
Last 5 Years	28-03-02	6.85%	N.A.	N.A.	N.A.
Since Inception	25-10-00	9.13%	N.A.	5.65% <sup>§</sup>	3.48% <sup>§</sup>

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option    <sup>§</sup> Inception Date - May 9, 2003

### Performance – Principal Income Fund - Short Term Plan

Period	Date	Appreciation			
		NAV <sup>^</sup>	Crisil Short Term Bond Fund Index	Institutional Plan	
				NAV <sup>^</sup>	Crisil Short Term Bond Fund Index
As On	30-03-07				
Last 1 Year	29-03-06	6.49%	5.70%	6.64%	5.70%
Last 3 Years	30-03-04	5.55%	4.19%	5.73%	4.19%
Since Inception	24-04-02	6.12%	5.16%	5.80% <sup>§</sup>	4.46% <sup>§</sup>

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option    <sup>§</sup> Inception Date - May 9, 2003

### PRINCIPAL MONTHLY INCOME PLAN

**Investment Objective:** To generate regular income through investments in fixed income securities so as to make periodical income distribution to the Unitholders and also to generate long-term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments. The investment objective of MIP Plus is the same as that of the Principal Monthly Income Plan. However, MIP Plus has been designed to cater to investors seeking a slightly more aggressive exposure to equity markets.

### Performance :

Period	Date	Appreciation	
		NAV <sup>^</sup>	Crisil MIP Blended Index
As On	30-03-07		
Last 1 Year	29-03-06	3.30%	5.67%
Last 3 Years	29-03-04	5.54%	6.33%
Since Inception	23-05-02	8.64%	9.25%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option

Period	Date	Appreciation	
		NAV <sup>^</sup>	Crisil MIP Blended Index
As On	30-03-07		
Last 1 Year	29-03-06	3.81%	5.67%
Last 3 Year	29-03-04	7.68%	6.33%
Since Inception	30-12-03	7.26%	5.99%

**Note:** The past performance may or may not be sustained in the future.  
<sup>^</sup> Growth Option

### PRINCIPAL FLOATING RATE FUND

**Investment Objective:** The primary investment objective of the floating rate fund will be to generate income consistent with the prudent risk from a portfolio comprising substantially of floating rate debt instruments, fixed rate debt instruments swapped for floating rate return, and also fixed rate instruments and money market instruments.

### PRINCIPAL CASH MANAGEMENT FUND

**Investment Objective:** To provide investors with as high a level of income available from short-term investments as is considered consistent with preservation of capital and maintenance of liquidity, by investing in a portfolio of money market and investment grade debt instruments.

#### Performance :

Period	Date	Appreciation					
		NAV <sup>^</sup>	Crisil Liquid Fund Index	Institutional Plan		Institutional Premium Plan	
				NAV <sup>^</sup>	Crisil Liquid Fund Index	NAV <sup>^</sup>	Crisil Liquid Fund Index
As On	31-03-07						
Last 1 Month	28-02-07	0.69%	0.77%	0.71%	0.77%	0.73%	0.77%
Last 3 Months	31-12-06	1.86%	1.80%	1.90%	1.80%	1.97%	1.80%
Last 6 Months	30-09-06	3.61%	3.31%	3.70%	3.31%	3.83%	3.31%
Last 1 Year	31-03-06	6.86%	6.46%	7.05%	6.46%	7.31%	6.46%
Since Inception	25-10-00	6.20%	N.A.	5.62% <sup>§</sup>	4.92% <sup>§</sup>	6.22% <sup>@</sup>	5.36 <sup>@</sup>

**Note:** The past performance may or may not be sustained in the future

<sup>^</sup> Growth Option <sup>§</sup> Inception Date - May 9, 2003 <sup>@</sup> Inception date - August 30, 2004.

### PRINCIPAL GOVERNMENT SECURITIES FUND

**Investment Objective:** To generate risk-free return through investment in sovereign securities and thus provide medium to long term capital gains and income distribution to its Unitholders, while at all times emphasizing the importance of capital preservation.

#### Performance :

Period	Date	Appreciation					
		Investment Plan		Provident Fund Plan <sup>§</sup>		Savings Plan	
		NAV <sup>^</sup>	I-Sec Composite Index	NAV <sup>^</sup>	I-Sec Composite Index	NAV <sup>^</sup>	I-Sec Si-Bex
As On	30/03/07						
Last 1 Year	29/03/06	3.58%	5.31%	2.94%	5.31%	6.37%	5.93%
Last 3 Years	29/03/04	2.87%	3.24%	2.26%	3.24%	4.35%	4.82%
Since Inception	23/08/01	8.73%	N.A.	2.40%	3.63%	6.28%	N.A.

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option <sup>§</sup> Inception Date - February 13, 2004

#### Notes :

- 1) AMFI prescribed indices have been used for comparison
- 2) The tracking deviation for the year ended March 31, 2007 for Index Fund stood at 2.01%
- 3) Returns are calculated on **compounded annualized basis** for a period of **more** than 365 days and **absolute basis** for a period **less** than (or **equal** to) 365 days, with reinvestment of dividends (if any).

### Performance: Principal Floating Rate Fund - Short Maturity Plan

Period	Date	Appreciation		Crisil Liquid Fund Index
		Regular Option	Institutional Option	
As On	31-03-07			
Last 1 Year	31-03-06	7.40%	7.46%	6.46%
Since Inception	14-09-04	6.16%	6.31%	5.39%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option

### Performance: Principal Floating Rate Fund - Flexible Maturity Plan

Period	Date	Appreciation		Crisil Liquid Fund Index
		Regular Option	Institutional Option	
As On	30-03-07			
Last 1 Year	29-03-06	7.53%	7.59%	6.39%
Since Inception	14-09-04	6.31%	6.45%	5.36%

**Note:** The past performance may or may not be sustained in the future.

<sup>^</sup> Growth Option



## Performance of Fixed Income Funds during 2006-07

Financial Year 2006-07 was another challenging year for fixed income fund managers. Yields kept rising, impacting adversely the debt fund performance. Hybrid funds with equity exposure registered strong performance on back of buoyant stock markets. Investors continued to switch from long duration funds to cash funds and floating rate funds. The Short Term Fund gained in corpus during the first half of the year but saw large redemptions in the second half as liquidity dried up pushing short-term yields higher. **Principal Income Fund - Short Term Plan - Regular Plan** generated 1-yr returns of 6.49%, as the portfolio was invested in assets with an accrual focus and minimal duration risk. **Principal Income Fund - Regular Plan** generated 1-yr returns of 6.81%. **Principal Cash Management Fund - Liquid Option - Institutional Premium Plan** generated 7.31% for the year while floating rate funds like **Principal Floating Rate Fund-Short Maturity Plan - Regular Plan** and **Principal Floating Rate Fund - Flexible Maturity Plan - Regular Plan** generated 7.40% and 7.53% respectively. The **Principal Government Securities Fund - Investment Plan** generated positive 3.58% returns, in spite of an adverse interest rate environment. Our funds had another year of good performance; maintaining top quartile performance across most fund categories. The year also saw our performance being recognized by mutual fund evaluating agencies for consistent and superior fund performance-

# **CNBC TV18 -CRISIL** awarded Principal Income Fund and Principal Floating Rate Fund-Flexible Maturity Fund as the best funds in their respective categories for 2006.

^^ **ICRA** awarded Principal Income Fund with Gold award in the 'Open-ended Debt-Long Term category for 2006.

## Outlook for the Financial Year 2007 - 2008 :

### a. Debt Market :

In the recent past, global investors have become more risk averse as a fallout of the higher defaults in the US subprime mortgage market. Liquidity has tightened for the riskier assets, and there are concerns that flows into emerging markets will be impacted. Thus India also has seen outflows from the markets in the current period though the Indian economy is relatively insulated from the slowdown in the US as it is primarily driven by domestic factors. The economy continues to do well and is likely to grow at over 8.5% during the current year. The corporate profit growth is likely to be decent, at around 15%, though the rate of growth is slowing down. The Reserve Bank of India has been proactive in tightening interest rates and has managed to slow down the credit growth and cool the froth in asset markets. India seems to have done with most of its interest rate tightening, and the economy should not show a meaningful slowing. The capital expenditure cycle remains strong and there are as yet no signs to indicate a slowdown in consumer spending. After the correction, the valuations are also more reasonable. The current volatility gives good opportunity for stock picking for the longer term. We hence remain bullish on the equity markets though the markets will take time to stabilize and will remain volatile in the near term.

### b. Equity Market :

Central Bankers across the globe are expected to moderate their stance on rate hikes as they would assess the macroeconomic conditions and evaluate the need for higher real rates before further tightening. Higher global commodity prices and sustained economic recovery may continue to keep pressure on inflationary outlook across economies. Nominal interest rates are likely to rise during the initial part of the year and then peak out during latter part as the incessant rate hikes may come to a temporary halt. Domestic inflation is likely to inch up as the impact of high crude prices is passed on to the domestic markets and global commodity prices continue to remain high.

### c. Principal Mutual Fund :

Outlook for the Mutual Fund Industry remains strong. The industry has continued to gain increased acceptance among investors and is increasing its geographical spread into smaller towns. We expect emerging markets to continue to benefit from increased global liquidity.

In 2007-08, we expect to see continued growth in our AuM, with specific thrust on the growth of Equity AuM, aided by consistent good performance from our key equity funds. The Global Opportunities Fund (the only Global Fund in India that invests upto 100% of its Assets in Overseas Securities) continues to perform well, both in terms of Investment Returns as well as overall AuM growth. In 2007-08, we have plans to offer at least two new equity funds, as well as another global fund to our Investors, to help boost AuM mobilization in the international funds space to the maximum level permissible under regulations.

Principal Mutual Fund has always been recognized as a strong player in the Debt Fund space, offering various products to cater to all segments of the market. This strong platform will help the Company to further strengthen its market share in this segment, aiding overall growth in Assets under Management.

### Statutory Details :

The Mutual Fund is sponsored by Principal Financial Services Inc. USA through its wholly owned subsidiary, Principal Financial Group (Mauritius) Limited with Punjab National Bank (PNB) and Vijaya Bank (VB) as its co-settlers. Effective May 5, 2004, Principal Mauritius, PNB and VB have 65%, 30% and 5% respectively of all rights, title, interest and obligations as co-settlers of Principal Mutual Fund. Principal Financial Services Inc. is a member of the Principal Financial Group – a leading provider of financial products and services globally to businesses and individuals including retirement and investment services, Mutual Funds, life and health insurance, annuities and mortgage banking. Established in 1879, the Principal Financial Group has more than \$282.1 billion in assets under management and serves over 18.1 million customers worldwide through operations in the United States, Asia, Australia, Europe and Latin America (as on June 30, 2007). The business of Principal Financial Group (Mauritius) Limited, is to carry out business activities which are not prohibited under the Laws of Mauritius and the laws of the countries where the Company is transacting business and to do all such things as are incidental or conducive to the attainment of the above objects.

The Sponsor is not responsible or liable for any loss resulting from the operations of the Principal Mutual Fund beyond the initial contribution of an amount of Rs.25 lakhs towards setting up Principal Mutual Fund.

The Trustee ensures that all the activities Principal Mutual Fund are managed by Principal Pnb Asset Management Company Pvt. Ltd. in compliance with the SEBI (Mutual Funds) Regulations, 1996 as amended from time to time read with the Investment Management Agreement and Trust Deed.

### Investor Servicing

At Principal Mutual Fund, our constant endeavor is to enhance your investment experience by providing you with differentiated solutions and value added services. In order to provide better customer service & improve accessibility, we have opened up more branches/Investor Service Centres in the country, we are today present in 60 locations all over the country.

This year we have also witnessed an impressive rise in our customer base from about 3,40,000 investor accounts in March 2005 to about 5,25,000 (this figure is 616276 as on 31<sup>st</sup> March 2007) investor accounts in March 2006.

We have introduced value added services like;

- Systematic Investment Plan (SIP)
  - ◆ SIP in NFO - For the first time, we introduced SIP in NFO, allowing investors to invest in NFO with minimum of Rs. 1000. The same was well appreciated by the investors.

- ◆ SIP through ECS - this means that you do not have to provide Post Dated Cheques, but just one time Auto Debit instruction and the rest is taken care by us.
- Corporate Desk - Dedicated Customer Service personnel for the Corporate's to meet their varied requirements. The effort is focused on offering outstanding value to customers by providing knowledgeable, efficient and reliable service in a personal, helpful and responsive manner.
- Toll Free Number - We have expanded the services of the Toll Free number. Earlier it was restricted to only calls from our branch locations, now its opened up in all the locations.

#### New Products Launched in the year 2006-2007

The following schemes were launched during the Financial Year 2006-2007.

Name of the Scheme	Date of Launch	Amount Mobilised during the New Fund Offer (Rs. in crore)
Principal Pnb Fixed Maturity Plan - 385 Days - Series II	June 7, 2006	115.38
Principal Pnb Fixed Duration Fund - 3 Year Plan - Series I	May 22, 2006	43.36
Principal Pnb Fixed Maturity Plan - 91 Days - Series IV	July 12, 2006	242.87
Principal Pnb Fixed Maturity Plan - 460 Days - Series II	August 2, 2006	119.44
Principal Pnb Fixed Maturity Plan - 91 Days - Series V	Sept. 12, 2006	230.45
Principal Pnb Fixed Maturity Plan - 385 Days - Series III	Oct. 31, 2006	300.97
Principal Pnb Fixed Maturity Plan - 91 Days - Series VI	Dec. 27, 2006	425.45
Principal Pnb Fixed Maturity Plan - 540 Days - Series I	Jan. 10, 2007	267.29
Principal Pnb Fixed Maturity Plan - 91 Days - Series VII	Feb. 7, 2007	369.41
Principal Pnb Fixed Maturity Plan - 91 Days - Series VIII	Feb. 26, 2007	495.55
Principal Pnb Fixed Maturity Plan - 460 Days - Series III	March 13, 2007	251.70
Principal Pnb Fixed Maturity Plan - 385 Days - Series IV	March 23, 2007	180.32
Principal Pnb Long Term Equity Fund – 3 Year Plan – Series I	Jan. 24, 2007	219.03

#### Acknowledgement

The Trustees wish to place on record their grateful thanks to the Unitholders for their continued support and to the Securities and Exchange Board of India, Reserve Bank of India, the Registrars, Bankers and the Custodian of Principal Mutual Fund.

For Principal Trustee Company Private Limited  
Trustee of Principal Mutual Fund

Sd/-

Place : Mumbai  
Date : June 30, 2007

B. G. Deshmukh  
Chairman

#### Notes :

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

- On written request, present and prospective unitholders/ investors can obtain a copy of the trust deed, supplemental trust deed, the annual report at a price and the text of the relevant scheme.
- On written request, present and prospective unitholders/ investors can obtain a copy of the Annual Report of Principal Pnb Asset Management Company Private Limited.
- Full Annual Report shall be available for inspection at the Head Office of the mutual fund and a copy thereof shall be made available to the unit holder on payment of such nominal fees as may be specified by the mutual fund.
- Returns are calculated on compounded annualised basis for a period of more than a year and absolute basis for a period less than a year. All dividends declared are assumed to be reinvested within the plan/scheme at ex-dividend NAV.

#### Awards Methodology

^ Principal Tax Savings Fund has been given the Gold Award by ICRA Mutual Funds Awards 2007 in the category of Open Ended Equity Linked Saving Schemes for its 1 year performance till December 31, 2006. The rank indicates top performance within the specified category for its 1-year performance. 17 schemes were considered for this analysis. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, sector concentration, portfolio turnover, liquidity, company concentration and average maturity. Past performance is not a guarantee of future returns. The ranking methodology did not take into account entry and exit loads imposed by the Fund. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Principal Tax Savings Fund. Ranking Source & Publisher: ICRA Online.

^^ Principal Income Fund has been given the Gold Award by ICRA Mutual Funds Awards 2007 in the category of Open Ended Debt - Long Term for its 1 year performance till December 31, 2006. The rank indicates top performance within the specified category for its 1-year performance. 11 schemes were considered for this analysis. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, sector concentration, portfolio turnover, liquidity, company concentration and average maturity. Past performance is not a guarantee of future returns. The ranking methodology did not take into account entry and exit loads imposed by the Fund. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Principal Income Fund. Ranking Source & Publisher: ICRA Online.

# Principal Income Fund was among the 2 schemes that won the CNBC TV18 - CRISIL Mutual Fund of the Year Awards 2006 in the Open - ended Income Funds Category. In total 19 schemes qualified for the award universe. The award is based on consistency of schemes performance in the last four quarterly CRISIL CPR rankings released during the calendar year 2006. Past performance is not a guarantee of future returns. The individual CRISIL CPR parameter scores averaged for the four quarters and further multiplied by the parameter weight as per the CRISIL CPR methodology to arrive at the final scores. A detailed methodology of the CRISIL CPR is available at [www.crisil.com](http://www.crisil.com). Rankings and Award Source: CRISIL Fund Services, CRISIL Limited.

# Principal Floating Rate Fund - Flexible Maturity Plan was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Awards 2006 in the Floating Rate Plans - Long Term Funds Category. In total 4 schemes qualified for the award universe. The award is based on consistency of schemes performance in the last four quarterly CRISIL CPR rankings released during the calendar year 2006. Past performance is not a guarantee of future returns. The individual CRISIL CPR parameter scores averaged for the four quarters and further multiplied by the parameter weight as per the CRISIL CPR methodology to arrive at the final scores. A detailed methodology of the CRISIL CPR is available at [www.crisil.com](http://www.crisil.com). Rankings and Award Source: CRISIL Fund Services, CRISIL Limited.

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan -460 Days - Series I'

TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan -460 Days - Series I' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the year ended March 31, 2007 and report thereon as follows :

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007 and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the year ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Place : Mumbai

Date : June 30, 2007

Membership No.17000

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan - 385 Days - Series I'

TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan - 385 Days - Series I' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the year ended March 31, 2007 and report thereon as follows:

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007 and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the year ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Place : Mumbai

Date : June 30, 2007

Membership No.17000

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 385 Days - Series II'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 385 Days - Series II' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows :

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007.  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 460 Days Series II'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 460 Days Series II' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows:

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007.  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007



## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 385 Days Series III'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 385 Days Series III' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows:

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007.  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 91 Days Series VI'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 91 Days Series VI' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows:

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 540 Days Series I'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 540 Days Series I' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows :

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Place : Mumbai  
Date : June 30, 2007

Membership No.17000

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 91 Days Series VII'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 91 Days Series VII' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows :

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007.  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Place : Mumbai  
Date : June 30, 2007

Membership No.17000

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 91 Days Series VIII'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 91 Days Series VIII' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows:

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007.  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 460 Days Series III'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 460 Days Series III' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows :

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 385 Days Series IV'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 385 Days Series IV' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows:

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007

## AUDITORS' REPORT

'Principal PNB Fixed Maturity Plan 91 Days Series IX'

### TO THE BOARD OF DIRECTORS OF PRINCIPAL TRUSTEE COMPANY PRIVATE LIMITED

We have audited the attached Balance Sheet of the Scheme 'Principal PNB Fixed Maturity Plan 91 Days Series IX' of Principal Mutual Fund as at March 31, 2007 and the Revenue Account of the Scheme for the period ended March 31, 2007 and report thereon as follows :

- a) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. These financial statements are the responsibility of the Managements of the Trustee and the Asset Management Companies.
- b) Our audit was conducted in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
- c) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- d) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Notes to the Accounts, give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2007  
and
  - (ii) in the case of the Revenue Account, of the Surplus of the Scheme for the period ended March 31, 2007.

For **HARIBHAKTI & CO.**  
Chartered Accountants

Sd/-

**CHETAN DESAI**

Partner

Membership No.17000

Place : Mumbai  
Date : June 30, 2007



# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES I

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007	March 31, 2006
<b>LIABILITIES</b>			
Unit Capital	1	1,739,069,491	1,739,069,491
Reserves and Surplus	2	153,602,086	9,486,651
Current Liabilities and Provisions	3	368,666	424,176
<b>Total</b>		<b>1,893,040,243</b>	<b>1,748,980,318</b>
<b>ASSETS</b>			
Investments	4	1,846,871,589	1,715,352,309
Other Current Assets	5	46,130,361	33,310,166
Deferred Revenue Expenditure (to the extent not written off)	6	38,293	317,843
<b>Total</b>		<b>1,893,040,243</b>	<b>1,748,980,318</b>
Significant Accounting Policies and Notes to Accounts	8		

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES I

## REVENUE ACCOUNT

For the year ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007	March 31, 2006
<b>INCOME</b>			
Interest and Discount Income	7	122,783,037	15,521,841
Profit on Sale / Redemption of Investments (Net) (Other than Inter - Scheme Transfer)		11,436,873	581,648
<b>Total</b>		<b>134,219,910</b>	<b>16,103,489</b>
<b>EXPENSES AND LOSSES</b>			
Loss on Inter-Scheme Transfer of Investments (Net)		798,420	800,392
Investment Management Fees		3,008,015	332,657
Trusteeship Fees and Expenses		182,461	21,477
Commission to Agents		-	-
Publicity Expenses		2,723	10,815
Audit Fees		385	328
Custodian Fees and Expenses		41,219	15,363
Registrar / Transfer Agent fees		7,931	619
Other Operating Expenses, Taxes		405,767	38,721
Deferred Revenue Expenses Amortised		279,550	34,465
<b>Total</b>		<b>4,726,471</b>	<b>1,254,837</b>
Surplus/(Deficit) for the period		129,493,439	14,848,652
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		14,621,996	(5,362,001)
<b>Net transferred to Appropriation</b>		<b>144,115,435</b>	<b>9,486,651</b>
<b>APPROPRIATION</b>			
Opening Balance		9,639,279	-
<b>Add</b> : Surplus for the period including Net change in Unrealised Appreciation / (Depreciation) in Value of Investments		144,115,435	9,486,651
<b>Add/(Less)</b> : Income Equalisation - Credit / (Debit)		-	152,628
<b>Net Surplus / (Deficit) Transferred to Revenue Reserve</b>		<b>153,754,714</b>	<b>9,639,279</b>

Significant Accounting Policies and Notes to Accounts

8

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-

Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-

M. M. Chitale  
Chairman

Sd/-

Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-

B. G. Deshmukh  
Chairman

Sd/-

H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES I

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the year ended March 31, 2007

	(Amount in Rs.)	
	March 31, 2007	March 31, 2006
<b>Schedule - 1</b>		
<b>UNIT CAPITAL</b>		
Dividend Plan (Initial capital Rs. 2,500,000.00)	2,500,000	2,500,000
Growth Plan (Initial capital Rs. 1,736,569,490.70)	1,736,569,491	1,736,569,491
<b>Total</b>	<b>1,739,069,491</b>	<b>1,739,069,491</b>
No. of Units of Face Value Rs. 10/- each - Dividend Plan	250,000	250,000
No. of Units of Face Value Rs. 10/- each -Growth Plan	173,656,949	173,656,949
<b>Schedule - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Unit Premium Reserve</b>		
At the Beginning of the Period	(152,628)	-
<b>Added</b> during the Period (net of transfer to/from equalisation reserve)	-	(152,628)
At the end of the Period	<b>(152,628)</b>	<b>(152,628)</b>
<b>Appropriation Account</b>	153,754,714	9,639,279
<b>Total</b>	<b>153,602,086</b>	<b>9,486,651</b>
<b>Schedule - 3</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Trustee Fees Payable	16,026	14,805
Management Fee Payable	272,087	299,293
Custodian Expenses Payable	-	15,363
Registrar Fee Payable	1,109	615
Brokerage Payable	1,000	9,875
Investor Service Charges Payable	1,603	1,480
Provisions and Other Sundry Payables	76,841	82,745
<b>Total</b>	<b>368,666</b>	<b>424,176</b>

	(Amount in Rs.)	
	March 31, 2007	March 31, 2006
<b>Schedule - 4</b>		
<b>INVESTMENTS</b> (Refer to attached statement of portfolio holding as at March 31, 2007)		
Privately placed Debentures/Bonds	300,293,150	759,592,045
Debentures and Bonds listed/awaiting listing	939,982,940	707,004,839
Securitised Debt	557,141,965	-
Commercial Paper / Certificate of Deposits	49,453,534	248,755,425
<b>Total</b>	<b>1,846,871,589</b>	<b>1,715,352,309</b>
<b>Schedule - 5</b>		
<b>OTHER CURRENT ASSETS</b>		
Balances with Banks and RBI in Current Account	23,475	65,585
Outstanding and Accrued Income	39,179,650	21,798,334
Collateralised lending with CCIL	6,927,236	11,446,247
Subscription/Switch Amount Receivable	-	-
<b>Total</b>	<b>46,130,361</b>	<b>33,310,166</b>
<b>Schedule - 6</b>		
<b>DEFERRED REVENUE EXPENDITURE</b>		
At the Beginning of the Period	317,843	-
Incurred during the period	-	352,308
<b>Less:</b> Amortised during the period	(279,550)	(34,465)
<b>Less:</b> Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	-	-
<b>At the end of the period</b>	<b>38,293</b>	<b>317,843</b>
<b>Schedule - 7</b>		
<b>INTEREST AND DISCOUNT INCOME</b>		
Debentures & Bonds	97,207,653	13,193,356
Securitised Debt	4,362,397	500,527
Commercial Paper / Certificate of Deposit	20,316,185	1,434,631
Reverse Repos & CBLO	895,973	393,327
Others (Net) (Refer Note VI (4))	829	-
<b>Total</b>	<b>122,783,037</b>	<b>15,521,841</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES I

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007	March 31, 2006
<b>LIABILITIES</b>			
Unit Capital	1	1,880,497,642	1,911,596,642
Reserves and Surplus	2	164,068,089	7,766,444
Current Liabilities and Provisions	3	1,746,888	230,245
<b>Total</b>		<b>2,046,312,619</b>	<b>1,919,593,331</b>
<b>ASSETS</b>			
Investments	4	1,998,374,769	1,700,821,580
Other Current Assets	5	47,933,510	217,941,085
Deferred Revenue Expenditure (to the extent not written off)	6	4,340	830,666
<b>Total</b>		<b>2,046,312,619</b>	<b>1,919,593,331</b>
Significant Accounting Policies and Notes to Accounts	8		

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-

Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-

M. M. Chitale  
Chairman

Sd/-

Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-

B. G. Deshmukh  
Chairman

Sd/-

H. M. Singh  
Director



# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES I

## REVENUE ACCOUNT

For the year ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007	March 31, 2006
<b>INCOME</b>			
Interest and Discount Income	7	133,578,567	8,037,938
Profit on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		30,420,489	-
Other Income (Refer Note VI (15))		510,486	-
Excess Provision Written Back (Refer Note VI (16))		48,150	-
<b>Total</b>		<b>164,557,692</b>	<b>8,037,938</b>
<b>EXPENSES AND LOSSES</b>			
Loss on Inter-Scheme Transfer of Investments (Net)		7	-
Investment Management Fees		9,185,693	137,182
Trusteeship Fees and Expenses		199,217	9,416
Publicity Expenses		67,442	16,361
Audit Fees		972	1,225
Custodian Fees and Expenses		38,554	8,802
Registrar/Transfer Agent fees		20,532	880
Other Operating Expenses, Taxes		1,170,817	15,489
Deferred Revenue Expenses Amortised		817,315	42,839
		11,500,549	232,194
<b>Less:</b> Excess of Expenditure Over Permissible Limit to be Recovered from AMC		-	-
<b>Total</b>		<b>11,500,549</b>	<b>232,194</b>
Surplus/(Deficit) for the Period		153,057,143	7,805,744
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		5,103,913	(39,300)
<b>Net transferred to Appropriation</b>		<b>158,161,056</b>	<b>7,766,444</b>
<b>APPROPRIATION</b>			
Opening Balance		7,781,575	-
<b>Add :</b> Surplus for the period including Net change in Unrealised Appreciation / (Depreciation) in Value of Investments		158,161,056	7,766,444
<b>Add/(Less) :</b> Income			
Equalisation - Credit / (Debit)		(1,812,193)	15,131
Dividend paid to unitholders		-	-
Distribution tax		-	-
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>164,130,438</b>	<b>7,781,575</b>

Significant Accounting Policies and Notes to Accounts 8

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-

Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-

M. M. Chitale  
Chairman

Sd/-

Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-

B. G. Deshmukh  
Chairman

Sd/-

H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES I

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the year ended March 31, 2007

	(Amount in Rs.)	
	March 31, 2007	March 31, 2006
<b>Schedule - 1</b>		
<b>UNIT CAPITAL</b>		
Dividend Plan (Initial capital Rs.865,000)	865,000	864,999
Growth Plan (Initial capital Rs.377,424,811)	361,825,810	377,424,811
Institutional Growth Plan (Initial capital Rs.1,533,306,832)	1,517,806,832	1,533,306,832
<b>Total</b>	<b>1,880,497,642</b>	<b>1,911,596,642</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	86,500	86,500
No. of Units of Face Value Rs. 10/- each -Growth Plan	36,182,581	37,742,481
No. of Units of Face Value Rs. 10/- each -Institutional Growth Plan	151,780,683	153,330,683
<b>Schedule - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Unit Premium Reserve</b>		
At the Beginning of the Period	(15,131)	-
<b>Added</b> during the Period (net of transfer to/from equalisation reserve)	(47,218)	(15,131)
<b>Less</b> Previous Year Adjustment	-	-
At the end of the Period	<b>(62,349)</b>	<b>(15,131)</b>
<b>Appropriation Account</b>	164,130,438	7,781,575
<b>Total</b>	<b>164,068,089</b>	<b>7,766,444</b>
<b>Schedule - 3</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Trustee Fees Payable	17,325	9,416
Management Fee Payable	1,508,376	137,183
Custodian Expenses Payable	-	8,802
Registrar Fee Payable	2,804	880
Investor Service Charges Payable	1,733	942
Provisions and Other Sundry Payables	216,650	73,022
<b>Total</b>	<b>1,746,888</b>	<b>230,245</b>

	(Amount in Rs.)	
	March 31, 2007	March 31, 2006
<b>Schedule - 4</b>		
<b>INVESTMENTS</b> (Refer to attached statement of portfolio holding as at March 31, 2007)		
Privately placed Debentures / Bonds	250,007,750	399,915,600
Debentures and Bonds listed/awaiting listing	505,195,350	48,720,350
Securitised Debt	394,929,513	-
Commercial Paper / Certificate of Deposits	297,921,967	1,252,185,630
Mutual Fund Units	550,320,189	-
<b>Total</b>	<b>1,998,374,769</b>	<b>1,700,821,580</b>
<b>Schedule - 5</b>		
<b>OTHER CURRENT ASSETS</b>		
Balances with Banks and RBI in Current Account	16,798	70,040
Outstanding and Accrued Income	43,830,137	10,623,418
Shares/Debentures application money, pending allotment	-	200,000,000
Collateralised lending with CCIL	4,086,575	7,247,627
Subscription/Switch Amount Receivable	-	-
<b>Total</b>	<b>47,933,510</b>	<b>217,941,085</b>
<b>Schedule - 6</b>		
<b>DEFERRED REVENUE EXPENDITURE</b>		
At the beginning of the Period	830,666	-
Incurred during the period	-	873,505
<b>Less</b> : Amortised during the Period	(817,315)	(42,839)
<b>Less</b> : Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	(9,011)	-
<b>At the end of the period</b>	<b>4,340</b>	<b>830,666</b>
<b>Schedule - 7</b>		
<b>INTEREST AND DISCOUNT INCOME</b>		
Debentures & Bonds	57,236,052	2,672,877
Commercial Paper / Certificate of Deposit	75,338,898	5,130,247
Reverse Repos & CBLO	1,003,395	234,814
Deposits	222	-
<b>Total</b>	<b>133,578,567</b>	<b>8,037,938</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES II

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	1,153,791,610
Reserves and Surplus	2	71,324,183
Current Liabilities and Provisions	3	342,744
<b>Total</b>		<b>1,225,458,537</b>
<b>ASSETS</b>		
Investments	4	1,209,054,137
Other Current Assets	5	16,277,296
Deferred Revenue Expenditure (to the extent not written off)	6	127,104
<b>Total</b>		<b>1,225,458,537</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES II

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	7	62,087,645
Profit on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		10,178,447 -
<b>Total</b>		<b>72,266,092</b>
<b>EXPENSES AND LOSSES</b>		
Investment Management Fees		1,453,943
Trusteeship Fees and Expenses		96,811
Publicity Expenses		90,255
Audit Fees		260
Custodian Fees and Expenses		47,602
Registrar/Transfer Agent fees		4,473
Other Operating Expenses, Taxes		197,977
Deferred Revenue Expenses Amortised		428,975
<b>Total</b>		<b>2,320,296</b>
Surplus/(Deficit) for the period		69,945,796
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		1,378,387
<b>Net transferred to Appropriation</b>		<b>71,324,183</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		71,324,183
<b>Add/(Less)</b> : Income		
Equalisation - Credit / (Debit)		(16)
Dividend paid to unitholders		-
Distribution tax		-
<b>Net Surplus / (Deficit) Transferred to Revenue Reserve</b>		<b>71,324,167</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director



# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES II

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs.6,200,000)	6,200,000
Growth Plan (Initial capital Rs.1,147,591,610.4)	1,147,591,610
<b>Total</b>	<b>1,153,791,610</b>
No. of Units of Face Value Rs. 10/- each - Dividend Plan	620,000
No. of Units of Face Value Rs. 10/- each -Growth Plan	114,759,161
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
<b>Unit Premium Reserve</b>	
At the beginning of the period	-
Added during the Period (net of transfer to/from equalisation reserve)	16
At the end of the Period	<b>16</b>
<b>Appropriation Account</b>	71,324,167
<b>Total</b>	<b>71,324,183</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	10,374
Management Fee Payable	114,607
Custodian Expenses Payable	29,721
Registrar Fee Payable	750
Investor Service Charges Payable	1,766
Provisions and Other Sundry Payables	185,526
<b>Total</b>	<b>342,744</b>

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 4</b>	
<b>INVESTMENTS</b> (Refer to attached statement of portfolio holding as at March 31, 2007)	
Debentures and Bonds listed / awaiting listing	238,512,360
Securitised Debt	171,434,405
Commercial Paper / Certificate of Deposits	799,107,372
<b>Total</b>	<b>1,209,054,137</b>
<b>Schedule - 5</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	21,486
Outstanding and Accrued Income	11,670,874
Collateralised lending with CCIL	4,584,936
<b>Total</b>	<b>16,277,296</b>
<b>Schedule - 6</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	556,079
Less: Amortised during the period	(428,975)
<b>At the end of the period</b>	<b>127,104</b>
<b>Schedule - 7</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	14,011,890
Commercial Paper / Certificate of Deposit	47,457,422
Reverse Repos & CBLO	618,333
<b>Total</b>	<b>62,087,645</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES II

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	1,104,582,498
Reserves and Surplus	2	44,072,352
Current Liabilities and Provisions	3	1,137,475
<b>Total</b>		<b>1,149,792,325</b>
<b>ASSETS</b>		
Investments	4	1,108,959,556
Other Current Assets	5	40,548,211
Deferred Revenue Expenditure (to the extent not written off)	6	284,558
<b>Total</b>		<b>1,149,792,325</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*

# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES II

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	7	39,948,719
Profit on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		18,834,378
<b>Total</b>		<b>58,783,097</b>
<b>EXPENSES AND LOSSES</b>		
Loss on Inter-Scheme Transfer of Investments (Net)		586,794
Investment Management Fees		943,159
Trusteeship Fees and Expenses		78,101
Publicity Expenses		68,943
Audit Fees		585
Custodian Fees and Expenses		59,827
Registrar/Transfer Agent fees		8,346
Other Operating Expenses, Taxes		132,429
Deferred Revenue Expenses Amortised		320,622
<b>Total</b>		<b>2,198,806</b>
Surplus/(Deficit) for the period		56,584,291
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		(9,347,138)
<b>Net transferred to Appropriation</b>		<b>47,237,153</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		47,237,153
<b>Add/(Less)</b> : Income Equalisation - Credit / (Debit)		(3,165,110)
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>44,072,043</b>

Significant Accounting Policies and  
Notes to Accounts

8

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*

# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES II

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs.3,121,000)	3,121,000
Growth Plan (Initial capital Rs.41,419,011.58)	36,569,632
Institutional Dividend Plan (Initial capital Rs.15,000,000)	5,000,000
Institutional Growth Plan (Initial capital Rs.1,134,891,866.25)	1,059,891,866
<b>Total</b>	<b>1,104,582,498</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	312,100
No. of Units of Face Value Rs. 10/- each -Growth Plan	3,656,963
No. of Units of Face Value Rs. 10/- each - Institutional Dividend Plan	500,000
No. of Units of Face Value Rs. 10/- each -Institutional Growth Plan	105,989,187
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
<b>Unit Premium Reserve</b>	
At the beginning of the period	-
<b>Added</b> during the Period (net of transfer to/from equalisation reserve)	309
<b>Less</b> Previous Year Adjustment	-
At the end of the Period	<b>309</b>
<b>Appropriation Account</b>	44,072,043
<b>Total</b>	<b>44,072,352</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	10,021
Management Fee Payable	135,160
Registrar Fee Payable	1,711
Investor Service Charges Payable	1,002
Provisions and Other Sundry Payables	989,581
<b>Total</b>	<b>1,137,475</b>

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Privately placed Debentures/Bonds	216,619,870
Debentures and Bonds listed/awaiting listing	421,725,280
Securitised Debt	470,614,406
<b>Total</b>	<b>1,108,959,556</b>
<b>Schedule - 5</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	26,751
Outstanding and Accrued Income	33,414,814
Collateralised lending with CCIL	7,106,646
<b>Total</b>	<b>40,548,211</b>
<b>Schedule - 6</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	630,683
<b>Less:</b> Amortised during the period	(320,622)
<b>Less:</b> Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	(25,503)
<b>At the end of the period</b>	<b>284,558</b>
<b>Schedule - 7</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	37,698,908
Commercial Paper / Certificate of Deposit	248,880
Reverse Repos & CBLO	2,000,931
<b>Total</b>	<b>39,948,719</b>



# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES III

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	2,974,104,410
Reserves and Surplus	2	61,950,270
Current Liabilities and Provisions	3	916,467
<b>Total</b>		<b>3,036,971,147</b>
<b>ASSETS</b>		
Investments	4	2,988,566,143
Other Current Assets	5	48,074,070
Deferred Revenue Expenditure (to the extent not written off)	6	330,934
<b>Total</b>		<b>3,036,971,147</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES III

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	7	50,727,761
Profit on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		33,033,048
		-
<b>Total</b>		<b>83,760,809</b>
<b>EXPENSES AND LOSSES</b>		
Loss on Inter-Scheme Transfer of Investments (Net)		346,242
Investment Management Fees		1,241,699
Trusteeship Fees and Expenses		123,927
Publicity Expenses		9,990
Audit Fees		905
Custodian Fees and Expenses		57,227
Registrar/Transfer Agent fees		8,957
Other Operating Expenses, Taxes		177,190
Deferred Revenue Expenses Amortised		208,952
<b>Total</b>		<b>2,175,089</b>
Surplus/(Deficit) for the period		81,585,720
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		(19,154,236)
<b>Net transferred to Appropriation</b>		<b>62,431,484</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		62,431,484
<b>Add / (Less)</b> : Income Equalisation - Credit / (Debit)		(492,212)
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>61,939,272</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES III

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs.1,028,000)	1,028,000
Growth Plan (Initial capital Rs.370,566,679.14)	370,466,679
Institutional Dividend Plan (Initial capital Rs.47,500,000)	47,500,000
Institutional Growth Plan (Initial capital Rs.2,590,655,157.85)	2,555,109,731
<b>Total</b>	<b>2,974,104,410</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	102,800
No. of Units of Face Value Rs. 10/- each -Growth Plan	37,046,668
No. of Units of Face Value Rs. 10/- each - Institutional Dividend Plan	4,750,000
No. of Units of Face Value Rs. 10/- each - Institutional Growth Plan	255,510,973
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
<b>Unit Premium Reserve</b>	
At the beginning of the period	-
<b>Added</b> during the Period (net of transfer to/from equalisation reserve)	10,998
At the end of the Period	<b>10,998</b>
<b>Appropriation Account</b>	61,939,272
<b>Total</b>	<b>61,950,270</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	25,697
Management Fee Payable	265,898
Registrar Fee Payable	2,633
Investor Service Charges Payable	2,570
Provisions and Other Sundry Payables	619,570
AMC Payable	99
<b>Total</b>	<b>916,467</b>

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Privately placed Debentures/Bonds	29,618,730
Debentures and Bonds listed/awaiting listing	1,185,248,160
Securitised Debt	1,726,245,673
Commercial Paper/Certificate of Deposits	47,453,580
<b>Total</b>	<b>2,988,566,143</b>
<b>Schedule - 5</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	15,818
Outstanding and Accrued Income	46,234,239
Collateralised lending with CCIL	1,824,013
<b>Total</b>	<b>48,074,070</b>
<b>Schedule - 6</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	539,898
<b>Less:</b> Amortised during the period	(208,952)
<b>Less:</b> Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	(12)
<b>At the end of the period</b>	<b>330,934</b>
<b>Schedule - 7</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	42,232,796
Securitised Debt	174,598
Commercial Paper / Certificate of Deposit	5,179,122
Reverse Repos & CBLO	3,137,589
Others (Net) (Refer Note VI (4))	3,656
<b>Total</b>	<b>50,727,761</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VI

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	473,107,585
Reserves and Surplus	2	440,597
Current Liabilities and Provisions	3	13,037,298
<b>Total</b>		<b>486,585,480</b>
<b>ASSETS</b>		
Investments	4	460,456,087
Other Current Assets	5	26,129,393
Deferred Revenue Expenditure (to the extent not written off)	6	-
<b>Total</b>		<b>486,585,480</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-

Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-

M. M. Chitale  
Chairman

Sd/-

Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-

B. G. Deshmukh  
Chairman

Sd/-

H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VI

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	7	94,145,482
Profit on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		1,095,876
Profit on Inter-Scheme Transfer of Investments (Net)		105,750
<b>Total</b>		<b>95,347,108</b>
<b>EXPENSES AND LOSSES</b>		
Investment Management Fees		2,237,696
Trusteeship Fees and Expenses		107,600
Publicity Expenses		334
Audit Fees		185
Custodian Fees and Expenses		13,045
Registrar/Transfer Agent fees		3,470
Other Operating Expenses, Taxes		270,341
Deferred Revenue Expenses Amortised		244,544
<b>Total</b>		<b>2,877,215</b>
Surplus/(Deficit) for the period		92,469,893
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		227,067
<b>Net transferred to Appropriation</b>		<b>92,696,960</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		92,696,960
<b>Add/(Less)</b> : Income Equalisation -		
Credit / (Debit)		(23,664,514)
Dividend paid to unitholders		(55,652,362)
Distribution tax		(12,126,362)
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>1,253,722</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director



# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VI

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs.3,525,793,228.42)	472,417,437
Growth Plan (Initial capital Rs.728,777,652.5)	690,148
<b>Total</b>	<b>473,107,585</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	47,241,744
No. of Units of Face Value Rs. 10/- each -Growth Plan	69,015
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
<b>Unit Premium Reserve</b>	
At the beginning of the period	-
<b>Added</b> during the Period (net of transfer to/from equalisation reserve)	(813,125)
At the end of the Period	<b>(813,125)</b>
<b>Appropriation Account</b>	1,253,722
<b>Total</b>	<b>440,597</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	33,606
Management Fee Payable	783,474
Custodian Expenses Payable	112
Registrar Fee Payable	1,862
Brokerage Payable	2,000
Investor Service Charges Payable	3,361
Dividend and Dividend Tax Payable	12,126,362
Provisions and Other Sundry Payables	86,521
<b>Total</b>	<b>13,037,298</b>

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Privately placed Debentures/Bonds	50,000,000
Debentures and Bonds listed/awaiting listing	59,917,680
Securitised Debt	59,695,579
Commercial Paper/Certificate of Deposits	90,726,396
Mutual Fund Units	200,116,432
<b>Total</b>	<b>460,456,087</b>
<b>Schedule - 5</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	78,081
Outstanding and Accrued Income	3,634,989
Collateralised lending with CCIL	22,416,323
<b>Total</b>	<b>26,129,393</b>
<b>Schedule - 6</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	244,609
<b>Less:</b> Amortised during the period	(244,544)
<b>Less:</b> Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	(65)
<b>At the end of the period</b>	<b>-</b>
<b>Schedule - 7</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	44,909,041
Commercial Paper / Certificate of Deposit	35,307,025
Reverse Repos & CBLO	1,045,854
Deposits	12,883,562
<b>Total</b>	<b>94,145,482</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 540 DAYS - SERIES I

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	2,672,935,940
Reserves and Surplus	2	12,890,932
Current Liabilities and Provisions	3	295,791
<b>Total</b>		<b>2,686,122,663</b>
<b>ASSETS</b>		
Investments	4	2,587,588,122
Other Current Assets	5	98,180,758
Deferred Revenue Expenditure (to the extent not written off)	6	353,783
<b>Total</b>		<b>2,686,122,663</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*

# PRINCIPAL PNB FIXED MATURITY PLAN - 540 DAYS - SERIES I

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	7	39,232,700
<b>Total</b>		<b>39,232,700</b>
<b>EXPENSES AND LOSSES</b>		
Loss on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		1,937,638
Investment Management Fees		446,563
Trusteeship Fees and Expenses		57,934
Publicity Expenses		10,533
Audit Fees		1,121
Custodian Fees and Expenses		9,594
Registrar/Transfer Agent fees		7,539
Other Operating Expenses, Taxes		66,843
Deferred Revenue Expenses Amortised		60,626
<b>Total</b>		<b>2,598,391</b>
Surplus / (Deficit) for the period		36,634,309
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		(23,743,377)
<b>Net transferred to Appropriation</b>		<b>12,890,932</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		12,890,932
<b>Add/(Less)</b> : Income Equalisation - Credit / (Debit)		-
<b>Net Surplus / (Deficit) Transferred to Revenue Reserve</b>		<b>12,890,932</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 540 DAYS - SERIES I

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007.

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs.2,745,000)	2,744,999
Growth Plan (Initial capital Rs.44,834,315.61)	44,834,316
Institutional Dividend Plan (Initial capital Rs.25,000,000)	25,000,000
Institutional Growth Plan (Initial capital Rs.2,600,356,624.63)	2,600,356,625
<b>Total</b>	<b>2,672,935,940</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	274,500
No. of Units of Face Value Rs. 10/- each -Growth Plan	4,483,432
No. of Units of Face Value Rs. 10/- each -Institutional Dividend Plan	2,500,000
No. of Units of Face Value Rs. 10/- each -Institutional Growth Plan	260,035,663
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
<b>Unit Premium Reserve</b>	
At the beginning of the period	-
Added during the Period (net of transfer to/from equalisation reserve)	-
At the end of the Period	-
<b>Appropriation Account</b>	12,890,932
<b>Total</b>	<b>12,890,932</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	22,731
Management Fee Payable	224,954
Custodian Expenses Payable	2,214
Registrar Fee Payable	3,233
Brokerage Payable	5,000
Investor Service Charges Payable	2,273
Provisions and Other Sundry Payables	35,386
<b>Total</b>	<b>295,791</b>

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Debentures and Bonds listed/awaiting listing	1,942,500,840
Securitised Debt	645,087,282
<b>Total</b>	<b>2,587,588,122</b>
<b>Schedule - 5</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	46,676
Outstanding and Accrued Income	84,538,769
Collateralised lending with CCIL	13,595,313
<b>Total</b>	<b>98,180,758</b>
<b>Schedule - 6</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	414,409
<b>Less: Amortised during the period</b>	<b>(60,626)</b>
<b>At the end of the period</b>	<b>353,783</b>
<b>Schedule - 7</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	37,052,801
Commercial Paper / Certificate of Deposit	456,071
Reverse Repos & CBLO	1,723,828
<b>Total</b>	<b>39,232,700</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VII

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	3,691,553,736
Reserves and Surplus	2	15,210,561
Current Liabilities and Provisions	3	6,343,481
<b>Total</b>		<b>3,713,107,778</b>
<b>ASSETS</b>		
Investments	4	2,822,727,925
Deposits	5	850,000,000
Other Current Assets	6	40,280,138
Deferred Revenue Expenditure (to the extent not written off)	7	99,715
<b>Total</b>		<b>3,713,107,778</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-

Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-

M. M. Chitale  
Chairman

Sd/-

Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-

B. G. Deshmukh  
Chairman

Sd/-

H. M. Singh  
Director



# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VII

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	8	45,140,108
Profit on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		3,961,776 -
<b>Total</b>		<b>49,101,884</b>
<b>EXPENSES AND LOSSES</b>		
Investment Management Fees		850,900
Trusteeship Fees and Expenses		51,913
Publicity Expenses		10,188
Audit Fees		927
Custodian Fees and Expenses		6,273
Registrar/Transfer Agent fees		4,826
Other Operating Expenses, Taxes		113,203
Deferred Revenue Expenses Amortised		127,228
<b>Total</b>		<b>1,165,458</b>
Surplus/(Deficit) for the period		47,936,426
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		(1,242,070)
<b>Net transferred to Appropriation</b>		<b>46,694,356</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		46,694,356
<b>Add/(Less)</b> : Income Equalisation - Credit / (Debit)		1,543,546
<b>Less</b> : Dividend paid to unitholders		(25,798,293)
<b>Less</b> : Distribution tax		(5,657,077)
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>16,782,532</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VII

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007.

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs. 3,173,404,285.87)	3,170,904,286
Growth Plan (Initial capital Rs. 520,649,449.8)	520,649,450
<b>Total</b>	<b>3,691,553,736</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	317,090,429
No. of Units of Face Value Rs. 10/- each - Growth Plan	52,064,945
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
Unit Premium Reserve At the beginning of the period	-
<b>Added</b> during the Period (net of transfer to/from equalisation reserve)	(1,571,971)
<b>Less</b> Previous Year Adjustment At the end of the Period	-
	<b>(1,571,971)</b>
<b>Appropriation Account</b>	16,782,532
<b>Total</b>	<b>15,210,561</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	31,622
Management Fee Payable	546,533
Custodian Expenses Payable	2,542
TDS Payable	1,061
Registrar Fee Payable	2,679
Investor Service Charges Payable	3,162
Dividend and Dividend Tax Payable	5,657,077
Provisions and Other Sundry Payables	98,805
<b>Total</b>	<b>6,343,481</b>
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Privately placed Debentures/Bonds	447,819,200
Debentures and Bonds listed/awaiting listing	770,000,000
Securitised Debt	378,698,009
Commercial Paper/Certificate of Deposits	1,226,210,716
<b>Total</b>	<b>2,822,727,925</b>

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 5</b>	
<b>DEPOSITS</b>	
Deposits with Scheduled Banks	850,000,000
<b>Total</b>	<b>850,000,000</b>
<b>Schedule - 6</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	26,289
Outstanding and Accrued Income	34,084,123
Collateralised lending with CCIL	6,169,726
<b>Total</b>	<b>40,280,138</b>
<b>Schedule - 7</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	227,019
<b>Less:</b> Amortised during the period	(127,228)
<b>Less:</b> Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	(76)
<b>At the end of the period</b>	<b>99,715</b>
<b>Schedule - 8</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	16,225,068
Commercial Paper / Certificate of Deposit	16,805,956
Reverse Repos & CBLO	256,824
Deposits	11,852,260
<b>Total</b>	<b>45,140,108</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VIII

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	4,905,553,164
Reserves and Surplus	2	17,502,902
Current Liabilities and Provisions	3	6,263,533
<b>Total</b>		<b>4,929,319,599</b>
<b>ASSETS</b>		
Investments	4	3,446,504,700
Deposits	5	1,450,000,000
Other Current Assets	6	32,667,193
Deferred Revenue Expenditure (to the extent not written off)	7	147,706
<b>Total</b>		<b>4,929,319,599</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VIII

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	8	46,159,419
Profit on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		657,479 -
<b>Total</b>		<b>46,816,898</b>
<b>EXPENSES AND LOSSES</b>		
Investment Management Fees		498,338
Trusteeship Fees and Expenses		43,596
Publicity Expenses		11,240
Audit Fees		1,522
Custodian Fees and Expenses		3,936
Registrar/Transfer Agent fees		5,608
Other Operating Expenses, Taxes		69,347
Deferred Revenue Expenses Amortised		80,887
<b>Total</b>		<b>714,474</b>
Surplus / (Deficit) for the period		46,102,424
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 9)		-
<b>Net transferred to Appropriation</b>		<b>46,102,424</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add : Surplus for the period</b>		46,102,424
<b>Add/(Less) : Income Equalisation - Credit / (Debit)</b>		(124,309)
Dividend paid to unitholders		(23,339,854)
Distribution tax		(5,128,168)
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>17,510,093</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VIII

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007.

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs.4,666,483,793.37)	4,616,888,793
Growth Plan (Initial capital Rs.289,069,371.23)	288,664,371
<b>Total</b>	<b>4,905,553,164</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	461,688,879
No. of Units of Face Value Rs. 10/- each -Growth Plan	28,866,437
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
Unit Premium Reserve At the beginning of the period	-
<b>Added</b> during the Period (net of transfer to / from equalisation reserve)	(7,191)
At the end of the Period	<b>(7,191)</b>
<b>Appropriation Account</b>	17,510,093
<b>Total</b>	<b>17,502,902</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	43,596
Management Fee Payable	498,338
Custodian Expenses Payable	3,936
Registrar Fee Payable	2,079
Brokerage Payable	2,500
Investor Service Charges Payable	4,238
Dividend and Dividend Tax Payable	5,128,168
Provisions and Other Sundry Payables	580,678
<b>Total</b>	<b>6,263,533</b>
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Privately placed Debentures / Bonds	400,000,000
Debentures and Bonds listed / awaiting listing	480,000,000
Commercial Paper / Certificate of Deposits	2,566,504,700
<b>Total</b>	<b>3,446,504,700</b>

	(Amount in Rs.)
	<b>March 31, 2007</b>
<b>Schedule - 5</b>	
<b>DEPOSITS</b>	
Deposits with Scheduled Banks	1,450,000,000
<b>Total</b>	<b>1,450,000,000</b>
<b>Schedule - 6</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	44,902
Outstanding and Accrued Income	21,787,901
Collateralised lending with CCIL	10,834,390
Subscription / Switch Amount Receivable	-
<b>Total</b>	<b>32,667,193</b>
<b>Schedule - 7</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	230,092
<b>Less:</b> Amortised during the period	(80,887)
<b>Less:</b> Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	(1,499)
<b>At the end of the period</b>	<b>147,706</b>
<b>Schedule - 8</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	8,244,000
Commercial Paper / Certificate of Deposit	24,315,413
Reverse Repos & CBLO	73,910
Deposits	13,526,096
<b>Total</b>	<b>46,159,419</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES III

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	2,516,872,712
Reserves and Surplus	2	10,884,313
Current Liabilities and Provisions	3	2,560,086
<b>Total</b>		<b>2,530,317,111</b>
<b>ASSETS</b>		
Investments	4	2,102,194,168
Deposits	5	300,000,000
Other Current Assets	6	125,929,818
Deferred Revenue Expenditure (to the extent not written off)	7	2,193,125
<b>Total</b>		<b>2,530,317,111</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director



# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES III

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	8	8,816,009
Profit on Sale / Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		848,204 -
<b>Total</b>		<b>9,664,213</b>
<b>EXPENSES AND LOSSES</b>		
Investment Management Fees		211,686
Trusteeship Fees and Expenses		12,441
Publicity Expenses		17,911
Audit Fees		513
Custodian Fees and Expenses		2,214
Registrar/Transfer Agent fees		1,954
Other Operating Expenses, Taxes		27,419
Deferred Revenue		89,313
Expenses Amortised		-
<b>Total</b>		<b>363,451</b>
Surplus/(Deficit) for the period		9,300,762
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 9)		1,583,555
<b>Net transferred to Appropriation</b>		<b>10,884,317</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		10,884,317
<b>Add / (Less)</b> : Income		(282)
Equalisation - Credit / (Debit)		
<b>Net Surplus / (Deficit) Transferred to Revenue Reserve</b>		<b>10,884,035</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES III

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007.

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Growth Plan (Initial capital Rs. 272,358,072.76)	272,358,074
Institutional Growth Plan (Initial capital Rs.2,244,514,635.49)	2,244,514,638
<b>Total</b>	<b>2,516,872,712</b>
No. of Units of Face Value Rs. 10/- each -Growth Plan	27,235,807
No. of Units of Face Value Rs. 10/- each -Institutional Growth Plan	224,451,464
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
<b>Unit Premium Reserve</b>	
At the beginning of the period	-
Added during the Period (net of transfer to/from equalisation reserve)	278
At the end of the Period	<b>278</b>
<b>Appropriation Account</b>	10,884,035
<b>Total</b>	<b>10,884,313</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Trustee Fees Payable	12,441
Management Fee Payable	211,686
Custodian Expenses Payable	2,214
Registrar Fee Payable	740
Investor Service Charges Payable	1,244
Provisions and Other Sundry Payables	2,331,761
<b>Total</b>	<b>2,560,086</b>
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Debentures and Bonds listed / awaiting listing	738,527,090
Securitised Debt	818,749,903
Commercial Paper/Certificate of Deposits	544,917,175
<b>Total</b>	<b>2,102,194,168</b>

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 5</b>	
<b>DEPOSITS</b>	
Deposits with Scheduled Banks	300,000,000
<b>Total</b>	<b>300,000,000</b>
<b>Schedule - 6</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	101,428
Outstanding and Accrued Income	7,571,260
Shares/Debentures application money, pending allotment	90,000,000
Collateralised lending with CCIL	28,257,130
Subscription/Switch Amount Receivable	-
<b>Total</b>	<b>125,929,818</b>
<b>Schedule - 7</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	2,282,438
Less: Amortised during the period	(89,313)
Less: Recovery of proportionate unamortised amount from investors exiting before amortisation is complete (Refer Note II (11))	-
<b>At the end of the period</b>	<b>2,193,125</b>
<b>Schedule - 8</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Debentures & Bonds	2,858,911
Commercial Paper / Certificate of Deposit	2,799,875
Reverse Repos & CBLO	1,105,486
Deposits	1,578,904
Application Money	472,833
<b>Total</b>	<b>8,816,009</b>

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES IV

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	1,805,185,925
Reserves and Surplus	2	1,635,014
Current Liabilities and Provisions	3	2,278,482
<b>Total</b>		<b>1,809,099,421</b>
<b>ASSETS</b>		
Investments	4	1,295,102,384
Deposits	5	500,000,000
Other Current Assets	6	11,760,086
Deferred Revenue Expenditure (to the extent not written off)	7	2,236,951
<b>Total</b>		<b>1,809,099,421</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES IV

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	8	1,145,799
<b>Total</b>		<b>1,145,799</b>
<b>EXPENSES AND LOSSES</b>		
Loss on Sale/Redemption of Investments (Net) (Other than Inter-Scheme Transfer)		7,653
Investment Management Fees		8,763
Trusteeship Fees and Expenses		1,477
Publicity Expenses		4,499
Custodian Fees and Expenses		369
Other Operating Expenses, Taxes		1,219
Deferred Revenue Expenses Amortised		17,614
<b>Total</b>		<b>41,594</b>
Surplus/(Deficit) for the period		1,104,205
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 9)		530,809
<b>Net transferred to Appropriation</b>		<b>1,635,014</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add</b> : Surplus for the period		1,635,014
<b>Add/(Less)</b> : Income Equalisation - Credit / (Debit)		-
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>1,635,014</b>
Significant Accounting Policies and Notes to Accounts	9	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES IV

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007.

(Amount in Rs.)		(Amount in Rs.)	
	March 31, 2007		March 31, 2007
<b>Schedule - 1</b>		<b>Schedule - 5</b>	
<b>UNIT CAPITAL</b>		<b>DEPOSITS</b>	
Dividend Plan (Initial capital Rs.6,296,000)	6,296,000	Deposits with Scheduled Banks	500,000,000
Growth Plan (Initial capital Rs.382,988,774)	382,988,774	<b>Total</b>	<b>500,000,000</b>
Inst.Growth Plan (Initial capital Rs.1,415,901,151)	1,415,901,151	<b>Schedule - 6</b>	
<b>Total</b>	<b>1,805,185,925</b>	<b>OTHER CURRENT ASSETS</b>	
No. of Units of Face Value Rs. 10/- each -Dividend Plan	629,600	Balances with Banks and RBI in Current Account	22,707
No. of Units of Face Value Rs. 10/- each -Growth Plan	38,298,877	Outstanding and Accrued Income	1,933,278
No. of Units of Face Value Rs. 10/- each -Institutional Growth Plan	141,590,115	Collateralised lending with CCIL	4,305,854
		Subscription/Switch Amount Receivable	5,498,247
		<b>Total</b>	<b>11,760,086</b>
<b>Schedule - 2</b>		<b>Schedule - 7</b>	
<b>RESERVES AND SURPLUS</b>		<b>DEFERRED REVENUE EXPENDITURE</b>	
<b>Unit Premium Reserve</b>		At the beginning of the period	-
At the beginning of the period	-	Incurred during the period	2,254,565
<b>Added</b> during the Period (net of transfer to/from equalisation reserve)	-	<b>Less:</b> Amortised during the period	(17,614)
At the end of the Period	-	<b>At the end of the period</b>	<b>2,236,951</b>
<b>Appropriation Account</b>	1,635,014	<b>Schedule - 8</b>	
<b>Total</b>	<b>1,635,014</b>	<b>INTEREST AND DISCOUNT INCOME</b>	
<b>Schedule - 3</b>		Debentures & Bonds	245,260
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		Commercial Paper / Certificate of Deposit	482,139
Trustee Fees Payable	1,477	Reverse Repos & CBLO	23,195
Management Fee Payable	8,763	Deposits	395,205
Custodian Expenses Payable	369	<b>Total</b>	<b>1,145,799</b>
Brokerage Payable	7,500		
Investor Service Charges Payable	148		
Provisions and Other Sundry Payables	2,260,225		
<b>Total</b>	<b>2,278,482</b>		
<b>Schedule - 4</b>			
<b>INVESTMENTS</b>			
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>			
Privately placed Debentures/Bonds	250,264,250		
Debentures and Bonds listed / awaiting listing	24,626,830		
Securitised Debt	522,360,418		
Commercial Paper / Certificate of Deposits	497,850,886		
<b>Total</b>	<b>1,295,102,384</b>		

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES IX

## BALANCE SHEET

As at March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>LIABILITIES</b>		
Unit Capital	1	1,687,772,021
Reserves and Surplus	2	998,821
Current Liabilities and Provisions	3	138,690
<b>Total</b>		<b>1,688,909,533</b>
<b>ASSETS</b>		
Investments	4	1,664,708,417
Other Current Assets	5	24,070,620
Deferred Revenue Expenditure (to the extent not written off)	6	130,495
<b>Total</b>		<b>1,688,909,532</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
*Chartered Accountants*

Sd/-  
Chetan Desai  
*Partner*

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
*Chairman*

Sd/-  
Rajan Ghotgalkar  
*Managing Director*

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
*Chairman*

Sd/-  
H. M. Singh  
*Director*



# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES IX

## REVENUE ACCOUNT

For the period ended March 31, 2007

(Amount in Rs.)

	Schedule No.	March 31, 2007
<b>INCOME</b>		
Interest and Discount Income	7	294,642
<b>Total</b>		<b>294,642</b>
<b>EXPENSES AND LOSSES</b>		
Custodian Fees and Expenses		246
Deferred Revenue Expenses Amortised		2,932
		3,178
<b>Less : Excess of Expenditure Over Permissible Limit to be Recovered from AMC</b>		(246)
<b>Total</b>		<b>2,932</b>
Surplus/(Deficit) for the period		291,710
Net change in Unrealised Appreciation / (Depreciation) in Value of Investments (Refer Note VI (2) to Schedule 8)		707,111
<b>Net transferred to Appropriation</b>		<b>998,821</b>
<b>APPROPRIATION</b>		
Opening Balance		-
<b>Add : Surplus for the period</b>		<b>998,821</b>
<b>Net Surplus/(Deficit) Transferred to Revenue Reserve</b>		<b>998,821</b>
Significant Accounting Policies and Notes to Accounts	8	

The schedules form an integral part of the financial statements

As per our attached report of even date

For Haribhakti & Co.  
Chartered Accountants

Sd/-  
Chetan Desai  
Partner

Place : Mumbai  
Date : June 30, 2007

For and on behalf of  
Principal Pnb Asset  
Management Company Pvt. Ltd.

Sd/-  
M. M. Chitale  
Chairman

Sd/-  
Rajan Ghotgalkar  
Managing Director

For and on behalf of  
Principal Trustee  
Company Pvt. Ltd.

Sd/-  
B. G. Deshmukh  
Chairman

Sd/-  
H. M. Singh  
Director

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES IX

## SCHEDULE

Schedules Forming Part of the Balance Sheet as at March 31, 2007 and the Revenue Account for the period ended March 31, 2007.

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 1</b>	
<b>UNIT CAPITAL</b>	
Dividend Plan (Initial capital Rs.1,609,941,703)	1,609,941,703
Growth Plan (Initial capital Rs.77,830,318)	77,830,318
<b>Total</b>	<b>1,687,772,021</b>
No. of Units of Face Value Rs. 10/- each -Dividend Plan	160,994,170
No. of Units of Face Value Rs. 10/- each - Growth Plan	7,783,032
<b>Schedule - 2</b>	
<b>RESERVES AND SURPLUS</b>	
<b>Unit Premium Reserve</b>	
At the beginning of the period	-
Added during the Period (net of transfer to/from equalisation reserve)	-
At the end of the Period	-
<b>Appropriation Account</b>	998,821
<b>Total</b>	<b>998,821</b>
<b>Schedule - 3</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Custodian Expenses Payable	246
Brokerage Payable	5,000
Provisions and Other Sundry Payables	133,444
<b>Total</b>	<b>138,690</b>

	(Amount in Rs.)
	March 31, 2007
<b>Schedule - 4</b>	
<b>INVESTMENTS</b>	
<b>(Refer to attached statement of portfolio holding as at March 31, 2007)</b>	
Securitised Debt	238,782,314
Commercial Paper/Certificate of Deposits	475,373,050
Mutual Fund Units	950,553,053
<b>Total</b>	<b>1,664,708,417</b>
<b>Schedule - 5</b>	
<b>OTHER CURRENT ASSETS</b>	
Balances with Banks and RBI in Current Account	24,889
Outstanding and Accrued Income	10,842
AMC Receivable	246
Collateralised lending with CCIL	6,468,743
Subscription/Switch Amount Receivable	17,565,900
<b>Total</b>	<b>24,070,620</b>
<b>Schedule - 6</b>	
<b>DEFERRED REVENUE EXPENDITURE</b>	
At the beginning of the period	-
Incurred during the period	133,427
<b>Less: Amortised during the period</b>	(2,932)
<b>Less: Amount adj. agnst Unit Prem. Res.</b>	-
<b>At the end of the period</b>	<b>130,495</b>
<b>Schedule - 7</b>	
<b>INTEREST AND DISCOUNT INCOME</b>	
Commercial Paper / Certificate of Deposit	284,014
Reverse Repos & CBLO	10,628
<b>Total</b>	<b>294,642</b>

# SCHEDULE 8 PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES I

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003.

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 460 Days - Series I is an open ended scheme of Principal Mutual Fund launched for initial subscription on February 13, 2006. The Scheme's New Fund offer (NFO) closed on February 14, 2006. The allotment date for the NFO units was February 15, 2006.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

### II. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

#### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

#### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).
- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case

may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.

- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
- 3.16 The above policies are followed as and when applicable.

#### 4. Income Recognition

- 4.1 Dividend income is accrued on ex-dividend date.
- 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
- 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
- 4.4 Income on non-performing assets (NPA) is recognized on cash basis.

#### 5. Management Fees

Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.

#### 6. Unit Premium Reserve

Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.

#### 7. Distributable Income

For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.

#### 8. Income Equalization

Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.

#### 9. Provisions

Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.

Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.

#### 10. Load Charges

Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.

#### 11. Deferred Revenue Expenditure

Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.

#### III. PRINCIPAL TRUSTEE FEES:

Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

#### IV. CUSTODIAN FEES:

Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.

#### V. REGISTRAR AND TRANSFER AGENT FEES :

Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

#### VI NOTES TO ACCOUNTS

- 1 The scheme has dividend and growth plans. A combined Balance sheet and Revenue Account is prepared for the scheme.
- 2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs. in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	494.54	494.54	--
Securitized Debt	(2,487.55)	(2,487.55)	(--)
Privately Placed Debentures/ Bonds	5,431.39	5,571.42	+140.03
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	(--)	(--)	(--)
	3,026.39	3,002.93	-23.46
	(7,608.86)	(7,595.92)	(-12.94)
	9,423.80	9,399.83	-23.97
	(7,110.73)	(7,070.05)	(-40.68)
<b>TOTAL</b>	<b>18,376.12</b>	<b>18,468.72</b>	<b>+92.6</b>
	<b>(17,207.14)</b>	<b>(17,153.52)</b>	<b>(-53.62)</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 146.22 lacs**

- 3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the year ended March 31, 2007) is as per Annexure I.
- 4 Interest and Discount- Others (Net) represents amounts received from and paid to other schemes of the Fund on account of delay in movement of unit subscription application money of one scheme wrongly received in the other scheme, calculated for the period of the delay on the basis of the prevailing CBLO rates.
- 5 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	17,881.58
	(14,719.59)
Market / Fair Value	17,974.18
	(14,665.97)

- 6 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007	March 31, 2006
Principal Pnb FMP 460 Days Series I -Dividend Plan	10.8832	10.0546
Principal Pnb FMP 460 Days Series I -Growth Plan	10.8832	10.0546

- 7 Details of movements in Unit Capital during the year:

#### Principal Pnb Fixed Maturity Plan - 460 Days Series I - Dividend Plan

Particulars	Units	Amount (Rs)
Opening Balance as on April 01, 2006	250,000.000	2,500,000.00
<b>Add :</b> Units sold during the year	--	--
<b>Less:</b> Units redeemed during the year	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>250,000.000</b>	<b>2,500,000.00</b>

#### Growth

Particulars	Units	Amount (Rs)
Opening Balance as on April 01, 2006	173,656,949.070	1,736,569,490.70
<b>Add :</b> Units sold during the year	--	--
<b>Less :</b> Units redeemed during the year	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>173,656,949.070</b>	<b>1,736,569,490.70</b>

- 8 Aggregate value of Purchases and Sales made during the year / period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fixed Maturity Plan - 460 Days Series I	7,997.01	43.83	7,227.86	39.61
	(19,697.39)	(113.03)	(2,550.91)	(14.64)

\* Sales includes redemptions.

## SCHEDULE 8

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES I

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

- 9 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)		
Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fixed Maturity Plan - 460 Days Series I	18,246.02 (17,426.33)	30.08 (3.33)

- 10 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 11 Total Income and Expenditure for the year, expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Principal Pnb Fixed Maturity Plan - 460 Days Series I	6.73 (0.89)	0.20 (0.20)

*Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments*

- 12 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fixed Maturity Plan - 460 Days Series I	-- (--)	-- (--)	-- (--)	-- (--)

- 13 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 14 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the year are as under :

(Rs. in Lacs)		
Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.18 (0.02)	Investor Communication Service Fees

- 15 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is as follows :-

Name of the Associate Company	Investment in Rs. Lacs
Housing Development Finance Corporation	1,200.63

- 16 'Rs. 0.00' indicates amount less than a lac and 'Rs. —' indicates Nil amount

- 17 Figures in bracket indicate previous year figures.

- 18 Previous year's figures have been regrouped, wherever necessary, to make them comparable.

- 19 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. <i>Chartered Accountants</i>	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
Sd/- Chetan Desai <i>Partner</i>	Sd/- M. M. Chitale <i>Chairman</i>	Sd/- B. G. Deshmukh <i>Chairman</i>
	Sd/- Rajan Ghotgalkar <i>Managing Director</i>	Sd/- H. M. Singh <i>Director</i>

Place: Mumbai  
Date: June 30, 2007

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 385 Days - Series I is an open ended scheme of Principal Mutual Fund launched for initial subscription on March 13, 2006. The Scheme's New Fund offer (NFO) closed on March 13, 2006. The allotment date for the NFO units was March 14, 2006.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
  - 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
  - 2.3 Bonus entitlements are recognized on ex-bonus dates.
- ##### 3. Portfolio Valuation
- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).



- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
  - 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
  - 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
  - 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
  - 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
  - 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
  - 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
  - 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
  - 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
  - 3.14 An investment is regarded as non-performing if the interest and / or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
  - 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
  - 3.16 The above policies are followed as and when applicable.
- 4. Income Recognition**
    - 4.1 Dividend income is accrued on ex-dividend date.
    - 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
    - 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
    - 4.4 Income on non-performing assets (NPA) is recognized on cash basis.
  - 5. Management Fees**  
Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.
  - 6. Unit Premium Reserve**  
Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.
  - 7. Distributable Income**  
For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.
  - 8. Income Equalization**  
Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.
  - 9. Provisions**  
Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.  
Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.
  - 10. Load Charges**  
Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.
  - 11. Deferred Revenue Expenditure**  
Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.
- III. PRINCIPAL TRUSTEE FEES :**  
Principal trustee fees have been accrued in the books @0.01% p.a.of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20,2003.
  - IV. CUSTODIAN FEES:**  
Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.
  - V. REGISTRAR AND TRANSFER AGENT FEES:**  
Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.
  - VI. NOTES TO ACCOUNTS**
    - 1 The scheme has two options-Regular and Institutional. Within these two options, there are two sub-options Dividend and Growth. A combined Balance sheet and Revenue Account is prepared for the scheme.



- 2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs. in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	2,979.22 (12,521.86)	2,979.22 (12,521.86)	-- (--)
Securitized Debt	3,924.70 (--)	3,949.30 (--)	+24.59 (--)
Privately Placed Debentures/ Bonds	2,500.00 (4,000.00)	2,500.08 (3,999.16)	+0.08 (-0.84)
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	5,029.86 (486.75)	5,051.95 (487.20)	+22.09 (+0.45)
Mutual Fund Units	5,499.32 (--)	5,503.20 (--)	+3.88 (--)
<b>TOTAL</b>	<b>19,933.10</b> <b>(17,008.61)</b>	<b>19,983.75</b> <b>(17,008.22)</b>	<b>+50.65</b> <b>(-0.39)</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 51.04 lacs**

- 3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the year ended March 31, 2007) is as per Annexure I.
- 4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	11,454.56 (4,486.75)
Market / Fair Value	11,501.33 (4,486.36)

- 5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007	March 31, 2006
Principal Pnb FMP 385 Days Series I -Dividend Plan	10.8725	10.0406
Principal Pnb FMP 385 Days Series I -Growth Plan	10.8725	10.0406
Principal Pnb FMP 385 Days Series I -Inst Dividend Plan	10.8725	10.0406
Principal Pnb FMP 385 Days Series I -Inst. Growth Plan	10.8725	10.0406

- 6 Details of movements in Unit Capital during the year :

**Principal Pnb Fixed Maturity Plan - 385 Days Series I - Dividend Plan**

Particulars	Units	Amount (Rs)
Opening Balance as on April 01, 2006	86,500.000	865,000.00
Add : Units sold during the year	--	--
Less: Units redeemed during the year	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>86,500.000</b>	<b>865,000.00</b>

**Growth Plan**

Particulars	Units	Amount (Rs)
Opening Balance as on April 01, 2006	37,742,481.096	377,424,810.96
Add : Units sold during the year	--	--
Less: Units redeemed during the year	1,559,900.000	15,599,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>36,182,581.096</b>	<b>361,825,810.96</b>

**Institutional Dividend Plan**

Particulars	Units	Amount (Rs)
Opening Balance as on April 01, 2006	--	--
Add : Units sold during the year	--	--
Less: Units redeemed during the year	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>--</b>	<b>--</b>

**Institutional Growth Plan**

Particulars	Units	Amount (Rs)
Opening Balance as on April 01, 2006	153,330,683.148	1,533,306,831.48
Add : Units sold during the year	--	--
Less: Units redeemed during the year	1,550,000.000	15,500,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>151,780,683.148</b>	<b>1,517,806,831.48</b>

Note :- Principal PNB Asset Management Company Private Limited, the investment manager, holds 80,00,000 units (80,00,000 units) in Institutional Growth Plan as at 31/03/07.

- 7 Aggregate value of Purchases and Sales made during the year / period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fixed Maturity Plan - 385 Days Series I	37,080.10 (17,008.61)	186.13 (88.97)	35,223.87 (--)	176.81 (--)

\* Sales includes redemptions.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fixed Maturity Plan - 385 Days Series I	19,921.49 (19,117.40)	91.86 (1.37)

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the year / period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Principal Pnb Fixed Maturity Plan - 385 Days Series I	6.71 (0.42)	0.54 (0.20)

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments.

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fixed Maturity Plan - 385 Days Series I	-- (--)	-- (--)	-- (--)	-- (--)

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

## SCHEDULE 8

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES II

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 385 Days - Series II is an open-ended scheme of Principal Mutual Fund launched for initial subscription on June 7, 2006. The Scheme's New Fund offer (NFO) closed on June 7, 2006. The allotment date for the NFO units was June 8, 2006.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).
- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the year are as under :

(Rs. in Lacs)

Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.20 (0.01)	Investor Communication Service Fees
Punjab National Bank	-- (0.01)	Brokerage on Mobilisation of Units

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is nil.
- 15 Load collected but not utilised has been credited to other income after the same was considered excess by the trustees.
- 16 Excess provision written back pertain to higher NFO expenses provided for no longer required.
- 17 'Rs. 0.00' indicates amount less than a lac and 'Rs. —' indicates Nil amount
- 18 Figures in bracket indicate previous year figures.
- 19 Previous year's figures have been regrouped, wherever necessary, to make them comparable.
- 20 The historical per unit statement is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. <i>Chartered Accountants</i>	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
Sd/- Chetan Desai <i>Partner</i>	Sd/- M. M. Chitale <i>Chairman</i>	Sd/- B. G. Deshmukh <i>Chairman</i>
	Sd/- Rajan Ghotgalkar <i>Managing Director</i>	Sd/- H. M. Singh <i>Director</i>

Place: Mumbai  
Date: June 30, 2007

- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
- 3.16 The above policies are followed as and when applicable.
- 4. Income Recognition**
- 4.1 Dividend income is accrued on ex-dividend date.
- 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
- 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
- 4.4 Income on non-performing assets (NPA) is recognized on cash basis.
- 5. Management Fees**
- Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.
- 6. Unit Premium Reserve**
- Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.
- 7. Distributable Income**
- For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.
- 8. Income Equalization**
- Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.
- 9. Provisions**
- Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.
- Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.
- 10. Load Charges**
- Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.
- 11. Deferred Revenue Expenditure**
- Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.
- III. PRINCIPAL TRUSTEE FEES:**
- Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20, 2003.
- IV. CUSTODIAN FEES:**
- Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.
- V. REGISTRAR AND TRANSFER AGENT FEES:**
- Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.
- VI. NOTES TO ACCOUNTS**
- 1 The scheme has dividend and growth plans. A combined Balance sheet and Revenue Account is prepared for the scheme.

- 2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs. in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	7,991.07	7,991.07	--
Securitized Debt	1,703.68	1,714.34	+10.66
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	2,382.00	2,385.12	+3.12
<b>TOTAL</b>	<b>12,076.76</b>	<b>12,090.54</b>	<b>+13.78</b>

Net change in unrealised appreciation in the value of investment for the period ended March 31, 2007 **Rs. 13.78 lacs**

- 3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.

- 4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	4,085.68
Market / Fair Value	4,099.47

- 5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 385 Days-Series II	10.6182
Principal Pnb Fixed Maturity Plan 385 Days-Series II	10.6182

- 6 Details of movements in Unit Capital during the period:

**Principal Pnb Fixed Maturity Plan 385 Days-Series II - Dividend Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	620,000.000	6,200,000.00
Add : Units sold during the period	--	--
Less: Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>620,000.000</b>	<b>6,200,000.00</b>

**Growth Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	114,759,161.040	1,147,591,610.40
Add : Units sold during the period	--	--
Less: Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>114,759,161.040</b>	<b>1,147,591,610.40</b>

Note :- Principal PNB Asset Management Company Private Limited, the investment manager, holds 70,00,000 units (Nil units) in Growth Plan as at March 31, 2007.

- 7 Aggregate value of Purchases and Sales made during the period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fixed Maturity Plan 385 days - Series II	11,610.61	97.59	110.18	0.93

\* Sales includes redemptions.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fixed Maturity Plan 385 days - Series II	11,897.61	14.54

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Principal Pnb Fixed Maturity Plan 385 days - Series II	5.22	0.20

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments.

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fixed Maturity Plan 385 days - Series II	--	--	--	--

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period are as under :

(Rs. in Lacs)

Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.10	Investor Communication Service Fees
Punjab National Bank	0.00	Brokerage on Mobilisation of Units

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.

- 15 'Rs. 0.00' indicates amount less than a lac and 'Rs. --' indicates Nil amount.

- 16 As the Scheme was launched during the year, no previous year figures are available.

- 17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants  
Sd/-  
Chetan Desai Partner

For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.  
Sd/-  
M. M. Chitale Chairman  
Sd/-  
Rajan Ghotgalkar Managing Director

For and on behalf of Principal Trustee Company Pvt. Ltd.  
Sd/-  
B. G. Deshmukh Chairman  
Sd/-  
H. M. Singh Director

Place: Mumbai  
Date: June 30, 2007



# SCHEDULE 8

## PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES II

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003. On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 460 Days - Series II is an open-ended scheme of Principal Mutual Fund launched for initial subscription on August 2, 2006. The Scheme's New Fund offer (NFO) closed on August 8, 2006. The allotment date for the NFO units was August 9, 2006.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).
- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.

- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
- 3.16 The above policies are followed as and when applicable.

##### 4. Income Recognition

- 4.1 Dividend income is accrued on ex-dividend date.
- 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
- 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
- 4.4 Income on non-performing assets (NPA) is recognized on cash basis.

##### 5. Management Fees

Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.

##### 6. Unit Premium Reserve

Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or

brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.

#### 7. Distributable Income

For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.

#### 8. Income Equalization

Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.

#### 9. Provisions

Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.

Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.

#### 10. Load Charges

Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.

#### 11. Deferred Revenue Expenditure

Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.

#### III. PRINCIPAL TRUSTEE FEES:

Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

#### IV. CUSTODIAN FEES:

Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.

#### V. REGISTRAR AND TRANSFER AGENT FEES:

Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

#### VI. NOTES TO ACCOUNTS

- The scheme has two options- Regular and Institutional. For each of the options, there are two sub-options-Dividend and Growth. A combined Balance sheet and Revenue Account is prepared for the scheme.
- The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs. in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Securitized Debt	4,712.85	4,706.14	-6.71
Privately Placed Debentures/ Bonds	2,192.80	2,166.20	-26.60
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	4,277.41	4,217.25	-60.16
<b>TOTAL</b>	<b>11,183.07</b>	<b>11,089.60</b>	<b>-93.47</b>

Net change in unrealised depreciation in the value of investment for the period ended March 31, 2007 **Rs. 93.47 lacs**

- The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.

- The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	11,183.07
Market / Fair Value	11,089.60

- Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 460 Days - Series II -Dividend Plan	10.3720
Principal Pnb Fixed Maturity Plan 460 Days - Series II -Growth Plan	10.3720
Principal Pnb Fixed Maturity Plan 460 Days - Series II -Institutional Dividend Plan	10.4000
Principal Pnb Fixed Maturity Plan 460 Days - Series II -Institutional Growth Plan	10.4000

- Details of movements in Unit Capital during the period/year:

#### Principal Pnb Fixed Maturity Plan 460 Days - Series II - Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	312,100.000	3,121,000.00
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>312,100.000</b>	<b>3,121,000.00</b>

#### Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	4,141,901.158	41,419,011.58
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	484,938.000	4,849,380.00
<b>Closing Balance as on March 31, 2007</b>	<b>3,656,963.158</b>	<b>36,569,631.58</b>

#### Institutional Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	1,500,000.000	15,000,000.00
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	1,000,000.000	10,000,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>500,000.000</b>	<b>5,000,000.00</b>

#### Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	113,489,186.625	1,134,891,866.25
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	7,500,000.000	75,000,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>105,989,186.625</b>	<b>1,059,891,866.25</b>

- Aggregate value of Purchases and Sales made during the period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fixed Maturity Plan 460 days - Series II	17,494.36	144.22	6,553.28	54.02

\* Sales includes redemptions.



## SCHEDULE 8

# PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES III

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003. On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan 385 Days- Series III is an open-ended scheme of Principal Mutual Fund launched for initial subscription on October 31, 2006. The Scheme's New Fund offer (NFO) closed on November 2, 2006. The allotment date for the NFO units was November 3, 2006.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).
- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fixed Maturity Plan 460 days - Series II - Regual Plan	445.48	1.38
Principal Pnb Fixed Maturity Plan 460 days - Series II - Institutional Plan	11685.04	8.05

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Income	3.29	
Recurring Expenditure	0.57	0.15

Income/ Expenditure is exclusive of appreciation/depreciation on investment and Profit/ loss on realisation of investments.

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fixed Maturity Plan 460 days - Series II	--	--	--	--

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period are as under :

(Rs. in Lacs)

Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.08	Investor Communication Service Fees
Punjab National Bank Mobilisation of Units	0.00	Brokerage on

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.

- 15 'Rs. 0.00' indicates amount less than a lac and 'Rs. —' indicates Nil amount.

- 16 Since the scheme was launched in the current year previous year figures are not available.

- 17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
Sd/- Chetan Desai Partner	Sd/- M. M. Chitale Chairman	Sd/- B. G. Deshmukh Chairman
	Sd/- Rajan Ghotgalkar Managing Director	Sd/- H. M. Singh Director

Place: Mumbai

Date: June 30, 2007

- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
- 3.16 The above policies are followed as and when applicable.
- 4. Income Recognition**
- 4.1 Dividend income is accrued on ex-dividend date.
- 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
- 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
- 4.4 Income on non-performing assets (NPA) is recognized on cash basis.
- 5. Management Fees**
- Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.
- 6. Unit Premium Reserve**
- Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.
- 7. Distributable Income**
- For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.
- 8. Income Equalization**
- Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.
- 9. Provisions**
- Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.
- Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.
- 10. Load Charges**
- Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.
- 11. Deferred Revenue Expenditure**
- Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.
- III. PRINCIPAL TRUSTEE FEES:**
- Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20, 2003.
- IV. CUSTODIAN FEES:**
- Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.
- V. REGISTRAR AND TRANSFER AGENT FEES:**
- Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.
- VI. NOTES TO ACCOUNTS**
- 1 The scheme has two options- Regular and Institutional. For each of the options, there are two sub-options-Dividend and Growth. A combined Balance sheet and Revenue Account is prepared for the scheme.

- 2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs. in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	474.54	474.54	--
Securitised Debt	17,297.19	17,262.46	(34.73)
Privately Placed Debentures/ Bonds	297.81	296.19	(1.62)
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	12,007.67	11,852.48	(155.19)
<b>TOTAL</b>	<b>30,077.20</b>	<b>29,885.66</b>	<b>(191.54)</b>

Net change in unrealised depreciation in the value of investment for the period ended March 31, 2007 **Rs. 191.54 lacs**

- 3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.
- 4 Interest and Discount- Others (Net) represents amounts received from and paid to other schemes of the Fund on account of delay in movement of unit subscription application money of one scheme wrongly received in the other scheme, calculated for the period of the delay on the basis of the prevailing CBLO rates.
- 5 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	29,602.67
Market / Fair Value	29,411.13

- 6 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 385 Days-Series III (Dividend Plan)	10.1993
Principal Pnb Fixed Maturity Plan 385 Days-Series III (Growth Plan)	10.1993
Principal Pnb Fixed Maturity Plan 385 Days-Series III (Institutional Dividend Plan)	10.2096
Principal Pnb Fixed Maturity Plan 385 Days-Series III (Institutional Growth Plan)	10.2096

- 7 Details of movements in Unit Capital during the period :

**Principal Pnb Fixed Maturity Plan 385 Days-Series III - Dividend Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	102,800.000	1,028,000.00
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>102,800.000</b>	<b>1,028,000.00</b>

**Growth Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	37,056,667.914	370,566,679.14
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	10,000.000	100,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>37,046,667.914</b>	<b>370,466,679.14</b>

**Institutional Dividend Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	4,750,000.000	47,500,000.00
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>4,750,000.000</b>	<b>47,500,000.00</b>

**Institutional Growth Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	259,065,515.785	2,590,655,157.85
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	3,554,542.655	35,545,426.55
<b>Closing Balance as on March 31, 2007</b>	<b>255,510,973.130</b>	<b>2,555,109,731.30</b>

Note :- Principal PNB Asset Management Company Private Limited, the investment manager, holds 120,00,000 units (Nil Units) in Institutional Growth Plan as at March 31, 2007.

- 8 Aggregate value of Purchases and Sales made during the year / period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fixed Maturity plan 385 days-Series III	40,746.24	134.22	11,084.57	36.51

\* Sales includes redemptions.

- 9 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fixed Maturity plan 385 days-Series III Regular Plan	3,770.33	4.56
Principal Pnb Fixed Maturity plan 385 days-Series III Institutional Plan	26,587.56	7.86

- 10 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 11 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
	Regular	Institutional
Income	1.67	
Recurring Expenditure	0.35	0.10

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments

- 12 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under:

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fixed Maturity plan 385 days-Series III	--	--	--	--

- 13 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/ 211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 14 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the year are as under :

(Rs. in Lacs)

Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.12	Investor Communication Service Fees
Corporation Bank	0.00	Brokerage on Mobilisation of Units
Punjab National Bank	0.00	Brokerage on Mobilisation of Units
IDBI Capital Market Services Ltd.	0.00	Brokerage on Mobilisation of Units
Principal Financial Planners Pvt Ltd.	0.07	Brokerage on Mobilisation of Units

- 15 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.
- 16 'Rs. 0.00' indicates amount less than a lac and 'Rs. —' indicates Nil amount
- 17 Since the scheme was launched in the year, previous year figures are not available.
- 18 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
Sd/-	Sd/-	Sd/-
Chetan Desai Partner	M. M. Chitale Chairman	B. G. Deshmukh Chairman
	Sd/-	Sd/-
	Rajan Ghotgalkar Managing Director	H. M. Singh Director

Place: Mumbai  
Date: June 30, 2007

## SCHEDULE 8

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VI

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003.

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% take and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 91 Days - Series VI is an open-ended scheme of Principal Mutual Fund launched for initial subscription on December 27, 2006. The Scheme's New Fund offer (NFO) closed on December 27, 2006. The allotment date for the NFO units was December 28, 2006. The scheme has been subsequently rolled over for another 91 days from March 29, 2007.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

### II. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

#### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

#### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).



- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
- 3.16 The above policies are followed as and when applicable.
- 4. Income Recognition**
- 4.1 Dividend income is accrued on ex-dividend date.
- 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
- 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
- 4.4 Income on non-performing assets (NPA) is recognized on cash basis.
- 5. Management Fees**
- Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.
- 6. Unit Premium Reserve**
- Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.
- 7. Distributable Income**
- For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.
- 8. Income Equalization**
- Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.
- 9. Provisions**
- Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.
- Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.
- 10. Load Charges**
- Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.
- 11. Deferred Revenue Expenditure**
- Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the original tenure (prior to rollover) of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.
- III. PRINCIPAL TRUSTEE FEES:**
- Principal trustee fees have been accrued in the books @0.01% p.a.of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20,2003.
- IV. CUSTODIAN FEES:**
- Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.
- V. REGISTRAR AND TRANSFER AGENT FEES:**
- Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.
- VI NOTES TO ACCOUNTS**
- 1 The scheme has dividend and growth plans. A combined Balance sheet and Revenue Account is prepared for the scheme.

- 2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs. in Lacs)			
Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	907.26	907.26	--
Securitized Debt	596.57	596.96	+0.39
Privately Placed Debentures / Bonds	500.00	500.00	--
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	598.46	599.18	+0.72
Mutual Fund Units	2,000.00	2,001.16	+1.16
<b>TOTAL</b>	<b>4,602.29</b>	<b>4,604.56</b>	<b>+2.27</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 2.27 lacs**

- 3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.

- 4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)	
Particulars	Amount
Book Value	1,695.03
Market / Fair Value	1,696.13

- 5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 91 Days -Series VI (Dividend Plan)	10.0088
Principal Pnb Fixed Maturity Plan 91 Days -Series VI (Growth Plan)	10.2259

- 6 Details of movements in Unit Capital during the period

**Principal Pnb Fixed Maturity Plan 91 Days - Series VI - Dividend Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	352,579,322.842	3,525,793,228.42
Add : Units sold during the period	--	--
Less: Units redeemed during the period	305,337,579.092	3,053,375,790.92
<b>Closing Balance as on March 31, 2007</b>	<b>47,241,743.750</b>	<b>472,417,437.50</b>

**Growth Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	72,877,765.250	728,777,652.50
Add : Units sold during the period	--	--
Less: Units redeemed during the period	72,808,750.474	728,087,504.74
<b>Closing Balance as on March 31, 2007</b>	<b>69,014.776</b>	<b>690,147.76</b>

- 7 Aggregate value of Purchases and Sales made during the year / period, expressed as a percentage of Average Daily Net Asset Value :

	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fixed Maturity Plan 91 days -Series VI	23,904.27	57.21	23,347.06	55.88

\* Sales includes redemptions.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)		
Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fixed Maturity Plan 91 days -Series VI	41,780.69	22.38

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Principal Pnb Fixed Maturity Plan 91 days -Series VI	2.25	0.24

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fixed Maturity Plan 91 days -Series VI	--	--	--	--

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period are as under :

(Rs. in Lacs)		
Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.11	Investor Communication Service Fees
Corporation Bank	0.00	Brokerage on Mobilisation of Units
Punjab National Bank	0.02	Brokerage on Mobilisation of Units
PNB Principal Financial Planners Pvt Ltd.	0.00	Brokerage on Mobilisation of Units

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.

- 15 'Rs. 0.00' indicates amount less than a lac and 'Rs. --' indicates Nil amount

- 16 Since the scheme was launched during the year no previous year figures are available.

- 17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
---	--	---

Sd/- Chetan Desai Partner	Sd/- M. M. Chitale Chairman	Sd/- B. G. Deshmukh Chairman
	Sd/- Rajan Ghotgalkar Managing Director	Sd/- H. M. Singh Director

Place: Mumbai  
Date: June 30, 2007

# SCHEDULE 8

## PRINCIPAL PNB FIXED MATURITY PLAN - 540 DAYS - SERIES I

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlors to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 540 Days - Series I is an open-ended scheme of Principal Mutual Fund launched for initial subscription on January 10, 2007. The Scheme's New Fund offer (NFO) closed on January 11, 2007. The allotment date for the NFO units was January 12, 2007.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).

- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.



3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.

3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.

3.16 The above policies are followed as and when applicable.

#### 4. Income Recognition

4.1 Dividend income is accrued on ex-dividend date.

4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.

4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.

4.4 Income on non-performing assets (NPA) is recognized on cash basis.

#### 5. Management Fees

Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.

#### 6. Unit Premium Reserve

Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.

#### 7. Distributable Income

For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.

#### 8. Income Equalization

Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.

#### 9. Provisions

Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.

Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.

#### 10. Load Charges

Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.

#### 11. Deferred Revenue Expenditure

Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.

### III. PRINCIPAL TRUSTEE FEES:

Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20,2003.

### IV. CUSTODIAN FEES:

Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.

### V. REGISTRAR AND TRANSFER AGENT FEES:

Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

### VI. NOTES TO ACCOUNTS

1 The scheme has two options- Regular and Institutional. For each of the options, there are two sub-options-Dividend and Growth. A combined

Balance sheet and Revenue Account is prepared for the scheme.

2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs.in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Securitized Debt	6,394.04	6,450.87	+56.83
Privately Placed Debentures / Bonds	--	--	--
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	19,719.28	19,425.01	-294.27
<b>TOTAL</b>	<b>26,113.31</b>	<b>25,875.88</b>	<b>-237.43</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 237.42 lacs**

3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31,2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.

4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	26,113.31
Market / Fair Value	25,875.88

5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal PNB Fixed Maturity Plan 540 Days - Series I Dividend Plan	10.0439
Principal PNB Fixed Maturity Plan 540 Days - Series I Growth Plan	10.0439
Principal PNB Fixed Maturity Plan 540 Days - Series I Institutional Dividend Plan	10.0483
Principal PNB Fixed Maturity Plan 540 Days - Series I Institutional Growth Plan	10.0483

6 Details of movements in Unit Capital during the period :

#### Principal PNB Fixed Maturity Plan 540 Days - Series I - Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	274,500.000	2,745,000.00
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>274,500.000</b>	<b>2,745,000.00</b>

### Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	4,483,431.561	44,834,315.61
<b>Add</b> : Units sold during the period	--	--
<b>Less</b> : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>4,483,431.561</b>	<b>44,834,315.61</b>

### Institutional Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	2,500,000.000	25,000,000.00
<b>Add</b> : Units sold during the period	--	--
<b>Less</b> : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>2,500,000.000</b>	<b>25,000,000.00</b>

### Institutional Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	260,035,662.463	2,600,356,624.63
<b>Add</b> : Units sold during the period	--	--
<b>Less</b> : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>260,035,662.463</b>	<b>2,600,356,624.63</b>

- 7 Aggregate value of Purchases and Sales made during the year / period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal PNB Fixed Maturity Plan 540 Days - Series I	41,433.80	154.79	15,466.67	57.78

\* Sales includes redemptions.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal PNB Fixed Maturity Plan 540 Days - Series I - Regular Plan	480.31	0.26
Principal PNB Fixed Maturity Plan 540 Days - Series I - Institutional Plan	26,286.95	4.20

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Particulars	% of Average Net Assets	
	Regular	Institutional
Income	1.47	
Recurring Expenditure	0.30	0.10

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal PNB Fixed Maturity Plan 540 Days - Series I	--	--	--	--

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period are as under :

(Rs. in Lacs)

Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.06	Investor Communication Service Fees
Corporation Bank	0.00	Brokerage on Mobilisation of Units
Punjab National Bank	0.03	Brokerage on Mobilisation of Units
Quantum Information Services	0.01	Brokerage on Mobilisation of Units

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is as follows :-

Name of the Associate Company	Investment Rs. in Lacs
Housing Development Finance Corprn	1959.52

- 15 'Rs. 0.00' indicates amount less than a lac and 'Rs. —' indicates Nil amount.

- 16 Since the scheme was launched during the year previous year figures are not available.

- 17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants  
Sd/-  
Chetan Desai Partner

For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.  
Sd/-  
M. M. Chitale Chairman

For and on behalf of Principal Trustee Company Pvt. Ltd.  
Sd/-  
B. G. Deshmukh Chairman

Sd/-  
Rajan Ghotgalkar Managing Director

Sd/-  
H. M. Singh Director

Place: Mumbai  
Date: June 30, 2007

# SCHEDULE 9

## PRINCIPAL PNB FIXED MATURITY PLAN

### - 91 DAYS - SERIES VII

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 91 Days - Series VII is an open-ended scheme of Principal Mutual Fund launched for initial subscription on February 7, 2007. The Scheme's New Fund offer (NFO) closed on February 8, 2007. The allotment date for the NFO units was February 9, 2007.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).
- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.

- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
- 3.16 The above policies are followed as and when applicable.

#### 4. Income Recognition

- 4.1 Dividend income is accrued on ex-dividend date.
- 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
- 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
- 4.4 Income on non-performing assets (NPA) is recognized on cash basis.

#### 5. Management Fees

Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.

#### 6. Unit Premium Reserve

Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.

#### 7. Distributable Income

For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.

#### 8. Income Equalization

Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.

#### 9. Provisions

Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.

Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.

#### 10. Load Charges

Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.

#### 11. Deferred Revenue Expenditure

Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.

#### III. PRINCIPAL TRUSTEE FEES:

Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20,2003.

#### IV. CUSTODIAN FEES:

Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.

#### V. REGISTRAR AND TRANSFER AGENT FEES:

Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

#### VI. NOTES TO ACCOUNTS

- 1 The scheme has dividend and growth plans. A combined Balance sheet and Revenue Account is prepared for the scheme.
- 2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs.in Lacs)			
Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper/ Certificate of Deposit	12,262.11	12,262.11	--
Securitized Debt	3,787.50	3,786.98	-0.52
Privately Placed Debentures/ Bonds	4,490.09	4,478.19	-11.90
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	7,700.00	7,700.00	--
<b>TOTAL</b>	<b>28,239.70</b>	<b>28,227.28</b>	<b>-12.42</b>

Net change in unrealised depreciation in the value of investment for the year ended March 31, 2007 **Rs. 12.42 lacs**

- 3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.
- 4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)	
Particulars	Amount
Book Value	15,977.59
Market / Fair Value	15,965.17

- 5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 91 DAYS Series VII (Dividend Plan)	10.0272
Principal Pnb Fixed Maturity Plan 91 DAYS Series VII (Growth Plan)	10.1265

- 6 Details of movements in Unit Capital during the period :

#### Principal Pnb Fixed Maturity Plan 91 DAYS Series VII - Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	317,340,428.587	3,173,404,285.87
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	250,000.000	2,500,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>317,090,428.587</b>	<b>3,170,904,285.87</b>

#### Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	52,064,944.980	520,649,449.80
<b>Add :</b> Units sold during the period	--	--
<b>Less :</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>52,064,944.980</b>	<b>520,649,449.80</b>

Note :- Principal PNB Asset Management Company Private Limited, the investment manager, holds 60,00,000 units (Nil Units) in Growth Plan as at March 31, 2007.



## SCHEDULE 9

# PRINCIPAL PNB FIXED MATURITY PLAN - 91 DAYS - SERIES VIII

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

- 7 Aggregate value of Purchases and Sales made during the year / period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb FMP 91 days Series VII	40,528.01	109.08	12,500.09	33.65

\* Sales includes redemptions.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs. in Lacs)		
Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb FMP 91 days Series VII	37,152.75	8.51

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Principal Pnb FMP 91 days Series VII	1.21	0.20

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb FMP 91 Days Series VII	--	--	--	--

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period are as under :

(Rs. in Lacs)		
Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.05	Investor Communication Service Fees
Punjab National Bank	0.00	Brokerage on Mobilisation of Units
PNB Principal Financial Planners Pvt Ltd.	0.01	Brokerage on Mobilisation of Units

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.

- 15 'Rs. 0.00' indicates amount less than a lac and 'Rs. —' indicates Nil amount.

- 16 Since the scheme was launched in the current year previous year figures are not available.

- 17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
Sd/- Chetan Desai Partner	Sd/- M. M. Chitale Chairman	Sd/- B. G. Deshmukh Chairman
	Sd/- Rajan Ghotgalkar Managing Director	Sd/- H. M. Singh Director

Place: Mumbai  
Date: June 30, 2007

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003.

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlors to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 91 Days - Series VIII is an open-ended scheme of Principal Mutual Fund launched for initial subscription on February 26, 2007. The Scheme's New Fund offer (NFO) closed on February 27, 2007. The allotment date for the NFO units was February 28, 2007.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).

- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
  - 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
  - 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
  - 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
  - 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
  - 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
  - 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
  - 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
  - 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
  - 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
  - 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
  - 3.16 The above policies are followed as and when applicable.
4. **Income Recognition**
    - 4.1 Dividend income is accrued on ex-dividend date.
    - 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
    - 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
    - 4.4 Income on non-performing assets (NPA) is recognized on cash basis.
  5. **Management Fees**  
Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.
  6. **Unit Premium Reserve**  
Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.
  7. **Distributable Income**  
For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.
  8. **Income Equalization**  
Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.
  9. **Provisions**  
Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.  
Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.
  10. **Load Charges**  
Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.
  11. **Deferred Revenue Expenditure**  
Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.
- III. **PRINCIPAL TRUSTEE FEES:**  
Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20, 2003.
  - IV. **CUSTODIAN FEES:**  
Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.
  - V. **REGISTRAR AND TRANSFER AGENT FEES:**  
Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

## VI NOTES TO ACCOUNTS

- The scheme has dividend and growth plans. A combined Balance sheet and Revenue Account is prepared for the scheme.
- The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs.in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	25,665.05	25,665.05	--
Privately Placed Debentures/ Bonds	4,000.00	4,000.00	--
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	4,800.00	4,800.00	--
<b>TOTAL</b>	<b>34,465.05</b>	<b>34,465.05</b>	<b>--</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 0 lacs**

- The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.
- The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	8,800.00
Market / Fair Value	8,800.00

- Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 91 DAYS Series VIII (Dividend Plan)	10.0321
Principal Pnb Fixed Maturity Plan 91 DAYS Series VIII (Growth Plan)	10.0931

- Details of movements in Unit Capital during the period :

### Principal Pnb Fixed Maturity Plan 91 DAYS Series VIII - Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	466,648,379.337	4,666,483,793.37
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	4,959,500.000	49,595,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>461,688,879.337</b>	<b>4,616,888,793.37</b>

### Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	28,906,937.123	289,069,371.23
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	40,500.000	405,000.00
<b>Closing Balance as on March 31, 2007</b>	<b>28,866,437.123</b>	<b>288,664,371.23</b>

- Aggregate value of Purchases and Sales made during the period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fmp 91 days Series VIII	46,948.15	94.41	12,732.83	25.61

\* Sales includes redemptions.

- Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fmp 91 days Series VIII	49,726.14	4.98

- As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- Total Income and Expenditure for the year / period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Principal Pnb FMP 91 days Series VIII	0.93	0.15

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments

- Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb FMP 91 days Series VIII	--	--	--	--

- As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period are as under :

(Rs. in Lacs)

Name of the Associate	Amount paid	Nature of payment
Principal Consulting (India) Private Limited	0.04	Investor Communication Service Fees
Punjab National Bank	0.01	Brokerage on Mobilisation of Units

- During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.

- 'Rs. 0.00' indicates amount less than a lac and 'Rs. --' indicates Nil amount.

- Since the scheme was launched in the current year previous year figures are not available.

- The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
--	---	--

Sd/- Chetan Desai Partner	Sd/- M. M. Chitale Chairman	Sd/- B. G. Deshmukh Chairman
	Sd/- Rajan Ghotgalkar Managing Director	Sd/- H. M. Singh Director

Place: Mumbai  
Date: June 30, 2007



# SCHEDULE 9

## PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES III

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003.

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 460 Days - Series III is an open-ended scheme of Principal Mutual Fund launched for initial subscription on March 13, 2007. The Scheme's New Fund offer (NFO) closed on March 13, 2007. The allotment date for the NFO units was March 14, 2007.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).
- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.

- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
  - 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
  - 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
  - 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
  - 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
  - 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
  - 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
  - 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
  - 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
  - 3.16 The above policies are followed as and when applicable.
- #### 4. Income Recognition
- 4.1 Dividend income is accrued on ex-dividend date.
  - 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
  - 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
  - 4.4 Income on non-performing assets (NPA) is recognized on cash basis.
- #### 5. Management Fees
- Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.

#### 6. Unit Premium Reserve

Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.

#### 7. Distributable Income

For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.

#### 8. Income Equalization

Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.

#### 9. Provisions

Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.

Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.

#### 10. Load Charges

Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.

#### 11. Deferred Revenue Expenditure

Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.

#### III. PRINCIPAL TRUSTEE FEES:

Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

#### IV. CUSTODIAN FEES:

Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.

#### V. REGISTRAR AND TRANSFER AGENT FEES:

Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

#### VI. NOTES TO ACCOUNTS

1 The scheme has two options- Regular and Institutional. For each of the options, there are two sub-options-Dividend and Growth. A combined Balance sheet and Revenue Account is prepared for the scheme.

2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs. in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	5,449.17	5,449.17	--
Securitized Debt	8,171.91	8,187.50	+15.59
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	7,385.03	7,385.27	+0.24
<b>TOTAL</b>	<b>21,006.11</b>	<b>21,021.94</b>	<b>+15.84</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 15.84 lacs**

3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.

4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	15,556.93
Market / Fair Value	15,572.77

5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 460 DAYS SERIES III (Dividend Plan)	10.0404
Principal Pnb Fixed Maturity Plan 460 DAYS SERIES III (Growth Plan)	10.0404
Principal Pnb Fixed Maturity Plan 460 DAYS SERIES III (Institutional Dividend Plan)	10.0436
Principal Pnb Fixed Maturity Plan 460 DAYS SERIES III (Institutional Growth Plan)	10.0436

6 Details of movements in Unit Capital during the period :

#### Principal Pnb Fixed Maturity Plan 460 DAYS SERIES III - Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	--	--
<b>Add :</b> Units sold during the period	--	--
<b>Less:</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	--	--

#### Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	27,235,807.276	272,358,072.76
<b>Add :</b> Units sold during the period	--	--
<b>Less :</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>27,235,807.276</b>	<b>272,358,072.76</b>

#### Institutional Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	--	--
<b>Add :</b> Units sold during the period	--	--
<b>Less :</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	--	--

#### Institutional Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	224,451,463.549	2,244,514,635.49
<b>Add :</b> Units sold during the period	--	--
<b>Less :</b> Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>224,451,463.549</b>	<b>2,244,514,635.49</b>

## SCHEDULE 9 PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES IV

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

- 7 Aggregate value of Purchases and Sales made during the period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fmp 460 days Series III	28,978.11	114.87	8,008.48	31.75

\* Sales includes redemptions.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs. in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fmp 460 days Series III Regular Plan	2,730.27	0.93
Principal Pnb Fmp 460 days Series III Institutional Plan	22496.95	1.19

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)		
	Income	Recurring Expenditure - Regular Plan	Recurring Expenditure Institutional Plan
Principal Pnb Fmp 460 days Series III	0.35	0.80	0.15

*Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments*

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fmp 460 days Series III	--	--	--	--

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period are as under :

(Rs. in Lacs)

Name of the Associate	Amount Paid	Nature of Payment
Principal Consulting (India) Private Limited	0.01	Investor Communication Service Fees

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.

- 15 'Rs. 0.00' indicates amount less than a lac and 'Rs. —' indicates Nil amount

- 16 Since the scheme was launched during the current year previous year figures are not available.

- 17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
--	---	--

Sd/- Chetan Desai Partner	Sd/- M. M. Chitale Chairman	Sd/- B. G. Deshmukh Chairman
	Sd/- Rajan Ghotgalkar Managing Director	Sd/- H. M. Singh Director

Place: Mumbai  
Date: June 30, 2007

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 385 Days - Series IV is an open-ended scheme of Principal Mutual Fund launched for initial subscription on March 23, 2007. The Scheme's New Fund offer (NFO) closed on March 28, 2007. The allotment date for the NFO units was March 29, 2007.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).
- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.



- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- 3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.
- 3.16 The above policies are followed as and when applicable.

#### 4. Income Recognition

- 4.1 Dividend income is accrued on ex-dividend date.
- 4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.
- 4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.
- 4.4 Income on non-performing assets (NPA) is recognized on cash basis.

#### 5. Management Fees

Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.

#### 6. Unit Premium Reserve

Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or

brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.

#### 7. Distributable Income

For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.

#### 8. Income Equalization

Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.

#### 9. Provisions

Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.

Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.

#### 10. Load Charges

Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.

#### 11. Deferred Revenue Expenditure

Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.

#### III. PRINCIPAL TRUSTEE FEES:

Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20,2003.

#### IV. CUSTODIAN FEES :

Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.

#### V. REGISTRAR AND TRANSFER AGENT FEES:

Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

#### VI NOTES TO ACCOUNTS

- The scheme has dividend and growth plans. A combined Balance sheet and Revenue Account is prepared for the scheme.
- The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

Investments	Cost / Amortised Cost	Market Value / Fair Value	(Rs.in Lacs)
			Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper / Certificate of Deposit	4,978.51	4,978.51	--
Securitised Debt	5,220.39	5,223.60	+3.21
Privately Placed Debentures/ Bonds	2,500.56	2,502.64	+2.08
Debentures / Bonds Listed / Awaiting listing on recognized stock exchanges	246.25	246.27	+0.01
<b>TOTAL</b>	<b>12,945.72</b>	<b>12,951.02</b>	<b>+5.31</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 5.31 lacs**

3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31, 2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.

4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	7,967.21
Market / Fair Value	7,972.51

5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 385 DAYS SERIES IV (Dividend plan)	10.0088
Principal Pnb Fixed Maturity Plan 385 DAYS SERIES IV (Growth plan)	10.0088
Principal Pnb Fixed Maturity Plan 385 DAYS SERIES IV (Institutional Dividend plan)	10.0091
Principal Pnb Fixed Maturity Plan 385 DAYS SERIES IV (Institutional Growth plan)	10.0091

6 Details of movements in Unit Capital during the period :

**Principal Pnb Fixed Maturity Plan 385 DAYS SERIES IV - Dividend Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	629,600.000	6,296,000.00
Add : Units sold during the period	--	--
Less : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>629,600.000</b>	<b>6,296,000.00</b>

**Growth Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	38,298,877.424	382,988,774.24
Add : Units sold during the period	--	--
Less : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>38,298,877.424</b>	<b>382,988,774.24</b>

**Institutional Dividend Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	--	--
Add : Units sold during the period	--	--
Less : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>--</b>	<b>--</b>

**Institutional Growth Plan**

Particulars	Units	Amount (Rs)
Initial Subscription	141,590,115.074	1,415,901,150.74
Add : Units sold during the period	--	--
Less : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>141,590,115.074</b>	<b>1,415,901,150.74</b>

Note :- Principal PNB Asset Management Company Private Limited, the investment manager, holds 85,00,000 units (Nil Units) in Institutional Growth Plan as at March 31, 2007.

7 Aggregate value of Purchases and Sales made during the period, expressed as a percentage of Average Daily Net Asset Value :

Scheme Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fmp 385 days Series IV	14,749.40	82.10	1,808.43	10.07

\* Sales includes redemptions.

8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

(Rs.in Lacs)

Scheme / Plan	Average Daily Net Asset Value	Management Fees
Principal Pnb Fmp 385 days Series IV Regular Plan	3,797.46	0.03
Principal Pnb Fmp 385 days Series IV Institutional Plan	14,168.06	0.06

9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)		
	Income	Recurring Expenditure - Regular Plan	Recurring Expenditure Institutional Plan
Principal Pnb Fmp 385 days Series IV	0.06	0.14	0.10

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments

11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fmp 385 days Series IV	--	--	--	--

12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/ 211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period is as follows :-

(In Rs. Lacs)

Name of the Associate	Amount paid	Nature of payment
Principal Consulting (I) Pvt Ltd	0.00	Investor consulting Fee

14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is Nil.

15 'Rs. 0.00' indicates amount less than a lac and 'Rs. --' indicates Nil amount

16 As the scheme was launched during the year no previous year figures are available.

17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
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Sd/- Chetan Desai Partner	Sd/- M. M. Chitale Chairman	Sd/- B. G. Deshmukh Chairman
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Sd/- Rajan Ghotgalkar Managing Director	Sd/- H. M. Singh Director
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Place: Mumbai  
Date: June 30, 2007

# SCHEDULE 8

## PRINCIPAL PNB FIXED MATURITY - PLAN - 91 DAYS - SERIES IX

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### I. ORGANISATION

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). The Mutual Fund is registered with SEBI under registration no. MF/019/94/0 dated December 13, 1994.

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed dated November 25, 1994, under which IDBI was the sole Settlor, Sponsor and Principal Trustee. Subsequently, on March 31, 2000, Principal Financial Services Inc. USA became the deemed sponsor along with IDBI by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited. Effective October 18, 2002, the IDBI-PRINCIPAL Trustee Company Limited has taken over the trusteeship and the associated responsibilities and obligations of the IDBI-PRINCIPAL Mutual Fund. The Name of the Trustee Company had changed to Principal Trustee Company Limited w.e.f. June 27, 2003. The Name of the Trustee Company changed to Principal Trustee Company Private Limited w.e.f. October 20, 2003.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Accordingly, Principal Financial Services Inc. USA became the Sole Sponsor of the Fund and Principal Financial Group (Mauritius) Limited has become the Sole Settlor of the Fund. Name of the Asset Management Company had changed to Principal Asset Management Company Limited w.e.f. June 27, 2003.

The name of the Asset Management Company changed to Principal Asset Management Company Private Limited w.e.f. October 20, 2003.

On May 5, 2004, Punjab National Bank and Vijaya Bank acquired 30% stake and 5% stake respectively in Principal Asset Management Company Private Limited as well as Principal Trustee Company Private Limited and became the co-settlers to the Fund. The name of the Asset Management Company changed to Principal Pnb Asset Management Company Private Limited w.e.f. January 24, 2005.

Principal Pnb Fixed Maturity Plan - 91 Days - Series IX is an open-ended scheme of Principal Mutual Fund launched for initial subscription on March 29, 2007. The Scheme's New Fund offer (NFO) closed on March 29, 2007. The allotment date for the NFO units was March 30, 2007.

The investment objective of the scheme is to build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.

#### II. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The scheme maintains books of account on an accrual basis.

##### 2. Investments

- 2.1 Investment transactions are accounted on trade dates.
- 2.2 The cost of investment includes brokerage, premium paid on acquisition, transaction charges and other costs associated with purchase of investments.
- 2.3 Bonus entitlements are recognized on ex-bonus dates.

##### 3. Portfolio Valuation

- 3.1 Investments are valued on the Balance Sheet date as per the recommendations of the Securities and Exchange Board of India (SEBI).

- 3.2 Traded securities (excluding government securities and Treasury bills) are valued at the last quoted closing price on the principal stock exchange on which the security is traded.
- 3.3 A security (other than debt securities), which is not traded on any stock exchange on a particular valuation day, is valued at the price at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day, such day not being more than thirty days prior to the valuation date.
- 3.4 A debt security (other than government securities), which is not traded on any stock exchange on any particular valuation day, is valued by using the CRISIL Bond Valuer.
- 3.5 A debt security (other than government securities) is valued at cost on the date of first purchase and thereafter valued on the CRISIL Bond Valuer.
- 3.6 Investments in traded/non-traded/thinly traded government securities are valued at the prices released by an approved agency.
- 3.7 Treasury bills are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. Treasury Bills listed on a recognised stock exchange are valued at the last quoted weighted average yield on the principal exchange on which the security is traded. If no sale is reported at that date Treasury Bills are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.8 Money Market securities and non-traded debt securities with residual maturity of upto 182 days are valued at cost (including accrued interest) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.
- 3.9 Thinly traded Equity shares /Equity related securities/non-traded securities (other than Government Securities) are valued in good faith by the investment manager on the basis of valuation principles laid down by SEBI.
- 3.10 Investment in non-traded debt securities including securitised debt (other than government securities) with a residual maturity greater than 182 days are valued using CRISIL Bond Valuer, which is based on the concept of using spread to maturity to arrive at the yields for pricing.
- 3.11 Securities in the nature of Floating Rate Notes (FRN) are valued at cost plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument. FRN's listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that date FRN's are valued at fair value as determined in good faith by Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.12 Securitised Debt are valued at fair value as determined in good faith Principal Pnb Asset Management Company Private Limited under procedures approved by the Trustees of Principal Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds issued by the Securities and Exchange Board of India (SEBI).
- 3.13 Investments in Call money, bills purchased under re-discounting scheme and term deposits with banks are valued at cost plus accruals.
- 3.14 An investment is regarded as non-performing if the interest and /or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.



3.15 Appreciation/Depreciation, as the case may be, in the value of the securities at the year-end has been computed for the scheme, whereby the aggregate market value taken together is compared with the aggregate cost of acquisition. Such net balance is charged to Revenue Account.

3.16 The above policies are followed as and when applicable.

#### 4. Income Recognition

4.1 Dividend income is accrued on ex-dividend date.

4.2 Profit or loss on sale of investments is arrived at by applying weighted average cost on trade date.

4.3 Interest on debentures and other fixed income investments is recognized on accrual basis.

4.4 Income on non-performing assets (NPA) is recognized on cash basis.

#### 5. Management Fees

Investment Management fees payable to Principal Pnb Asset Management Co. Pvt. Ltd. have been computed on the basis of daily Net Assets Value.

#### 6. Unit Premium Reserve

Upon the issue and redemption of units, that part of the NAV representing net unrealised appreciation, which is taken away or brought in, as the case maybe, is debited and credited respectively to the UPR. On the other hand, debit balance in the UPR is deducted from the Appropriation Account for determining the distributable profit.

#### 7. Distributable Income

For the purpose of arriving at distributable income, the unrealized gain, arising out of appreciation of investments (net), has been excluded.

#### 8. Income Equalization

Income Equalization is determined at the point of subscription or redemption and is that part of the NAV, which represents distributable profits, or the revenue losses, as the case may be. The amount so determined is duly adjusted in the Appropriation Account at the end of the accounting period.

#### 9. Provisions

Provision is made against interest accrued on investments, which has not been received for a period of 3 months beyond the due date; no further accrual of income is made in respect of such investments.

Provision against the principal amount of such securities is made in accordance with valuation principles laid down by SEBI. Provision is made against accrued dividend, which has not been received for a period of twelve months beyond the due date.

#### 10. Load Charges

Load amount collected on sale/redemption of units is utilized for meeting the selling and distribution expenses.

#### 11. Deferred Revenue Expenditure

Deferred Revenue expenses pertain to expenses incurred during the New Fund Offer ("NFO") period at the time of launch of the scheme. The same is being amortised over the tenure of the scheme from the date of allotment of units. Pursuant to SEBI Circular no. SEBI/IMD/CIR/ No. 1/64057/06 dated April 4th, 2006, in case an investor exits from a closed-ended scheme before amortisation is completed, the Asset Management Company shall redeem the units only after recovering the balance proportionate unamortised NFO expenses.

### III. PRINCIPAL TRUSTEE FEES:

Principal trustee fees have been accrued in the books @0.01% p.a. of average daily net assets in accordance with the Trustee Board Approval dated December 12, 2001. The name of the Trustee Company had changed from Principal Trustee Company Limited to Principal Trustee Company Private Limited w.e.f. October 20,2003.

### IV. CUSTODIAN FEES:

Citibank N.A. has provided custodial services to the schemes during the financial year 2006-07 for which they have been paid custodian fees.

### V. REGISTRAR AND TRANSFER AGENT FEES:

Karvy Computershare Private Limited provides registration and transfer services to the fund, for which it receives fees based on the average net assets under management of the individual schemes and is also reimbursed for the out of pocket expenses incurred by them.

### VI. NOTES TO ACCOUNTS

1 The scheme has dividend and growth plans. A combined Balance sheet and Revenue Account is prepared for the scheme.

2 The Cost and Market Value/Fair Value of investments as on March 31, 2007 is given below :

(Rs.in Lacs)

Investments	Cost / Amortised Cost	Market Value / Fair Value	Net Appreciation (+)/ Depreciation (-) in value of investments
Commercial Paper/ Certificate of Deposit	4,753.73	4,753.73	--
Securitized Debt	2,386.28	2,387.82	+1.54
Mutual Fund Units	9,500.00	9,505.53	+5.53
<b>TOTAL</b>	<b>16,640.02</b>	<b>16,647.09</b>	<b>+7.07</b>

Net change in unrealised appreciation in the value of investment for the year ended March 31, 2007 **Rs. 7.07 lacs**

3 The industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Balance Sheet as at March 31,2007 and Revenue Account for the period ended March 31, 2007) is as per Annexure I.

4 The aggregate book value and fair value of non traded / thinly traded investments, which have been valued in good faith in accordance with the guidelines for valuation of securities for Mutual Fund issued by SEBI is given below :

(Rs. in Lacs)

Particulars	Amount
Book Value	2,386.28
Market / Fair Value	2,387.82

5 Net Asset Value per unit as on March 31, 2007 for various plans are as under :

Scheme / Plan	March 31, 2007
Principal Pnb Fixed Maturity Plan 91 DAYS Series IX -Dividend Plan	10.0059
Principal Pnb Fixed Maturity Plan 91 DAYS Series IX -Growth Plan	10.0059

6 Details of movements in Unit Capital during the period :

#### Principal Pnb Fixed Maturity Plan 91 DAYS SERIES IX- Dividend Plan

Particulars	Units	Amount (Rs)
Initial Subscription	160,994,170.337	1,609,941,703.37
<b>Add</b> : Units sold during the period	--	--
<b>Less</b> : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>160,994,170.337</b>	<b>1,609,941,703.37</b>

#### Growth Plan

Particulars	Units	Amount (Rs)
Initial Subscription	7,783,031.808	77,830,318.08
<b>Add</b> : Units sold during the period	--	--
<b>Less</b> : Units redeemed during the period	--	--
<b>Closing Balance as on March 31, 2007</b>	<b>7,783,031.808</b>	<b>77,830,318.08</b>



- 7 Aggregate value of Purchases and Sales made during the period, expressed as a percentage of Average Daily Net Asset Value :

Scheme / Plan	Purchases		Sales*	
	Amount (Rs. in lacs)	% of Avg. Net Assets	Amount (Rs. in lacs)	% of Avg. Net Assets
Principal Pnb Fixed Maturity Plan 91 days Series IX	16,637.18	98.54	--	--

\* Sales includes redemptions.

- 8 Details of Management Fee paid to Principal Pnb Asset Management Co. Pvt. Ltd. and its computation thereof :

Scheme / Plan	(Rs. in Lacs)	
	Average Daily Net Asset Value	Management Fees
Principal Pnb Fixed Maturity Plan 91 days Series IX	16,883.67	--

- 9 As per the requirement of Regulation 25(11) of SEBI (Mutual Fund) Regulations, 1996, the details of investments made by the Fund in companies, where the company's investment in any of Principal Mutual Fund schemes exceeds 5% of scheme's Net Asset Value is as per Annexure II.

- 10 Total Income and Expenditure for the period expressed as a percentage of Average Daily Net Assets :

Scheme / Plan	(As a % of Net Asset Value)	
	Income	Recurring Expenditure
Principal Pnb FMP 91 days Series IX	0.02	0.00

Income/Expenditure is exclusive of appreciation/depreciation on investments and Profit / loss on realisation of investments.

- 11 Particulars of Unclaimed Redemptions / Dividend as on March 31, 2007 is as under :

Scheme / Plan	Unclaimed Dividends		Unclaimed Redemptions	
	No. of Investors	Amount (Rs. in Lacs)	No. of Investors	Amount (Rs. in Lacs)
Principal Pnb Fixed Maturity Plan 91 days Series IX	--	--	--	--

- 12 As per SEBI disclosure requirement wide circular MFD/CIR No. 3/211/2001 dated April 30, 2001; scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2007.

- 13 As per the requirements of Regulation 25(8) of SEBI Regulation, 1996, the details of Payments made to Associates during the period is Nil.

- 14 During the period ended March 31, 2007 no investments were made in-group companies of Sponsor. However, investment in associate companies as on March 31, 2007 is as follows :-

Name of Associate	Amount(in lacs)
Punjab National Bank	1466.02

- 15 'Rs. 0.00' indicates amount less than a lac and 'Rs. --' indicates Nil amount

- 16 Since the scheme was launched during the year previous year figures are not available.

- 17 The historical per unit statistics is reported at the end as per Annexure III.

As per our attached report of even date

For Haribhakti & Co. Chartered Accountants	For and on behalf of Principal Pnb Asset Management Company Pvt. Ltd.	For and on behalf of Principal Trustee Company Pvt. Ltd.
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Sd/- Chetan Desai Partner	Sd/- M. M. Chitale Chairman	Sd/- B. G. Deshmukh Chairman
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Sd/- Rajan Ghotgalkar Managing Director	Sd/- H. M. Singh Director
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Place: Mumbai  
Date: June 30, 2007

## Annexure I

### Principal Pnb Fixed Maturity Plan 460 Days - Series I

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed / Awaiting listing on the stock exchanges)</b>			
<b>Non-convertible Debentures, Bonds, Floating Rate Bonds **</b>			
<b>Banks</b>	<b>190,188,540.00</b>	<b>10.05</b>	<b>20.24</b>
Housing Development Finance Corporation Ltd	70,036,470.00		
UTI Bank Ltd	50,128,600.00		
Housing Development Finance Corporation Ltd	50,026,050.00		
UTI Bank Ltd	19,997,420.00		
<b>Diversified Financial Services</b>	<b>249,782,900.00</b>	<b>13.20</b>	<b>26.57</b>
Kotak Mahindra Prime Ltd	149,898,600.00		
Kotak Mahindra Prime Ltd	99,884,300.00		
<b>Finance</b>	<b>500,011,500.00</b>	<b>26.42</b>	<b>53.19</b>
GE Countrywide Financial Services	250,047,250.00		
Mahindra & Mahindra Financial Services Ltd	249,964,250.00		
<b>Total</b>	<b>939,982,940.00</b>	<b>49.67</b>	<b>100.00</b>
<b>Debt Instruments (Privately Placed / Unlisted)</b>			
<b>Non-convertible Debentures, Bonds, Floating Rate Bonds **</b>			
<b>Banks</b>	<b>50,283,150.00</b>	<b>2.66</b>	<b>16.74</b>
Industrial Development Bank of India Ltd	50,283,150.00		
<b>Finance</b>	<b>250,010,000.00</b>	<b>13.21</b>	<b>83.26</b>
GE Capital Services India	250,010,000.00		
<b>Total</b>	<b>300,293,150.00</b>	<b>15.87</b>	<b>100.00</b>
<b>Securitized Debt **</b>			
<b>Cements</b>	<b>42,747,877.42</b>	<b>2.26</b>	<b>7.67</b>
Loan Receivable Trust Mar 2003 Series II (Gujarat Ambuja)	42,747,877.42		
<b>Finance</b>	<b>514,394,087.82</b>	<b>27.18</b>	<b>92.33</b>
IGEC Loan Trust Series I (GE Capital Services India)	170,064,464.10		
Loan Receivable Trust (Citi Corp)	164,298,800.70		
IDGE Loan Trust Series I (GE Capital Services India)	141,294,794.48		
Indian Loan Securitisation Series A - IV Trust 2006 (CDBSFL)	35,455,885.15		
Asset Securitisation Trust Series A (Chola)	3,280,143.39		
<b>Total</b>	<b>557,141,965.24</b>	<b>29.44</b>	<b>100.00</b>
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	<b>19,746,510.00</b>	<b>1.04</b>	<b>100.00</b>
UCO Bank	9,913,780.00		
Standard Chartered Bank	9,832,730.00		
<b>Total</b>	<b>19,746,510.00</b>	<b>1.04</b>	<b>100.00</b>
<b>Commercial Paper Finance</b>	<b>29,707,020.00</b>	<b>1.57</b>	<b>100.00</b>
IDBI Home Finance Ltd	29,707,020.00		
<b>Total</b>	<b>29,707,020.00</b>	<b>1.57</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>6,950,711.15</b>	<b>0.37</b>	
<b>Other Receivables / (Payables)</b>	<b>38,848,934.45</b>	<b>2.04</b>	
<b>Net Assets</b>	<b>1,892,671,230.84</b>	<b>100.00</b>	

Notes :

\*\* Thinly traded / non - traded debt securities.

## Annexure I

### Principal Pnb Fixed Maturity Plan 385 Days - Series I

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments</b> (Listed / Awaiting listing on the stock exchanges)			
<b>Non-convertible Debentures, Bonds, Floating Rate Bonds **</b>			
Diversified Financial Services	255,236,100.00	12.48	50.52
Infrastructure Development	255,236,100.00		
Finance Company Ltd.			
<b>Finance</b>	<b>249,959,250.00</b>	<b>12.22</b>	<b>49.48</b>
Kotak Mahindra Prime Ltd	200,002,400.00		
Mahindra & Mahindra Financial Services Ltd	49,956,850.00		
<b>Total</b>	<b>505,195,350.00</b>	<b>24.70</b>	<b>100.00</b>
<b>Debt Instruments</b> (Privately Placed / Unlisted)			
<b>Non-convertible Debentures, Bonds, Floating Rate Bonds **</b>			
<b>Finance</b>	<b>250,007,750.00</b>	<b>12.23</b>	<b>100.00</b>
L&T Finance Ltd	250,007,750.00		
<b>Total</b>	<b>250,007,750.00</b>	<b>12.23</b>	<b>100.00</b>
<b>Securitized Debt **</b>			
<b>Banks</b>	<b>253,634,718.92</b>	<b>12.41</b>	<b>64.22</b>
Credit Asset Trust Series II (HSBC Bank)	253,634,718.92		
<b>Finance</b>	<b>141,294,794.48</b>	<b>6.91</b>	<b>35.78</b>
IDGE Loan Trust Series I (GE Capital Services India)	141,294,794.48		
<b>Total</b>	<b>394,929,513.40</b>	<b>19.32</b>	<b>100.00</b>
<b>Money Market Instruments</b>			
<b>Commercial Paper</b>			
<b>Finance</b>	<b>297,921,900.00</b>	<b>14.57</b>	<b>100.00</b>
Kotak Securities Ltd	249,895,750.00		
LIC Housing Finance Ltd	48,026,150.00		
<b>Total</b>	<b>297,921,900.00</b>	<b>14.57</b>	<b>100.00</b>
<b>Mutual Fund Units</b>	<b>550,320,189.06</b>	<b>26.92</b>	<b>100.00</b>
Principal Cash Management Fund - Premium Institutional Growth Plan	550,320,189.06		
<b>Total</b>	<b>550,320,189.06</b>	<b>26.92</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>4,103,372.28</b>	<b>0.20</b>	
<b>Other Receivables / (Payables)</b>	<b>42,087,657.08</b>	<b>2.06</b>	
<b>Net Assets</b>	<b>2,044,565,731.82</b>	<b>100.00</b>	

Notes :

\*\* Thinly traded / non - traded debt securities.

### Principal Pnb Fixed Maturity Plan 385 Days - Series II

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed/Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	<b>238,512,360.00</b>	<b>19.46</b>	<b>100.00</b>
Citi Financial Consumer	139,096,160.00		
Finance India Ltd			
Infrastructure Development			
Finance Company Ltd	99,416,200.00		
<b>Total</b>	<b>238,512,360.00</b>	<b>19.46</b>	<b>100.00</b>
<b>Debt Instruments</b> (Privately Placed / Unlisted)			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Securitized Debt**</b>			
<b>Banks</b>	<b>9,954,639.67</b>	<b>0.81</b>	<b>5.81</b>
Corporate Loan Securitisation	9,954,639.67		
Series XXII Trust 2006 (KMPL)			
<b>Finance</b>	<b>161,479,765.12</b>	<b>13.18</b>	<b>94.19</b>
IDGE Loan Trust Series I (GE Capital Services India)	161,479,765.12		
<b>Total</b>	<b>171,434,404.79</b>	<b>13.99</b>	<b>100.00</b>
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	<b>799,107,410.00</b>	<b>65.22</b>	<b>100.00</b>
State Bank of Bikaner and Jaipur	168,003,690.00		
State Bank of Hyderabad	167,717,070.00		
ICICI Bank Ltd	167,700,920.00		
UTI Bank Ltd	167,532,790.00		
Kotak Mahindra Bank Ltd	108,325,360.00		
UCO Bank	19,827,580.00		
<b>Total</b>	<b>799,107,410.00</b>	<b>65.22</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>4,576,946.34</b>	<b>0.37</b>	
<b>Other Receivables / (Payables)</b>	<b>11,484,671.93</b>	<b>0.96</b>	
<b>Net Assets</b>	<b>1,225,115,793.06</b>	<b>100.00</b>	

Notes :

\*\* Thinly traded / non - traded debt securities.

## Annexure I

### Principal Pnb Fixed Maturity Plan 460 Days - Series II

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments</b>			
<b>(Listed/Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Diversified Financial Services</b>	<b>88,451,190.00</b>	<b>7.70</b>	<b>20.97</b>
Kotak Mahindra Prime Ltd	88,451,190.00		
<b>Finance</b>	<b>333,274,090.00</b>	<b>29.02</b>	<b>79.03</b>
Cholamandalam DBS Finance Ltd	167,360,920.00		
Citi Financial Consumer	146,285,250.00		
Finance India Ltd			
Citicorp Finance (India) Ltd	19,627,920.00		
<b>Total</b>	<b>421,725,280.00</b>	<b>36.72</b>	<b>100.00</b>
<b>Debt Instruments</b>			
<b>(Privately Placed / Unlisted)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond</b>			
<b>Finance</b>	<b>216,619,870.00</b>	<b>18.86</b>	<b>100.00</b>
GE Money Financial Services Ltd	167,839,470.00		
ICICI Securities Ltd	48,780,400.00		
<b>Total</b>	<b>216,619,870.00</b>	<b>18.86</b>	<b>100.00</b>
<b>Securitized Debt**</b>			
<b>Banks</b>	<b>470,614,406.29</b>	<b>40.96</b>	<b>100.00</b>
Credit Asset Trust Series V (HSBC Bank)	190,136,201.69		
Loan Securitisation Trust Series-43 (ICICI Bank Ltd)	149,484,234.48		
Indian Corporate Loan Securitisation Trust - Series VIII (YBL)	130,993,970.12		
<b>Total</b>	<b>470,614,406.29</b>	<b>40.96</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>7,133,397.26</b>	<b>0.62</b>	
<b>Other Receivables / (Payables)</b>	<b>32,561,896.17</b>	<b>2.84</b>	
<b>Net Assets</b>	<b>1,148,654,849.72</b>	<b>100.00</b>	

Notes :

\*\* Thinly traded / non - traded debt securities.

### Principal Pnb Fixed Maturity Plan 385 Days - Series III

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed / Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	<b>1,185,248,160.00</b>	<b>39.03</b>	<b>100.00</b>
Citi Financial Consumer	250,404,750.00		
Finance India Ltd			
Kotak Mahindra Investments Ltd	246,284,500.00		
DSP Merrill Lynch Capital Ltd	216,913,180.00		
Kotak Mahindra Investments Ltd	196,404,400.00		
ICICI Brokerage Services	147,659,850.00		
Citicorp Finance (India) Ltd	127,581,480.00		
<b>Total</b>	<b>1,185,248,160.00</b>	<b>39.03</b>	<b>100.00</b>
<b>Debt Instruments</b>			
<b>(Privately Placed / Unlisted)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	<b>29,618,730.00</b>	<b>0.98</b>	<b>100.00</b>
GE Money Financial Services Ltd	29,618,730.00		
<b>Total</b>	<b>29,618,730.00</b>	<b>0.98</b>	<b>100.00</b>
<b>Securitized Debt**</b>			
<b>Banks</b>	<b>906,727,225.63</b>	<b>29.87</b>	<b>52.52</b>
Corporate Loan Securitisation Series XXII Trust 2006 (KMPL)	438,004,145.52		
Corporate Loan Securitisation Series IV Trust 2005 (KMPL)	348,671,545.99		
Loans Receivables Trust - Nov II 2006 (CITI BANK)	90,030,028.59		
Credit Asset Trust Series V (HSBC Bank)	30,021,505.53		
<b>Diversified Financial Services</b>	<b>498,841,294.36</b>	<b>16.43</b>	<b>28.90</b>
Indian Loan Securitisation Series B - IV Trust 2006 (CDBSFL)	437,468,511.00		
Indian Loan Securitisation Series A - IV Trust 2006 (CDBSFL)	41,365,199.34		
IGEC Loan Trust Series I (GE Capital Services India)	20,007,584.02		
<b>Finance</b>	<b>320,677,153.09</b>	<b>10.56</b>	<b>18.58</b>
Indian Loan Securitisation Series - IV Trust 2006 (Magma Leasing Ltd)	218,904,198.53		
Auto Receivable Trust Aug 2005 - Series A1 (Sundaram Finance)	95,436,649.19		
India Infrastructure Developers Ltd	6,336,305.37		
<b>Total</b>	<b>1,726,245,673.08</b>	<b>56.86</b>	<b>100.00</b>
<b>Money Market Instruments</b>			
<b>Commercial Paper</b>			
<b>Finance</b>	<b>47,453,600.00</b>	<b>1.56</b>	<b>100.00</b>
Kotak Securities Ltd	47,453,600.00		
<b>Total</b>	<b>47,453,600.00</b>	<b>1.56</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>1,839,829.65</b>	<b>0.06</b>	
<b>Other Receivables / (Payables)</b>	<b>45,648,688.73</b>	<b>1.51</b>	
<b>Net Assets</b>	<b>3,036,054,681.46</b>	<b>100.00</b>	

Notes :

\*\* Thinly traded / non - traded debt securities.

## Annexure I

### Principal Pnb Fixed Maturity Plan 91 Days - Series VI

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed / Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Banks</b>	59,917,680.00	12.65	100.00
National Bank for Agriculture and Rural Development	59,917,680.00		
<b>Total</b>	59,917,680.00	12.65	100.00
<b>Debt Instruments (Privately Placed / Unlisted)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Diversified Financial Services</b>	50,000,000.00	10.56	100.00
Kotak Mahindra Prime Ltd	50,000,000.00		
<b>Total</b>	50,000,000.00	10.56	100.00
<b>Securitized Debt**</b>			
<b>Finance</b>	59,695,578.58	12.61	100.00
Loan Trust March 2007 Series I (SCI&L(I) Ltd)	59,695,578.58		
<b>Total</b>	59,695,578.58	12.61	100.00
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	45,394,450.00	9.59	100.00
Union Bank of India	45,394,450.00		
<b>Total</b>	45,394,450.00	9.59	100.00
<b>Commercial Paper</b>			
<b>Finance</b>	45,331,950.00	9.57	100.00
Infrastructure Development Finance Company Ltd	45,331,950.00		
<b>Total</b>	45,331,950.00	9.57	100.00
<b>Mutual Fund Units</b>	200,116,432.43	42.26	100.00
Principal Cash Management Fund - Premium Institutional Growth Plan	200,116,432.43		
<b>Total</b>	200,116,432.43	42.26	100.00
<b>Cash &amp; Cash Equivalents</b>	22,494,404.21	4.75	
<b>Other Receivables / (Payables)</b>	(9,411,239.38)	(1.99)	
<b>Net Assets</b>	473,539,255.84	100.00	

Notes :

\*\* Thinly traded / non - traded debt securities.

### Principal Pnb Fixed Maturity Plan 540 Days - Series I

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed / Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Banks</b>	146,074,650.00	5.44	7.52
Export-Import Bank of India	146,074,650.00		
<b>Diversified Financial Services</b>	620,668,190.00	23.10	31.95
DSP Merrill Lynch Capital Ltd	266,211,630.00		
L&T Finance Ltd	197,210,000.00		
Kotak Mahindra Prime Ltd	157,246,560.00		
<b>Finance</b>	1,175,758,000.00	43.76	60.53
Citicorp Finance (India) Ltd	245,839,250.00		
ICICI Securities Ltd	245,181,000.00		
Mahindra & Mahindra Financial Services Ltd.	244,703,500.00		
Housing Development Finance Corporation Ltd	147,023,250.00		
Mahindra & Mahindra Financial Services Ltd.	98,151,300.00		
Citi Financial Consumer Finance India Ltd	97,794,100.00		
Housing Development Finance Corporation Ltd	48,929,200.00		
Mahindra & Mahindra Financial Services Ltd	48,136,400.00		
<b>Total</b>	1,942,500,840.00	72.30	100.00
<b>Debt Instruments (Privately Placed / Unlisted)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond</b>			
<b>Securitized Debt**</b>			
<b>Banks</b>	251,203,361.25	9.35	38.94
Indian Corporate Loan Securitisation Trust - Series XXI (Yes Bank Ltd)	251,203,361.25		
<b>Finance</b>	393,883,920.69	14.67	61.06
UBL Trust Series 31 (DSP Merrill Lynch Capital Ltd)	393,883,920.69		
<b>Total</b>	645,087,281.94	24.02	100.00
<b>Cash &amp; Cash Equivalents</b>	13,641,990.01	0.51	
<b>Other Receivables / (Payables)</b>	84,596,759.28	3.17	
<b>Net Assets</b>	2,685,826,871.23	100.00	

Notes :

\*\* Thinly traded / non - traded debt securities.

## Annexure I

### Principal Pnb Fixed Maturity Plan 91 Days - Series VII

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed / Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	<b>500,000,000.00</b>	<b>13.48</b>	<b>64.94</b>
Kotak Securities Ltd	250,000,000.00		
Birla Global Finance Company Limited	250,000,000.00		
<b>Media &amp; Entertainment</b>	<b>270,000,000.00</b>	<b>7.29</b>	<b>35.06</b>
Deccan Chronicle Holdings Ltd	150,000,000.00		
Deccan Chronicle Holdings Ltd	120,000,000.00		
<b>Total</b>	<b>770,000,000.00</b>	<b>20.77</b>	<b>100.00</b>
<b>Debt Instruments (Privately Placed / Unlisted)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	<b>447,819,200.00</b>	<b>12.08</b>	<b>100.00</b>
Magma Leasing Ltd	250,000,000.00		
Housing & Urban Development Corporation Ltd	197,819,200.00		
<b>Total</b>	<b>447,819,200.00</b>	<b>12.08</b>	<b>100.00</b>
<b>Securitized Debt**</b>			
<b>Banks</b>	<b>160,053,384.16</b>	<b>4.32</b>	<b>42.26</b>
Loans Receivables Trust - Nov II 2006 (CITI BANK)	160,053,384.16		
<b>Finance</b>	<b>218,644,625.07</b>	<b>5.90</b>	<b>57.74</b>
Indian Loan Securitisation Series A - IV Trust 2006 (CDBSFL)	218,644,625.07		
<b>Total</b>	<b>378,698,009.23</b>	<b>10.22</b>	<b>100.00</b>
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	<b>626,180,450.00</b>	<b>16.89</b>	<b>100.00</b>
State Bank of Mysore	241,740,250.00		
UCO Bank	238,744,000.00		
State Bank of Travancore	145,696,200.00		
<b>Total</b>	<b>626,180,450.00</b>	<b>16.89</b>	<b>100.00</b>
<b>Commercial Paper</b>			
<b>Finance</b>	<b>600,029,980.00</b>	<b>16.19</b>	<b>100.00</b>
GE Money Financial Services Limited	482,677,500.00		
IDBI Home Finance Ltd	69,316,380.00		
Shriram Transport Finance Company Ltd	48,036,100.00		
<b>Total</b>	<b>600,029,980.00</b>	<b>16.19</b>	<b>100.00</b>
<b>Deposits</b>			
<b>Banks</b>	<b>850,000,000.00</b>	<b>22.93</b>	<b>100.00</b>
Centurion Bank of Punjab	500,000,000.00		
UTI Bank Ltd	350,000,000.00		
<b>Total</b>	<b>850,000,000.00</b>	<b>22.93</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>6,196,014.23</b>	<b>0.17</b>	
<b>Other Receivables / (Payables)</b>	<b>27,840,643.17</b>	<b>0.75</b>	
<b>Net Assets</b>	<b>3,706,764,296.63</b>	<b>100.00</b>	

Notes :

\*\* Thinly traded / non - traded debt securities.

### Principal Pnb Fixed Maturity Plan 91 Days - Series VIII

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed/Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	<b>480,000,000.00</b>	<b>9.75</b>	<b>100.00</b>
Birla Global Finance Company Limited	250,000,000.00		
Kotak Mahindra Investments Ltd	130,000,000.00		
Birla Global Finance Company Limited	100,000,000.00		
<b>Total</b>	<b>480,000,000.00</b>	<b>9.75</b>	<b>100.00</b>
<b>Debt Instruments (Privately Placed / Unlisted)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	<b>400,000,000.00</b>	<b>8.13</b>	<b>100.00</b>
Shriram Transport Finance Company Ltd	400,000,000.00		
<b>Total</b>	<b>400,000,000.00</b>	<b>8.13</b>	<b>100.00</b>
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	<b>1,845,934,580.00</b>	<b>37.51</b>	<b>100.00</b>
ICICI Bank Ltd	718,680,000.00		
UCO Bank	241,598,250.00		
Allahabad Bank	240,590,750.00		
Kotak Mahindra Bank Ltd	240,276,750.00		
The Federal Bank Ltd	237,632,250.00		
Standard Chartered Bank	167,156,580.00		
<b>Total</b>	<b>1,845,934,580.00</b>	<b>37.51</b>	<b>100.00</b>
<b>Commercial Paper</b>			
<b>Banks</b>	<b>243,408,500.00</b>	<b>4.94</b>	<b>33.78</b>
Export-Import Bank of India	243,408,500.00		
<b>Finance</b>	<b>477,161,750.00</b>	<b>9.69</b>	<b>66.22</b>
GE Capital Services India	241,598,250.00		
Sundaram Finance Ltd	235,563,500.00		
<b>Total</b>	<b>720,570,250.00</b>	<b>14.63</b>	<b>100.00</b>
<b>Term Deposits</b>			
<b>Banks</b>	<b>1,450,000,000.00</b>	<b>29.46</b>	<b>100.00</b>
UTI Bank Ltd	700,000,000.00		
Yes Bank Ltd	500,000,000.00		
State Bank of Patiala	250,000,000.00		
<b>Total</b>	<b>1,450,000,000.00</b>	<b>29.46</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>10,879,292.22</b>	<b>0.22</b>	
<b>Other Receivables / (Payables)</b>	<b>15,671,944.07</b>	<b>0.30</b>	
<b>Net Assets</b>	<b>4,923,056,066.29</b>	<b>100.00</b>	

Notes :

\*\* Thinly traded / non - traded debt securities.

## Annexure I

### Principal Pnb Fixed Maturity Plan 460 Days - Series III

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed / Awaiting listing on the stock exchanges)</b>			
<b>Non-convertible Debentures, Bonds, Floating Rate Bonds **</b>			
<b>Banks</b>	189,972,740.00	7.52	25.72
Housing Development Finance Corporation Ltd	179,967,800.00		
Industrial Development Bank of India Ltd	10,004,940.00		
<b>Diversified Financial Services</b>	398,786,400.00	15.77	54.00
DSP Merrill Lynch Capital Ltd	349,646,850.00		
Kotak Mahindra Prime Ltd	49,139,550.00		
<b>Finance</b>	149,767,950.00	5.92	20.28
Citicorp Finance (India) Ltd	149,767,950.00		
<b>Total</b>	738,527,090.00	29.21	100.00
<b>Debt Instruments (Privately Placed / Unlisted)</b>			
<b>Securitised Debt **</b>			
<b>Banks</b>	178,534,707.20	7.06	21.81
Indian Corporate Loan Securitisation Trust - Series XXV (Yes Bank Ltd)	178,534,707.20		
<b>Diversified Financial Services</b>	640,215,195.80	25.33	78.19
Corporate Loan Securitisation Series XXIX Trust 2006 (KMPL)	377,625,915.34		
UBL Trust Series 31 (DSP Merrill Lynch Capital Ltd)	262,589,280.46		
<b>Total</b>	818,749,903.00	32.39	100.00
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	544,917,100.00	21.56	100.00
ICICI Bank Ltd	317,651,600.00		
Allahabad Bank	227,265,500.00		
<b>Total</b>	544,917,100.00	21.56	100.00
<b>Deposits</b>			
<b>Banks</b>	300,000,000.00	11.87	100.00
Canara Bank	300,000,000.00		
<b>Total</b>	300,000,000.00	11.87	100.00
<b>Cash &amp; Cash Equivalents</b>	28,358,558.45	1.12	
<b>Other Receivables / (Payables)</b>	97,204,372.94	3.85	
<b>Net Assets</b>	2,527,757,024.39	100.00	

**Notes :**

\*\* Thinly traded / non - traded debt securities.

### Principal Pnb Fixed Maturity Plan 385 Days - Series IV

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments (Listed / Awaiting listing on the stock exchanges)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	24,626,830.00	1.37	100.00
Cholamandalam DBS Finance Ltd	14,767,140.00		
DSP Merrill Lynch Capital Ltd	9,859,690.00		
<b>Total</b>	24,626,830.00	1.37	100.00
<b>Debt Instruments (Privately Placed / Unlisted)</b>			
<b>Non-Convertible Debentures, Bonds, Floating Rate Bond **</b>			
<b>Finance</b>	250,264,250.00	13.85	100.00
L&T Finance Ltd	150,225,750.00		
L&T Finance Ltd	100,038,500.00		
<b>Total</b>	250,264,250.00	13.85	100.00
<b>Securitised Debt **</b>			
<b>Banks</b>	224,133,257.08	12.40	42.91
Indian Corporate Loan Securitisation Trust - Series XXVI (Yes Bank Ltd)	224,133,257.08		
<b>Diversified Financial Services</b>	281,388,376.71	15.57	53.87
Corporate Loan Securitisation Series XXXV Trust 2006 (KMPL)	250,770,059.25		
Corporate Loan Securitisation Series XXIX Trust 2006 (KMPL)	30,618,317.46		
<b>Finance</b>	16,838,784.50	0.93	3.22
Indian Loan Securitisation Series - IV Trust 2006 (Magma Leasing Ltd)	16,838,784.50		
<b>Total</b>	522,360,418.29	28.90	100.00
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	271,246,700.00	15.01	100.00
ICICI Bank Ltd	225,852,250.00		
Union Bank of India	45,394,450.00		
<b>Total</b>	271,246,700.00	15.01	100.00
<b>Commercial Paper</b>			
<b>Finance</b>	226,604,250.00	12.54	100.00
Infrastructure Development Finance Company Ltd.	226,604,250.00		
<b>Total</b>	226,604,250.00	12.54	100.00
<b>Term Deposits</b>			
<b>Banks</b>	500,000,000.00	27.68	100.00
Oriental Bank of Commerce	250,000,000.00		
Canara Bank	250,000,000.00		
<b>Total</b>	500,000,000.00	27.68	100.00
<b>Cash &amp; Cash Equivalents</b>	4,328,560.13	0.24	
<b>Other Receivables / (Payables)</b>	7,389,930.93	0.41	
<b>Net Assets</b>	1,806,820,939.35	100.00	

**Notes :**

\*\* Thinly traded / non - traded debt securities.



## Annexure I

### Principal Pnb Fixed Maturity Plan 91 Days - Series IX

Annexure I - Industrywise 'Statement of Portfolio Holding' as on March 31, 2007 (Referred to in Schedule 4 to the Financial Statements as at March 31, 2007)

Name of Instrument	Market Value	% of NAV	% to category Total
<b>Debt Instruments</b>			
(Privately Placed / Unlisted)			
<b>Securitised Debt **</b>			
<b>Finance</b>	<b>238,782,314.30</b>	<b>14.14</b>	<b>100.00</b>
Loan Trust March 2007	238,782,314.30		
Series I (SCI&L(I) Ltd)			
<b>Total</b>	<b>238,782,314.30</b>	<b>14.14</b>	<b>100.00</b>
<b>Money Market Instruments</b>			
<b>Certificate of Deposit</b>			
<b>Banks</b>	<b>475,373,050.00</b>	<b>28.15</b>	<b>100.00</b>
ING Vysya Bank Ltd	192,512,200.00		
Punjab National Bank	146,677,500.00		
Union Bank of India	136,183,350.00		
<b>Total</b>	<b>475,373,050.00</b>	<b>28.15</b>	<b>100.00</b>
<b>Mutual Fund Units</b>	<b>950,553,053.79</b>	<b>56.29</b>	<b>100.00</b>
Principal Cash Management	950,553,053.79		
Fund - Premium Institutional			
Growth Plan			
<b>Total</b>	<b>950,553,053.79</b>	<b>56.29</b>	<b>100.00</b>
<b>Cash &amp; Cash Equivalents</b>	<b>6,493,632.27</b>	<b>0.38</b>	
<b>Other Receivables / (Payables)</b>	<b>17,568,799.27</b>	<b>1.04</b>	
<b>Net Assets</b>	<b>1,688,770,849.63</b>	<b>100.00</b>	

**Notes :**

\*\* Thinly traded / non - traded debt securities.

## Annexure II

Details of investment made by any scheme in company which has invested in any scheme of Principal Mutual Fund in excess of 5% of net assets of that scheme in terms of Regulation 25 (11).

Name Company (Investor)	Scheme in which investment is made by Company	Schemes by which investment is made in securities of the company	Aggregate investment by schemes in securities of the company during 01.03.2005 to 31.03.2007		Aggregate Investment outstanding as on March 31st, 2007 (At Market Value)	
			Nature of Investment	(Rupees in Lacs)	Nature of Investment	(Rupees in Lacs)
ALLAHABAD BANK	RIF, LCAP, DNIT95	TAX96, PDYF	Equity Shares	908.11	Equity Shares	68.08
		FR-SMP, LIQUID, FMP-19, FR-FMP	Term Deposit	25,500.00	Term Deposit	-
		FR-SMP, INCOME, LIQUID, MINCOM, STP, JUNIOR, FMP-21, FMP-23, FMP-24, FMP-26, FMP-32, FMP-35, FMP-36, FMP-37, FR-FMP	Certificate of Deposit	174,798.59	Certificate of Deposit	16,059.81
AIA ENGINEERING	FMP-26, FMP-32	FOCUS, GROWTH, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, JUNIOR, INFRA, LTEF, CHILD1	Equity Shares	3,122.58	Equity Shares	2,339.49
BAJAJ AUTO	FMP-25, FMP-21	GROWTH, INDEX, MINCOM, MIPPL, RIF, LCAP, FOCUS	Equity Shares	4,336.57	Equity Shares	13.93
BHART FORGE	FMP-32, FMP-21	FOCUS, GROWTH, MINCOM, MIPPL, PTSF, RIF, TAX96, JUNIOR, CHILD1	Equity Shares	6,096.42	Equity Shares	148.31
BHARTI AIRTEL	STP, FR-SMP	INDEX, MINCOM, MIPPL, PBF, RIF, TAX96, LCAP, INFRA, FDF, GROWTH	Equity Shares	12,728.28	Equity Shares	5,431.08
BANK OF INDIA	FR-SMP	INCOME, FR-FMP	Debt	792.17	Debt	-
		JUNIOR	Term Deposit	1,000.00	Term Deposit	-
BRITANNIA INDUSTRIES	FMP-33	MIPPL, PTSF, RIF, MINCOM	Equity Shares	220.66	Equity Shares	-
		LIQUID	Debt	2,916.03	Debt	-
CORPORATION BANK	STP, INDEX	JUNIOR	Equity Shares	633.83	Equity Shares	-
		LIQUID	Certificate of Deposit	3,324.47	Certificate of Deposit	-
DSP MERRILL LYNCH CAPITAL	LIQUID	FR-SMP, INCOME, LIQUID, FR-FMP, STP, FMP-31, FMP-36, FMP-33, FMP-24, FMP-22	Debt	216,180.27	Debt	22,483.38
EXPORT IMPORT BANK OF INDIA	FR-SMP	FR-FMP, FR-SMP, INCOME, LIQUID, PBF, STP, FMP-22, FMP-35, FOCUS	Debt	62,285.01	Debt	14,159.08
FINOLEX INDUSTRIES	FMP-21	MINCOM, MIPPL, PBF, PDYF, PTSF, TAX96, JUNIOR, CHILD1	Equity Shares	968.79	Equity Shares	349.05
GLAXO INDIA	FMP-28, STP	GROWTH, INDEX, PDYF, RIF, TAX96, DNIT95	Equity Shares	2,343.09	Equity Shares	547.18
GRASIM INDUSTRIES	FR-SMP, FMP-20, FMP-21, FMP-22, FMP-27, FMP-31, FMP-33, FR-FMP	DNIT95, GROWTH, INDEX, MINCOM, MIPPL, PBF, PDYF, RIF, TAX96, JUNIOR, LCAP, INFRA, FDF, LTEF, CHILD1	Equity Shares	10,786.42	Equity Shares	6,741.78
		LIQUID, FR-SMP	Debt	8,000.00	Debt	-
HCL TECHNOLOGIES	FR-FMP, FR-SMP, STP, FMP-20, FMP-31, FMP-19	FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PDYF, RIF, TAX96, LCAP, INFRA, DNIT95	Equity Shares	13,302.38	Equity Shares	10.68
HDFC BANK	LIQUID	GROWTH, INDEX, MINCOM, MIPPL, RIF, TAX96, LCAP, INFRA, FOCUS	Equity Shares	10,055.17	Equity Shares	2,051.89
		FR-SMP, INCOME, LIQUID, STP, FR-FMP, FMP-21, FOCUS	Debt	21,507.05	Debt	-
		LIQUID, FR-SMP	Term Deposit	18,863.00	Term Deposit	-
		INCOME, LIQUID, STP, LTEF, FR-SMP	Certificate of Deposit	39,262.52	Certificate of Deposit	1,452.40
HERO HONDA MOTORS	FMP-31, INCOME	FOCUS, GROWTH, INDEX, PDYF, RIF, JUNIOR, LCAP, DNIT95	Equity Shares	7,500.63	Equity Shares	161.02
HINDALCO INDUSTRIES	STP, FMP-21, FMP-22, FMP-24, FMP-26, FMP-27, FMP-31, FMP-38, FR-FMP	GROWTH, INDEX, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, JUNIOR, LCAP, INFRA, FDF, DNIT95	Equity Shares	9,014.66	Equity Shares	946.73
		INCOME, LIQUID, STP, FR-FMP	Debt	5,728.55	Debt	-
HINDUSTAN LEVER	STP, FMP-21, FMP-22, FMP-24, FMP-25, FMP-26, FMP-27, FMP-28, FMP-30, FMP-32, FMP-35, FMP-19	FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PDYF, PTSF, RIF, TAX96, LCAP, FDF, DNIT95	Equity Shares	10,859.16	Equity Shares	2,581.66
HINDUSTAN ZINC	FR-SMP, INCOME, LIQUID, STP, FMP-20, FMP-23, FMP-25, FMP-27, FMP-29, FMP-32, FMP-33, FMP-36, FMP-37, FR-FMP	GROWTH, RIF, LCAP, INFRA, FOCUS	Equity Shares	3,192.00	Equity Shares	994.25
ICI INDIA	FMP-36, FMP-28	GROWTH, MINCOM, MIPPL, PDYF, FOCUS	Equity Shares	792.10	Equity Shares	797.99
ICICI BANK	LIQUID	DNIT95, FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PDYF, PTSF, RIF, TAX96, LCAP, INFRA, FDF, CHILD1	Equity Shares	10,529.94	Equity Shares	2,305.06

Name Company (Investor)	Scheme in which investment is made by Company	Schemes by which investment is made in securities of the company	Aggregate investment by schemes in securities of the company during 01.03.2005 to 31.03.2007		Aggregate Investment outstanding as on March 31st, 2007 (At Market Value)	
			Nature of Investment	(Rupees in Lacs)	Nature of Investment	(Rupees in Lacs)
		FR-SMP, INCOME, LIQUID, STP, FMP-30, FMP-29, FR-FMP	Debt	48,912.53	Debt	4,371.47
		LIQUID, STP, FR-SMP	Term Deposit	2,500.00	Term Deposit	-
		FR-SMP, LIQUID, MINCOM, PBF, STP, JUNIOR, FMP-15, FMP-21, FMP-23, FMP-24, FMP-25, FMP-26, FMP-27, FMP-32, FMP-35, LTEF, FMP-36, FMP-37, FR-FMP	Certificate of Deposit	135,055.24	Certificate of Deposit	24,855.99
INDUSTRIAL DEVELOPMENT BANK OF INDIA.	DEP-EA, LIQUID	GROWTH, MINCOM, MIPPL, RIF, TAX96, JUNIOR, FOCUS	Equity Shares	3,246.33	Equity Shares	-
		FR-SMP, INCOME, LIQUID, STP, FMP-19, FR-FMP	Debt	36,978.24	Debt	6,505.92
		FR-SMP, LIQUID, STP, FR-FMP	Term Deposit	46,000.00	Term Deposit	-
		FR-SMP, GROWTH, LIQUID, STP, TAX96, LCAP, INFRA, LTEF, FR-FMP	Certificate of Deposit	69,486.95	Certificate of Deposit	24,082.64
INFOSYS TECHNOLOGIES	LIQUID	FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, LCAP, INFRA, FDF, DNIT95	Equity Shares	18,937.78	Equity Shares	3,442.73
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY	INCOME, FMP-33	DNIT95, FOCUS, GROWTH, MINCOM, MIPPL, PBF, PDYF, PTSF, RIF, TAX96, JUNIOR, CHILD1	Equity Shares	3,809.87	Equity Shares	225.99
		MINCOM, STP, FMP-29, FMP-33, INCOME, LIQUID, FR-SMP	Debt	36,948.35	Debt	4,545.03
INDIAN PETROCHEMICALS CORPORATION	FMP-35, FMP-32	FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PDYF, RIF, TAX96, LCAP, DNIT95	Equity Shares	4,644.67	Equity Shares	4.59
		FR-FMP, STP, FMP-19, FMP-11	Debt	2,994.41	Debt	200.20
ITC	LIQUID, STP, FMP-28, FMP-32, FMP-34, FMP-35, FR-SMP	FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, RIF, LCAP, FDF, LTEF, DNIT95	Equity Shares	13,081.81	Equity Shares	1,348.32
THE JAMMU & KASHMIR BANK	STP	FR-SMP, INCOME, LIQUID, MINCOM, STP, INFRA, FMP-24, FMP-18, FMP-26, FR-FMP	Certificate of Deposit	95,192.37	Certificate of Deposit	11,402.18
KIRLOSKAR OIL	INCOME	LIQUID	Debt	5,000.00	Debt	-
LARSEN & TOUBRO	RIF, STP, LCAP, INCOME	DNIT95, FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, LCAP, INFRA, FDF, CHILD1	Equity Shares	9,961.98	Equity Shares	2,245.80
		FR-SMP, LIQUID, FR-FMP	Debt	7,500.00	Debt	5,000.00
L&T INFRASTRUCTURE DEVELOPMENT PROJECTS ^	STP		Equity Shares	-	Equity Shares	-
MAHINDRA & MAHINDRA	FMP-21, FMP-26, INCOME	GROWTH, INDEX, MINCOM, MIPPL, PBF, PDYF, PTSF, RIF, TAX96, JUNIOR, LCAP, FDF, FOCUS	Equity Shares	10,469.56	Equity Shares	770.16
MARUTI UDYOG	FR-SMP, LIQUID, FMP-23, FMP-25, FMP-28, FMP-30, FMP-31, FMP-33, FMP-34, FMP-36, FMP-38, FMP-19	FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, LCAP, DNIT95	Equity Shares	10,697.02	Equity Shares	956.70
MAX INDIA	FMP-28, FMP-22	TAX96, JUNIOR, PTSF	Equity Shares	522.15	Equity Shares	-
NESTLE INDIA	FR-SMP	PDYF, RIF, DNIT95	Equity Shares	1,316.37	Equity Shares	1,146.44
PATNI COMPUTERS SYSTEMS	FMP-23, FMP-25, FMP-30, STP	JUNIOR, DNIT95	Equity Shares	791.32	Equity Shares	-
RAYMOND	FMP-30, FMP-37, FMP-19	JUNIOR, LCAP, RIF	Equity Shares	2,306.66	Equity Shares	520.67
		STP	Debt	513.36	Debt	-
RELIANCE ENERGY	FMP-20	DNIT95, FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, LCAP, INFRA, CHILD1	Equity Shares	6,915.11	Equity Shares	900.30
		INCOME, LIQUID, MINCOM, MIPPL, FR-SMP	Debt	7,729.64	Debt	-
RELIANCE INDUSTRIES	LIQUID, FR-SMP	DNIT95, FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, LCAP, INFRA, FDF, CHILD1	Equity Shares	24,859.72	Equity Shares	7,291.04
		FR-FMP, FR-SMP, INCOME, MINCOM, MIPPL, STP, FMP-19, FMP-11	Debt	14,386.65	Debt	250.10
RELIANCE PETROLEUM	LIQUID, INCOME	GROWTH, RIF, TAX96, JUNIOR, LCAP, INFRA, FOCUS	Equity Shares	723.61	Equity Shares	-
SASKEN COMMUNICATION TECHNOLOGIES	FR-SMP, STP, FR-FMP	DNIT95, FOCUS, MINCOM, MIPPL, PBF, PTSF, RIF, TAX96, CHILD1	Equity Shares	91.00	Equity Shares	-
SINTEX INDUSTRIES	FMP-28	FR-SMP, LIQUID, FR-FMP	Debt	4,515.75	Debt	2,502.60
SRF LIMITED	FR-SMP	MINCOM, MIPPL, PDYF, GROWTH	Equity Shares	2,370.16	Equity Shares	-
		FR-SMP, FMP-30, FR-FMP	Debt	2,500.00	Debt	-
STATE BANK OF HYDERABAD	FR-SMP	LIQUID, FMP-27, FR-SMP	Certificate of Deposit	7,044.45	Certificate of Deposit	4,680.92

Name Company (Investor)	Scheme in which investment is made by Company	Schemes by which investment is made in securities of the company	Aggregate investment by schemes in securities of the company during 01.03.2005 to 31.03.2007		Aggregate Investment outstanding as on March 31st, 2007 (At Market Value)	
			Nature of Investment	(Rupees in Lacs)	Nature of Investment	(Rupees in Lacs)
STERLITE INDUSTRIES	FMP-29, FR-FMP	MINCOM, MIPPL, PTSF, RIF, TAX96, JUNIOR, LCAP, INFRA, GROWTH	Equity Shares	7,982.72	Equity Shares	506.74
		LIQUID, STP, JUNIOR, FR-SMP	Debt	11,900.00	Debt	-
SUN PHARMACEUTICAL INDUSTRIES	FMP-23	LCAP, INDEX	Equity Shares	612.55	Equity Shares	613.66
		LIQUID	Debt	4,000.00	Debt	-
TATA CONSULTANCY SERVICES	FR-FMP, FMP-25, FMP-33, FMP-34, FMP-37, FMP-19	GROWTH, INDEX, MINCOM, MIPPL, PBF, PTSF, RIF, LCAP, INFRA, FDF, FOCUS	Equity Shares	10,355.43	Equity Shares	1,199.93
TATA INDUSTRIES	FMP-28, FMP-30, LIQUID	FR-SMP	Debt	1,500.00	Debt	-
TATA IRON & STEEL COMPANY	FMP-22, FMP-24, FMP-26, LIQUID	FOCUS, GROWTH, INDEX, MINCOM, MIPPL, PBF, PDYF, RIF, TAX96, LCAP, INFRA, DNIT95	Equity Shares	11,700.76	Equity Shares	14.82
TATA SONS	FMP-24	LIQUID, STP	Debt	2,043.73	Debt	1,581.93
TATA TEA	FMP-21, FMP-20	INDEX	Equity Shares	2.43	Equity Shares	-
THERMAX	FMP-22, FMP-21	GROWTH, MINCOM, MIPPL, PBF, PDYF, PTSF, TAX96, INFRA, FOCUS	Equity Shares	2,109.90	Equity Shares	1,916.43
VIDESH SANCHAR NIGAM	FMP-21, FMP-24, FMP-30, FMP-31, FMP-33, STP	INDEX	Equity Shares	15.38	Equity Shares	6.49
UTI BANK	LIQUID	FOCUS, GROWTH, MINCOM, MIPPL, PBF, JUNIOR, INFRA, DNIT95	Equity Shares	5,683.92	Equity Shares	-
		FR-SMP, LIQUID, STP, FR-FMP	Debt	26,936.23	Debt	701.26
		FR-SMP, LIQUID, STP, FMP-30, FMP-32, FMP-34, FMP-35, FR-FMP	Term Deposit	37,500.00	Term Deposit	10,500.00
		FR-FMP, FR-SMP, LIQUID, STP, JUNIOR, FMP-19, FMP-20, FMP-27, FOCUS	Certificate of Deposit	56,453.15	Certificate of Deposit	9,356.36
WIPRO	LIQUID, STP, FMP-26, FMP-28, FMP-30, FMP-32, FMP-34, FR-FMP	GROWTH, INDEX, MINCOM, MIPPL, PBF, RIF, LCAP, INFRA, FDF, FOCUS	Equity Shares	12,177.70	Equity Shares	4,405.39
YES BANK	FR-FMP	INCOME, LIQUID, FMP-33, FMP-36, FR-FMP	Debt	9,048.43	Debt	6,538.71
		FMP-35	Term Deposit	5,000.00	Term Deposit	5,000.00
		FR-SMP, LIQUID, FMP-19, FR-FMP	Certificate of Deposit	10,632.19	Certificate of Deposit	-

^ L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LTD is a subsidiary of L&T

Scheme Codes	Scheme
BOND	PRINCIPAL PNB DEBT FUND
CALL	PRINCIPAL CASH MANAGEMENT FUND - MONEY AT CALL OPTION
CHILD1	PRINCIPAL CHILD BENEFIT FUND
DEP-EA	PRINCIPAL DEPOSIT FUND FOR 54EA BENEFIT
DNIT-95	PRINCIPAL EQUITY FUND
FMP-11	PRINCIPAL FIXED MATURITY PLAN -371 DAYS MAR 2004
FMP-12	PRINCIPAL 91 DAYSFIXED MATURITY PLAN JUNE 2004
FMP-13	PRINCIPAL FIXED MATURITY PLAN -371 DAYS JUNE 2004
FMP-14	PRINCIPAL FIXED MATURITY PLAN -91 DAYS AUG 2004
FMP-15	PRINCIPAL FIXED MATURITY PLAN -371 DAYS NOV 2004
FMP-16	PRINCIPAL FMP 16 371 DAYS MARCH 2003
FMP-17	PRINCIPAL FIXED MATURITY PLAN -91 DAYS JAN 2005
FMP-18	PRINCIPAL FIXED MATURITY PLAN -91 DAYS FEB 2005
FMP-19	PRINCIPAL FIXED MATURITY PLAN -371 DAYS MAR 2005
FMP-20	PRINCIPAL FIXED MATURITY PLAN -371 DAYS OCT 2005
FMP-21	PRINCIPAL FIXED MATURITY PLAN -91 DAYS NOV 2005
FMP-22	PRINCIPAL PNB FIXED MATURITY PLAN-91 DAYS-SERIES I
FMP-23	PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS
FMP-24	PRINCIPAL PNB FIXED MATURITY PLAN -91 DAYS -SERIES II
FMP-25	PRINCIPAL PNB FIXED MATURITY PLAN -385 DAYS -SERIES I
FMP-26	PRINCIPAL PNB FIXED MATURITY PLAN -91 DAYS -SERIES III
FMP-27	PRINCIPAL PNB FIXED MATURITY PLAN 385 DAYS-SERIES II
FMP-28	PRINCIPAL PNB FIXED MATURITY PLAN 91 DAYS - SERIES IV
FOCUS	PRINCIPAL FOCUSED ADVANTAGE FUND
FR-FMP	PRINCIPAL FLOATING RATE FUND - FLEXIBLE MATURITY PLAN
FR-SMP	PRINCIPAL FLOATING RATE FUND - SHORT MATURITY PLAN
GILT-I	PRINCIPAL GOVERNMENT SECURITIES FUND-INVESTMENT PLAN
GILT-P	PRINCIPAL GOVERNMENT SECURITIES FUND-PROVIDENT FUND PLAN
GILT-S	PRINCIPAL GOVERNMENT SECURITIES FUND-SAVINGS PLAN
GOF	PRINCIPAL GLOBAL OPPORTUNITIES FUND

Scheme Codes	Scheme
GROWTH	PRINCIPAL GROWTH FUND
INCOME	PRINCIPAL INCOME FUND
INDEX	PRINCIPAL INDEX FUND
INFRA	PRINCIPAL INFRASTRUCTURE & SERVICES FUND
JUNIOR	PRINCIPAL JUNIOR CAP FUND
LCAP	PRINCIPAL LARGE CAP FUND
LIQUID	PRINCIPAL CASH MANAGEMENT FUND -LIQUID OPTION
MINCOM	PRINCIPAL MONTHLY INCOME PLAN
MIPPL	PRINCIPAL MONTHLY INCOME PLAN-MIP PLUS
MVBF	PRINCIPAL MONEY VALUE BOND FUND
PBF	PRINCIPAL BALANCED FUND
PDYF	PRINCIPAL DIVIDEND YIELD FUND
PTSF	PRINCIPAL PERSONAL TAX SAVER FUND
RIF	PRINCIPAL RESURGENT INDIA EQUITY FUND
STP	PRINCIPAL INCOME FUND -SHORT TERM PLAN
TAX96	PRINCIPAL TAX SAVING FUND
TBF-D	PRINCIPAL TRUST BENEFIT FUND
FDF	PRINCIPAL PNB FIXED DURATION FUND 3 YEAR PLAN SERIES I
FMP-29	PRINCIPAL PNB FIXED MATURITY PLAN 460 DAYS - SERIES II
FMP-30	PRINCIPAL PNB FIXED MATURITY PLAN 91 DAYS - SERIES V
FMP-31	PRINCIPAL PNB FIXED MATURITY PLAN 385 DAYS - SERIES III
FMP-32	PRINCIPAL PNB FIXED MATURITY PLAN FMP 91 DAYS -SERIES VI
FMP-33	PRINCIPAL PNB FIXED MATURITY PLAN 540 DAYS SERIES I
FMP-34	PRINCIPAL PNB FMP 91 DAYS SERIES VII
FMP-35	PRINCIPAL PNB FMP 91 DAYS SERIES VIII
FMP-36	PRINCIPAL PNB FMP 460 DAYS SERIES III
FMP-37	PRINCIPAL PNB FMP 385 DAYS SERIES IV
FMP-38	PRINCIPAL PNB FMP 91 DAYS SERIES IX
LTEF	PRINCIPAL LONG TERM EQUITY FUND 3 YEAR PLAN - SER- I

Most of the above securities were purchased from the open secondary/primary market at relevant market/offer prices over a period of time based on the approved investment strategy. All the securities pertain to highly rated blue-chip companies. The AMC is of the view that the above investments are considered sound and in line with the investment objective of the relevant schemes.

\*\* This is an aggregate of all investments made during the above mentioned period in accordance with Regulation 25(11) without considering sale/redemptions and interscheme transactions, which might have occurred.

## Annexure III

### HISTORICAL PER UNIT STATISTICS AS AT MARCH 31, 2007 (Rs. per unit of Face Value Rs. 10/-)

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES I			
	Dividend		Growth	
	31/03/07 Rs.	31/03/06 Rs.	31/03/07 Rs.	31/03/06 Rs.
a. Net Asset Value per unit	10.8832	10.0546	10.8832	10.0546
	31/03/07		31/03/06	
b. i. Income other than profit on sale of Investments	0.71		0.09	
ii. Income from profit on inter-scheme sale/transfer of investments	0.00		0.00	
iii. Income from profit on sale of investments to third party	0.07		0.00	
<b>Gross Income b (i to iii)</b>	<b>0.78</b>		<b>0.09</b>	
c. i. Aggregate of expenses, write off, amortisation and charges	0.02		0.00	
<b>d. Net Income (b-c)</b>	<b>0.76</b>		<b>0.09</b>	
e. Change in unrealised appreciation / (depreciation) in value of investments	0.08		-0.03	
	31/03/07	31/03/06	31/03/07	31/03/06
f. i. Repurchase Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
ii. Reissue Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
	31/03/07		31/03/06	
g. Ratio of expenses to average net assets by percentage	0.20		0.20	
h. Ratio of gross income to average net assets by percentage	8.11		0.57	

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 460 Days - Series I since the allotment date of the scheme was February 15, 2006.

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES I							
	Regular Plan				Institutional Plan			
	Dividend		Growth		Dividend		Growth	
	31/03/07 Rs.	31/03/06 Rs.	31/03/07 Rs.	31/03/06 Rs.	31/03/07 Rs.	31/03/06 Rs.	31/03/07 Rs.	31/03/06 Rs.
a. Net Asset Value per unit	10.8725	10.0406	10.8725	10.0406	10.8725	10.0406	10.8725	10.0406
	31/03/07				31/03/06			
b. i. Income other than profit on sale of Investments	0.71				0.04			
ii. Income from profit on inter-scheme sale/transfer of investments	0.00				0.00			
iii. Income from profit on sale of investments to third party	0.16				0.00			
<b>Gross Income b (i to iii)</b>	<b>0.87</b>				<b>0.04</b>			
c. i. Aggregate of expenses, write off, amortisation and charges	0.06				0.00			
<b>d. Net Income (b-c)</b>	<b>0.81</b>				<b>0.04</b>			
e. Change in unrealised appreciation / (depreciation) in value of investments	0.03				0.00			
	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06	31/03/07	31/03/06
f. i. Repurchase Price								
1. Highest during the year	N.A	N.A	10.6681	10.0406	N.A	N.A	10.4270	10.0406
2. Lowest during the year	N.A	N.A	9.9916	10.0000	N.A	N.A	10.4270	10.0000
ii. Reissue Price								
1. Highest during the year	N.A	10.0000	N.A	10.0000	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	10.0000	N.A	10.0000	N.A	N.A	N.A	N.A
	31/03/07				31/03/06			
g. Ratio of expenses to average net assets by percentage	0.51				0.20			
h. Ratio of gross income to average net assets by percentage	8.49				0.42			

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 385 Days - Series I since the allotment date of the scheme was March 14, 2006.



## Annexure III

### HISTORICAL PER UNIT STATISTICS AS AT MARCH 31, 2007 (Rs. per unit of Face

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES II	
	Dividend	Growth
	31/03/07	31/03/07
	Rs.	Rs.
a. Net Asset Value per unit	10.6182	10.6182
	31/03/07	
b. i. Income other than profit on sale of Investments	0.54	
ii. Income from profit on inter - scheme sale/transfer of investments	-	
iii. Income from profit on sale of investments to third party	0.09	
<b>Gross Income b (i to iii)</b>	<b>0.63</b>	
c. i. Aggregate of expenses, write off, amortisation and charges	0.02	
<b>d. Net Income (b-c)</b>	<b>0.61</b>	
e. Change in unrealised appreciation / (depreciation) in value of investments	0.01	
	31/03/07	31/03/07
f. i. Repurchase Price		
1. Highest during the year	N.A	N.A
2. Lowest during the year	N.A	N.A
ii. Reissue Price		
1. Highest during the year	N.A	N.A
2. Lowest during the year	N.A	N.A
	31/03/07	
g. Ratio of expenses to average net assets by percentage	0.20	
h. Ratio of gross income to average net assets by percentage	6.19	

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 385 Days - Series II since the allotment date of the scheme was June 8, 2006.

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES II			
	Regular Plan		Institutional Plan	
	Dividend	Growth	Dividend	Growth
	31/03/07	31/03/06	31/03/07	31/03/06
	Rs.	Rs.	Rs.	Rs.
a. Net Asset Value per unit	10.3720	10.3720	10.4000	10.4000
	31/03/07			
b. i. Income other than profit on sale of Investments	0.36			
ii. Income from profit on inter - scheme sale/transfer of investments	-0.01			
iii. Income from profit on sale of investments to third party	0.17			
<b>Gross Income b (i to iii)</b>	<b>0.52</b>			
c. i. Aggregate of expenses, write off, amortisation and charges	0.01 ^		0.04 ^^	
<b>d. Net Income (b-c)</b>	<b>0.51</b>			
e. Change in unrealised appreciation / (depreciation) in value of investments	-0.08			
	31/03/07	31/03/06	31/03/07	31/03/06
f. i. Repurchase Price				
1. Highest during the year	N.A	10.2022	10.2178	10.2730
2. Lowest during the year	N.A	10.2022	10.2178	10.2215
ii. Reissue Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
	31/03/07			
g. Ratio of expenses to average net assets by percentage	0.15^ 0.57^^			
h. Ratio of gross income to average net assets by percentage	4.03			

^ Institutional

^^ Regular

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 460 Days - Series II since the allotment date of the scheme was August 9, 2006.

## Annexure III

### HISTORICAL PER UNIT STATISTICS AS AT MARCH 31, 2007 (Rs. per unit of Face Value Rs. 10/-)

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES III			
	Regular Plan		Institutional Plan	
	Dividend	Growth	Dividend	Growth
	31/03/07 Rs.	31/03/06 Rs.	31/03/07 Rs.	31/03/06 Rs.
a. Net Asset Value per unit	10.1993	10.1993	10.2096	10.2096
	31/03/07			
b. i. Income other than profit on sale of Investments	0.17			
ii. Income from profit on inter - scheme sale/transfer of investments	0.00			
iii. Income from profit on sale of investments to third party	0.11			
<b>Gross Income b (i to iii)</b>	<b>0.28</b>			
c. i. Aggregate of expenses, write off, amortisation and charges	0.00 ^ 0.02 ^^			
<b>d. Net Income (b-c)</b>	<b>-0.06</b>			
e. Change in unrealised appreciation / (depreciation) in value of investments	-0.08			
	31/03/07	31/03/06	31/03/07	31/03/06
f. i. Repurchase Price				
1. Highest during the year	N.A	9.9893	N.A	9.9727
2. Lowest during the year	N.A	9.9893	N.A	9.9727
ii. Reissue Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
	31/03/07			
g. Ratio of expenses to average net assets by percentage	0.10^ 0.35^^			
h. Ratio of gross income to average net assets by percentage	2.12			

^ Institutional

^^ Regular

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

#### Notes :

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 385 Days - Series III since the allotment date of the scheme was November 3, 2006.

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - FMP 91 DAYS - SERIES VI	
	Dividend	Growth
	31/03/07 Rs.	31/03/07 Rs.
a. Net Asset Value per unit	10.0088	10.2259
	31/03/07	
b. i. Income other than profit on sale of Investments	1.99	
ii. Income from profit on inter - scheme sale/transfer of investments	0.00	
iii. Income from profit on sale of investments to third party	0.02	
<b>Gross Income b (i to iii)</b>	<b>2.01</b>	
c. i. Aggregate of expenses, write off, amortisation and charges	0.06	
<b>d. Net Income (b-c)</b>	<b>1.95</b>	
e. Change in unrealised appreciation / (depreciation) in value of investments	0.00	
	31/03/07	31/03/07
f. i. Repurchase Price		
1. Highest during the year	10.2126	10.2169
2. Lowest during the year	9.9879	10.2169
ii. Reissue Price		
1. Highest during the year	N.A	N.A
2. Lowest during the year	N.A	N.A
	3/31/2007	
g. Ratio of expenses to average net assets by percentage	0.24	
h. Ratio of gross income to average net assets by percentage	2.29	

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

#### Notes :

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 91 Days - Series VI since the allotment date of the scheme was December 28, 2006.

## Annexure III

### HISTORICAL PER UNIT STATISTICS AS AT MARCH 31, 2007 (Rs. per unit of Face Value Rs. 10/-)

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - FMP 540 DAYS - SERIES I			
	Regular Plan		Institutional Plan	
	Dividend	Growth	Dividend	Growth
	31/03/07	31/03/06	31/03/07	31/03/06
	Rs.	Rs.	Rs.	Rs.
a. Net Asset Value per unit	10.0439	10.0439	10.0483	10.0483
	31/03/07			
b. i. Income other than profit on sale of Investments	0.15			
ii. Income from profit on inter-scheme sale/transfer of investments	0.00			
iii. Income from profit on sale of investments to third party	-0.01			
<b>Gross Income b (i to iii)</b>	<b>0.04</b>			
c. i. Aggregate of expenses, write off, amortisation and charges	0.00 ^ 0.01 ^^			
<b>d. Net Income (b-c)</b>	<b>0.14</b>			
e. Change in unrealised appreciation / (depreciation) in value of investments	-0.09			
	31/03/07	31/03/06	31/03/07	31/03/06
f. i. Repurchase Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
ii. Reissue Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
	31/03/07			
g. Ratio of expenses to average net assets by percentage	0.10^ 0.30^^			
h. Ratio of gross income to average net assets by percentage	0.51			

^ Institutional

^^ Regular

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

#### Notes :

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 540 Days - Series I since the allotment date of the scheme was January 12, 2007.

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - FMP 91 DAYS - SERIES VII	
	Dividend	Growth
	31/03/07	31/03/07
	Rs.	Rs.
a. Net Asset Value per unit	10.0272	10.1265
	31/03/07	
b. i. Income other than profit on sale of Investments	0.12	
ii. Income from profit on inter-scheme sale/transfer of investments	0.00	
iii. Income from profit on sale of investments to third party	0.01	
<b>Gross Income b (i to iii)</b>	<b>0.13</b>	
c. i. Aggregate of expenses, write off, amortisation and charges	0.00	
<b>d. Net Income (b-c)</b>	<b>0.13</b>	
e. Change in unrealised appreciation / (depreciation) in value of investments	0.00	
	31/03/07	31/03/07
f. i. Repurchase Price		
1. Highest during the year	10.0126	N.A
2. Lowest during the year	10.0126	N.A
ii. Reissue Price		
1. Highest during the year	N.A	N.A
2. Lowest during the year	N.A	N.A
	31/03/07	
g. Ratio of expenses to average net assets by percentage	0.20	
h. Ratio of gross income to average net assets by percentage	1.29	

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

#### Notes :

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 91 Days - Series VII since the allotment date of the scheme was February 9, 2007.

## Annexure III

### HISTORICAL PER UNIT STATISTICS AS AT MARCH 31, 2007 (Rs. per unit of Face Value Rs. 10/-)

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - FMP 91 DAYS - SERIES VIII	
	Dividend	Growth
	31/03/07	31/03/07
	Rs.	Rs.
a. Net Asset Value per unit	10.0321	10.0931
	31/03/07	
b. i. Income other than profit on sale of Investments	0.09	
ii. Income from profit on inter - scheme sale/transfer of investments	0.00	
iii. Income from profit on sale of investments to third party	0.00	
<b>Gross Income b (i to iii)</b>	<b>0.09</b>	
c. i. Aggregate of expenses, write off, amortisation and charges	0.00	
<b>d. Net Income (b-c)</b>	<b>0.09</b>	
e. Change in unrealised appreciation / (depreciation) in value of investments	0.00	
	31/03/07	31/03/07
f. i. Repurchase Price		
1. Highest during the year	9.9260	N.A
2. Lowest during the year	9.9260	N.A
ii. Reissue Price		
1. Highest during the year	N.A	N.A
2. Lowest during the year	N.A	N.A
	31/03/07	
g. Ratio of expenses to average net assets by percentage	0.15	
h. Ratio of gross income to average net assets by percentage	0.94	

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 91 Days - Series VIII since the allotment date of the scheme was February 28, 2007.

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - 460 DAYS - SERIES III			
	Regular Plan		Institutional Plan	
	Dividend	Growth	Dividend	Growth
	31/03/07	31/03/06	31/03/07	31/03/06
	Rs.	Rs.	Rs.	Rs.
a. Net Asset Value per unit	10.0404	10.0404	10.0436	10.0436
	31/03/07			
b. i. Income other than profit on sale of Investments	0.04			
ii. Income from profit on inter - scheme sale/transfer of investments	0.00			
iii. Income from profit on sale of investments to third party	0.00			
<b>Gross Income b (i to iii)</b>	<b>0.04</b>			
c. i. Aggregate of expenses, write off, amortisation and charges	0.00 ^		0.00 ^^	
<b>d. Net Income (b-c)</b>	<b>0.14</b>			
e. Change in unrealised appreciation / (depreciation) in value of investments	0.01			
	31/03/07	31/03/06	31/03/07	31/03/06
f. i. Repurchase Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
ii. Reissue Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
	31/03/07			
g. Ratio of expenses to average net assets by percentage	0.15^		0.80^^	
h. Ratio of gross income to average net assets by percentage	0.45			

^ Institutional

^^ Regular

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 460 Days - Series III since the allotment date of the scheme was March 14, 2007.

## Annexure III

### HISTORICAL PER UNIT STATISTICS AS AT MARCH 31, 2007 (Rs. per unit of Face Value Rs. 10/-)

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - 385 DAYS - SERIES IV			
	Regular Plan		Institutional Plan	
	Dividend	Growth	Dividend	Growth
	31/03/07 Rs.	31/03/06 Rs.	31/03/07 Rs.	31/03/06 Rs.
a. Net Asset Value per unit	10.0088	10.0088	10.0091	10.0091
	31/03/07			
b. i. Income other than profit on sale of Investments	0.01			
ii. Income from profit on inter-scheme sale/transfer of investments	0.00			
iii. Income from profit on sale of investments to third party	0.00			
<b>Gross Income b (i to iii)</b>	<b>0.01</b>			
c. i. Aggregate of expenses, write off, amortisation and charges	0.00 <sup>^</sup> 0.00 <sup>^^</sup>			
<b>d. Net Income (b-c)</b>	<b>0.01</b>			
e. Change in unrealised appreciation / (depreciation) in value of investments	0.00			
	31/03/07	31/03/06	31/03/07	31/03/06
f. i. Repurchase Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
ii. Reissue Price				
1. Highest during the year	N.A	N.A	N.A	N.A
2. Lowest during the year	N.A	N.A	N.A	N.A
	31/03/07			
g. Ratio of expenses to average net assets by percentage	0.10 <sup>^</sup> 0.14 <sup>^^</sup>			
h. Ratio of gross income to average net assets by percentage	0.09			

<sup>^</sup> Institutional

<sup>^^</sup> Regular

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 385 Days - Series IV since the allotment date of the scheme was March 29, 2007.

Particulars	PRINCIPAL PNB FIXED MATURITY PLAN - FMP 91 DAYS - SERIES IX	
	Dividend	Growth
	31/03/07 Rs.	31/03/07 Rs.
a. Net Asset Value per unit	10.0059	10.0059
	31/03/07	
b. i. Income other than profit on sale of Investments	0.00	
ii. Income from profit on inter-scheme sale/transfer of investments	0.00	
iii. Income from profit on sale of investments to third party	0.00	
<b>Gross Income b (i to iii)</b>	<b>0.00</b>	
c. i. Aggregate of expenses, write off, amortisation and charges	0.00	
<b>d. Net Income (b-c)</b>	<b>0.00</b>	
e. Change in unrealised appreciation / (depreciation) in value of investments	0.00	
	31/03/07	31/03/07
f. i. Repurchase Price		
1. Highest during the year	N.A	N.A
2. Lowest during the year	N.A	N.A
ii. Reissue Price		
1. Highest during the year	N.A	N.A
2. Lowest during the year	N.A	N.A
	31/03/07	
g. Ratio of expenses to average net assets by percentage	0.00	
h. Ratio of gross income to average net assets by percentage	0.06	

\* Income and Expenditure per unit have been worked out based on balance in Unit Capital Account as on 31.03.2007.

**Notes :**

- As the scheme is not traded on Stock Exchange, Trading Price and Price Earning Ratio is not applicable.
- Transfer to Revenue Account from Past Years Reserve is NIL.
- Corresponding years figures are not available for Principal Pnb Fixed Maturity Plan 91 Days - Series IX since the allotment date of the scheme was March 30, 2007.



## **ADDENDUMS ISSUED DURING THE FINANCIAL YEAR APRIL 1 2006 TO MARCH 31, 2007**

### **Principal Pnb Fixed Maturity Plan - 385 Days - Series I**

#### **ADDENDUM DATED APRIL 29, 2006**

Notice is hereby given that the provision of no load (entry/exit) being provided to a) The employees and directors of Principal Pnb Asset Management Company Pvt. Ltd. ("the AMC"), b) The employees and directors of the shareholders of the AMC, and c) The employees and directors of the associate companies of the AMC (provided that, these investors subscribe directly with Principal Mutual Fund without applying through any agent/distributor) be and is hereby withdrawn w.e.f. Tuesday, May 2, 2006.

Accordingly, the entry/exit load as may be applicable to the respective schemes will be charged on the transactions done by the above category of investors, w.e.f. Tuesday, May 2, 2006.

Therefore, the reference to the said clause, wherever it appears in the respective offer documents shall be deleted. All other features and terms and conditions as mentioned in the respective offer documents remains unchanged.

#### **ADDENDUM DATED SEPTEMBER 29, 2006**

**Notice** is hereby given to the unitholders of the schemes of Principal Mutual Fund ("the Fund") that point number 3 in the paragraph titled 'Penalties and Pending Litigation' of the offer documents of all the schemes of the Fund be and is hereby updated as follows:

"There is a legal case pending against Mr. Rajat Jain, Chief Investment Officer of Principal Pnb Asset Management Company Pvt. Ltd. in the "Court of Sessions of Greater Bombay". The case was filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to a matter alleged during Mr Jain's previous employment with SBI Mutual Fund, prior to his joining Principal Pnb Asset Management Company Pvt. Ltd. The case pertains to the purchase of certain shares at SBI Mutual Fund where Mr. Rajat Jain was, at that time, Chief Investment Officer."

#### **ADDENDUM DATED OCTOBER 14, 2006**

**Notice is hereby given** that pursuant to SEBI circular no. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006 the cut-off timings for applicability of Net Asset Value (NAV) of the schemes of Principal Mutual Fund will be as follows with effect from Monday, October 16, 2006:

**For all the Scheme(s) / Plan(s) of Principal Mutual Fund except Liquid Scheme(s) / Plan(s):**

**i. For Subscription / Switch –in / Sweep:**

- In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;
- In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable; and
- In respect of the valid applications received with an outstation cheque or demand draft not payable on par at the Official Points of Acceptance of Transactions where the application is received, the closing NAV of day on which the cheque or demand draft is credited shall be applicable.

In case of 'switch' transactions from one scheme to another, the allocation shall be in line with redemption payouts.

The above changes forms an integral part of the Offer Document(s) / Key Information Memorandum(s) of Scheme(s) of Principal Mutual Fund as amended from time to time. All the other terms and conditions of the Scheme(s) / Plan(s) as mentioned in the Offer Document remain unchanged.

#### **ADDENDUM DATED DECEMBER 29, 2006**

#### **Prevention of Money Laundering**

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address (es) of investors.

In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted this responsibility of collection of documents relating to identity and address and record keeping to an independent agency (presently CDSL Ventures Limited) that will act as central record keeping agency ('Central Agency'). As a token of having verified the identity and address and for efficient retrieval of records, the Central Agency will issue a Mutual Fund Identification Number ('MIN') to each investor who submits an application and the prescribed documents to the Central Agency.

Investors who have obtained the MIN can invest in the schemes of the mutual fund by quoting the MIN in lieu of submitting information and documents required under AML Laws.

#### **Mutual Fund Identification Number**

Investors who wish to obtain a MIN have to submit a completed Application Form for MIN ('MIN Form') along with all the prescribed documents listed in the MIN Form, at any of the Point of Service ('POS'). The MIN Form is available at our website ([www.principalindia.com](http://www.principalindia.com)) and AMFI website ([www.amfiindia.com](http://www.amfiindia.com)). POS are the designated centres appointed by the Central Agency for receiving application forms, processing data and allotment of MIN. List of and location of POS is available at our website ([www.principalindia.com](http://www.principalindia.com)) and [www.amfiindia.com](http://www.amfiindia.com). On submission of application, documents and information to the satisfaction of the POS, the investor will be allotted a provisional MIN across the counter. Subsequently, the Central Agency will scrutinize the information and documents submitted by the investor, and confirm the MIN. However, the Central Agency may cancel the MIN within 15 working days from the date of allotment of provisional MIN, in case of any deficiency in the document/information. Intimation on cancellation of MIN will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the MIN as allotted is confirmed.

Presently, it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the MIN of all the applicants (guardian in case of minor) in the application for subscription. The MIN will be validated with the records of the Central Agency before allotting units. Applications for subscriptions of value of Rs.50,000/- and above without a valid MIN may be rejected.

In the event of any MIN Application Form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction will be cancelled and the amount may be redeemed at applicable NAV, subject to payment of exit load, wherever applicable. Such redemption proceeds will be despatched within a maximum period of 21 days from date of acceptance of application. (In case of an ELSS Scheme or a New Fund Offer, allotment will be done only on confirmation from the Central Agency that the MIN is final and if the Central Agency informs that the MIN is cancelled, the original amount invested will be refunded).

All investors (both individual and non-individual) can apply for a MIN. However, applicants should note that minors cannot apply for a MIN and any investment in the name of minors should be along with a Guardian, who should obtain a MIN for the purpose of investing with a Mutual Fund. Also, applicants / unit holders intending to apply for units / currently holding units and operating their Mutual Fund folios through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their respective MIN at the time of investment above the threshold. PoA holders are not permitted to apply for a MIN on behalf of the issuer of the PoA. Separate procedures are prescribed for change in name, address and other MIN related details, should the applicant desire to change such information. POS will extend the services of effecting such changes.

All the other terms and conditions of the respective schemes' Offer Documents will remain unchanged. This addendum forms an integral part of the Offer Documents of the respective schemes. The above will be effective from January 1, 2007, read with the addenda issued from time to time.

Applicants / Unit holders may contact our Investor Service Centers / their distributors, if any for any additional information/clarifications. Also, please visit our website [www.principalindia.com](http://www.principalindia.com) for any other related information.

### **Principal Pnb Fixed Maturity Plan - 385 Days - Series II**

#### **ADDENDUM DATED SEPTEMBER 29, 2006**

**Notice** is hereby given to the unitholders of the schemes of Principal Mutual Fund ("the Fund") that point number 3 in the paragraph titled 'Penalties and Pending Litigation' of the offer documents of all the schemes of the Fund be and is hereby updated as follows:

"There is a legal case pending against Mr. Rajat Jain, Chief Investment Officer of Principal Pnb Asset Management Company Pvt. Ltd. in the "Court of Sessions of Greater Bombay". The case was filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to a matter alleged during Mr Jain's previous employment with SBI Mutual Fund, prior to his joining Principal Pnb Asset Management Company Pvt. Ltd. The case pertains to the purchase of certain shares at SBI Mutual Fund where Mr. Rajat Jain was, at that time, Chief Investment Officer."

#### **ADDENDUM DATED OCTOBER 14, 2006**

**Notice is hereby given** that pursuant to SEBI circular no. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006 the cut-off timings for applicability of Net Asset Value (NAV) of the schemes of Principal Mutual Fund will be as follows with effect from Monday, October 16, 2006:

**For all the Scheme(s) / Plan(s) of Principal Mutual Fund except Liquid Scheme(s) / Plan(s):**

**i. For Subscription / Switch –in / Sweep:**

- a. In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;
- b. In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable; and
- c. In respect of the valid applications received with an outstation cheque or demand draft not payable on par at the Official Points of Acceptance of Transactions where the application is received, the closing NAV of day on which the cheque or demand draft is credited shall be applicable.

In case of 'switch' transactions from one scheme to another, the allocation shall be in line with redemption payouts.

The above changes forms an integral part of the Offer Document(s) / Key Information Memorandum(s) of Scheme(s) of the respective schemes of Principal Mutual Fund as amended from time to time. All the other terms and conditions of the Scheme(s) / Plan(s) as mentioned in the Offer Document remain unchanged.

#### **ADDENDUM DATED DECEMBER 29, 2006**

##### **Prevention of Money Laundering**

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address (es) of investors.

In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted this responsibility of collection of documents relating to identity and address and record keeping to an independent agency (presently CDSL Ventures Limited) that will act as central record keeping agency ('Central Agency'). As a token of having verified the identity and address and for efficient retrieval of records, the Central Agency will issue a Mutual Fund Identification Number ('MIN') to each investor who submits an application and the prescribed documents to the Central Agency.

Investors who have obtained the MIN can invest in the schemes of the mutual fund by quoting the MIN in lieu of submitting information and documents required under AML Laws.

##### **Mutual Fund Identification Number**

Investors who wish to obtain a MIN have to submit a completed Application Form for MIN ('MIN Form') along with all the prescribed documents listed in the MIN Form, at any of the Point of Service ('POS'). The MIN Form is available at our website ([www.principalindia.com](http://www.principalindia.com)) and AMFI website ([www.amfiindia.com](http://www.amfiindia.com)). POS are the designated centres appointed by the Central Agency for receiving application forms, processing data and allotment of MIN. List of and location of POS is available at our website ([www.principalindia.com](http://www.principalindia.com)) and [www.amfiindia.com](http://www.amfiindia.com). On submission of application, documents and information to the satisfaction of the POS, the investor will be allotted a provisional MIN across the counter. Subsequently, the Central Agency will scrutinize the information and documents submitted by the investor, and confirm the MIN. However, the Central Agency may cancel the MIN within 15 working days from the date of allotment of provisional MIN, in case of any deficiency in the document/information. Intimation on cancellation of MIN will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the MIN as allotted is confirmed.

Presently, it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the MIN of all the applicants (guardian in case of minor) in the application for subscription. The MIN will be validated with the records of the Central Agency before allotting units. Applications for subscriptions of value of Rs.50,000/- and above without a valid MIN may be rejected.

In the event of any MIN Application Form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction will be cancelled and the amount may be redeemed at applicable NAV, subject to payment of exit load, wherever applicable. Such redemption proceeds will be despatched within a maximum period of 21 days from date of acceptance of application. (In case of an ELSS Scheme or a New Fund Offer, allotment will be done only on confirmation from the Central Agency that the MIN is final and if the Central Agency informs that the MIN is cancelled, the original amount invested will be refunded).

All investors (both individual and non-individual) can apply for a MIN. However, applicants should note that minors cannot apply for a MIN and any investment in the name of minors should be along with a Guardian, who should obtain a MIN for the purpose of investing with a Mutual Fund. Also, applicants / unit holders intending to apply for units / currently holding units and operating their Mutual Fund folios through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their respective MIN at the time of investment above the threshold. PoA holders are not permitted to apply for a MIN on behalf of the issuer of the PoA. Separate procedures are prescribed for change in name, address and other MIN related details, should the applicant desire to change such information. POS will extend the services of effecting such changes.

All the other terms and conditions of the respective schemes' Offer Documents will remain unchanged. This addendum forms an integral part of the Offer Documents of the respective schemes. The above will be effective from January 1, 2007, read with the addenda issued from time to time.

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### **Principal Pnb Fixed Maturity Plan - 460 Days - Series II**

#### **ADDENDUM DATED SEPTEMBER 29, 2006**

**Notice is hereby given** to the unitholders of the schemes of Principal Mutual Fund ("the Fund") that point number 3 in the paragraph titled 'Penalties and Pending Litigation' of the offer documents of all the schemes of the Fund be and is hereby updated as follows:

"There is a legal case pending against Mr. Rajat Jain, Chief Investment Officer of Principal Pnb Asset Management Company Pvt. Ltd. in the "Court of Sessions of Greater Bombay". The case was filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to a matter alleged during Mr Jain's previous employment with SBI Mutual Fund, prior to his joining Principal Pnb Asset Management Company Pvt. Ltd. The case pertains to the purchase of certain shares at SBI Mutual Fund where Mr. Rajat Jain was, at that time, Chief Investment Officer."

#### **ADDENDUM DATED OCTOBER 14, 2006**

**Notice is hereby given** that pursuant to SEBI circular no. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006 the cut-off timings for applicability of Net Asset Value (NAV) of the schemes of Principal Mutual Fund will be as follows with effect from Monday, October 16, 2006:

**For all the Scheme(s) / Plan(s) of Principal Mutual Fund except Liquid Scheme(s) / Plan(s):**

**i. For Subscription / Switch –in / Sweep:**

- a. In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;
- b. In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable; and
- c. In respect of the valid applications received with an outstation cheque or demand draft not payable on par at the Official Points of Acceptance of Transactions where the application is received, the closing NAV of day on which the cheque or demand draft is credited shall be applicable.

In case of 'switch' transactions from one scheme to another, the allocation shall be in line with redemption payouts.

The above changes forms an integral part of the Offer Document(s) / Key Information Memorandum(s) of Scheme(s) of the respective schemes of Principal Mutual Fund as amended from time to time. All the other terms and conditions of the Scheme(s) / Plan(s) as mentioned in the Offer Document remain unchanged.

#### **ADDENDUM DATED DECEMBER 29, 2006**

##### **Prevention of Money Laundering**

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address (es) of investors.

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Investors who have obtained the MIN can invest in the schemes of the mutual fund by quoting the MIN in lieu of submitting information and documents required under AML Laws.

##### **Mutual Fund Identification Number**

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Presently, it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the MIN of all the applicants (guardian in case of minor) in the application for subscription. The MIN will be validated with the records of the Central Agency before allotting units. Applications for subscriptions of value of Rs.50,000/- and above without a valid MIN may be rejected.

In the event of any MIN Application Form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction will be cancelled and the amount may be redeemed at applicable NAV, subject to payment of exit load, wherever applicable. Such redemption proceeds will be despatched within a maximum period of 21 days from date of acceptance of application. (In case of an ELSS Scheme or a New Fund Offer, allotment will be done only on confirmation from the Central Agency that the MIN is final and if the Central Agency informs that the MIN is cancelled, the original amount invested will be refunded).

All investors (both individual and non-individual) can apply for a MIN. However, applicants should note that minors cannot apply for a MIN and any investment in the name of minors should be along with a Guardian, who should obtain a MIN for the purpose of investing with a Mutual Fund. Also, applicants / unit holders intending to apply for units / currently holding units and operating their Mutual Fund folios through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their respective MIN at the time of investment above the threshold. PoA holders are not permitted to apply for a MIN on behalf of the issuer of the PoA. Separate procedures are prescribed for change in name, address and other MIN related details, should the applicant desire to change such information. POS will extend the services of effecting such changes.

All the other terms and conditions of the respective schemes' Offer Documents will remain unchanged. This addendum forms an integral part of the Offer Documents of the respective schemes. The above will be effective from January 1, 2007, read with the addenda issued from time to time.

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### **Principal Pnb Fixed Maturity Plan - 385 Days - Series III**

#### **ADDENDUM DATED DECEMBER 29, 2006**

##### **Prevention of Money Laundering**

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address (es) of investors.

In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted this responsibility of collection of documents relating to identity and address and record keeping to an independent agency (presently CDSL Ventures Limited) that will act as central record keeping agency ('Central Agency'). As a token of having verified the identity and address and for efficient retrieval of records, the Central Agency will issue a Mutual Fund Identification Number ('MIN') to each investor who submits an application and the prescribed documents to the Central Agency.

Investors who have obtained the MIN can invest in the schemes of the mutual fund by quoting the MIN in lieu of submitting information and documents required under AML Laws.

##### **Mutual Fund Identification Number**

Investors who wish to obtain a MIN have to submit a completed Application Form for MIN ('MIN Form') along with all the prescribed documents listed in the MIN Form, at any of the Point of Service ('POS'). The MIN Form is available at our website ([www.principalindia.com](http://www.principalindia.com)) and AMFI website ([www.amfiindia.com](http://www.amfiindia.com)). POS are the designated centres appointed by the Central Agency for receiving application forms, processing data and allotment of MIN. List of and location of POS is available at our website ([www.principalindia.com](http://www.principalindia.com)) and [www.amfiindia.com](http://www.amfiindia.com). On submission of application, documents and information to the satisfaction of the POS, the investor will be allotted a provisional MIN across the counter. Subsequently, the Central Agency will scrutinize the information and documents submitted by the investor, and confirm the MIN. However, the Central Agency may cancel the MIN within 15 working days from the date of allotment of provisional MIN, in case of any deficiency in the document/information. Intimation on cancellation of MIN will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the MIN as allotted is confirmed.

Presently, it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the MIN of all the applicants (guardian in case of minor) in the application for subscription. The MIN will be validated with the records of the Central Agency before allotting units. Applications for subscriptions of value of Rs.50,000/- and above without a valid MIN may be rejected.

In the event of any MIN Application Form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction will be cancelled and the amount may be redeemed at applicable NAV, subject to payment of exit load, wherever applicable. Such redemption proceeds will be despatched within a maximum period of 21 days from date of acceptance of application. (In case of an ELSS Scheme or a New Fund Offer, allotment will be done only on confirmation from the Central Agency that the MIN is final and if the Central Agency informs that the MIN is cancelled, the original amount invested will be refunded).

All investors (both individual and non-individual) can apply for a MIN. However, applicants should note that minors cannot apply for a MIN and any investment in the name of minors should be along with a Guardian, who should obtain a MIN for the purpose of investing with a Mutual Fund. Also, applicants / unit holders intending to apply for units / currently holding units and operating their Mutual Fund folios through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their respective MIN at the time of investment above the threshold. PoA holders are not permitted to apply for a MIN on behalf of the issuer of the PoA. Separate procedures are prescribed for change in name, address and other MIN related details, should the applicant desire to change such information. POS will extend the services of effecting such changes.

All the other terms and conditions of the respective schemes' Offer Documents will remain unchanged. This addendum forms an integral part of the Offer Documents of the respective schemes. The above will be effective from January 1, 2007, read with the addenda issued from time to time.

Applicants / Unit holders may contact our Investor Service Centers / their distributors, if any for any additional information/clarifications. Also, please visit our website [www.principalindia.com](http://www.principalindia.com) for any other related information.

### **Principal Pnb Fixed Maturity Plan - 91 Days - Series VI**

#### **ADDENDUM DATED DECEMBER 29, 2006**

##### **Prevention of Money Laundering**

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address (es) of investors.

In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted this responsibility of collection of documents relating to identity and address and record keeping to an independent agency (presently CDSL Ventures Limited) that will act as central record keeping agency ('Central Agency'). As a token of having verified the identity and address and for efficient retrieval of records, the Central Agency will issue a Mutual Fund Identification Number ('MIN') to each investor who submits an application and the prescribed documents to the Central Agency.

Investors who have obtained the MIN can invest in the schemes of the mutual fund by quoting the MIN in lieu of submitting information and documents required under AML Laws.

#### Mutual Fund Identification Number

Investors who wish to obtain a MIN have to submit a completed Application Form for MIN ('MIN Form') along with all the prescribed documents listed in the MIN Form, at any of the Point of Service ('POS'). The MIN Form is available at our website ([www.principalindia.com](http://www.principalindia.com)) and AMFI website ([www.amfiindia.com](http://www.amfiindia.com)). POS are the designated centres appointed by the Central Agency for receiving application forms, processing data and allotment of MIN. List of and location of POS is available at our website ([www.principalindia.com](http://www.principalindia.com)) and [www.amfiindia.com](http://www.amfiindia.com). On submission of application, documents and information to the satisfaction of the POS, the investor will be allotted a provisional MIN across the counter. Subsequently, the Central Agency will scrutinize the information and documents submitted by the investor, and confirm the MIN. However, the Central Agency may cancel the MIN within 15 working days from the date of allotment of provisional MIN, in case of any deficiency in the document/information. Intimation on cancellation of MIN will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the MIN as allotted is confirmed.

Presently, it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the MIN of all the applicants (guardian in case of minor) in the application for subscription. The MIN will be validated with the records of the Central Agency before allotting units. Applications for subscriptions of value of Rs.50,000/- and above without a valid MIN may be rejected.

In the event of any MIN Application Form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction will be cancelled and the amount may be redeemed at applicable NAV, subject to payment of exit load, wherever applicable. Such redemption proceeds will be despatched within a maximum period of 21 days from date of acceptance of application. (In case of an ELSS Scheme or a New Fund Offer, allotment will be done only on confirmation from the Central Agency that the MIN is final and if the Central Agency informs that the MIN is cancelled, the original amount invested will be refunded).

All investors (both individual and non-individual) can apply for a MIN. However, applicants should note that minors cannot apply for a MIN and any investment in the name of minors should be along with a Guardian, who should obtain a MIN for the purpose of investing with a Mutual Fund. Also, applicants / unit holders intending to apply for units / currently holding units and operating their Mutual Fund folios through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their respective MIN at the time of investment above the threshold. PoA holders are not permitted to apply for a MIN on behalf of the issuer of the PoA. Separate procedures are prescribed for change in name, address and other MIN related details, should the applicant desire to change such information. POS will extend the services of effecting such changes.

All the other terms and conditions of the respective schemes' Offer Documents will remain unchanged. This addendum forms an integral part of the Offer Documents of the respective schemes. The above will be effective from January 1, 2007, read with the addenda issued from time to time.

Applicants / Unit holders may contact our Investor Service Centers / their distributors, if any for any additional information/clarifications. Also, please visit our website [www.principalindia.com](http://www.principalindia.com) for any other related information.

### **Principal Pnb Fixed Maturity Plan - 460 Days - Series III**

#### **ADDENDUM DATED DECEMBER 29, 2006**

#### **Prevention of Money Laundering**

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address (es) of investors.

In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted this responsibility of collection of documents relating to identity and address and record keeping to an independent agency (presently CDSL Ventures Limited) that will act as central record keeping agency ('Central Agency'). As a token of having verified the identity and address and for efficient retrieval of records, the Central Agency will issue a Mutual Fund Identification Number ('MIN') to each investor who submits an application and the prescribed documents to the Central Agency.

Investors who have obtained the MIN can invest in the schemes of the mutual fund by quoting the MIN in lieu of submitting information and documents required under AML Laws.

#### Mutual Fund Identification Number

Investors who wish to obtain a MIN have to submit a completed Application Form for MIN ('MIN Form') along with all the prescribed documents listed in the MIN Form, at any of the Point of Service ('POS'). The MIN Form is available at our website ([www.principalindia.com](http://www.principalindia.com)) and AMFI website ([www.amfiindia.com](http://www.amfiindia.com)). POS are the designated centres appointed by the Central Agency for receiving application forms, processing data and allotment of MIN. List of and location of POS is available at our website ([www.principalindia.com](http://www.principalindia.com)) and [www.amfiindia.com](http://www.amfiindia.com). On submission of application, documents and information to the satisfaction of the POS, the investor will be allotted a provisional MIN across the counter. Subsequently, the Central Agency will scrutinize the information and documents submitted by the investor, and confirm the MIN. However, the Central Agency may cancel the MIN within 15 working days from the date of allotment of provisional MIN, in case of any deficiency in the document/information. Intimation on cancellation of MIN will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the MIN as allotted is confirmed.

Presently, it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the MIN of all the applicants (guardian in case of minor) in the application for subscription. The MIN will be validated with the records of the Central Agency before allotting units. Applications for subscriptions of value of Rs.50,000/- and above without a valid MIN may be rejected.

In the event of any MIN Application Form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction will be cancelled and the amount may be redeemed at applicable NAV, subject to payment of exit load, wherever applicable. Such redemption proceeds will be despatched within a maximum period of 21 days from date of acceptance of application. (In case of an ELSS Scheme or a New Fund Offer, allotment will be done only on confirmation from the Central Agency that the MIN is final and if the Central Agency informs that the MIN is cancelled, the original amount invested will be refunded).

All investors (both individual and non-individual) can apply for a MIN. However, applicants should note that minors cannot apply for a MIN and any investment in the name of minors should be along with a Guardian, who should obtain a MIN for the purpose of investing with a Mutual Fund. Also, applicants / unit holders intending to apply for units / currently holding units and operating their Mutual Fund folios through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their respective MIN at the time of investment above the threshold. PoA holders are not permitted to apply for a MIN on behalf of the issuer of the PoA. Separate procedures are prescribed for change in name, address and other MIN related details, should the applicant desire to change such information. POS will extend the services of effecting such changes.

All the other terms and conditions of the respective schemes' Offer Documents will remain unchanged. This addendum forms an integral part of the Offer Documents of the respective schemes. The above will be effective from January 1, 2007, read with the addenda issued from time to time.

Applicants / Unit holders may contact our Investor Service Centers / their distributors, if any for any additional information/clarifications. Also, please visit our website [www.principalindia.com](http://www.principalindia.com) for any other related information.

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**Statutory Details:** Principal Mutual Fund has been constituted as a trust with Principal Financial Group (Mauritius) Limited, Punjab National Bank and Vijaya Bank as the co-settlers. **Sponsor:** Principal Financial Services Inc., USA. **Trustee:** Principal Trustee Company Private Limited. **Investment Manager:** Principal Pnb Asset Management Company Private Limited. **Risk Factors:** Mutual funds and securities investments are subject to market risks and there can be no assurance and no guarantee that the objectives of Principal Mutual Fund can be achieved. As with any investment in securities, the NAV of the units issued under the scheme can go up or down, depending upon the factors and forces affecting the capital markets. Past performance of the Sponsor/AMC/ Principal Mutual Fund/Punjab National Bank/ Vijaya Bank does not indicate or guarantee the future performance of the Schemes of Principal Mutual Fund. Principal Pnb Fixed Maturity Plans (Close-ended Debt Scheme offering Fixed Maturity Plans. Investment Objective of various Fixed Maturity Plans : To build an income oriented portfolio and provide returns along with regular liquidity to investors.) are only the name of the Schemes and does not in any manner indicate either the quality of the Scheme or its future prospects or returns. The Sponsor is not responsible or liable for any loss resulting from the operations of the Mutual Fund beyond the contribution of an amount of Rs. 25 Lakhs towards setting up Principal Mutual Fund. Investors in the scheme are not being offered a guaranteed or assured rate of return or monthly or regular/ periodical income distribution, and the actual returns and/or periodical income distribution of an investor will be based on the distributable surplus. Investors are urged to read the Offer Document carefully and consult with their legal/tax/investment advisor before they invest the Scheme. Copy of offer document can be obtained at the investor service centers of AMC. For scheme specific risk factors, terms of issue etc. kindly read the offer document carefully before investing.



## INVESTOR SERVICE CENTRES

For details, please contact your financial advisor or call the Principal Customer Relations Team.

### Principal Pnb Asset Management Company Private Limited

<b>Mumbai:</b>	Apeejay House, 5th Floor, 3 Dinshaw Vachha Road, Churchgate, Mumbai-400 020. Tel.: (022) 2202 1111.
<b>Agra:</b>	C/o. PNB - Integrated Zonal Off., 2/3, Raghunath Nagar, M.G. Road, Agra-282 002. Tel.: (0562) 6453016 / 9997020063
<b>Ahmedabad:</b>	401, Broadway Business Centre, Opp. Samaratheshwar Mahadev Temple, Law Garden Cross Road, Ellisbridge, Ahmedabad-380 006. Tel.: (079) 2640 7933-36.
<b>Ajmer:</b>	C/o. Punjab National Bank, Kuchehry Road, Ajmer-305001. Tel.: (0145) 2425015 / 9829447268.
<b>Amritsar:</b>	C/o. Punjab National Bank, Mcleod Road, Amritsar-143 001. Tel.: (0183) 5063303 / 9872838208.
<b>Asansol:</b>	Safe Savings, Street No.1, House No.2, Hindustan Park, Asansol - 713 304. Tel.: (0341) 2256809 / 09434002312.
<b>Bangalore:</b>	Raheja Paramount, Unit No. 001 / 1, Ground Floor, #138; Residency Road, Bangalore-560 025. Tel: (080) 64541251-52 / 65370869-71.
<b>Bhopal:</b>	302, Akanksha-2, Press Complex, Zone-I, M.P Nagar, Bhopal-462 011. Tel.: (0755) 4252121, 4256161. Fax: (0755) 4251221.
<b>Bhubaneswar:</b>	Gr. Floor, O.C.H.C Building, Near Ram Mandir, Janpath, Kharavel Nagar, Bhubaneswar-751 001. Tel.: (0674) 6541276 / 9937063766.
<b>Burdwan:</b>	Aykantik, 498, B.C. Road, Beside Proyozone, Burdwan - 713 101. Tel.: 9434477053.
<b>Chandigarh:</b>	SCO 455-56, 2nd Floor, Sector-35 C, Chandigarh-160 022. Tel: (0172) 508 9514 / 507 5068 / 4611456.
<b>Chennai:</b>	305, Challamal Complex, 3rd Floor, 11 Thiyagaraya Road, Chennai-600 017. Tel.: (044) 24314678-79 / 24353887.
<b>Coimbatore:</b>	No. 9, Gowtham Center Annex, 1054, Avinashi Road, Coimbatore-641018. Tel.: (0422) 4393561. Tele/Fax: (0422) 4393562.
<b>Dehradun:</b>	Below Digvijay Cinema, Clock Tower, Dehradun-248 001. Tel.: (0135) 2713758 / 9719003097.
<b>Durgapur:</b>	Aykantik, C-SO-10, Central Market, City Centre, Durgapur - 713 216. Tel.: (0343) 2548056 / 09434014743.
<b>Guwahati:</b>	C/o. PNB Regional Office, Nigiri Mansion, Bhangagarh, G.S. Road, Guwahati-781 005. Tel.: (0361) 2463563 / 9864151519.
<b>Hyderabad:</b>	White House, 503, 5th Floor, Block No. 1, Begumpet, Hyderabad-500 016. Tel: (040) 6666 9548 / 6675 0380 / 6662 0812.
<b>Indore:</b>	406, City Center, 570, M.G. Road, Indore-452 001. Tel: (0731) 406 7345 / 406 7596 / 9826045003 .
<b>Jaipur:</b>	105-B, 1st Floor, Shyam Anukampa Complex, Ashok Marg, C-Scheme, Jaipur-302 001. Tel.: (0141) 511 8240/60/61.
<b>Jalandhar:</b>	C/o. Punjab National Bank, Nakodar Road, Near Jyoti Chowk, Jalandhar-144 001. Tel.: (0181) 5061251 / 9888378414.
<b>Jamshedpur:</b>	109, Kamani Centre, 3rd Floor, Bistupur, Jamshedpur-831 001. Tel.:(0657) 232 0938 / 645 7807 / 99343 03911 / 99343 10017.
<b>Jodhpur:</b>	802, PNB Building, Chopasni Road, Jodhpur-342 003. Rajasthan Tel.: (0291) 6537371 / 9829437371.
<b>Kanpur:</b>	118-119, Kan Chambers, Near Stock Exchange Building, 13/114 Civil Lines, Kanpur-208 001. Tel: (0512) 233 2005 / 233 2004.
<b>Kochi:</b>	2nd Flr., Mayur Business Center, Pullepady Junction, Chittor Road, Kochi-682 035. Tel.: (0484) 6533164-165.
<b>Kolkata:</b>	Block No. 503, SHUBHAM, 5th Floor, 1, Sarojini Naidu Sarani, Kolkata-700 017. Tel: (033) 2281 7268 / 2281 7247.
<b>Lucknow:</b>	210-B, 2nd Floor, Saran Chambers-2, 5, Park Road, Lucknow-226 001. Tel: (0522) 223 9770 / 223 8816.
<b>Ludhiana:</b>	302, SCO-18, Opp. Ludhiana Stock Exchange, Feroze Gandhi Market, Ludhiana-141001. Tel.: (0161) 277 4209/508 6682.
<b>Mangalore:</b>	1st Floor, Immanuel Building, Near HDFC Bank, Mallikatte, Kadri, Mangalore-575 002.Tel.: 9986008285.
<b>Nagpur:</b>	Block No.105, 1st Floor, Bhagwagar Complex, Opposite Ajit Bakery, Dharampeth, Nagpur 440 010. Tel.: (0712) 2541563 / 9850316126.
<b>Nasik:</b>	Dhanlakshmi Business Point, Cabin No. 14/15, 7 Sathye Baug, M.G. Road, Nasik-422 001. Tel.: (0253) 2312971-74 ext 215 / 98227 47902.
<b>New Delhi:</b>	310, Ansal Bhawan, 16, K.G. Marg, New Delhi-110 001. Tel: (011) 6611 5111.
<b>Patna:</b>	610, Ashiana Hariniwas, Dak Bungalow Road, Patna-800 001. Tel.: 9934303367.
<b>Pune:</b>	1st Floor, Shreenath Plaza, Dnyaneshwar Paduka Chowk, F. C. Road, Pune-411 005. Tel.: (020) 2553 8737/38, 5601 5055.
<b>Raipur:</b>	Shop No. 248-249, Lalganga Shopping Mall, G.E. Road, Raipur-492001 (Chattisgarh). Tel.: (0771) 4042115 / 4042116.
<b>Rajkot:</b>	315, Star Chambers, Harihar Chowk, Panchnath Road, Rajkot-360 001. Tel.: (0281) 6594383 / 9879740237.
<b>Ranchi:</b>	Shop No. 11, A C Market, G.E.L. Church Complex, Main Road, Ranchi-834 001. Tel.: (0651) 2332092 / 9931771010.
<b>Siliguri:</b>	Nanak Complex, 3rd Floor, Sevoke Road, Siliguri-734 401. Tel.: (0353) 2526377 / 9832018828.
<b>Surat:</b>	206 Jolly Plaza, Athwagate, Surat-395001. Tel: (0261) 246 0123 / 657 7964. Telefax: (0261) 246 3256.
<b>Udaipur:</b>	C/o. Punjab National Bank, Chetak Circle, Udaipur-313 001. Tel.: (0294) 5120699 / 2529175 / 9828192181.
<b>Vadodara:</b>	103, Paradise Complex, Sayajigunj, Vadodara-390 005. Tel.: (0265) 658 6212.
<b>Vijayawada:</b>	C/o. Vibha Blasting (P) Ltd., 54-20/6-15, Plot No. 25, 2nd Lane, 1st Cross Road, Kanakadurga, Gazetted Officers Colony, Vijayawada-520 008. Tel.: 09959193111.
<b>Visakhapatnam:</b>	C/o. Sri Vinayaka Engg. Work, Plot No. 48, A.I.E. Pedagantyada, Visakhapatnam-530 044. Tel.: 09866048360.

### Principal Mutual Fund - Investor Service Centres (ISC) - Karvy Computershare Private Limited

<b>Allahabad:</b>	RSA Towers, 57 S.P. Marg, 2nd Floor, Above Sony Show Room, Civil Lines, Allahabad-211 001. Tel.: (0532) 3294280-81 / 09839071091.
<b>Bhopal:</b>	Kay Kay Business Centre, 133, Zone 1, M.P. Nagar, Bhopal - 462 011. Tel.: (0755) 3010725/26/27/28, 5272995.
<b>Gorakhpur:</b>	Above V.I.P. House, Ajdacent A.D. Girls College, Bank Road, Gorakhpur - 273 001. Tel.: (0551) 3297816.
<b>Hubli:</b>	Giriraja House, No.451/B, Ward No.1, Club Road, Hubli - 580 029. Tel.: (0836) 235 3961/6201.
<b>Jammu:</b>	Hall No: 111, 1st Floor, South Block, Bahu Plaza, Gandhi Nagar, Jammu - 180004. Tel.: (0191) 2471016 / 5037 / 7994.
<b>Madurai:</b>	Rakesh Towers, 30-C, Bye pass Road, 1st Floor, Opp. Nagappa Motors, Madurai - 625010. Tel.: (0452) 2600852.
<b>Mangalore:</b>	Mahendra Arcade, Gr. Floor, Kadiabail, Mangalore - 575 003. Tel.: (0824) 2492302.
<b>Moradabad:</b>	Om Arcade, Parker Road, Above Syndicate Bank, Chowk Tari Khana, Moradabad - 244 001. Tel.: (0591) 3202774 / 9359717615.
<b>Mumbai:</b>	26/30 Fort Foundation Building, Near MSC Bank, Maharashtra Chamber of Commerce Lane, Fort, Mumbai - 400 023. Tel.: (022) 6634 1967 / 1966
<b>Nagpur:</b>	230/231, 3rd Floor, Shiram Shyam Towers, Next to NIIT Building, Sadar, Kings way, Nagpur - 440 001. Tel.: (0712) 5610513, 5612375/ 74.
<b>Nasik:</b>	F-1 Suyojit Sankul, Sharanpur Road, Nasik - 422 002. Tel.: (0253) 5602542 / 43 / 44.
<b>Patiala:</b>	SCO 27-D, Chhoti Baradari, Patiala - 147 001. Tel.: (0175) 5051726 / 27 / 28.
<b>Patna:</b>	"Anand Towers", 2nd Floor, Exhibition Road, Near Republic Hotel, Opp. Mithila Motors, Patna - 800 001. Tel.: (0612) 2321355.
<b>Salem:</b>	49 / 50, Fort Main Road, Old No.17, First floor, Shevapet, Salem - 636 002. Tel.: (0427) 4020300 / 2210835-36 / 2335705.
<b>Shimoga:</b>	L.L.R. Road, Opp. Telecom GM Office, Durgi Gudi, Shimoga - 577201. Tel.: (08182) 228795 / 97.
<b>Trichy:</b>	60 Srikrishna Arcade, 1St Floor, Thennur High Road, Trichy - 621 017. Tel.: (0431) 4020227 / 2792800 / 2794132.
<b>Trichur:</b>	2nd Floor, Brother's Complex, Near Dhana Laxmi Bank Head Office, Naikkanal Junction, Trichur - 680 001. Tel.: (0487) 2322483 / 84.
<b>Varanasi:</b>	D-64/132, 1st Floor, Anant Complex, Siga, Varanashi - 221 002. Tel.: (0542) 222 5365 / 3814.
<b>Vijayawada:</b>	39-10-7 Opp. Municipal Water Tank, Labbipet, Vijayawada - 520 010. Tel.: (0866) 2495200.
<b>Visakhapatnam:</b>	47-14-5/1 Eswar Paradise, Dwaraka Nagar, Main Road, Visakhapatnam - 530 016. Tel.: (0891) 2513362.
<b>Trivandrum:</b>	2nd Floor, Akshaya Towers, Sasthamangalam, Trivandrum - 695 010. Tel.: (0471) 2725728.



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