

HDFC Asset Management Company Limited

A Subsidiary of Housing Development Finance Corporation Limited

Board of Directors

Mr. Deepak S. Parekh
Chairman

Directors

Mr. Norman Keith Skeoch
Mr. James Aird
Mr. Hoshang Billimoria
Mr. P. M. Thampi
Dr. Deepak B. Phatak
Mr. Humayun Dhanrajgir
Ms. Renu Sud Karnad
Mr. Rajeshwar R. Bajaj
Mr. Keki M. Mistry
Mr. Vijay Merchant

Mr. Milind Barve
Managing Director

Auditors

Haribhakti & Co.
Chartered Accountants

Bankers

HDFC Bank Ltd.

Registered Office

Ramon House,
H. T. Parekh Marg,
169, Backbay Reclamation,
Churchgate,
Mumbai 400 020.
Tel. No. : 022-6631 6333
Fax No. : 022-2204 4304

Directors' Report

TO THE MEMBERS

Your directors have the pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2012.

Financial Results

| | For the year ended March 31, 2012 (₹ in Crores) | For the year ended March 31, 2011 (₹ in Crores) |
|--|---|---|
| Profit before Tax | 381.49 | 355.78 |
| Provision for Tax (Net Deferred Tax) | 112.33 | 113.60 |
| Short provision of Income Tax for earlier years (net) | 0.02 | 0.07 |
| Profit after Tax | 269.14 | 242.11 |
| Balance brought forward from previous year | 404.16 | 281.32 |
| Profit available for appropriation | 673.30 | 523.43 |
| General Reserve | 26.92 | 24.22 |
| Capital Redemption Reserve | 0.50 | 0.49 |
| Transfer to Corporate Social Responsibility Fund | 5.00 | — |
| Buy-back of Equity Shares | 57.19 | 9.45 |
| Interim Equity Dividend Paid | 83.06 | 72.99 |
| Tax on Interim Equity Dividend Paid | 13.48 | 12.12 |
| Proposed Equity Dividend | — | — |
| Tax on Proposed Equity Dividend | — | — |
| Balance carried to Balance Sheet | 487.15 | 404.16 |

For the year ended March 31, 2012, the Company posted a net profit of ₹ 269.14 crores as against ₹ 242.11 crores in the previous year. Appropriations from the net profit have been effected as per the table given above.

Dividend

Your directors paid interim dividend of ₹ 33/- per equity share in the month of March 2012 and the same is confirmed as Final Dividend for the financial year ended March 31, 2012.

Allotment of equity shares:

During the financial year ended March 31, 2012, the Company

allotted 505350 equity shares having a face value of ₹ 10/- each pursuant to the Employee Stock Options Schemes of the Company.

Buy Back of equity shares:

During the financial year, the shareholders of the Company at their meeting held on October 25, 2011 approved the buy back of equity shares of the Company from the shareholders of the Company through Tender offer. The buy-back offer was completed within the time limits as prescribed under the Companies Act, 1956 and 504200 equity shares of the Company were bought by the

Company under the buy-back offer. The present paid up capital post the buy-back offer is ₹ 25,17,01,500.

Review of Operations

Your Directors are pleased to report that:

The Average Assets under Management (AAuM) during the financial year 2011-12 were ₹ 90,589.71 crore as against AAuM of ₹ 89,482.52 crore in financial year 2010-2011, which is a marginal increase of 1.24% over previous financial year but still compares favorably with that of the industry which fell by 0.42% over the corresponding period. HDFC Mutual Fund (HDFCMF) improved its position during the current year to become the largest fund house and also improved its overall market share from 12.31% during the quarter ended March 31, 2011 to 13.52% during the quarter ended March 31, 2012.

During the year, the total number of accounts managed by HDFCMF rose by around 10% to 51.26 lac as at March 31, 2012 from 46.55 lac as at March 31, 2011. The number of Investor Service Centres (ISCs) of the AMC as on March 31, 2012 was at 115. ISCs of Computer Age Management Services Pvt. Ltd. (CAMS), the Registrar and Transfer Agent of HDFCMF are Official Points of Acceptance for transactions of HDFCMF Schemes. These offices (212 as on March 31, 2012) supplement the investor-servicing network of your company. With these offices, your company services investors in over 200 cities pan India.

During the financial year, the aggregate assets under investment management/advisory services under Portfolio Management Services were at ₹ 2,404.33 crore as on

March 31, 2012. Discretionary Portfolio Management is provided to High Networth Individuals and Corporate(s) on a segregated basis while advisory services are provided to Institutional Investors and Corporate(s).

Your company under Portfolio Management Services had offered "HDFC AMC PMS-Real Estate Portfolio-1" to resident individuals and corporate (s) during 2007-2008. The company had received commitments of ₹ 3,831 Crores from 10,168 clients. Your company has successfully exited investments to the tune of ₹ 737.75 crores till March 31, 2012.

New Scheme launched under HDFC Mutual Fund

HDFC Mutual Fund had launched HDFC Gold Fund, an open-ended fund in October 2011 which invests in HDFC Gold Exchange Traded Fund. The Fund is beneficial for retail investors who cannot invest in a Gold ETF due to limited access to a secondary market broker or a demat account, HDFC Gold Fund Offers an avenue to invest in gold from the mutual fund. Further, it offers retail investors an option to invest in gold via SIPs and spread out their investment over a period of time in small lots. It provides an avenue to accumulate gold for use in future. HDFC Gold Fund is a convenient platform for investing in gold as it offers inherent advantages over buying gold in a physical form like no storage cost, no theft risk and convenience in buying/selling, etc.

Awards

Your Directors are pleased to inform that HDFC Mutual Fund/HDFC AMC received the following awards as

Fund House during the year under review:

1) Outlook Money Awards 2011#

❖ HDFC AMC won the "Best Fund House of the Year" award.

❖ HDFC AMC won the "Best Equity Fund House of the Year" award.

2) ICRA Mutual Fund Awards 2012#

HDFC Mutual Fund was awarded as the 'Star Fund House of the Year' indicating Best Performance in the 'Equity Category' for the one year period ending December 31, 2011.

3) Bloomberg UTV Financial Leadership Awards, 2012#

❖ HDFC Mutual Fund won the 'Best Mutual Fund - Equity' award of the year.

During the year under review, the following schemes of HDFC Mutual Fund also received awards:

1) ICRA Mutual Fund Awards 2012 - HDFC Mutual Fund#

❖ **HDFC Top 200 Fund** - Ranked as "7 Star Fund" has been awarded **Gold Award for 'Best Performance'** in the category of Open Ended Equity - Large Cap for three year period ending December 31, 2011.

❖ **HDFC Equity Fund** - Ranked as "7 Star Fund" has been awarded **Gold Award for 'Best Performance'** in the category of Open Ended - Dynamic for one year period ending December 31, 2011.

❖ **HDFC Prudence Fund** - Ranked as "7 Star Fund" has been awarded **Gold Award for 'Best Performance'** in the category of Open Ended Balanced for three year period ending December 31, 2011.

❖ **HDFC Multiple Yield Fund - Plan 2005** - Ranked as "7 Star Fund" has been awarded **Gold Award for 'Best**

Performance in the category of Open Ended Marginal Equity for three year period ending December 31, 2011.

❖ **HDFC Floating Rate Income Fund - Long Term Plan** - Ranked as “**7 Star Fund**” and has been awarded **Gold Award for ‘Best Performance’** in the category of Open Ended Debt-Intermediate for one year period ending December 31, 2011.

❖ **HDFC Equity Fund** - Ranked as “**5 Star Fund**” indicating performance among top 4.6% in the category of Open Ended Equity - Dynamic for three year period ending December 31, 2011.

❖ **HDFC Tax Saver** - Ranked as “**5 Star Fund**” indicating performance among top 4.6% in the category of Open Ended Equity Linked Savings Scheme (ELSS) for three year period ending December 31, 2011.

❖ **HDFC Multiple Yield Fund** - Ranked as “**5 Star Fund**” indicating performance among top 4.6% in the category of Open Ended Marginal Equity - for one year period ending December 31, 2011.

❖ **HDFC Children’s Gift Fund** - Ranked as “**5 Star Fund**” indicating performance among top 4.6% in the category of Open Ended Balanced for one year period ending December 31, 2011.

2) CNBC-TV18-CRISIL Mutual Fund Awards 2012#

❖ HDFC Mid-Cap Opportunities Fund won the Award under the “**Small and Mid Cap Equity Funds**” category for the calendar year ended December 31, 2011.

❖ HDFC Balanced Fund won the Award under the “**Balanced Funds**” category for the calendar year ended December 31, 2011.

❖ HDFC Monthly Income Plan - Long Term Plan won the Award under the “**Monthly Income Plans**” category for the calendar year ended December 31, 2011.

❖ HDFC Cash Management Fund - Treasury Advantage Plan won the Award under the “**Ultra Short Term Funds – Retail**” category for the calendar year ended December 31, 2011.

❖ HDFC Mutual Fund won the “**Mutual Fund House of the Year**” Award for the calendar year ended December 31, 2011.

❖ HDFC Mutual Fund won the “**Equity Mutual Fund House of the Year**” Award for the calendar year ended December 31, 2011.

❖ Mr. Prashant Jain won the “**Equity Fund Manager of the Year**” Award for the calendar year ended December 31, 2011.

Please refer www.hdfcfund.com for further information on the Ranking Methodology/Disclaimers, etc., for the abovementioned Awards.

Review of the subsidiary company

HDFC ASSET MANAGEMENT COMPANY (SINGAPORE) PTE. LTD.

The AMC had incorporated a wholly owned subsidiary Company in Singapore on April 10, 2008 for providing fund management and advisory services to financial institutions like pension funds, insurance companies, sovereign wealth funds, venture capital funds, etc.

The paid up capital of Company was Singapore \$1,25,000. The Company had made an application to the Monetary Authority of India (MAS) for Capital Markets Services License (CMS) for providing full fund management and advisory services.

Directors

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. Deepak S. Parekh, Mr. Rajeshwar Raj Bajaaj, Dr. Deepak Phatak and

Ms. Renu Sud Karnad, Directors, retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

Necessary resolutions for the re-appointment of the aforesaid Directors have been included in the notice convening the Annual General Meeting.

None of the Directors of the Company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

Board Meetings

The meetings of the Board of Directors are held at the Company’s registered office in Mumbai.

Six Board meetings were held during the financial year under review – on April 28, 2011, June 27, 2011, August 12, 2011, October 25, 2011, December 9, 2011 and February 3, 2012.

The attendance of each Director at the meetings of the Board of Directors is as under:

| Directors | Number of Board Meetings Attended |
|--|-----------------------------------|
| (i) Mr. Deepak S. Parekh (Chairman) | 6 |
| (ii) Mr. Norman Keith Skeoch | 4 |
| (iii) Mr. James Aird | 6 |
| (iv) Mr. Humayun Dhanrajgir | 6 |
| (v) Mr. Hoshang Billimoria | 6 |
| (vi) Mr. P.M. Thampi | 6 |
| (vii) Dr. Deepak B. Phatak | 4 |
| (viii) Ms. Renu Sud Karnad | 5 |
| (ix) Mr. Rajeshwar R. Bajaaj | 6 |
| (x) Mr. Keki M. Mistry | 6 |
| (xi) Mr. Vijay Merchant | 6 |
| (xii) Mr. Milind Barve (Managing Director) | 6 |

Board Committees

To enable better and more focused attention on the affairs of the Company, the Board has constituted Committees of the Board such as Audit Committee, Remuneration Committee, Risk Management Committee and Customer Services Committee to which specific matters have been delegated from time to time. These Committees prepare the groundwork for decision-making and report at the subsequent Board meeting.

Audit Committee

The members of the Audit Committee are Mr. Hoshang Billimoria (Chairman), Mr. P. M. Thampi, Mr. Keki Mistry, Mr. Humayun Dhanrajgir and Mr. James Aird. The Audit Committee has been constituted and functions in accordance with the provisions of Section 292A of the Companies Act, 1956. The Company Secretary acts as the secretary to the Committee. The Committee met 7 times during the financial year under review. The Audit Committee met prior to the finalization of the accounts for the year ended March 31, 2012.

Public Deposits

During the year under review, the Company has not accepted any deposits from the public.

Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Expenditure

(a) Since the Company does not carry out any manufacturing activities, particulars required to be disclosed with respect to the conservation of energy and technology absorption in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

(b) Foreign Exchange, earnings and expenditure during the year –

- Foreign exchange (earnings): ₹ 1.11 crores (previous year: ₹ 1.23 crores).

- Foreign exchange (expenditure): ₹ 35.12 crores (previous year: ₹ 30.61 crores) (including Equity Dividend).

Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out in the annexure to the Directors' Report.

In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to the shareholders of the Company excluding the annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

Auditors

M/s. Haribhakti & Co., Chartered Accountants, Statutory Auditors of your Company holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the management, your Directors state that:

(i) In the preparation of accounts, the applicable accounting standards have been followed.

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2012 and of the profit of the Company for year ended on that date.

(iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

(iv) The annual accounts of the Company have been prepared on a going concern basis.

Acknowledgements

The directors acknowledge the valuable assistance, support and guidance given by the Securities and Exchange Board of India, Association of Mutual Funds of India, Reserve Bank of India, bankers, distributors, key partners, Investor Service Centres and other service providers. The Directors would like to convey their gratitude to Housing Development Finance Corporation Limited and Standard Life Investments Limited and look forward to their continued support.

The Directors wish to place on record their appreciation to employees at all levels for their dedication and commitment.

The Directors also acknowledge the faith reposed in HDFC Mutual Fund by its investors and look forward to their continued support.

On behalf of the Board of Directors

MUMBAI
April 25, 2012

Deepak S. Parekh
Chairman

Auditors' Report

TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED

1. We have audited the attached Balance Sheet of HDFC ASSET MANAGEMENT COMPANY LIMITED as at March 31, 2012, Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards generally accepted 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.

3. As required by the Companies (Auditors' Report) Order, 2003 (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the

'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give, in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the paragraph 3 above, we report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the section 211 of the Companies Act, 1956 to the extent they are applicable to the Company;

(e) On the basis of the written representations received from the directors of the Company as on March 31, 2012 and taken on record by the Board of Directors of the Company, we report that none of the director is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012,

(ii) in the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For HARIBHAKTI AND CO.,
Chartered Accountants,
Firm Registration No. 103523W

Rakesh Rathi

Partner

MUMBAI

April 25, 2012

Membership No: 45228

Annexure to the Auditors' Report

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF HDFC ASSET MANAGEMENT COMPANY LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012.

i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

ii. The clause (ii) of Para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

iii. (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii) (b), (c) and (d) of the Order are not applicable to the Company.

(e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4

(iii) (f) and (g) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Company.

v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of ₹ Five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. In our opinion and according to the information and explanations

given to us, the Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the rules framed thereunder.

vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii. The clause (viii) of Para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, wealth-tax, service tax and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth tax, service tax and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute, are as follows:

| Name of the Statute | Nature of the Dues | Amount ₹ | Period to which the amount relates | Forum where dispute is pending |
|----------------------|--------------------|-------------|------------------------------------|--------------------------------------|
| Income Tax Act, 1961 | Income Tax | 63,95,262/- | A.Y. 2002-2003 | Commissioner of Income Tax (Appeals) |
| Income Tax Act, 1961 | Income Tax | 58,29,312/- | A.Y. 2003-2004 | Commissioner of Income Tax (Appeals) |
| Income Tax Act, 1961 | Income Tax | 7,27,035/- | A.Y. 2006-2007 | Commissioner of Income Tax (Appeals) |
| Income Tax Act, 1961 | Income Tax | 43,63,990/- | A.Y. 2008-2009 | Income Tax Appellate Tribunal |

Annexure to the Auditors' Report (Continued)

x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not taken any loan from Financial Institution, Bank and the Company has not issued any Debentures.

xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.

xiv. In our opinion, the Company is not dealing in or trading in shares,

securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

xvi. The Company has not obtained any term loans.

xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

xix. According to the information and explanations given to us, no debentures have been issued by the Company during the year.

xx. The Company has not raised money by way of public issue during the year.

xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For HARIBHAKTI AND CO.,
Chartered Accountants,
Firm Registration No. 103523W

MUMBAI
April 25, 2012

Rakesh Rathi
Partner
Membership No: 45228

Balance Sheet as at March 31, 2012

| Particulars | Note No. | ₹ | ₹ | March 31, 2011 ₹ |
|---|----------|---------------------|-----------------------|-----------------------|
| EQUITY AND LIABILITIES | | | | |
| SHAREHOLDERS' FUNDS | | | | |
| Share Capital | 2 | | 25,17,01,500 | 25,16,90,000 |
| Reserves and Surplus | 3 | | 577,13,16,054 | 489,71,72,419 |
| NON-CURRENT LIABILITIES | | | | |
| Long-Term Provisions | 4 | | 17,95,52,097 | 23,89,53,455 |
| CURRENT LIABILITIES | | | | |
| Trade Payables | 5 | 41,35,01,469 | | 58,84,13,595 |
| Other Current Liabilities | 6 | 39,35,57,545 | | 38,13,47,060 |
| Short-Term Provisions | 7 | 536,71,14,075 | | 425,15,43,118 |
| | | | 617,41,73,089 | 522,13,03,773 |
| TOTAL | | | 1237,67,42,740 | 1060,91,19,647 |
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Fixed Assets | 8 | | | |
| - Tangible Assets | | 17,76,67,427 | | 23,48,78,370 |
| - Intangible Assets | | 8,31,56,774 | | 15,77,41,108 |
| | | 26,08,24,201 | | 39,26,19,478 |
| Non-Current Investments | 9 | 27,71,00,500 | | 3,41,60,500 |
| Deferred Tax Assets (net) (see note 21.6) | 10 | 12,43,12,983 | | 13,28,16,451 |
| Long-Term Loans and Advances | 11 | 44,30,66,615 | | 56,34,09,418 |
| | | | 110,53,04,299 | 112,30,05,847 |
| CURRENT ASSETS | | | | |
| Current Investments | 12 | 492,02,35,955 | | 422,19,44,533 |
| Trade Receivables | 13 | 11,48,76,110 | | 14,88,83,871 |
| Cash and Bank Balances | 14 | 1,72,97,392 | | 1,98,70,917 |
| Short-Term Loans and Advances | 15 | 621,68,06,024 | | 509,53,98,851 |
| Other Current Assets | 16 | 22,22,960 | | 15,628 |
| | | | 1127,14,38,441 | 948,61,13,800 |
| TOTAL | | | 1237,67,42,740 | 1060,91,19,647 |

See accompanying notes to the financial statements

As per our report attached

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Rakesh Rathi
Partner
Membership No: 45228

For and on behalf of the Board

Deepak S. Parekh
Chairman

Milind Barve
Managing Director

Rahul Bhandari
Chief Financial Officer

Directors

Keki M. Mistry
Hoshang S. Billimoria
Deepak B. Phatak
Vijay Merchant
Renu Sud Karnad
P.M. Thampi
Rajeshwar Raj Bajaj
Humayun Dhanrajgir

Sylvia Furtado
Company Secretary

Mumbai, April 25, 2012

Statement of Profit & Loss for the year ended March 31, 2012

| Particulars | Note No. | ₹ | Previous Year ₹ |
|---|-----------|----------------------|----------------------|
| REVENUE | | | |
| Revenue from Operations | 17 | 633,32,75,223 | 644,95,23,176 |
| Other Income | 18 | 56,83,69,901 | 35,83,48,088 |
| TOTAL REVENUE | | 690,16,45,124 | 680,78,71,264 |
| EXPENSES | | | |
| Employee Benefits Expense | 19 | 91,85,38,766 | 85,55,81,403 |
| Depreciation and Amortization Expense | 8 | 16,93,87,315 | 17,57,77,923 |
| Other Expenses | 20 | 199,88,13,518 | 221,86,76,999 |
| TOTAL EXPENSES | | 308,67,39,599 | 325,00,36,325 |
| PROFIT/(LOSS) BEFORE TAX | | 381,49,05,525 | 355,78,34,939 |
| Tax Expense: | | | |
| Current Tax | | 111,48,25,331 | 108,40,53,384 |
| Deferred Tax | | 85,03,468 | 5,19,89,751 |
| Previous Year's Tax | | 2,28,696 | 7,13,070 |
| PROFIT/(LOSS) AFTER TAX | | 269,13,48,030 | 242,10,78,734 |
| Earnings Per Equity Share (Face Value ₹10) (see note 21.5) | | | |
| - Basic | | 106.76 | 96.05 |
| - Diluted | | 104.92 | 93.14 |
| See accompanying notes to the financial statements | | | |

As per our report attached

For Haribhakti & Co.
Chartered Accountants
Firm Registration No. 103523W

Rakesh Rathi
Partner
Membership No: 45228

For and on behalf of the Board

Deepak S. Parekh
Chairman

Milind Barve
Managing Director

Rahul Bhandari
Chief Financial Officer

Directors

Keki M. Mistry
Hoshang S. Billimoria
Deepak B. Phatak
Vijay Merchant
Renu Sud Karnad
P.M. Thampi
Rajeshwar Raj Bajaj
Humayun Dhanrajgir

Sylvia Furtado
Company Secretary

Mumbai, April 25, 2012

Cash Flow Statement for the year ended March 31, 2012

| | ₹ | Previous Year ₹ |
|--|------------------------|------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation and extraordinary items | 381,49,05,525 | 355,78,34,939 |
| Add / (Less) : Adjustment for | | |
| Depreciation and Amortization | 16,93,87,315 | 17,57,77,923 |
| Employee Stock Option Scheme Expenses | 83,11,015 | 2,81,32,039 |
| Provision for / (Reversal of) Diminution in the Value of Current Investments | 5,59,01,357 | (98,58,767) |
| Utilisation / Reversal of Provision for Contingencies | (5,94,01,358) | (6,10,46,545) |
| Profit on Sale of Investments (net) | (18,95,35,207) | (2,22,54,167) |
| (Profit) / Loss on Sale of Fixed Assets (net) | 18,91,313 | (6,53,395) |
| Investment Income | (29,15,03,953) | (22,20,72,823) |
| Provision for Wealth Tax | 11,11,630 | 89,200 |
| Operating Profit before working capital changes | 351,10,67,637 | 344,59,48,404 |
| (Increase) / Decrease in Loans and Advances | 14,11,99,147 | (10,63,16,444) |
| (Increase) / Decrease in Other Current Assets | (1,15,019) | (20,757) |
| (Increase) / Decrease in Trade Receivables | 3,40,07,761 | (83,23,174) |
| Increase / (Decrease) in Current Liabilities | (16,27,01,642) | (26,72,37,379) |
| Cash generated from / (used in) operations | 352,34,57,884 | 306,40,50,650 |
| Income Tax Paid | (113,72,05,239) | (107,61,24,469) |
| Net cash from / (used in) operating activities | 238,62,52,645 | 198,79,26,181 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (4,67,59,964) | (9,91,64,026) |
| Proceeds from Sale of Fixed Assets | 16,23,636 | 7,57,972 |
| Purchase of Investments | (982,76,40,000) | (730,17,00,000) |
| Proceeds from Sale of Investments | 926,82,22,112 | 699,18,94,780 |
| Dividend Received | 3,78,60,704 | 2,88,21,500 |
| Interest Received | 32,57,836 | 3,52,69,999 |
| Net cash from / (used in) investing activities | (56,34,35,676) | (34,41,19,775) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issuance of Share Capital | 23,73,50,950 | 22,15,70,450 |
| Buy Back of Equity Shares | (109,26,01,400) | (101,17,88,350) |
| Utilisation of Corporate Social Responsibility Fund | (48,92,000) | — |
| Dividend Paid | (83,06,14,950) | (72,99,01,000) |
| Tax Paid on Dividend | (13,47,46,510) | (12,12,27,432) |
| Net cash from / (used in) financing activities | (182,55,03,910) | (164,13,46,332) |
| Net Increase / (Decrease) in cash and cash equivalents | (26,86,941) | 24,60,074 |
| Cash and cash equivalents at the beginning of the Year | 1,91,83,846 | 1,67,23,772 |
| Cash and cash equivalents at the end of the Year | 1,64,96,905 | 1,91,83,846 |
| | (26,86,941) | 24,60,074 |

As per our report attached
For Haribhakti & Co.
 Chartered Accountants
 Firm Registration No. 103523W
Rakesh Rathi
 Partner
 Membership No: 45228

For and on behalf of the Board
Deepak S. Parekh
 Chairman

Directors
Keki M. Mistry
Hoshang S. Billimoria
Deepak B. Phatak
Vijay Merchant
Renu Sud Karnad
P.M. Thampi
Rajeshwar Raj Bajaaj
Humayun Dhanrajgir

Mumbai, April 25, 2012

Milind Barve
 Managing Director

Rahul Bhandari
 Chief Financial Officer

Sylvia Furtado
 Company Secretary

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (NOTES) FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Note 1

A) COMPANY OVERVIEW

HDFC Asset Management Company Limited ('the Company') was incorporated under the Companies Act, 1956 on December 10, 1999 and was approved to act as an Asset Management Company for the HDFC Mutual Fund by Securities and Exchange Board of India (SEBI) vide its letter dated July 3, 2000. In terms of the Investment Management Agreement, the Trustee has appointed the Company to manage the Mutual Fund.

The Company is also registered under the SEBI (Portfolio Managers) Regulations, 1993 and provides Portfolio Management Services.

B) SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial statements have been prepared on accrual basis of accounting in accordance with historical cost convention, applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 to the extent applicable.

1.2 Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

1.3 Income Recognition

Management fees and income from investments are accounted for on accrual basis. Dividend income is recognized when the right to receive the same is established. Interest income is recognized on a time proportion basis.

1.4 Cash and Cash Equivalents

Cash and cash equivalents represent cash and balance with scheduled banks in current account.

1.5 Fixed Assets

Fixed assets are stated at cost less accumulated depreciation / amortization as adjusted for impairment, if any. The cost of acquisition is inclusive of taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit / functioning capability from / of such assets.

All expenses on existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts are charged to Statement of Profit and Loss during the period in which they are incurred. Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis.

Gains or Losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and carrying amount of the asset and is recognized in the Statement of Profit and Loss.

1.6 Depreciation / Amortization

- A) Depreciation on Fixed Assets is provided on straight-line basis at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for certain assets, where based on the Management's estimate of the useful lives of the assets, higher depreciation has been provided at the following rates:

| CLASS OF FIXED ASSET | RATE OF DEPRECIATION (%) |
|--------------------------------|---|
| Building | 2.00 |
| Computer Equipment | 33.33 |
| Computer Software | 33.33 |
| Furniture & Fixtures | 14.29 |
| Electrical Installations | 14.29 |
| Office Equipment | 20.00 |
| Vehicles | 25.00 |
| Improvement of Rented Premises | Over the primary period of the lease term or 5 years, whichever is less |

Assets individually costing less than ₹ Five Thousand are fully depreciated in the year of purchase/acquisition.

B) **Goodwill**

Goodwill generated on amalgamation of erstwhile HDFC AMC Services Company Private Limited and HDFC AMC Mauritius Limited, with the Company is being depreciated equally over a period of 10 years.

1.7 Investments

Non-Current investments are stated at cost of acquisition. Provision for diminution is made to recognize a decline, other than temporary, in the value of Non-Current investments. Current investments are valued at lower of cost and fair value.

1.8 Transaction in Foreign Currency

Transactions in foreign currency are accounted for at the rates prevailing at the date of the transaction. Current assets and liabilities are translated at the ruling rate of exchange at the Balance Sheet date and the resultant exchange gains or losses are reflected in the Statement of Profit and Loss.

1.9 Brokerage

Brokerage paid on investment in Equity Linked Saving Schemes and Closed Ended Schemes is amortised over a period of 36 months and over the tenure of the scheme respectively.

Brokerage paid in advance in respect of Portfolio Management Business is amortised over the contractual period.

1.10 Employee Benefits

A) **Provident Fund**

The Company contributes to the Recognized Provident Fund for its employees. The Company's contributions are charged to the Statement of Profit and Loss every year.

B) Gratuity

Company's contribution in the case of gratuity is funded annually with a life insurance company. The net present value of the Company's obligation towards gratuity to employees is actuarially determined by an independent actuary based on the projected unit credit method. Actuarial gains and losses are immediately recognized in the Statement of Profit and Loss.

1.11 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as Operating Leases. Operating lease rentals are recognized as an expense on straight line basis over the lease period.

1.12 Income Tax

The accounting treatment for Income Tax in respect of the Company's income is based on the Accounting Standard on "Accounting for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India. The provision made for Income Tax in the Financial Statements comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognized in the Statement of Profit and Loss and the cumulative effect thereof is reflected in the Balance Sheet. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates at the balance sheet date. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Financial Statements.

1.13 Scheme Expenses

Recurring expenses of schemes of HDFC Mutual Fund in excess of limits prescribed by the Securities and Exchange Board of India are accounted under the respective expense heads in the Statement of Profit and Loss. In accordance with Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, New Fund Offer (NFO) expenses on the launch of schemes is borne by the Company.

1.14 Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Statement of Profit and Loss to the extent the carrying amount of assets exceeds their estimated recoverable amount.

1.15 Provision for Contingencies

In accordance with Accounting Standard on "Provisions, Contingent Liabilities and Contingent Assets" (AS-29), a provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. The Company's policy is to carry adequate amounts in the Provision for Contingencies account to meet all contingencies in the business.

Contingent liabilities are not recognized. A contingent asset is neither recognized nor disclosed.

Notes

Forming part of the financial statements for the year ended March 31, 2012

Note 2

SHARE CAPITAL

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|---|------------------------------|------------------------------|
| AUTHORISED | | |
| 3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of ₹ 10 each | 30,00,00,000 | 30,00,00,000 |
| 5,00,00,000 (Previous Year 5,00,00,000) Redeemable, Cumulative Non-Convertible Preference Shares of ₹ 10 each | 50,00,00,000 | 50,00,00,000 |
| Total | 80,00,00,000 | 80,00,00,000 |
| ISSUED, SUBSCRIBED AND PAID-UP | | |
| 2,51,70,150 (Previous Year 2,51,69,000) Equity Shares of ₹ 10 each, fully paid up. | 25,17,01,500 | 25,16,90,000 |
| Total | 25,17,01,500 | 25,16,90,000 |

Movement in Share Capital during the year :

| Particulars | Current Year | | Previous Year | |
|---|----------------------|---------------------|----------------------|-------------------|
| | No. of Equity Shares | Share Capital (₹) | No. of Equity Shares | Share Capital (₹) |
| Shares outstanding at the beginning of the year | 2,51,69,000 | 25,16,90,000 | 2,51,61,000 | 25,16,10,000 |
| Add : Shares issued during the year | 5,05,350 | 50,53,500 | 5,00,850 | 50,08,500 |
| Less : Shares bought back during the year | 5,04,200 | 50,42,000 | 4,92,850 | 49,28,500 |
| Shares outstanding at the end of the year | 2,51,70,150 | 25,17,01,500 | 2,51,69,000 | 25,16,90,000 |

The Company has issued only one class of shares referred to as equity share having Face Value of ₹ 10 each, each holder of equity shares is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the board of directors and approved by the shareholders at the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of preferential amount. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of Holding Company and Shareholders holding more than 5 percent Share Capital of the Company :

| Name of the Shareholder | Current Year | | Previous Year | |
|--|----------------------|--------------------|----------------------|--------------------|
| | No. of Equity Shares | % of Share Capital | No. of Equity Shares | % of Share Capital |
| Housing Development Finance Corporation Limited (Holding Company) & its nominees | 1,50,96,600 | 59.98 | 1,50,96,600 | 59.98 |
| Standard Life Investments Limited | 1,00,64,400 | 39.99 | 1,00,64,400 | 39.99 |

6,14,800 (Previous Year 3,13,900) equity shares of ₹ 10 each are reserved for issuance towards outstanding employee stock options (see note 21.10).

9,97,050 equity shares of ₹ 10 each were bought back during last five years.

Note 3**RESERVES AND SURPLUS**

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|--|------------------------------|------------------------------|
| Capital Redemption Reserve | | |
| Opening Balance | 50,49,28,500 | 50,00,00,000 |
| Add : Transfer from Surplus in Statement of Profit and Loss | 50,42,000 | 49,28,500 |
| | <u>50,99,70,500</u> | <u>50,49,28,500</u> |
| Securities Premium Account | | |
| Opening Balance | — | — |
| Add : Additions during the Year | 27,35,17,450 | 27,68,61,950 |
| Less : Utilised during the Year | 27,35,17,450 | 27,68,61,950 |
| | <u>—</u> | <u>—</u> |
| Share Options Outstanding Account | | |
| Opening Balance | 10,85,08,985 | 14,06,76,946 |
| Add : Additions during the Year | 83,11,015 | 2,81,32,039 |
| Less : Transfer to Securities Premium Account | 4,12,20,000 | 6,03,00,000 |
| | <u>7,56,00,000</u> | <u>10,85,08,985</u> |
| General Reserve | | |
| Opening Balance | 24,21,79,180 | 63,54,64,055 |
| Add : Transfer from Surplus in Statement of Profit and Loss | 26,91,34,803 | 24,21,79,180 |
| Less : Utilised during the Year | 24,21,79,180 | 63,54,64,055 |
| | <u>26,91,34,803</u> | <u>24,21,79,180</u> |
| Corporate Social Responsibility Fund (for social/philanthropic causes & investor centric initiatives) | | |
| Opening Balance | — | — |
| Add : Transfer from Surplus in Statement of Profit and Loss | 5,00,00,000 | — |
| Less : Utilised during the Year | 48,92,000 | — |
| | <u>4,51,08,000</u> | <u>—</u> |
| Surplus in Statement of Profit and Loss | | |
| Opening Balance | 404,15,55,754 | 281,32,46,977 |
| Add : Profit/(Loss) for the Year | 269,13,48,030 | 242,10,78,734 |
| Less : Appropriations : | | |
| General Reserve | 26,91,34,803 | 24,21,79,180 |
| Capital Redemption Reserve | 50,42,000 | 49,28,500 |
| Buy Back of Equity Shares | 57,18,62,770 | 9,45,33,845 |
| Corporate Social Responsibility Fund | 5,00,00,000 | — |
| Interim Equity Dividend Paid | 83,06,14,950 | 72,99,01,000 |
| Tax on Interim Equity Dividend Paid | 13,47,46,510 | 12,12,27,432 |
| | <u>487,15,02,751</u> | <u>404,15,55,754</u> |
| Total | <u><u>577,13,16,054</u></u> | <u><u>489,71,72,419</u></u> |

Pursuant to the approval of the shareholders at the Extraordinary General Meetings and in accordance with the provisions of the Companies Act, 1956 (Act) and Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999, the Company bought back 5,04,200 equity shares during the year (Previous Year 4,92,850) at an aggregate value of ₹ 109,26,01,400 (Previous Year ₹ 101,17,88,350). The Company has utilised the Securities Premium Account & Free Reserves for this purpose. A sum of ₹ 50,42,000 (Previous Year ₹ 49,28,500) has been transferred to Capital Redemption Reserve in terms of Section 77AA of the Act.

Note 4

LONG-TERM PROVISIONS

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|-----------------------------------|------------------------------|------------------------------|
| For Contingencies (see note 21.7) | 17,95,52,097 | 23,89,53,455 |
| Total | <u>17,95,52,097</u> | <u>23,89,53,455</u> |

Note 5

TRADE PAYABLES

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|----------------------------------|------------------------------|------------------------------|
| Sundry Creditors (see note 21.9) | 41,35,01,469 | 58,84,13,595 |
| Total | <u>41,35,01,469</u> | <u>58,84,13,595</u> |

Note 6

OTHER CURRENT LIABILITIES

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|-------------------|------------------------------|------------------------------|
| Statutory Dues | 1,79,65,865 | 2,01,90,403 |
| Employee Benefits | 36,27,97,324 | 34,14,49,565 |
| Other Dues | 1,27,94,356 | 1,97,07,092 |
| Total | <u>39,35,57,545</u> | <u>38,13,47,060</u> |

Note 7

SHORT-TERM PROVISIONS

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|--------------|------------------------------|------------------------------|
| For Taxation | 536,71,14,075 | 425,15,43,118 |
| Total | <u>536,71,14,075</u> | <u>425,15,43,118</u> |

Note 8
FIXED ASSETS

₹

| | GROSS BLOCK | | | | DEPRECIATION / AMORTIZATION | | | | NET BLOCK | |
|--------------------------------|----------------|--------------|-------------|----------------|-----------------------------|--------------|-------------|----------------|----------------|----------------|
| | As at | | As at | | As at | | As at | | As at | |
| | March 31, 2011 | Additions | Deductions | March 31, 2012 | March 31, 2011 | For the Year | Deductions | March 31, 2012 | March 31, 2012 | March 31, 2011 |
| TANGIBLE ASSETS | | | | | | | | | | |
| Buildings | 4,99,57,691 | — | — | 4,99,57,691 | 5,66,934 | 9,99,154 | — | 15,66,088 | 4,83,91,603 | 4,93,90,757 |
| Improvement of Rented Premises | 29,90,96,850 | 1,30,13,693 | 1,45,44,591 | 29,75,65,952 | 20,15,35,566 | 4,62,07,054 | 1,16,54,154 | 23,60,88,466 | 6,14,77,486 | 9,75,61,284 |
| Computer Equipment | 9,03,25,712 | 1,06,37,556 | 5,06,300 | 10,04,56,968 | 7,90,05,894 | 76,89,780 | 5,06,300 | 8,61,89,374 | 1,42,67,594 | 1,13,19,818 |
| Furniture & Fixtures | 2,65,69,702 | 12,75,968 | 4,70,713 | 2,73,74,957 | 1,94,76,851 | 21,38,663 | 4,70,713 | 2,11,44,801 | 62,30,156 | 70,92,851 |
| Electrical Installations | 2,700 | — | — | 2,700 | 2,700 | — | — | 2,700 | — | — |
| Vehicles | 2,44,72,177 | 65,75,781 | 47,62,843 | 2,62,85,115 | 1,38,43,245 | 49,83,164 | 47,62,843 | 1,40,63,566 | 1,22,21,549 | 1,06,28,932 |
| Office Equipment | 16,27,28,517 | 28,46,510 | 38,39,102 | 16,17,35,925 | 10,38,43,789 | 2,60,27,687 | 32,14,590 | 12,66,56,886 | 3,50,79,039 | 5,88,84,728 |
| Total | 65,31,53,349 | 3,43,49,508 | 2,41,23,549 | 66,33,79,308 | 41,82,74,979 | 8,80,45,502 | 2,06,08,600 | 48,57,11,881 | 17,76,67,427 | 23,48,78,370 |
| Previous Year | 55,92,82,624 | 10,57,71,877 | 1,19,01,152 | 65,31,53,349 | 33,53,26,095 | 9,47,45,459 | 1,17,96,575 | 41,82,74,979 | 23,48,78,370 | |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Goodwill | 66,83,08,050 | — | — | 66,83,08,050 | 53,49,74,717 | 6,66,66,667 | — | 60,16,41,384 | 6,66,66,666 | 13,33,33,333 |
| Computer Software | 6,77,62,023 | 67,57,479 | — | 7,45,19,502 | 4,33,54,248 | 1,46,75,146 | — | 5,80,29,394 | 1,64,90,108 | 2,44,07,775 |
| Total | 73,60,70,073 | 67,57,479 | — | 74,28,27,552 | 57,83,28,965 | 8,13,41,813 | — | 65,96,70,778 | 8,31,56,774 | 15,77,41,108 |
| Previous Year | 72,07,34,276 | 1,53,35,797 | — | 73,60,70,073 | 49,72,96,501 | 8,10,32,464 | — | 57,83,28,965 | 15,77,41,108 | |

Note 9**NON-CURRENT INVESTMENTS (Non Trade, At Cost)**

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|--|------------------------------|------------------------------|
| Investment in Subsidiary Company | | |
| 1,25,000 (Previous Year 1,25,000) fully paid-up Equity Shares of SGD 1 each in HDFC Asset Management Company (Singapore) Pte. Ltd. | 41,60,500 | 41,60,500 |
| Investment in Venture Capital Fund | | |
| 48,000 Units (Previous Year 30,000) of ₹ 1,000 each in Fearing Capital India Evolving Fund (Class A) | 4,80,00,000 | 3,00,00,000 |
| Investment in Bonds | | |
| 61,809 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of National Highway Authority of India (NHAI) | 6,18,09,000 | — |
| 1,63,131 (Previous Year NIL) Tax-Free Secured Redeemable Non-Convertible Bonds of ₹ 1,000 each of Indian Railways Finance Corporation (IRFC) | 16,31,31,000 | — |
| Total | <u>27,71,00,500</u> | <u>3,41,60,500</u> |
| Aggregate of Quoted Investments | | |
| Book Value | 22,49,40,000 | — |
| Market Value | 22,80,38,879 | — |
| Aggregate of Unquoted Investments | | |
| Book Value | 5,21,60,500 | 3,41,60,500 |

Note 10**DEFERRED TAX**

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|------------------------|------------------------------|------------------------------|
| Deferred Tax Asset | 12,59,15,656 | 13,33,24,931 |
| Deferred Tax Liability | (16,02,673) | (5,08,480) |
| Total | <u>12,43,12,983</u> | <u>13,28,16,451</u> |

Note 11**LONG-TERM LOANS AND ADVANCES**

(Unsecured, Considered good)

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|-------------------|------------------------------|------------------------------|
| Capital Advances | 64,76,451 | 8,23,473 |
| Security Deposits | 11,52,95,925 | 13,87,15,592 |
| Prepaid Expenses | 32,12,94,239 | 42,38,70,353 |
| Total | <u>44,30,66,615</u> | <u>56,34,09,418</u> |

Note 12**CURRENT INVESTMENTS (Non Trade)**

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|--|------------------------------|------------------------------|
| Investment in Schemes of Mutual Fund (Valued at Cost and Fair Value, whichever is lower) | | |
| 28,28,188 Units (Previous Year 25,51,177) of ₹10 each in HDFC Growth Fund (Dividend Plan) | 8,11,15,519 | 7,34,61,987 |
| 33,50,727 Units (Previous Year 29,53,399) of ₹10 each in HDFC Prudence Fund (Dividend Plan) | 9,11,38,603 | 8,08,01,706 |
| 6,74,063 Units (Previous Year 1,21,95,809) of ₹10 each in HDFC Arbitrage Fund (Dividend Plan) | 67,65,692 | 12,22,48,503 |
| 16,82,466 Units (Previous Year 15,29,344) of ₹10 each in HDFC Equity Fund (Dividend Plan) | 7,56,43,395 | 6,95,26,019 |
| 16,99,414 Units (Previous Year 15,40,508) of ₹10 each in HDFC Top 200 Fund (Dividend Plan) | 7,53,90,486 | 6,92,28,453 |
| 29,90,821 Units (Previous Year 26,59,905) of ₹10 each in HDFC Capital Builder Fund (Dividend Plan) | 7,68,56,142 | 7,02,06,379 |
| 50,00,668 Units (Previous Year 44,61,493) of ₹10 each in HDFC Premier Multicap Fund (Dividend Plan) | 7,84,61,435 | 7,17,69,195 |
| 35,19,045 Units (Previous Year 31,60,818) of ₹10 each in HDFC Core & Satellite Fund (Dividend Plan) | 7,16,18,507 | 6,52,96,872 |
| 8,34,17,504 Units (Previous Year 4,91,64,450) of ₹10 each in HDFC Cash Management Fund - Treasury Advantage Plan (Growth Plan) | 195,92,35,785 | 105,64,51,964 |
| 1,69,81,992 Units (Previous Year 27,48,399) of ₹10 each in HDFC Liquid Fund (Growth Plan) | 36,49,58,293 | 5,40,00,000 |
| 9,69,59,446 Units (Previous Year 1,58,27,493) of ₹10 each in HDFC Floating Rate Income Fund - Long Term Plan (Growth Plan) | 175,00,00,000 | 25,00,00,000 |
| NIL Units (Previous Year 1,00,00,000) of ₹10 each in HDFC FMP 13M March 10 (Growth Plan) | — | 10,00,00,000 |
| NIL Units (Previous Year 5,00,00,000) of ₹10 each in HDFC FMP 14M March 10 (Growth Plan) | — | 50,00,00,000 |
| NIL Units (Previous Year 3,00,00,000) of ₹10 each in HDFC FMP 367D March 10 (1) (Growth Plan) | — | 30,00,00,000 |
| NIL Units (Previous Year 2,00,00,000) of ₹10 each in HDFC Quarterly Interval Fund-Plan C (Dividend Plan) | — | 20,00,00,000 |
| NIL Units (Previous Year 1,00,00,000) of ₹10 each in HDFC FMP 370D February 11 (1) (Growth Plan) | — | 10,00,00,000 |
| NIL Units (Previous Year 50,00,000) of ₹10 each in HDFC FMP 370D March 11 (1) (Growth Plan) | — | 5,00,00,000 |
| NIL Units (Previous Year 2,00,00,000) of ₹10 each in HDFC FMP 370D March 11 (2) (Growth Plan) | — | 20,00,00,000 |
| NIL Units (Previous Year 2,50,00,000) of ₹10 each in HDFC FMP 370D March 11 (3) (Growth Plan) | — | 25,00,00,000 |

Note 12 (Continued)**CURRENT INVESTMENTS (Non Trade)**

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|--|------------------------------|------------------------------|
| NIL Units (Previous Year 5,00,00,000) of ₹10 each in HDFC FMP 370D March 11 (4) (Growth Plan) | — | 50,00,00,000 |
| 6,00,000 Units (Previous Year NIL) of ₹10 each in HDFC FMP 182D February 12 (1) (Dividend Plan) | 60,00,000 | — |
| 3,00,00,000 Units (Previous Year NIL) of ₹10 each in HDFC FMP 370D March 12 (1) (Growth Plan) | 30,00,00,000 | — |
| 50,00,000 Units (Previous Year 50,00,000) of ₹10 each in HDFC Debt Fund for Cancer Cure (Dividend Plan) | 5,00,00,000 | 5,00,00,000 |
| Total Current Investments | 498,71,83,857 | 423,29,91,078 |
| Less: Provision for Diminution in the value of Investments in Schemes of Mutual Fund | 6,69,47,902 | 1,10,46,545 |
| Net Current Investments | 492,02,35,955 | 422,19,44,533 |
| Aggregate of Investments in Quoted Mutual Funds | | |
| Book Value | 35,60,00,000 | 225,00,00,000 |
| Market Value | 35,60,00,000 | 225,00,00,000 |
| Aggregate of Investments in Unquoted Mutual Funds | | |
| Book Value | 456,42,35,955 | 197,19,44,533 |

Note 13**TRADE RECEIVABLES**

(Unsecured, Considered good)

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|--|------------------------------|------------------------------|
| Investment Management Fee Receivable (less than six months) | 6,62,90,120 | 4,37,77,883 |
| Portfolio Management Fee Receivable | | |
| – Over six months | 13,238 | 1,66,808 |
| – Others | 4,85,72,752 | 10,49,39,180 |
| Total | 4,85,85,990 | 10,51,05,988 |
| | 11,48,76,110 | 14,88,83,871 |

Note 14**CASH AND BANK BALANCES**

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|--|------------------------------|------------------------------|
| Cash and Cash Equivalents | | |
| - Balances with Banks | 1,64,96,905 | 1,91,83,846 |
| Other Bank Balances | | |
| - In Deposit Account (security against bank guarantee) | 8,00,487 | 6,87,071 |
| Total | 1,72,97,392 | 1,98,70,917 |

Note 15**SHORT-TERM LOANS AND ADVANCES**

(Unsecured, Considered good)

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|-------------------------------|------------------------------|------------------------------|
| Advance Payment of Taxes | 545,31,92,562 | 431,65,82,023 |
| Prepaid Expenses | | |
| - Related Parties | 52,82,101 | 52,82,323 |
| - Others | 42,36,65,828 | 24,16,55,630 |
| | 42,89,47,929 | 24,69,37,953 |
| Service Tax Credit Receivable | 67,72,687 | 39,49,246 |
| Other Receivables | | |
| - Related Parties | 5,05,60,200 | 7,96,00,901 |
| - Others | 27,73,32,646 | 44,83,28,728 |
| | 32,78,92,846 | 52,79,29,629 |
| Total | 621,68,06,024 | 509,53,98,851 |

Note 16**OTHER CURRENT ASSETS**

(Unsecured, Considered good)

| | As at March 31, 2012 ₹ | As at March 31, 2011 ₹ |
|-----------------------------------|------------------------------|------------------------------|
| Interest accrued on Fixed Deposit | 17,231 | 15,628 |
| Interest accrued on Bonds | 22,05,729 | — |
| Total | 22,22,960 | 15,628 |

Note 17**REVENUE FROM OPERATIONS**

| | For the Year ended March 31, 2012 ₹ | For the Year ended March 31, 2011 ₹ |
|---------------------------|---|---|
| Investment Management Fee | 547,63,50,073 | 562,51,52,220 |
| Portfolio Management Fee | 85,69,25,150 | 82,43,70,956 |
| Total | 633,32,75,223 | 644,95,23,176 |

Note 18**OTHER INCOME**

| | For the Year ended March 31, 2012 ₹ | For the Year ended March 31, 2011 ₹ |
|--|---|---|
| Dividend Income from Current Investments | 28,60,40,387 | 18,77,61,727 |
| Interest Income: | | |
| – From Non-Current Investments | 22,05,729 | — |
| – From Others | 32,77,119 | 3,43,29,804 |
| Profit on Sale of Current Investments (net) | 18,95,35,207 | 2,22,54,167 |
| Utilisation / Reversal of Provision for Contingencies | 5,94,01,358 | 6,10,46,545 |
| Reversal of Diminution in the Value of Current Investments | — | 98,58,767 |
| Profit on Foreign Exchange Translation | 12,23,753 | 1,24,008 |
| Miscellaneous Income | 2,66,86,348 | 4,29,73,070 |
| Total | 56,83,69,901 | 35,83,48,088 |

Note 19**EMPLOYEE BENEFITS EXPENSE**

| | For the Year ended March 31, 2012 ₹ | For the Year ended March 31, 2011 ₹ |
|---|---|---|
| Salaries, Allowances and Bonus | 85,79,12,440 | 77,34,39,266 |
| Contribution to Provident and Other Funds | 3,63,05,826 | 4,01,46,424 |
| Employee Stock Option Scheme Expenses | 83,11,015 | 2,81,32,039 |
| Staff Welfare and Training Expenses | 1,60,09,485 | 1,38,63,674 |
| Total | 91,85,38,766 | 85,55,81,403 |

Note 20**OTHER EXPENSES**

| | For the Year ended March 31, 2012 ₹ | For the Year ended March 31, 2011 ₹ |
|--|---|---|
| Brokerage / Incentives / Fees | 114,96,04,421 | 148,93,43,110 |
| Business Promotion | 8,83,03,956 | 10,31,36,294 |
| Rent | 22,47,32,304 | 21,46,58,245 |
| Printing and Courier | 3,23,32,631 | 2,54,46,507 |
| Travel and Conveyance | 4,43,74,533 | 3,08,21,766 |
| Communication Expenses | 3,18,21,769 | 2,99,51,451 |
| Subscription and Membership Fees | 1,74,39,889 | 1,52,34,231 |
| Professional and Legal Fees | 4,58,90,793 | 2,90,74,887 |
| Repair and Maintenance | 10,02,28,465 | 8,70,71,539 |
| Electricity Charges | 3,03,84,614 | 2,74,88,722 |
| Outsourced Services Cost | 12,82,37,699 | 12,26,29,299 |
| Insurance Expenses | 1,44,18,279 | 1,03,65,102 |
| Rates and Taxes | 25,09,548 | 13,46,840 |
| Auditors Remuneration: | | |
| Audit Fee | 10,00,000 | 8,00,000 |
| Audit Fee - PMS Business | 12,02,206 | 23,97,606 |
| Tax Audit Fee | 50,000 | 50,000 |
| Taxation Matters | 4,06,000 | 3,10,000 |
| Reimbursement of Expenses | 45,325 | 30,303 |
| Other Services | 2,96,845 | 4,36,584 |
| | 30,00,376 | 40,24,493 |
| Directors Sitting Fee | 31,00,000 | 34,00,000 |
| Donations | 5,00,000 | 36,00,000 |
| Provision for Diminution in the Value of Current Investments | 5,59,01,357 | — |
| Miscellaneous Expenses | 2,60,32,884 | 2,10,84,513 |
| Total | 199,88,13,518 | 221,86,76,999 |

Note 21**21.1 Employee Benefits**

In accordance with the Accounting Standard on "Employee Benefits" (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the Company has classified the various benefits provided to the employees as under:

A) Defined Contribution Plan

Provident Fund

The Company has recognized the following amounts in the Statement of Profit and Loss, which are included under Contributions to Provident Fund:

(Amount in ₹)

| Particulars | Current Year | Previous Year |
|---|--------------------|---------------|
| Employer's contribution to Provident Fund | 2,39,56,247 | 2,12,49,994 |

B) Defined Benefit Plan

Contribution to Gratuity Fund (Funded Scheme)

The details of the Company's post-retirement benefit plan for its employees are given below and certified by an independent actuary.

(Amount in ₹)

| Particulars | Current Year | Previous Year |
|--|--------------------|---------------|
| Change in the Defined Benefit Obligations: | | |
| Liability at the beginning of the Year | 4,59,23,898 | 2,95,61,280 |
| Current Service Cost | 80,15,981 | 62,25,771 |
| Interest Cost | 37,88,722 | 23,64,902 |
| Benefits Paid | (12,13,800) | (7,35,300) |
| Actuarial (Gain) / Loss | 37,83,570 | 85,07,245 |
| Liability at the end of the Year | 6,02,98,371 | 4,59,23,898 |
| Fair Value of Plan Assets: | | |
| Fair Value of Plan Assets at the beginning of the Year | 3,48,84,227 | 3,13,50,664 |
| Expected Return on Plan Assets | 27,90,738 | 25,08,053 |
| Contributions | 1,10,39,671 | 38,93,490 |
| Benefits Paid | (12,13,800) | (7,35,300) |
| Actuarial Gain / (Loss) on Plan Assets | 28,83,780 | (21,32,680) |
| Fair Value of Plan Assets at the end of the Year | 5,03,84,616 | 3,48,84,227 |
| Actual Return on Plan Assets: | | |
| Expected Return on Plan Assets | 27,90,738 | 25,08,053 |
| Actuarial Gain / (Loss) on Plan Assets | 28,83,780 | (21,32,680) |
| Actual Return on Plan Assets | 56,74,518 | 3,75,373 |
| Amount Recognized in the Balance Sheet: | | |
| Liability at the end of the Year | 6,02,98,371 | 4,59,23,898 |
| Fair Value of Plan Assets at the end of the Year | 5,03,84,616 | 3,48,84,227 |
| Amount recognized in the Balance Sheet as Liability | 99,13,755 | 1,10,39,671 |

Note 21 (Continued)

(Amount in ₹)

| Expense Recognized in the Statement of Profit and Loss: | Current Year | Previous Year |
|--|----------------------|----------------------|
| Current Service Cost | 80,15,981 | 62,25,771 |
| Interest Cost | 37,88,722 | 23,64,902 |
| Expected Return on Plan Assets | (27,90,738) | (25,08,053) |
| Net Actuarial (Gain) / Loss to be Recognized | 8,99,790 | 1,06,39,925 |
| Expense recognized in the Statement of Profit and Loss under 'Employee Benefits Expenses' | 99,13,755 | 1,67,22,545 |
| Reconciliation of the Liability Recognized in the Balance Sheet: | Current Year | Previous Year |
| Opening Net Liability | 1,10,39,671 | (17,89,384) |
| Expense recognized | 99,13,755 | 1,67,22,545 |
| Contribution by the Company | (1,10,39,671) | (38,93,490) |
| Amount recognized in the Balance Sheet as Liability | 99,13,755 | 1,10,39,671 |
| Net Actuarial (Gain) / Loss Recognized | Current Year | Previous Year |
| Actuarial (Gain) / Loss on Plan Assets | (28,83,780) | 21,32,680 |
| Actuarial (Gain) / Loss on Defined Benefit Obligation | 37,83,570 | 85,07,245 |
| Net Actuarial (Gain) / Loss Recognized | 8,99,790 | 1,06,39,925 |
| Experience Adjustment | Current Year | Previous Year |
| (Gains) / Losses on Plan Liabilities | 56,96,464 | 70,14,755 |
| (Gains) / Losses on Plan Assets | (28,83,780) | 21,32,680 |
| Estimated Contribution for next year | 1,66,85,170 | 73,96,987 |

Experience adjustment details for financials years earlier than 2010-11 are not disclosed as it was not made available to the Company by the erstwhile insurance company.

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

Actuarial Assumptions:

Actuarial valuation was performed in respect of the aforesaid defined benefit plan based on the following assumptions:

| Particulars | Current Year | Previous Year |
|------------------------------|---------------------|----------------------|
| Discount Rate | 8.50% p.a. | 8.25% p.a. |
| Return on Plan Assets | 8.60% p.a. | 8.00% p.a. |
| Compensation Escalation Rate | 5.00% p.a. | 5.00% p.a. |
| Average Age | 33.00 Years | 32.00 Years |

21.2 Segmental Reporting

In accordance with the Accounting Standard on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India, the Company has determined business segments as under:

The Company's operations predominantly relate to providing Asset Management Services. It acts as an Investment Manager to schemes launched by HDFC Mutual Fund. It also provides Portfolio Management Services (PMS) to Corporates and High Net Worth Individuals. Accordingly, the Company has recognized 'Mutual Fund' and 'Portfolio Management' as Primary business segments. Secondary segment reporting does not require separate disclosure as most of the activities of the Company are within India.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure of individual segments. These are as set out in the note on Significant Accounting Policies.

Note 21 (Continued)

The basis of reporting is as follows:

1. Revenue and expenses distinctly identifiable to a segment are recognized in that segment.
2. Certain expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. Hence it is not practical to provide segment disclosures relating to such items and accordingly they are separately disclosed as “unallocable expenses”.
3. Fixed assets used in the Company’s business have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between the segments. Accordingly depreciation/amortization has been treated as an unallocable expense.
4. Assets and liabilities to the extent directly identifiable to a business segment have been categorized as “Allocable assets/liabilities”, others have been shown as “Unallocable assets/liabilities”.
5. Other balance sheet items such as investments and deferred tax asset are similarly not allocated to business segments.

(Amount in ₹)

| | Mutual Fund | | Portfolio Management | | Total | |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Segment Revenue | | | | | | |
| Management Fees | 547,63,50,073 | 562,51,52,220 | 85,69,25,150 | 82,43,70,956 | 633,32,75,223 | 644,95,23,176 |
| Inter Segment Revenue | — | — | — | — | — | — |
| Total Segment Revenue | 547,63,50,073 | 562,51,52,220 | 85,69,25,150 | 82,43,70,956 | 633,32,75,223 | 644,95,23,176 |
| Identifiable Operating Expenses | 200,28,33,001 | 229,36,45,830 | 45,72,07,816 | 41,27,38,487 | 246,00,40,817 | 270,63,84,317 |
| Segmental Operating Income | 347,35,17,072 | 333,15,06,390 | 39,97,17,334 | 41,16,32,469 | 387,32,34,406 | 374,31,38,859 |
| Unallocable Expenses | | | | | 62,66,98,782 | 54,36,52,008 |
| Operating Income | | | | | 324,65,35,624 | 319,94,86,851 |
| Other Income | | | | | 56,83,69,901 | 35,83,48,088 |
| Net Profit Before Tax | | | | | 381,49,05,525 | 355,78,34,939 |
| Provision for Income Tax | | | | | 111,48,25,331 | 108,40,53,384 |
| Deferred Tax Expense | | | | | 85,03,468 | 5,19,89,751 |
| Previous Year’s Tax | | | | | 2,28,696 | 7,13,070 |
| Net Profit After Tax | | | | | 269,13,48,030 | 242,10,78,734 |
| Segment Assets and Liabilities | | | | | | |
| Segment Assets | 82,37,19,899 | 84,79,71,570 | 29,09,24,625 | 43,00,15,289 | 111,46,44,524 | 127,79,86,859 |
| Unallocated Assets | | | | | 1126,20,98,216 | 933,11,32,788 |
| Total Assets | | | | | 1237,67,42,740 | 1060,91,19,647 |
| Segment Liabilities | 65,41,55,830 | 80,47,29,442 | 6,61,81,747 | 6,56,69,774 | 72,03,37,577 | 87,03,99,216 |
| Unallocated Liabilities | | | | | 563,33,87,609 | 458,98,58,012 |
| Total Liabilities | | | | | 635,37,25,186 | 546,02,57,228 |
| Capital Expenditure | — | — | — | — | 4,11,06,987 | 12,11,07,674 |
| Depreciation | — | — | — | — | 16,93,87,315 | 17,57,77,923 |

Note 21 (Continued)**21.3 Related Party Transactions**

As per the Accounting Standard on “Related Party Disclosures” (AS-18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows:

- A) Holding Company : Housing Development Finance Corporation Limited
 B) Investing Party : Standard Life Investments Limited
 C) Fellow Subsidiaries where : HDFC Trustee Company Limited
 Company has transactions : HDFC Standard Life Insurance Company Limited
 during the year : HDFC ERGO General Insurance Company Limited
 D) Subsidiary Company : HDFC Asset Management Company (Singapore) Pte. Ltd.
 E) Key Management Personnel : Mr. Milind Barve, Managing Director

The nature and volume of transactions of the Company with the above related parties were as follows:

(Amount in ₹)

| Particulars | Holding Company | Investing Party | Fellow Subsidiaries* | Subsidiary Company |
|---------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| INCOME | | | | |
| Management Fees | — — | 53,16,288 (55,86,413) | 2,70,000 (3,60,000) | — — |
| EXPENDITURE | | | | |
| Rent | 2,65,59,540 (2,75,09,797) | — — | — — | — — |
| Advisory Fee | 15,90,93,083 (12,44,93,249) | — — | — — | — — |
| Technology Support Cost | 1,60,72,521 (1,47,99,484) | — — | — — | — — |
| Administrative & Other Expenses | 31,39,609 (35,60,393) | — — | — — | — — |
| Insurance Premium | — — | — — | 62,43,916 (46,30,495) | — — |
| ASSETS | | | | |
| Investment | — — | — — | — — | 41,60,500 (41,60,500) |
| Deposit | — — | — — | 8,625 (68,969) | — — |
| Account Receivable | — — | 11,28,408 (11,82,293) | 5,05,60,200 (7,96,00,901) | — — |
| Prepaid Insurance Premium | — — | — — | 52,82,101 (52,82,323) | — — |
| Administrative & Other Expenses | 1,018 (2,143) | — — | — — | — — |

Note 21 (Continued)

(Amount in ₹)

| Particulars | Holding Company | Investing Party | Fellow Subsidiaries* | Subsidiary Company |
|------------------------------|---------------------------------------|---------------------------------------|----------------------|--------------------|
| LIABILITIES | | | | |
| Account Payable | — (37,988) | — — | — — | — — |
| OTHER TRANSACTIONS | | | | |
| Purchase of Fixed Assets | 10,00,000 (7,00,000) | — — | — — | — — |
| Interim Equity Dividend Paid | 49,81,87,800 (43,78,01,400) | 33,21,25,200 (29,18,67,600) | — — | — — |

Remuneration to Key Management Personnel ₹ **5,01,24,164** (Previous Year ₹ 5,70,99,893). Reimbursement of Expenses amounting to ₹ **2,54,031** (Previous Year ₹ 1,53,528) to the Holding Company is not considered above.

*Details of transactions with fellow subsidiaries are as follows:

(Amount in ₹)

| Particulars | HDFC Trustee Company Limited | HDFC Standard Life Insurance Company Limited | HDFC ERGO General Insurance Company Limited |
|---------------------------|-------------------------------------|--|---|
| Management Fees | — — | — — | 2,70,000 (3,60,000) |
| Insurance Premium | — — | 7,43,298 (7,13,304) | 55,00,618 (39,17,191) |
| Deposit | — — | 8,625 (68,969) | — — |
| Account Receivable* | 5,05,60,200 (7,96,00,901) | — — | — — |
| Prepaid Insurance Premium | — — | 8,128 (7,733) | 52,73,973 (52,74,590) |

* Includes an amount of ₹ **2,58,62,200** (Previous Year ₹ 2,38,40,211) paid to HDFC Trustee Company Limited (see note 21.11).

Figures in bracket pertain to the Previous Year.

21.4 Operating Leases

The company has entered into non-cancelable leasing arrangements for certain premises. The total lease payments recognized in the Statement of Profit and Loss towards the said leases amounts to ₹ **1,85,23,011** (Previous Year ₹ 1,54,13,827).

The future lease payments in respect of the above are as follows:

(Amount in ₹)

| Particulars | Current Year | Previous Year |
|---|--------------------|---------------|
| Not later than one year | 2,81,48,120 | 1,48,08,160 |
| Later than one year but not later than five years | 4,25,05,488 | 1,37,09,562 |

Note 21 (Continued)**21.5 Earnings Per Equity Share**

In accordance with the Accounting Standard on “Earnings Per Share” (AS-20) issued by the Institute of Chartered Accountants of India:

- (i) The basic earnings per equity share has been calculated based on the net profit after tax of ₹ **269,13,48,030** (Previous Year ₹ 242,10,78,734) and weighted average number of equity shares outstanding during the year amounting to **2,52,09,396** (Previous Year 2,52,06,588).
- (ii) Following is the reconciliation between basic and diluted earnings per equity share:

(Amount in ₹)

| Particulars | Current Year | Previous Year |
|---|---------------|---------------|
| Nominal value per share | 10.00 | 10.00 |
| Basic earnings per share | 106.76 | 96.05 |
| Effect of potential equity shares for stock options (per share) | (1.84) | (2.91) |
| Diluted earnings per share | 104.92 | 93.14 |

- (iii) Basic earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year. The relevant details as described above are as follows:

(Amount in ₹)

| Particulars | Current Year | Previous Year |
|--|--------------------|---------------|
| Weighted average number of equity shares used in computing basic earnings per equity share | 2,52,09,396 | 2,52,06,588 |
| Effect of potential equity shares for stock options outstanding | 4,42,868 | 7,88,073 |
| Weighted average number of equity shares used in computing diluted earnings per equity share | 2,56,52,264 | 2,59,94,661 |

21.6 Deferred Tax

In compliance with the Accounting Standard on “Accounting for Taxes on Income” (AS-22) issued by the Institute of Chartered Accountants of India, the Company has made net deferred tax adjustment of ₹ **85,03,468** (Previous Year ₹ 5,19,89,751) as per details given below. The amount has been debited to the Statement of Profit and Loss.

(Amount in ₹)

| Description | As on March 31, 2011 | For the Year | As on March 31, 2012 |
|-----------------------------|-------------------------|----------------------|-------------------------|
| Assets | | | |
| Depreciation | 5,53,73,076 | 1,18,63,495 | 6,72,36,571 |
| Provision for Contingencies | 7,75,28,448 | (1,92,72,770) | 5,82,55,678 |
| Others | 4,23,407 | — | 4,23,407 |
| Total | 13,33,24,931 | (74,09,275) | 12,59,15,656 |
| Liabilities | | | |
| Others | 5,08,480 | 10,94,193 | 16,02,673 |
| Net Deferred Tax Asset | 13,28,16,451 | (85,03,468) | 12,43,12,983 |

Note 21 (Continued)**21.7 Provisions**

In compliance with the Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (AS-29) issued by the Institute of Chartered Accountants of India, balance under Provision for Contingencies amounting to ₹ 17,95,52,097 represents provision against all contingencies in the business. Movement in Provision for Contingencies account during the year is as under:

(Amount in ₹)

| Carrying Amount as at April 1, 2011 | Additions during the year | Amounts used during the year | Amounts reversed during the year | Carrying Amount as at March 31, 2012 |
|-------------------------------------|---------------------------|------------------------------|----------------------------------|--------------------------------------|
| 23,89,53,455 | — | 5,94,01,358 | — | 17,95,52,097 |

21.8 Contingent Liabilities and Commitments

Disputed Income Tax demand ₹ 1,73,15,599 (Previous Year ₹ 50,91,025).

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 16,43,41,343 (Previous Year ₹ 17,07,42,980).

21.9 Sundry Creditors

Sundry Creditors do not include any amount payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises. Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA), which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management, the following disclosures are made for the amounts due to the Micro, Small and Medium enterprises, which have registered with the competent authorities.

(Amount in ₹)

| Particulars | Current Year | Previous Year |
|---|--------------|---------------|
| Principal amount remaining unpaid to any supplier as at the year end | NIL | NIL |
| Interest due thereon | NIL | NIL |
| Amount of interest paid by the company in terms of section 16 of the MSMEDA, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year | NIL | NIL |
| Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA | NIL | NIL |
| Amount of interest accrued and remaining unpaid at the end of the accounting year | NIL | NIL |

21.10 Accounting for Employee Share Based Payments

Under Employees Stock Option Scheme 2009 – Series I (ESOS 2009 – Series I), the Company had on August 25, 2009 granted 1,54,000 stock options at an exercise price of ₹ 527/- per option, representing 1,54,000 equity shares of ₹ 10/- each to few employees and directors of the Company. The fair value of the Company’s underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee of the Board of Directors of the Company (‘Remuneration Committee’) i.e. based on the Profit Earning Capacity Valuation (PECV) method and the Assets Under Management (AUM) method.

Note 21 (Continued)

In terms of ESOS 2009 – Series I, the options vest over a period of 1-2 years from the date of grant. Accordingly, during the year 77,000 options (Previous Year 77,000) vested. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme 2008 – Series I (ESOS 2008 – Series I) and Employees Stock Option Scheme 2008 – Series II (ESOS 2008 – Series II), the Company had on 10th March 2008 granted 5,24,000 stock options at an exercise price of ₹ 390/- per option under ESOS 2008 – Series I, representing 5,24,000 equity shares of ₹ 10/- each and 10,76,000 stock options at an exercise price of ₹ 750/- per option under ESOS 2008 – Series II, representing 10,76,000 equity shares of ₹ 10/- each to few employees and directors of the Company. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee i.e. based on the Profit Earning Capacity Valuation (PECV) method and the Assets Under Management (AUM) method.

In terms of ESOS 2008 – Series I and ESOS 2008 – Series II, the options vest over a period of 3-4 years from the date of grant. Accordingly, during the year 2,46,000 options under ESOS 2008 – Series I (Previous Year 2,46,000) vested and 4,84,750 options under ESOS 2008 – Series II (Previous Year 4,93,250) vested [including 1,500 options under ESOS 2008 – Series II (Previous Year 1,500) vested and lapsed]. The options can be exercised over a period of five years from the date of respective vesting.

Modifications, if any made to the terms and conditions of Employees Stock Option Schemes (ESOSs), as approved by the Remuneration Committee are disclosed separately.

Method used for accounting for share based payment plan:

The Company has used intrinsic value method to account for the compensation cost of stock options granted to the employees and directors of the Company. Intrinsic value is the amount by which the fair value of the underlying equity share of the Company exceeds the exercise price of the option. Since options under ESOS 2008 – Series I were granted at an exercise price less than the fair value of the underlying equity shares of the Company, the intrinsic value of each option under ESOS 2008 – Series I is ₹ 360/-. Options under ESOS 2008 – Series II and ESOS 2009 – Series I were granted at the fair value of the underlying equity shares of the Company.

Movement in the options under ESOS 2008 & ESOS 2009:

| | No. of Options | | | | | |
|--|----------------|-----------|-----------|---------------|-----------|-----------|
| | Current Year | | | Previous Year | | |
| | ESOS 2008 | | ESOS 2009 | ESOS 2008 | | ESOS 2009 |
| | Series I | Series II | Series I | Series I | Series II | Series I |
| Outstanding at the beginning of the year | 3,24,500 | 6,93,150 | 1,04,000 | 4,92,000 | 10,11,500 | 1,54,000 |
| Granted during the year | Nil | Nil | Nil | Nil | Nil | Nil |
| Exercised during the year | 1,14,500 | 3,83,350 | 7,500 | 1,67,500 | 2,83,350 | 50,000 |
| Lapsed during the year | Nil | 1,500 | Nil | Nil | 35,000 | Nil |
| Outstanding at the end of the year | 2,10,000 | 3,08,300 | 96,500 | 3,24,500 | 6,93,150 | 1,04,000 |
| Exercisable at the end of the year | 2,10,000 | 3,08,300 | 96,500 | 78,500 | 2,08,400 | 27,000 |

Since all the options were granted at the same exercise price per option under the respective Series, the weighted average exercise price per option under the respective Series is the same.

Note 21 (Continued)**Fair value methodology:**

The fair value of options used to compute pro forma net income and earnings per equity share has been estimated on the date of grant using Black-Scholes model.

The key assumptions used in Black-Scholes model for calculating fair value under ESOS 2008 – Series I, ESOS 2008 – Series II and ESOS 2009 – Series I as on the date of grant were:

| Particulars | ESOS 2008-Series I | ESOS 2008-Series II | ESOS 2009-Series I |
|--------------------------|-----------------------------|-----------------------------|------------------------------|
| Date of grant | 10 th March 2008 | 10 th March 2008 | 25 th August 2009 |
| Risk-free interest rate | 7.03% - 7.22% p.a. | 7.03% - 7.22% p.a. | 6.24% - 6.56% p.a. |
| Expected life | 4 - 6 years | 4 - 6 years | 3 - 5 years |
| Expected volatility | 0% | 0% | 0% |
| Dividend yield | 1.97% p.a. | 1.97% p.a. | 2.73% p.a. |
| Fair value of the option | ₹ 407/- | ₹ 155/- | ₹ 66/- |

Details of modifications in terms and conditions of ESOSs:

No modifications were made in the terms and conditions of ESOSs during the current year. The Remuneration Committee at its meeting held on August 25, 2009 had approved few modifications in exercise price and vesting schedule of the options granted under ESOS 2008 – Series I and ESOS 2008 – Series II. Based on an independent valuation of the fair value of the underlying equity shares of the Company, the exercise price of ₹ 390/- per option under ESOS 2008 – Series I and exercise price of ₹ 750/- per option under ESOS 2008 – Series II was revised to ₹ 274/- per option under ESOS 2008 – Series I and to ₹ 527/- per option under ESOS 2008 – Series II. The fair value of the Company's underlying equity shares was determined in accordance with the pricing formula approved by the Remuneration Committee i.e. based on the Profit Earning Capacity Valuation (PECV) method and the Assets Under Management (AUM) method.

The options granted under ESOS 2008 – Series I and ESOS 2008 – Series II vest over a period of 3-4 years from the date of grant and can be exercised over a period of five years from the date of respective vesting.

Since options under ESOS 2008 – Series I were granted at an exercise price less than the fair value of the underlying equity shares of the Company, the intrinsic value of each option under ESOS 2008 – Series I stands revised to ₹ 253/-. Options under ESOS 2008 – Series II were granted at the fair value of the underlying equity shares of the Company.

The options thus modified have been fair valued as at 25th August 2009, being the modification date. The key assumptions considered in the pricing model for calculating fair value under ESOS 2008 – Series I and ESOS 2008 – Series II as on the date of modification were:

| Particulars | ESOS 2008 – Series I | | ESOS 2008 – Series II | |
|--------------------------|----------------------|------------------|-----------------------|------------------|
| | Original Terms | Modified Terms | Original Terms | Modified Terms |
| Risk-free interest rate | 5.85%-6.56% p.a. | 6.24%-6.56% p.a. | 5.85%-6.56% p.a. | 6.24%-6.56% p.a. |
| Expected life | 2 – 5 years | 3 – 5 years | 2 – 5 years | 3 - 5 years |
| Expected volatility | 0% | 0% | 0% | 0% |
| Dividend yield | 2.73% p.a. | 2.73% p.a. | 2.73% p.a. | 2.73% p.a. |
| Fair value of the option | ₹ 166/- | ₹ 261/- | ₹ Nil | ₹ 66/- |

Note 21 (Continued)

The incremental share based compensation determined under fair value method amounts to ₹ 95/- per option under ESOS 2008 – Series I and ₹ 66/- per option under ESOS 2008 – Series II. The incremental fair value granted is taken into consideration for the purpose of computing the pro forma net income and earnings per equity share.

Impact of fair value method on net profit and earning per share:

Had compensation cost for the Company's stock options outstanding been determined based on the fair value approach, the Company's net profit and earning per share would have been as per the pro forma amounts indicated below:

| (Amount in ₹) | | |
|--|----------------------|---------------|
| Particulars | Current Year | Previous Year |
| Net Profit (as reported) | 269,13,48,030 | 242,10,78,734 |
| Add: Stock-based employee compensation expense included in the net income (Gross ₹ 83,11,015 ; Previous Year ₹ 2,81,32,039) | 56,14,506 | 1,87,87,278 |
| Less: Stock-based employee compensation expense determined under fair value based method (Gross ₹ 3,06,46,628 ; Previous Year ₹ 10,86,31,294) (pro forma) | 2,07,03,330 | 7,25,46,694 |
| Net Profit (pro forma) | 267,62,59,206 | 236,73,19,318 |

| (Amount in ₹) | | |
|---|---------------|---------------|
| Particulars | Current Year | Previous Year |
| Basic earning per share (as reported) | 106.76 | 96.05 |
| Basic earning per share (pro forma) | 106.16 | 93.92 |
| Diluted earning per share (as reported) | 104.92 | 93.14 |
| Diluted earning per share (pro forma) | 104.33 | 91.07 |

- 21.11** (a) In terms of interim order dated 17 June 2010 and letter dated July 5, 2011 received from Securities and Exchange Board of India (SEBI), the Company has deposited ₹ 2,58,62,200 with HDFC Trustee Company Limited representing estimated losses incurred by the schemes of HDFC Mutual Fund/clients of the Company on suspected "front running" of the orders of HDFC Mutual Fund by a dealer of the Company. This amount is held by HDFC Trustee Company Limited in an account segregated for this purpose, till further orders by SEBI are received in this matter. The said amount has been included under Short-Term Loans and Advances (note 15).
- (b) The exact liability, if any on the Company in connection with the aforesaid matter cannot be determined at this stage.

21.12 Income in Foreign Currency

| (Amount in ₹) | | |
|-------------------------|--------------------|---------------|
| | Current Year | Previous Year |
| Investment Advisory Fee | 1,11,35,224 | 1,23,17,475 |
| Interest Income | 19,283 | 18,708 |

Note 21 (Continued)**21.13 Payments in Foreign Currency**

A) Expenditure

(Amount in ₹)

| | Current Year | Previous Year |
|--|--------------------|---------------|
| i) Staff Training Expenses | 29,483 | 3,54,156 |
| ii) Travelling Expenses | 15,11,190 | 5,69,183 |
| iii) Overseas Representative Office Expenses | 1,25,46,192 | 1,08,37,617 |
| iv) Professional Fees | 49,61,772 | 25,14,398 |

B) Dividend

(Amount in ₹)

| | Current Year | Previous Year |
|---|---------------------|---------------|
| Interim Dividend on Equity Shares | | |
| (a) Year to which the dividend relates | 2011-12 | 2010-11 |
| (b) Number of non-resident shareholders | 1 | 1 |
| (c) Number of Shares held | 1,00,64,400 | 1,00,64,400 |
| (d) Amount Remitted (Gross) | 33,21,25,200 | 29,18,67,600 |

21.14 Comparatives Figures

The Revised Schedule VI has become effective from 1 April 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board

Deepak S. Parekh
Chairman

Directors

Keki M. Mistry
Hoshang S. Billimoria
Deepak B. Phatak
Vijay Merchant
Renu Sud Karnad
P. M. Thampi
Rajeshwar Raj Bajaaj
Humayun Dhanrajgir

Milind Barve
Managing Director

Rahul Bhandari
Chief Financial Officer

Sylvia Furtado
Company Secretary

Mumbai, April 25, 2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

| Name of the Subsidiary | HDFC Asset Management Company (Singapore) Pte. Ltd. |
|--|--|
| The financial year of the subsidiary company ended on | March 31, 2012 |
| Number of shares of the subsidiary company held by HDFC Asset Management Company Limited | 1,25,000 |
| The net aggregate of profits of the subsidiary company so far as these concern the members of HDFC Asset Management Company Limited | |
| (I) Dealt with in the accounts of HDFC Asset Management Company Limited amounted to: | |
| (a) For subsidiary's financial year ended on March 31, 2012 | ₹ Nil |
| (b) For previous financial years of the subsidiary since it became subsidiary of HDFC Asset Management Company Limited | ₹ Nil |
| (II) Not dealt with in the accounts of HDFC Asset Management Company Limited amounted to: | |
| (a) For subsidiary's financial year ended on March 31, 2012 — Loss | ₹ 6,39,285 |
| (b) For previous financial years of the subsidiary since it became subsidiary of HDFC Asset Management Company Limited - Loss | ₹ 31,54,645 |

For and on behalf of the Board

Deepak S. Parekh
Chairman

Directors

Keki M. Mistry
Hoshang S. Billimoria
Deepak B. Phatak
Vijay Merchant
Renu Sud Karnad
P. M. Thampi
Rajeshwar Raj Bajaaj
Humayun Dhanrajgir

Mumbai, April 25, 2012

Milind Barve
Managing Director

Rahul Bhandari
Chief Financial Officer

Sylvia Furtado
Company Secretary