

PRINCIPAL MUTUAL FUND

Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.



PRINCIPAL CASH MANAGEMENT FUND – ABRIDGED ANNUAL REPORT FOR 2013-14

INDEPENDENT AUDITORS' REPORT

TO THE TRUSTEE OF PRINCIPAL MUTUAL FUND

Report on the Financial Statements

We have audited the accompanying financial statements of the schemes mentioned below (collectively "the Schemes"), which comprise the Balance Sheets as at March 31, 2014, the Revenue Accounts and Cash Flow Statements of the respective schemes for the year/period then ended and a summary of significant accounting policies and other explanatory information.

• Principal Growth Fund • Principal Index Fund - Nifty (Formerly known as Principal Index Fund) • Principal Large Cap Fund • Principal Dividend Yield Fund • Principal Emerging Bluechip Fund • Principal Personal Tax Saver Fund • Principal Smart Equity Fund • Principal Tax Savings Fund • Principal Global Opportunities Fund • Principal Debt Opportunities Fund - Conservative Plan • Principal Debt Opportunities Fund - Corporate Bond Plan • Principal Government Securities Fund • Principal Income Fund - Long Term Plan • Principal Bank CD Fund • Principal Income Fund - Short Term Plan • Principal Debt Savings Fund - MIP • Principal Debt Savings Fund - Retail Plan • Principal Balanced Fund • Principal Cash Management Fund • Principal Retail Money Manager Fund • Principal PNB Fixed Maturity Plan - Series B2 • Principal PNB Fixed Maturity Plan - Series B5 • Principal PNB Fixed Maturity Plan - Series B10 • Principal PNB Fixed Maturity Plan - Series B12 • Principal PNB Fixed Maturity Plan - Series B13 • Principal PNB Fixed Maturity Plan - Series B14 • Principal PNB Fixed Maturity Plan - Series B15

Management's Responsibility for the Financial Statements

Trustee of Principal Mutual Fund and Principal Pnb Asset Management Company Private Limited are responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Schemes in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto ("the Regulations"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Schemes internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion: In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Regulations as applicable and give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheets, of the state of affairs of the Scheme as at March 31, 2014;
- in the case of the Revenue Accounts, of the surplus/deficit, as applicable for the year/period ended on that date; and
- in the case of the Cash Flow Statements, of the cash flows for the year/period ended on that date.

Report on Other Legal and Regulatory Requirements

As required under the Regulations, we report that:

- 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;
- The Balance Sheets, Revenue Accounts and Cash Flow Statements dealt with by this Report are in agreement with the books of account of the Schemes;
- In our opinion, the Balance Sheets, Revenue Accounts and Cash Flow Statements dealt with by this report have been prepared in accordance with the accounting policies and standards as specified in Ninth Schedule of the Regulations.
- The methods used to value non traded securities (referred in II(3) of Schedule 9), as determined by Principal Pnb Asset Management Company Private Limited and as approved by the Trustee of Principal Mutual Fund are in good faith and in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule of the Regulations issued by the Securities and Exchange Board of India, and are fair and reasonable.

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

Chetan Desai
Partner

Place : Mumbai
Date : April 28, 2014

Membership No. 17000

TRUSTEE REPORT

To the Unitholders,

Directors of Principal Trustee Company Private Limited have the pleasure in presenting the Twentieth Annual Report along with the audited financial statements of the Schemes of Principal Mutual Fund for the Financial Year 2013-2014.

1. Scheme Performance, Future Outlook and Operations of the Scheme : Performance as on March 31, 2014:

Principal Cash Management Fund (An Open Ended Liquid Scheme)

Period	Date	Regular Plan [†]		Direct Plan ^{††}	
		Returns (%)	Crisil Liquid Fund Index (%)	Returns (%)	Crisil Liquid Fund Index (%)
Last 1 Year	31-Mar-13	9.28	9.54	9.39	9.54
Last 3 Years	31-Mar-11	9.33	8.71	N.A.	N.A.
Last 5 Years	31-Mar-09	7.72	7.18	N.A.	N.A.
Since Inception	30-Aug-04	7.46	6.88	9.32	9.22

[†] Direct Plan - Since Inception - January 1, 2013. ^{††} Growth Option

Past performance may or may not be sustained in the future

Note: Returns less than one year are calculated on absolute basis and returns for more than one year are calculated on Compounded Annualised basis.

During the Financial Year 2013-14, the Regular and Direct Plans under the Scheme underperformed its benchmark. This was mainly due to portfolio holding securities maturing within 60 days and minimal mark to market exposure (of securities greater than 60 days) as per SEBI valuation norms whereas the index also comprises of 3 months CDs and CPs. Also the fund maintains higher cash exposure for prudent asset liability management to meet redemptions daily and during quarter ends and volatile periods. The net assets of the Scheme accounted to ₹ 1081.44 Crs as at March 31, 2014 as compared to ₹ 996.90 Crs as at March 31, 2013.

Outlook and Operations of the Scheme:

a. Equity Market:

The equity market has run up substantially in the second half of the previous year for the reasons we listed in the review above viz. the efforts of the government to kick start investment, some improvement in macroeconomic parameters and market expectations of a stable government at the centre. In addition, if there is improvement in corporate profitability as the economy revives, it can lead to decent earnings growth. However, the big challenge remains on the fiscal front as government revenues can remain weak in an environment of weak growth. The markets however are not too expensive, and are in line with long term averages, so they are likely to trade with a positive bias.

b. Debt Market:

The key drivers for debt market in FY 2014-15 would be the RBI monetary policy stance, CPI Inflation trajectory, Banking system liquidity conditions and demand supply dynamics for Government Securities (G-Sec). The policies of the new government concerning fiscal management would also be keenly awaited.

RBI is expected to keep CPI inflation as the nominal anchor of monetary policy. If the trajectory of CPI inflation is in line with RBI projections (8% by Dec 14, and 6% by Dec 15), then we may see an extended pause in benchmark rates this year.

Global crude oil prices would continue to remain an important indicator in terms of fuel inflation, oil import growth and subsidy bill of government. Any fall in prices to below US\$100 on account of global growth concerns would be positive for debt market.

Banking system liquidity is expected to remain in deficit mode in FY15 as well. Most of the deficit, though, would be financed through Term repo, unlike FY14, when overnight LAF window was the major source for liquidity injection.

The supply of G-Sec in the first half of FY 2014-15 is 61% of the total dated G-sec borrowing programme of ₹ 5.97 lakh crores (in turn higher than ₹ 5.63 Lac Cr of FY 2013-14). The government plans to conduct buyback (swap) of short tenor G-sec and issue fresh long dated G-sec of an equivalent amount this year as well, which may put pressure on long term G-Sec yields. Lack of OMOs along with excess supply may keep pressure on the G-Sec yields. The broad range for 10 year benchmark for Financial year 2014-15 is likely to be 8.50%-9.50%.

The fiscal policies of the new elected government, stance on Gold import restrictions and change in the net supply of G-Sec for FY 14-15 would be very important for the markets. Overall we may expect volatility in rates in the various segments.

Operations: Principal Mutual Fund (PMF) as at March 31, 2014 offers twenty seven Schemes. These include eight Equity Schemes (including two Equity Linked Savings Schemes), one Balanced Scheme, one Hybrid Scheme, one Fund of Fund Scheme (Overseas), nine Debt Schemes/Plans including one Liquid Scheme, and seven Fixed Maturity Plans. The total assets under management across all these Schemes as on March 31, 2014 was ₹ 3776.34 Crore.

The AMC operates out of 11 branches, including Mumbai. Increased use of technology coupled with optimum allocation and utilization of resources has helped us to enhance operational efficiency at PMF. During the year, SEBI has introduced significant changes to the MF regulations which has impacted the industry as a whole. PMF has continued to modify its processes, wherever required, to remain compliant with the said regulations at all times.

Brief background of Sponsors, Trust, Trustee Co. and AMC Co.

A. Constitution of the Mutual Fund[†]

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund and herein referred to as the "Mutual Fund") has been constituted as a trust on November 25, 1994 in accordance with the provision of the Indian Trusts Act, 1882 (2 of 1882).

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of a Trust Deed, under which IDBI was the sole Settlor, Sponsor and Principal Trustee and an initial amount of ₹ 1 lakh and additional amount of ₹ 24.99 Crore was settled as the trust corpus. Accordingly the Board of Trustees were vested with all the rights, duties and responsibilities vis-à-vis functioning of the Mutual Fund. The said Trust Deed has been registered under the Indian Registration Act, 1908 and the Mutual Fund was registered with SEBI on December 13, 1994 under Registration Code - MF/019/94/0.

Subsequently, on March 31, 2000, Principal Financial Services Inc., USA, became the deemed sponsor (along with the IDBI) by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited, where after and pursuant to the SEBI letter dated October 18, 2002 all rights, responsibilities and duties of the Board of Trustees were transferred in favour of IDBI-Principal Trustee Company Ltd. On June 23, 2003, Principal Financial Services Inc. USA became the sole sponsor by acquiring 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited (Principal Mauritius). Principal Mauritius thus became the sole settlor of the Fund and the name of the Trustee Company and of the Asset Management Company was changed respectively to Principal Trustee Company Pvt. Ltd. and Principal Asset Management Company Private Limited to reflect the change in ownership. In tune with the industry standards and practices, Principal Mauritius, the Settlor, maintains a corpus of ₹ 25 lakh in the Trust in place of the original contribution of ₹ 1 lakh and additional contribution of ₹ 24.99 crore vide execution of a supplemental trust deed dated April 16, 2004. On May 5, 2004, Punjab National Bank (PNB) and Vijaya Bank (VB) became equity shareholders and they hold equity shares to the extent of 30% and 5% respectively of the equity capital of both Principal Trustee Company Private Limited and Principal Pnb Asset Management Company Private Limited (earlier name - Principal Asset Management Company Private Limited). Pursuant to this change in ownership, certain amendments have been made to the Principal Mutual Fund vide Supplemental Trust Deed dated 5th May 2004, to reflect, amongst other amendments, the addition of Punjab National Bank and Vijaya Bank as the co-settlers to the Fund. Accordingly, Principal Mauritius, Punjab National Bank and Vijaya Bank have 65%, 30% and 5% rights, title, interest and obligations respectively as co-settlers to Principal Mutual Fund.

[†] Note: Effective June 27, 2014, shareholding pattern of AMC and Trustee Co. has been revised as under: Principal Mauritius - 70%; PNB - 30%

B. Principal Trustee Company Private Limited ("the Trustee")

The Trustee is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the Unitholders. The Trustee has been discharging its duties and carrying out its responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustee seeks to ensure that the Fund and the Schemes floated there under are managed by the AMC in accordance with the Trust Deed, the Regulations, directions and guidelines issued by the SEBI, the Association of Mutual Funds in India and other regulatory agencies.

2. Liabilities and Responsibilities of Trustee and Settlor

The key responsibility of the Trustee is to safeguard the interest of the Unit holders and inter-alia ensure that Principal Pnb Asset Management Company Private Limited functions in the interest of investors and as laid down under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the provisions of the Investment Management Agreement, Statement of Additional Information and Scheme Information Document of the respective Schemes. From the information

provided to the Trustees and the reviews the Trustee has undertaken, the Trustee believes Principal AMC has operated in the interests of the Unit holders.

The Sponsor and any of its associates including co-settlers is not responsible or liable for any loss resulting from the operations of the Mutual Fund beyond the initial contribution of an amount of ₹ 25 lakhs towards setting up of Principal Mutual Fund.

3. Investment Objective:

The investment objective of the Scheme is to provide investors with as high a level of income available from short-term investments as is considered consistent with preservation of capital and maintenance of liquidity, by investing in a portfolio of money market and investment grade debt instruments.

4. Significant Accounting Policies

The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Scheme. Accounting policies are in accordance with Securities Exchange Board of India (Mutual Fund) Regulations, 1996.

5. Unclaimed Dividends & Redemptions for the financial year 2013-2014

Scheme	Unclaimed Dividends		Unclaimed Redemptions	
	Amount (₹ in Lacs)	No. of Investors	Amount (₹ in Lacs)	No. of Investors
Principal Cash Management Fund	0.16	54	0.43	86

6. Investor Grievances

The data on Investor Grievance as per the SEBI prescribed is enclosed herewith as Annexure I.

7. General Policies & Procedures for exercising the voting rights & Exercise of Proxy Votes

As per the requirements of the SEBI Circular No. SEBI/IMD/CIR No.18/198647/2010 dated March 15, 2010, the General policies and procedures for exercising voting rights (along with the relevant disclosures) in respect of the shares held by the Schemes of Principal Mutual Fund; has been hosted on our website – www.principalindia.com

8. Statutory Information

- The Sponsors/Co-Settlers are not responsible or liable for any loss resulting from the operations of the Schemes of Principal Mutual Fund beyond their initial contribution of an amount of ₹ 25 lakhs towards setting up Principal Mutual Fund, and such other accretions/ additions to the same;
- The price and redemption value of the units, and income from them, can go up as well down with fluctuations in the market value of its underlying investment;
- Full Annual Report shall be disclosed on the website www.principalindia.com and shall also be available for inspection at the Head Office of Principal Mutual Fund. Present and prospective unitholder can obtain copy of the trust deed, the full Annual Report of the Fund / AMC at a price.

Acknowledgement

The Trustee wish to thank Securities and Exchange Board of India, Reserve Bank of India and Association of Mutual Funds in India for their support and direction. The Trustees also wish to thank all the Unitholders for their strong support.

For Principal Trustee Company Private Limited

Date : April 28, 2014
Place : Mumbai

Sd/-
V. S. Mathur
Chairman

Annexure – I

Redressal of Complaints received against Mutual Funds(MFs) during 2013-2014:

Principal Mutual Fund Total number of folios as on March 31, 2014 – 5,25,202

Complaint Code	Type of Complaint #	(a) No. of complaints pending at the beginning of the year Total	(b) No of complaints received during the year Total	Action on (a) and (b)								
				Resolved				Non Actionable*	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days		0-3 months	3-6 months	6-9 months	9-12 months
IA	Non receipt of Dividend on Units	-	2	1	1	-	-	-	-	-	-	-
IB	Interest on delay payment of dividend	-	-	-	-	-	-	-	-	-	-	-
IC	Non receipt of Redemption Proceeds	4	201	200	1	-	-	-	4	-	-	-
ID	Interest on delay payment of redemption	1	1	1	1	-	-	-	-	-	-	-
IIA	Non receipt of Statement of Account/Unit Certificate	-	-	-	-	-	-	-	-	-	-	-
IIB	Discrepancy in Statement of Account	2	824	824	-	-	-	-	2	-	-	-
IIC	Non receipt of Annual Report/Abridged Summary	-	-	-	-	-	-	-	-	-	-	-
IIIA	Wrong switch between Schemes	-	8	8	-	-	-	-	-	-	-	-
IIIB	Unauthorized switch between Schemes	-	-	-	-	-	-	-	-	-	-	-
IIIC	Deviation from Schemes attributes	-	-	-	-	-	-	-	-	-	-	-
IIID	Wrong or excess charges/load	-	-	-	-	-	-	-	-	-	-	-
IIIE	Non updation of changes viz. address, PAN, bank details, nomination, etc	-	125	125	-	-	-	-	-	-	-	-
IV	Others	8	292	298	2	-	-	-	-	-	-	-
	Total	15	1453	1457	5	0	0	0	6	0	0	0

Notes: # including against its authorized persons/distributors/employees etc. * Non actionable means the complaints that are incomplete / outside the scope of Mutual Fund

ABRIDGED BALANCE SHEET AS AT MARCH 31, 2014

	(₹ In Lacs)	
	As at March 31, 2014	As at March 31, 2013
LIABILITIES		
Unit Capital	91,783.71	89,215.14
Reserves & Surplus		
Unit Premium Reserves	11.14	103.42
Unrealised Appreciation Reserve	28.59	0.09
Other Reserves	16,320.84	10,577.16
Loans & Borrowings	21,150.00	-
Current Liabilities & Provisions		
Provision for doubtful Income/Deposits	-	-
Other Current Liabilities & Provisions	69.31	186.52
TOTAL	129,363.59	100,082.33
ASSETS		
Investments		
Listed Securities:		
Equity Shares	-	-
Preference Shares	-	-
Equity Linked Debentures	-	-
Other Debentures & Bonds	-	-
Securitized Debt securities	-	-
Securities Awaited Listing:		
Equity Shares	-	-
Preference Shares	-	-
Equity Linked Debentures	-	-
Other Debentures & Bonds	-	-
Securitized Debt securities	-	-
Unlisted Securities		
Equity Shares	-	-
Preference Shares	-	-
Equity Linked Debentures	-	-
Other Debentures & Bonds	-	-
Securitized Debt securities	-	-
Government Securities		
Treasury Bills	1,165.34	990.42
Commercial Paper	30,139.22	53,675.50
Certificate of Deposits	63,789.37	24,502.19
Bill Rediscounting	-	-
Units of Domestic Mutual Fund	-	-
Foreign Securities	-	-
Total Investments	95,093.93	79,168.11
Deposits	30,961.12	18,025.00
Other Current Assets		
Cash & Bank Balance	25.72	32.38
CBLO/ Reverse Repo Lending	3,038.84	117.83
Others	243.98	2,739.01
Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL	129,363.59	100,082.33

Notes to Accounts – Annexure I

ABRIDGED REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014

	(₹ In Lacs)	
	Current Year ended March 31, 2014	Previous Year ended March 31, 2013
INCOME		
Dividend	-	-
Interest (Refer Note 6 of Notes to Accounts)	17,741.16	19,099.84
Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
Realised Gains / (Losses) on Interscheme sale of investments	0.17	(0.00)
Realised Gains / (Losses) on External sale / redemption of investments	(72.02)	71.71
Realised Gains / (Losses) on Derivative Transactions	-	-
Other Income	-	-
	(A)	17,669.31
EXPENSES		
Management fees	65.67	70.46
Service tax on Management fees	8.12	8.71
Transfer agents fees and expenses	22.50	22.18
Custodian fees	8.22	8.82
Trusteeship fees	19.88	21.15
Commission to Agents	69.84	135.73
Marketing & Distribution expenses	2.42	2.39
Audit fees	0.08	0.09
Other operating expenses (Refer note 4 of Notes to Accounts)	45.77	14.62
	(B)	242.50
NET REALISED GAINS / (LOSSES) FOR THE YEAR (A - B = C)	17,426.81	18,887.40
Change in Unrealised Depreciation in value of investments (D)	0.23	1.57
NETGAINS / (LOSSES) FOR THE YEAR(E=(C-D))	17,426.58	18,885.83
Change in unrealised appreciation in the value of investments (F)	28.73	0.52
NET SURPLUS / (DEFICIT) FOR THE YEAR(E + F = G)	17,455.31	18,886.35
Opening Balance	10,577.16	27,270.96
Add: Balance transfer from Unrealised Appreciation Reserve	0.09	1.13
Less: Balance transfer to Unrealised Appreciation Reserve	28.59	0.09
Add / (Less): Equalisation	(8,609.26)	(32,122.00)
Total (Including G)	19,394.71	14,036.35
Dividend appropriation		
Income Distributed during the year	2,303.36	2,616.35
Tax on income distributed during the year	770.51	842.84
Retained Surplus / (Deficit) carried forward to Balance sheet	16,320.84	10,577.16

Notes to Accounts – Annexure I

NOTES TO ACCOUNTS

Annexure I to the Abridged Balance Sheet and Revenue Account for the Year Ended 31 March, 2014

1 Investments :-

- 1.1 Except Government Securities, CBLO's and Treasury Bills all other investments of the scheme are registered in the name of Principal Trustee Company Pvt. Ltd. - Trustee to Principal Mutual Fund for the benefit of the Schemes unitholders.
- 1.2 There was no exposure to derivative products during the year ended March 31, 2014 & previous year ended March 31, 2013.
- 1.3 During the year ended March 31, 2014 the scheme has made investments in securities of the Associate / Group Companies of the Sponsor. Details of Aggregate Value of Investments made by the schemes of Principal Mutual Fund during the year ended March 31, 2014 is given in Annexure II.
The above investments were considered sound before making investment. The AMC evaluated the same on merits and on arm's length basis and in accordance with the investment objectives of the respective Schemes.
- 1.4 There are no open position of securities borrowed and / or lent by the scheme as at March 31, 2014 and as at March 31, 2013.
- 1.5 Non Performing Assets as at March 31, 2014 is ₹ Nil (as at March 31, 2013 is ₹ Nil).
- 1.6 Aggregate value of Unrealised Gain / Loss as at the end of the Financial Year / Period, expressed as a percentage to Net Assets.

Scheme	Year ended 31-March-2014		Year ended 31-March-2013	
	Unrealised Gain / (Loss)	% to Net Assets	Unrealised Gain / (Loss)	% to Net Assets
Principal Cash Management Fund	28.59	0.03	0.09	0.00

- 1.7 Aggregate Value of Purchase and Sale made during the year, expressed as a percentage of Average Daily Net Asset Value :

	Purchases		Sales*	
	Amount	% of Avg. Net Assets	Amount	% of Avg. Net Assets
March 31, 2014	2,510,986.26	1,263.29	2,496,681.73	1,256.09
March 31, 2013	2,623,618.18	1,236.52	2,625,592.73	1,237.45

* Sales includes redemptions / maturities

- 1.8 The Aggregate book value of Non-Traded / Thinly traded Debt Investments, which have been valued in good faith in accordance with the guidelines for valuation of securities of Mutual Fund issued by SEBI, expressed as percentage to Net Assets is given below :

Scheme	Year ended 31-March-2014		Year ended 31-March-2013	
	Amount	% of Net Assets	Amount	% of Net Assets
Book Value	93,589.04	86.54	77,782.12	77.97
Market / Fair Value	93,928.58	86.85	78,178.31	78.36

- 2 As per the requirements of Regulation 25 (8) of SEBI Regulation 1996, the details of Payments made to Associates during the year is given in Annexure III.
- 3 As per the SEBI disclosure wide circular No. MFD/CIR No. 3/211/2001 dated April 30, 2001; The scheme does not have a single unitholder holding more than 25% of the NAV as on March 31, 2014.
- 4 Expenses are exclusive of Service Tax amount. The Service Tax amount has been included in Other Operating Expenses except for Service Tax on Management Fees which has been reported separately.
- 5 Investments in Pass Through Certificates (PTC) issued by IL&FS Trust Company Limited (ITCL)* For A.Y. 2009-10 and 2010-11, the Income Tax Authorities had initiated proceedings for recovery of tax, in respect of income from investments made in Pass Through Certificates (PTCs) by the Scheme. The said demand, raised originally on ITCL (as Trustees to Indian Corporate Loan Securitization Trust 2008 Series 33, Loan Receivable Trust April 2008, Indian Commercial Loan Trust Series II 2008, Indian Commercial Loan Trust Series III 2008 and India Commercial Loan Trust Series I 2010), was sought to be recovered from various Mutual Funds (being Beneficiaries of the Trusts) including PMF. PMF, through its Trustees filed Writ Petitions before the Bombay High Court and obtained necessary reliefs for stay of the demand till the adjudication of the appeal by the first Appellate Authority. During the year Order of the CIT (A) received by ITCL, granting deduction for payments made to Pass Through Certificate (PTC) holders by the Trusts as an allowable expense. Consequently the assessed income of the ITCL was substantially reduced and ITCL has subsequently filed appeals against the CIT (A) orders with the Income-tax Appellate Tribunal.
- 6 Details of movements in Unit Capital during the year is given in Annexure IV.
- 7 Previous year's figures have been regrouped and reclassified, wherever necessary, to make them comparable.
- 8 There was no Contingent Liability for the current financial year & previous financial year.

Annexure - II

Details of Investments made in Associates / Group Companies (₹ In Lacs)

Scheme	Equity Shares	
	2013-2014	2012-2013
LARSEN & TOUBRO LTD		
GROWTH	22.41	499.15
INDEX	33.42	209.09
LCAP	1,277.91	874.12
PTSF	1,421.50	974.42
SMART	262.91	237.49
TAX96	-	414.85
MIP	-	4.41
MIPPL	-	4.40
PBF	0.96	19.27

(₹ In Lacs)

Scheme	Equity Shares	
	2013-2014	2012-2013
PUNJAB NATIONAL BANK		
INDEX	4.43	26.82
MIP	-	0.76
MIPPL	-	0.76

Scheme	Equity Shares	
	2013-2014	2012-2013
ALLAHABAD BANK ¹		
PEBF	-	154.10

¹ Effective September 21, 2012, the same ceases to be our associate and hence the data for F.Y.2012-2013 is only till September 21, 2012.

SCHEME CODE LIST: • FR-FMP - Principal Debt Opportunities Fund - Conservative Plan • FR-SMP - Principal Debt Opportunities Fund - Corporate Bond Plan • GROWTH - Principal Growth Fund • INDEX - Principal Index Fund • LCAP - Principal Large Cap Fund • LIQUID - Principal Cash Management Fund • MIP - Principal Debt Savings Fund - MIP • MIPPL - Principal Debt Savings Fund - Retail Plan • PBF - Principal Balanced Fund • PDYF - Principal Dividend Yield Fund • PEBF - Principal Emerging Bluechip Fund • PTSF - Principal Personal Tax Saver Fund • SMART - Principal Smart Equity Fund • STP - Principal Income Fund - Short Term Plan • TAX96 - Principal Tax Savings Fund • LIQPLS - Principal Bank CD Fund

Annexure - III

Commission Paid to Associates / Related Parties / Group Companies of Sponsor AMC

Name of the Associates	Nature of Association / Nature of Relation	Period covered	Business Given (₹ In Crores)	% of Business Given to total Business Received	Commission Paid (₹)	% of Commission paid to total Commission paid
Punjab National Bank	Company Holding 30% stake in the Investment Manager of the Schemes of the Fund	FY 2013-14	932.71	1.61%	198,167.70	2.25%
		FY 2012-13	1,022.75	1.69%	202,492.83	1.50%
PNB Gilts Ltd	Associate of Investment Manager	FY 2013-14	-	0.00%	55,673.08	0.63%
		FY 2012-13	1,839.07	3.04%	1,278,991.55	9.46%
Principal Retirement Advisors Private Limited (earlier known as Pnb Principal Financial Planners Private Limited)	Associate of Investment Manager	FY 2013-14	0.40	0.00%	1,599.76	0.02%
		FY 2012-13	12.10	0.02%	8,629.02	0.06%
Allahabad Bank ¹	Common Directorship	FY 2013-14	-	0.00%	8.80	0.00%
		FY 2012-13	-	0.00%	-	0.00%
Principal Consulting (India) Private Limited	Associate of Investment Manager	FY 2013-14	-	0.00%	1,763.06	0.02%
		FY 2012-13	72.21	0.12%	60,078.77	0.44%

¹ Effective September 21, 2012, the same ceases to be our associate and hence the data for F.Y.2012-2013 is only till September 21, 2012.

Note: Commission paid to associates has been disclosed on payment basis and business given indicates Gross Mobilisation (net of rejections, if any) during the corresponding period for which the commission paid has been disclosed.

Fees/Charges Paid to Associates / Related Parties / Group Companies of Sponsor AMC

Name of the Related Party	Nature of Transactions	For the year ended March 31, 2014 (₹)	Outstanding as at March 31, 2014 (₹)	For the year ended March 31, 2013 (₹)	Outstanding as at March 31, 2013 (₹)
Punjab National Bank	Bank Charges	134,876	-	147,579	-

Annexure – IV

Details of Movement in Unit Capital for the year ended 31 March 2014

Scheme	Opening Balance *	Subscription *	Redemption *	Closing Balance *
Principal Cash Management Fund - Growth Option	4,707,967,760	142,083,020,927	142,216,105,904	4,574,882,783
Principal Cash Management Fund - Daily Dividend Option	763,893,535	49,259,871,582	48,181,781,771	1,841,983,346
Principal Cash Management Fund - Weekly Dividend Option	18,225,180	193,327,779	202,920,392	8,632,567
Principal Cash Management Fund - Monthly Dividend Option	35,085,364	24,686,160	44,241,537	15,529,987
Principal Cash Management Fund - Direct Growth Option	2,885,384,426	272,235,136,809	273,079,289,103	2,041,232,132
Principal Cash Management Fund - Direct Daily Dividend Option	510,780,108	41,606,471,151	41,436,493,432	680,757,827
Principal Cash Management Fund - Direct Weekly Dividend Option	28,588	74,063,676	60,903,653	13,188,611
Principal Cash Management Fund - Direct Monthly Dividend Option	148,624	7,846,124	5,830,601	2,164,147

- : indicates Nil * Face Value is ₹ 1,000 per unit.

KEY STATISTICS FOR THE YEAR ENDED 31 MARCH, 2014

PRINCIPAL CASH MANAGEMENT FUND

Particulars	Regular Plan								Direct Plan								
	Daily Dividend Option		Weekly Dividend Option		Monthly Dividend Option		Growth Option		Daily Dividend Option		Weekly Dividend Option		Monthly Dividend Option		Growth Option		
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	
1. NAV per unit (₹):																	
Open	1000.0700	1000.0700	1006.7945	1006.5989	1021.7840	1014.5638	1140.4133	1668.4675	1000.0700	-	1006.8071	-	1021.8067	-	1140.7182	-	
High 1002.2997	1001.0802	1000.0700	1008.3526	1008.0171	1032.3114	1026.9882	1246.2713	1820.3853	1001.1718	1000.0700	1009.1270	1007.5956	1032.4187	1027.0975	1247.8848	1820.8271	
Low	997.5299	1000.0700	1004.3304	1006.0000	1021.6953	1014.5288	1141.0462	1138.3145	997.5327	1000.0700	1004.4473	1006.0000	1021.7155	1019.4629	1141.3579	1138.5970	
End	1000.3037	1000.0700	1006.8350	1006.7945	1024.1107	1021.7840	1245.3047	1140.4133	1000.3870	1000.0700	1007.5741	1006.8071	1024.1383	1021.8067	1246.9067	1140.7182	
2. Closing Assets Under Management (₹ in Lakhs)																	
End	18,439.73	7,634.90	86.98	183.49	159.17	358.50	57,015.45	53,563.94	6,815.56	5,105.08	132.99	0.29	22.18	1.52	25,472.23	32,914.11	
	March 31, 2014								March 31, 2013								
Average (AAUM) - Regular Plan (₹ in Lakhs)	81,102.91								187,938.88								
- Direct Plan (₹ in Lakhs)	117,662.46								98,299.23								
3. Gross income as % of AAUM ¹	8.89%								9.04%								
4. Expense Ratio:																	
a. Total Expense as % of AAUM (plan wise)																	
- Regular plan	0.19%								0.14%								
- Direct Plan	0.08%								0.09%								
b. Management Fee as % of AAUM (plan wise)																	
- Regular plan	0.04%								0.03%								
- Direct Plan	0.03%								0.03%								
5. Net Income as a percentage of AAUM ²	8.77%								8.90%								
6. Portfolio turnover ratio ³	-								-								
7. Total Net Dividend per unit distributed during the year / period (plan wise)	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	
Corporates	65.51	68.14	66.11	68.07	66.06	64.65	-	-	66.21	16.07	66.36	16.44	66.47	14.72	-	-	
Non-Corporates	68.40	70.58	69.03	70.54	68.97	66.97	-	-	69.14	16.76	69.29	17.14	69.40	15.35	-	-	
8. Returns (%) ⁴	March 31, 2014				March 31, 2013				March 31, 2014				March 31, 2013				
a. Last One Year	9.28				9.36				9.39				N.A.				
Benchmark	9.54				8.17				9.54				N.A.				
b. Since Inception	7.46				7.25				9.32				2.13				
Benchmark	6.88				6.58				9.22				1.88				

Crisil Liquid Fund Index

Past performance may or may not be sustained in the future.

* Calculated after considering that all dividend payouts / bonus have been reinvested in the Scheme at the then prevailing NAV. Returns are calculated only in respect of Growth Plan/Option, on compounded annualised basis for a period of more than one year and on an absolute basis for a period less than one year.

¹ - Indicates NIL.

² Gross income = amount against (A) in the Revenue account i.e. Income.

² Net income = amount against (C) in the Revenue account i.e. NET REALISED GAINS / (LOSSES) FOR THE YEAR / PERIOD

³ Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.

⁴ AAUM=Average daily net assets

General Policies & Procedures for exercising the voting rights & Exercise of Proxy Votes: As per the requirements of SEBI Circular No. SEBI/IMD/CIR No.18/198647/2010 dated March 15, 2010, the General policies and procedures for exercising voting rights (along with the relevant disclosures) in respect of the shares held by the Schemes of Principal Mutual Fund has been disclosed in the Annual Report of the Schemes and also hosted on www.principalindia.com



NOMINATION

Investors who may have not as yet appointed a Nominee for their Investments, are advised to appoint their nominee(s). All that needs to be done, is to submit a duly filled-up Nomination Form at the OPT nearest to you. A nominee is entitled to receive units allotted to the unitholder; in the event of unfortunate demise of a unitholder. Failure to appoint a nominee, could involve a complex and a more time consuming procedure for transmission/redemption of units. Nomination Forms can be procured from any of OPTs or downloaded from www.principalindia.com.

**Mutual Fund investments are subject to market risks,
read all scheme related documents carefully.**