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**Quantum Mutual Fund**

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Fax: 022 2285 4318

Email: info@QuantumAMC.com

Website: www.QuantumAMC.com

**Board of Directors – Quantum Trustee Company Private Limited (Trustee to Quantum Mutual Fund)**

Mr. Jagdish Capoor	Chairman
Mr. Hormazdiyaar Vakil	Trustee
Mr. Mahesh Vyas	Trustee
Mr. Satish Mehta	Trustee

**Board of Directors – Quantum Asset Management Company Private Limited (Investment Manager to Quantum Mutual Fund)**

Mr. Ajit Dayal	Chairman
Mr. Suresh Lulla	Director
Mr. C. Srinivasan	Director
Mr. I. V. Subramaniam	Director

## SPONSOR

**Quantum Advisors Private Limited**

Registered Office : #103-104, 1st Floor,  
Regent Chambers, Nariman Point,  
Mumbai – 400021

## ASSET MANAGEMENT COMPANY

**Quantum Asset Management Company Private Limited**

Registered Office : #107-108, 1st Floor,  
Regent Chambers, Nariman Point,  
Mumbai – 400021  
Tel. No. : 022-2287 5923  
Toll Free no. 1800 22 3863  
Website : [www.QuantumAMC.com](http://www.QuantumAMC.com)

## TRUSTEE

**Quantum Trustee Company Private Limited**

Registered Office : #107-108, 1st Floor,  
Regent Chambers, Nariman Point,  
Mumbai – 400021  
Tel. No. : 022-2287 5923

## REGISTRAR &amp; TRANSFER AGENTS

**Karvy Computershare Private Limited**

21, Avenue 4, Street No. 1, Banjara Hills,  
Hyderabad 500 034  
Andhra Pradesh.

## CUSTODIAN

**The Hongkong & Shanghai Banking Corporation Ltd., (HSBC)**

Corporate, Investment Banking & Markets,  
S. K. Ahire Marg, Worli,  
Mumbai – 400 030

## BANKER TO THE ISSUE

**HDFC Bank Ltd**

Maneckji Wadia Bldg,  
Nanik Motwani Marg,  
Mumbai-400023

## STATUTORY AUDITORS

**M/s Haribhakti & Co., Chartered Accountants**

42, Free Press House, 4th Floor,  
215, Nariman Point,  
Mumbai – 400 021

**TRUSTEE REPORT TO THE UNITHOLDERS OF  
QUANTUM MUTUAL FUND FOR THE YEAR ENDED MARCH 31, 2007**

Dear Unitholders,

We have great pleasure in presenting the Second Annual Report of Quantum Mutual Fund ('the Fund') for the year ended March 2007, along with the audited financial statements for that period.

**Schemes of Quantum Mutual Fund**

Quantum Mutual Fund ('the Fund') was set up on December 2, 2005. The Fund launched its first scheme 'Quantum Long-Term Equity Fund' (QLTEF) – an open ended equity scheme, on February 8, 2006. The New Fund Offer (NFO) period closed on February 25, 2006, units were allotted on March 13, 2006.

As on the date of this report, the Fund has two schemes under management.

**Schemes launched during the year**

During the year, the Fund launched its second scheme "Quantum Liquid Fund" (QLF) – an open ended liquid scheme on April 3, 2006. The NFO period closed on April 4, 2006 and units were allotted on April 7, 2006.

The Fund has not launched any further schemes during the year.

**Investment Objective, Strategy and Process of QLF**

The investment objective of QLF is to provide optimal returns with low to moderate levels of risk and high liquidity through judicious investments in money market and debt instruments. The resources of the scheme have been invested in line with the investment objective.

The investment strategy of QLF is to maintain consistent performance by balancing yields and safety as well as maintaining high liquidity. Various risks carried by debt investments such as Interest Rate Risk, Liquidity Risk, default Risk, etc., cannot be eliminated, but can be minimized by diversification and hedging. The fund management team has a Dynamic Model in place to balance and minimize the various risks in the debt markets. The fund management team would actively track the local interest rate markets as well as developments in global markets and accordingly rebalance the portfolio of QLF.

As the primary objective of QLF is to provide high liquidity with minimal volatility in returns, the Fund Manager would invest significant portion of its assets in short term/ floating rate assets which carry low market risk.

The investment process is systematic, disciplined and research driven. All the investment decisions are arrived at after using a well researched Top-Down approach. The research process combines the macro factors (broad economy) and micro factors (security level) for investment decisions.

**Amount Mobilized:**

QLF mobilized a sum of Rs. 13.37 crores during the New Fund Offer (NFO) period from 24 Unitholders. An additional amount of Rs. 15.95 crores was raised after the NFO till March 31, 2007 from 87 Unitholders at the prevailing NAV. As on March 31, 2007, QLF's net collection was a sum of Rs. 29.32 crores from 111 Unitholders. As on the date of this report, the Assets Under Management of QLF were Rs. 18.98 crores.

**Performance:**

As on March 31, 2007, the total Net Asset Value (NAV) of QLF was Rs. 29.98 crores. Since inception till March 31, 2007, the NAV of QLF had increased by 6.87%, as compared to the benchmark Crisil Liquid Fund Index which had increased by 5.99%.

The last day of the 2006-07 fiscal saw frenzied activity in the money markets. Banks' demand for funds increased on account of the year-end balance sheet requirements and regulatory compulsions. The

short term money market rates were way above the average with the overnight call rates (which is the cost of inter-bank borrowing and lending) touching 80%. QLF benefited from the high short-term rates. QLF's strategy of maintaining a balance between floating and fixed rate assets at the end of March 2007 paid off well. QLF increased the weighted average maturity profile of investments from 71 to 85 days to gain from the high fixed rates available in the 3 month segment. The existence of floating rate instruments also allowed QLF to take advantage of the steep rise in overnight rates.

#### **Investment Objective, Amount Mobilized and Performance of QLTF – existing scheme:**

The investment objective of QLTF is to achieve long-term capital appreciation by investing primarily in shares of companies that are typically included in the BSE 200 index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets. The resources of the scheme have been invested in line with the investment objective.

QLTF mobilized a sum of Rs. 10.57 crores during the NFO period from 760 Unitholders. As on March 31, 2007, the Fund had collected a sum of Rs. 27.51 crores from 1,565 Unitholders. As on the date of this report, the QLTF assets under management were over Rs. 35 crores.

The performance of QLTF as at March 31, 2007 is tabled below:

Period	Returns (%)	Benchmark Returns (%)
Last 1 year*	12.12	19.17
Since inception**	14.00	23.27

Past performance may or may not be sustained in future.

\*Absolute Returns

\*\*Compounded Annualised Returns

Returns are for Growth Option

Benchmark Index: BSE 30 Total Return Index

Date of Inception/Allotment: March 13, 2006

#### **Direct Marketing:**

Quantum Mutual Fund is dedicated to service its investors in every way and has adopted a unique method of directly marketing its schemes through the internet and other cost-effective means and does not use the traditional distribution led marketing approach. By dealing directly with the investor and adopting a low-cost marketing approach, the Fund saves money by eliminating commissions and trail commissions, and minimizing other expenses, that are normally borne by investors. The Fund believes in directly marketing its schemes keeping the costs low, as a result of which a greater proportion of the investors' money gets invested.

Your Fund is the first in the industry to adopt this unique direct marketing approach and has received wide media coverage and appreciation for its efforts to collect assets without appointing intermediaries.

#### **Investor Services:**

The Fund's initiative to continuously educate the general investor community and to consider investor's interest as prime has been appreciated by one and all.

At Quantum, our constant endeavour is to educate and update the investor and to offer the investor a high degree of convenience, through effective use of technology. With the objective of making his investment experience with Quantum a satisfying one, we provide various facilities such as:

- Our website ([www.QuantumAMC.com](http://www.QuantumAMC.com)) : This contains on-line access of Quantum Direct, our monthly news letter introduced in November 2006 on topical articles, the monthly fact sheet and comprehensive relevant information. Our web-site also provides various online tools that

allow easy navigation. It also provides online investment facility, making the investment process simpler and easier for the investor.

- Investors can invest through the Systematic Investment Plan (SIP) route via ECS (Electronic Clearing Service). This means that the investor does not have to issue post-dated cheques for investment through SIP. Just giving a one-time debit instruction to his bank would suffice.
- With a view to enhancing customer convenience, the AMC provides Direct Credit facility (for direct credit of redemption and dividend proceeds) wherever the investor's bank is using NEFT or RTGS platform of RBI.
- The AMC has designated eight branches of Karvy Computershare Private Limited to act as its Investor Service Centre. These branches are located across all major cities i.e., Mumbai, Delhi, Kolkatta, Bangalore, Chennai, Ahmedabad, Hyderabad and Pune.

### Market Outlook

#### QLTEF

The Indian market offers a lot of opportunities. A good number of stocks are trading at reasonable valuations. Infrastructure, outsourcing and domestic consumption are broad themes which will benefit a number of companies. However, caution has to be exercised as valuations of companies outrun their fundamentals due to excess global liquidity. We would endeavour to buy good stocks at reasonable prices.

#### QLF

The growth in Indian economy has led to an increased demand for credit flow from Banks and Financial Institutions to individuals and the corporates. This had resulted in rising interest rates in India in the last three years. The debt markets were evidently very volatile last year with deposit and lending rates increasing by 3.0-4.0%. The 10 year government bond yield hovered in the 7.5% - 8.5% mark. We expect government bond yields to remain stable this fiscal on primarily three factors – GDP growth to moderate to around 7.5% - 8.0%; Inflation at around 5.0% and slower credit growth at around 20.0%. On the other hand, we expect corporate bond yields to move up further and its spread over the government bonds to widen, on higher issuances and fragile investor appetite.

The Central Bank is expected to leave its benchmark interest rates unchanged but would actively utilize its tools to manage the liquidity situation. Any excess liquidity in the system would be sucked out by active MSS (Market Stabilization Scheme) issuances and/or CRR (Cash Reserve Ratio) hikes and vice versa. We also assign some possibilities to an SLR (Statutory Liquidity Ratio) cut during the year on continued signs of credit growth moderating. This eventuality would keep bond price gains capped.

One key risk to all assessments is a renewed bout of global risk aversion. It could manifest from US sub-prime woes, weakening US economy, fallout of LBO (Leveraged Buy Out) deals, US treasury and credit markets, China's economy...but wherever it comes from, the impact would be felt across the globe. That is the price to pay for financial integration.

### Statutory Details

Quantum Mutual Fund (QMF/the Fund) has been constituted in accordance with the provisions of the Indian Trust Act, 1882 and is registered as a Trust under the Indian Registration Act, 1908. QMF has also been registered with the Securities and Exchange Board of India (SEBI). Quantum Advisors Private Limited is the settlor and sponsor of QMF and has contributed a sum of Rs. 100,000/- (Rupees One Lakh only) for setting up the Fund. In terms of the Trust Deed dated 7th October, 2005, Quantum Trustee Company Private Limited ('Trustee Company') has been appointed as the Trustee of the Fund. The Trustee Company is responsible for holding the Trust property. The Trustee Company has appointed Quantum Asset Management Company Private Limited (Quantum AMC) as the Asset Management Company of QMF. Quantum AMC is required to manage the Fund's schemes in

accordance with the offer document of the scheme and comply with the provisions of the Trust Deed and the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time. The Sponsor is not responsible or liable for any loss resulting from the operations of the Fund beyond the initial contribution of Rs. 100,000/-. The Annual Results of the Fund have been approved by the Board of Directors of the Trustee Company and the Board of Directors of the Asset Management Company on August 29, 2007.

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

On written request, present and prospective Unitholders/Investors can obtain a copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant Scheme.

#### **Liabilities and Responsibilities of Trustees and Sponsors**

The main responsibility of the Trustees is to safeguard the interests of the unitholders and inter-alia ensure that Quantum Asset Management Company Private Limited (Quantum AMC) functions in the interest of the investors and in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the provisions of the Trust Deed and the Offer Document of the scheme. From the information provided to the Quantum Trustee Company Private Limited and the reviews it has undertaken, the Directors of the Trustee Company believe that Quantum AMC has been conducting the operations of Quantum Mutual Fund in the interest of the unitholders and in accordance with the applicable regulatory requirements.

#### **Annual Results**

The Balance Sheet as on March 31, 2007 and the Revenue Account for the year ended March 31, 2007 in respect of QLTEF and QLF, the existing two schemes of Quantum Mutual Fund as on March 31, 2007 are annexed to this report.

#### **Acknowledgement**

The Directors of the Trustee Company wish to thank the unitholders of QLTEF and QLF for their encouraging response to the scheme and the Securities and Exchange Board of India (SEBI) as well as the Association of Mutual Funds in India (AMFI) for the valuable guidance provided by them. The Directors also appreciate the services and support provided by all concerned including the Registrar and Transfer Agent, Custodian, Bankers and Quantum Asset Management Company Private Limited.

For and on behalf of the Board of Directors of  
**Quantum Trustee Company Private Limited**

**Jagdish Capoor**  
Chairman

Date: August 29, 2007

Place: Mumbai

Encl.: Audited Accounts and Auditors Report

Profit with Process



**AUDITORS' REPORT**  
**TO THE BOARD OF TRUSTEES OF QUANTUM TRUSTEE COMPANY PRIVATE LIMITED**

We have audited the attached Balance Sheet of the Scheme '**Quantum Long - Term Equity Fund**' of **Quantum Mutual Fund** as at 31st March, 2007 and the Revenue Account of the Scheme for the year ended 31st March, 2007 and report thereon as follows:

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

For **HARIBHAKTI & CO.**  
**Chartered Accountants**

**CHETAN DESAI**  
**Partner**

Place : Mumbai,  
Date : August 29, 2007

Membership No.17000

QUANTUM LONG-TERM EQUITY FUND  
BALANCE SHEET AS AT 31st March, 2007

		Schedule March 31, 2007 Amount (Rs)	March 31, 2006 Amount (Rs)
<b>LIABILITIES</b>			
Unit Capital	' A '	265,527,843	110,348,966
Reserves and Surplus	' B '	38,959,132	2,526,416
Current Liabilities and Provisions	' C '	1,516,790	2,755,956
<b>Total</b>		<b>306,003,765</b>	<b>115,631,338</b>
<b>ASSETS</b>			
Investments	' D '	299,249,677	111,807,458
Other Current Assets	' E '	4,677,928	1,253,881
Deferred Revenue Expenses not written off	' F '	2,076,160	2,569,999
<b>Total</b>		<b>306,003,765</b>	<b>115,631,338</b>
Notes forming part of Accounts	' G '		

For Haribhakti & Co.

Chetan Desai  
Partner  
Membership No : 17000

For Quantum Trustee  
Company Pvt Ltd

Mr. Jagdish Capoor  
(Chairman)

Mr. Hormazdiyaar S.Vakil  
(Director)

For Quantum Asset Management  
Company Pvt Ltd

Mr. Ajit Dayal  
(Director)

Mr. I.V. Subramaniam Mr.Devendra Nevgi  
(Director) (CEO & CIO)

Mr. Atul Kumar  
(Fund Manager)

Place : Mumbai

Date : August 29, 2007



QUANTUM LONG-TERM EQUITY FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED 31st March, 2007

	Schedule March 31, 2007 Amount (Rs)	March 31, 2006 Amount (Rs)
<b>INCOME</b>		
Dividend	3,058,804	-
Interest	1,930,435	413,473
Profit on sale / redemption of investments (Other than inter-scheme transfer / sale)	11,558,995	-
Profit on inter scheme transfer / sale of investments	-	-
<b>Total</b>	<b>16,548,234</b>	<b>413,473</b>
<b>EXPENSES AND LOSSES</b>		
Management fees	2,938,995	205,647
Trustee expenses	258,225	16,516
Marketing & Selling Expenses	3,784,595	1,480
Audit fees	168,360	110,200
Custodian fees	640,093	53,733
Registrar & Transfer Agent's fees	1,102,503	112,152
Bank Charges	-	1,064
Insurance Premium	271,673	45,916
Other operating expenses	391,196	-
Preliminary Expenses Written Off	539,510	75,375
<b>Total</b>	<b>10,095,150</b>	<b>622,083</b>
<b>Less: Excess of Expenditure over permissible limit recovered from AMC</b>	<b>3,644,293</b>	<b>171,405</b>
	<b>6,450,857</b>	<b>450,678</b>
Net Surplus / ( Deficit ) for the period	10,097,377	(37,205)
<b>APPROPRIATION ACCOUNT FOR THE PERIOD ENDED 31st March, 2007</b>		
	Schedule	
Net Surplus brought forward from previous year	(37,205)	
Net Surplus / (Deficit) for the period	10,097,377	(37,205)
<b>TOTAL</b>	<b>10,060,172</b>	<b>(37,205)</b>
<b>Net Available Surplus</b>	<b>10,060,172</b>	<b>(37,205)</b>
<b>Net Surplus / ( Deficit ) carried forward</b>	<b>10,060,172</b>	<b>(37,205)</b>
Notes forming parts of Accounts	G	

For Haribhakti & Co.

Chetan Desai  
Partner  
Membership No : 17000

For Quantum Trustee  
Company Pvt Ltd

Mr. Jagdish Capoor  
(Chairman)

Mr. Hormazdiyaar S.Vakil  
(Director)

For Quantum Asset Management  
Company Pvt Ltd

Mr. Ajit Dayal  
(Director)

Mr. I.V. Subramaniam  
(Director)

Mr.Devendra Nevgi  
(CEO & CIO)

Mr. Atul Kumar  
(Fund Manager)

Place : Mumbai  
Date : August 29, 2007

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007

	31st March, 2007		31st March, 2006	
	Units	Amount (Rs)	Units	Amount (Rs)
<b>SCHEDULE 'A'</b>				
<b>UNIT CAPITAL</b>				
<b>(Face Value of Rs. 10 Each)</b>				
Unit Capital (Opening Balance)	11,034,897	110,348,966	-	-
Add : Subscription during Initial Offer period	-	-	-	-
Add : Subscription during the period	15,649,177	156,491,774	11,034,897	110,348,966
Less : Redemption during the period	131,290	1,312,897	-	-
<b>Unit Capital (Closing Balance)</b>	<b>26,552,784</b>	<b>265,527,843</b>	<b>11,034,897</b>	<b>110,348,966</b>
<b>SCHEDULE 'B'</b>				
<b>Reserves &amp; Surplus</b>				
<b>Unit Premium</b>				
Opening Balance		56,764		-
Add \ (Less) : Net Additions \ (Deduction) during the period		9,421,400		56,764
<b>Closing Balance</b>		<b>9,478,164</b>		<b>56,764</b>
<b>UNREALISED APPRECIATION IN THE VALUE OF INVESTMENTS</b>				
Opening Balance		2,506,857		-
Add: Net change during the year		16,913,939		2,506,857
		19,420,796		2,506,857
Surplus/Deficit carried forward		10,060,172		(37,205)
<b>Total Reserves &amp; Surplus</b>		<b>38,959,132</b>		<b>2,526,416</b>
<b>SCHEDULE 'C'</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
Sundry Creditors		19,564		1,480
Purchase contract outstanding		-		2,256,228
Management Fees Payable		910,263		205,647
Trustee Fees Payable		77,877		16,516
Audit Charges Payable		158,915		110,200
Custody Fees Payable		135,920		53,733
Registrar Fees Payable		161,911		122,152
Load Payable		52,340		-
<b>Total</b>		<b>1,516,790</b>		<b>2,765,956</b>

	31st March, 2007		31st March, 2006	
	Units	Amount (Rs)	Units	Amount (Rs)
<b>SCHEDULE 'D'</b>				
<b>INVESTMENTS</b>				
Equity		288,973,924		38,697,792
Repo		-		73,109,666
Unit OF Mutual Fund		5,485,426		-
Invesment in CBLO		4,790,327		-
<b>Total</b>		<b>299,249,677</b>		<b>111,807,458</b>
<b>SCHEDULE 'E'</b>				
<b>OTHER CURRENT ASSETS</b>				
Balances with Banks in Current Account, including cheques on hand		1,858,305		541,614
Sales Contract outstanding		-		13,020
Outstanding and Accrued Income		12,337		-
Subscription Receivable (other than Inter Scheme)		129,178		298,259
Switch in Receivable		264,500		
Recievable from AMC		2,408,688		171,405
Receivable (Others)		4,920		-
Prepaid Insurance Premium		-		229,583
<b>Total</b>		<b>4,677,928</b>		<b>1,253,881</b>
<b>SCHEDULE 'F'</b>				
Miscellaneous Expenditure Not Written off		2,076,160		2,569,999
<b>Total</b>		<b>2,076,160</b>		<b>2,569,999</b>

MUTUAL FUND  
Profit with Process

**SCHEDULE – Quantum Long-Term Equity Fund****Notes:****1. ORGANISATION**

Quantum Long Term Equity Fund ("the Scheme") is an open-ended growth scheme of Quantum Mutual Fund and was launched on February 8, 2006. Quantum Mutual Fund. ('QUANTUM') has been Sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as the Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on February 25, 2006 and is currently open for ongoing subscription.

In accordance with the Securities and Exchange Board of India ("SEBI") (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The investment objective of the Scheme is to achieve long-term capital appreciation. The Scheme offers its investors a Dividend Plan and Growth Plan (collectively 'the Plans').

**2. SIGNIFICANT ACCOUNTING POLICIES****(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of account on an accrual basis. These financial statement have been prepared in accordance with the accounting policies and standards specified in the ninth schedule of Securities and Exchange Board of India ( Mutual Fund) Regulation, 1996 ( the "Regulation") and amendments thereto as applicable.

**(2.2) INVESTMENTS**

Investments are accounted on the trade date. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investments traded during the financial year is recorded and reflected in the financial statements for that year. The cost of investments includes cost of acquisition, brokerage and stamp duty, if any.

Rights/Bonus entitlements, if any, are accounted on ex-right/ex-bonus date of the principal stock exchange.

**(2.3) PORTFOLIO VALUATION**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. The net asset value of the units of the scheme is determined separately for the units issued under the respective Plans in valuing the Scheme's investments.

- I. Equity securities listed on a recognized stock exchange are valued at the last quoted closing price on Mumbai Stock Exchange (BSE) on which the security is traded. If on a particular valuation day a security is not traded on BSE the value at which it is traded on the National Stock Exchange (NSE) of India is used. If no sale is recorded at that time the last quoted closing price of the Mumbai Stock Exchange is used when it is not more than thirty days prior to the valuation date.
- II. Non traded and thinly traded equity securities including those not traded within thirty days prior to valuation date are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI (MF) regulations read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by the Securities and Exchange Board of India (SEBI)
- III. Privately placed equity securities are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is

approved by the Trustee of Quantum Mutual Fund in accordance with the guidelines for valuation of unlisted equity securities for mutual fund dated May 9, 2002 issued by SEBI.

- IV. Equity Securities awaiting listing are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- V. Debt Securities listed on a recognized stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that time such security is valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- VI. Non traded and thinly traded debt securities are valued at fair value as determined in good faith by Quantum Asset Management Private Company Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI (MF) regulations read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and subsequent amendments thereto, as applicable, issued by SEBI.
- VII. Privately placed debt securities are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- VIII. Money market instruments are valued at cost plus accrued interest, traded money market securities are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instruments are valued at cost plus accrued interest.
- IX. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest upto the date of resale.
- X. There were no investments recognised as Non-performing Assets (NPAs), as on March 31, 2007. An investment is regarded as non-performing, if the interest and/or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- XI. The above policies are followed as and when applicable.
- XII. Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulations), the net unrealized appreciation or depreciation in the value of investments is determined separately for each category of investments. Further the change in net unrealized appreciation or depreciation, if any between the two balance sheet dates/ date of determination is recognized in the Revenue Account and the net unrealized appreciation if any is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation/depreciation in the value of investments is transferred to Reverse Fund,

#### (2.4) INVESTMENT INCOME

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned. Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption. Dividend income is recognised on the date the share is quoted on an ex-dividend basis. Profit/loss on sale of investments is accounted

for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

(2.5) NET ASSET VALUE FOR GROWTH / DIVIDEND PLANS

The net asset value of the units of the scheme is determined separately for units issued under the Growth and Dividend Plans.

For reporting the net asset value for the plans, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are allocated to the Plans in proportion to the value of units outstanding.

(2.6) UNIT PREMIUM RESERVE

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the Scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the dividend equalization reserve.

The unit premium reserve is available for dividend distribution except to the extent it is represented by unrealized net appreciation in the value of investments.

(2.7) INCOME EQUALIZATION RESERVE

The net distributable income relating to units issued/repurchased is transferred to/from income equalization reserve for determining the net surplus/deficit, transferred from/to unit premium reserve.

(2.8) CUSTODY FEES

HSBC Limited provides custodial services to the scheme for which it receives custody fees.

(2.9) INVESTMENT MANAGER FEES

The Scheme has paid or provided for investment management fees payable to Quantum Asset Management Company Private Limited for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceed 1.25% of the average daily net asset values recorded by the Scheme upto Rs.100 crores and 1% of the excess over Rs.100 crores. All costs, charges and expenses incurred by Quantum Asset Management Company Private Limited in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 and amendments thereto, as applicable, are on their own account for which they receive investment manager fees.

(2.10) TRUSTEE FEES

Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (Settlor) and Quantum Trustee Company Private Limited, the Fund is authorized to pay the Trust a fee, for rendering service as a Trustee of the Fund.

(2.11) REGISTRAR & TRANSFER AGENT FEES

Karvy Computershare Private Limited provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

(2.12) INCOME TAXES

No Provision for taxation has been made as the schemes qualify as recognized mutual fund under section 10(23D) of the Income –Tax Act, 1961.

(2.13) LOAD

The load collected from the Unitholders will be credited to a separate account under each Plan and is available to be offset against marketing expenses. Surplus lying in this account may be credited to the respective plans by the AMC whenever felt appropriate.

**3. NOTES ON ACCOUNTS**

- (1) The Scheme has two plans Growth Plan and Dividend Plan. A combined Balance Sheet and Revenue Account is prepared for the Scheme.
- (2) The Cost and Market Value/Fair Value of Investments as on March 31, 2007 is given below.

SR.NO.	SECURITIES	COST RS.	MARKET VALUE RS.
1	Equity	269,824,570	288,973,924
2	Investment in CBLO	4,790,327	4,790,326
	<b>TOTAL</b>	<b>274,614,897</b>	<b>293,764,251</b>

- (3) Non Performing investments.

Type of investments	Carrying value Amount (Rs.)	Market value Amount (Rs.)	Provisions
NIL	NIL	NIL	NIL

- (4) Net Asset Value (NAV) per unit of a Face Value of Rs.10 as on March 30, 2007

SCHEME	NAV (March 30, 2007)
Growth Plan	11.47
Dividend Plan	11.47

- (5) Aggregate net appreciation in value of investments as on March 31, 2007 is as follows:

Equity Share	Equity	March 31, 2007	
		In Mutual Funds	Total
Unrealised Appreciation	30,466,100	271,441	30,737,541
Unrealised Depreciation	(11,316,746)	Nil	(11,316,746)
Net Unrealised Appreciation	19,149,354	271,441	19,420,795

- (6) AGGREGATE VALUE OF PURCHASE AND SALE MADE DURING THE YEAR EXPRESSED AS A PERCENTAGE OF AVERAGE DAILY NET ASSETS VALUE OF INVESTMENTS

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs 303,800,717

- As a percentage of average daily net assets is 127.20

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) – Rs 76,512,094

- As a percentage of average daily net assets 32.04%

- (7) INCOME AND EXPENDITURE

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:

Income

- Amount 16,548,234

- As a percentage of average daily net assets 6.93%

Expenditure

- Amount 6,450,857 (Including preliminary expenses w/off Rs. 539,510)

- Recurring expenses as a percentage 2.48% and Preliminary expenses written-off 0.22% of average daily net assets 2.70%



- (8) Investment Management Fees has been computed on the basis of Average Daily Net Assets of the Scheme accrued on a daily basis. Management Fees accrued during the period is Rs.2,938,995/-
- (9) Initial Issue Expenses of Rs. 0.27 Crores is being amortised over a period of 5 years.
- (10) A sum of Rs.52,340/- was collected during the year as exit load from investors who have redeemed from the Fund. No part of this amount was utilized during the year towards selling, marketing and distribution expenses.
- (11) There were no contracts for sale or purchase of securities pending delivery as on March 31, 2007.
- (12) MOVEMENT IN UNIT CAPITAL

Units of Rs 10 each fully paid up	April 1, 2006 to March 31, 2007		March 16, 2006 to March 31, 2006	
	Units	Amount (Rs.)	Units	Amount (Rs.)
<b>Growth Plan</b>				
Opening	8,741,761.74	87,417,617.39	-	-
Issued	-	-	-	-
-New Fund Offer	-	-	8,606,900.00	86,069,000.00
-During the period	9,219,855.17	92,198,551.66	134,861.74	1,348,617.40
Redeemed during the period	112,752.17	1,127,521.70	-	-
Outstanding at end of the period	17,848,864.74	178,488,647.35	8,741,761.74	87,417,617.40
<b>Dividend Plan</b>				
Opening	2,293,134.82	22,931,348.24	-	-
Issued	-	-	-	-
-New Fund Offer	-	-	1,964,750.00	19,647,500.00
-During the period	6,429,322.35	64,293,223.53	328,384.82	3,283,848.20
Redeemed during the period	18,537.57	185,375.70	-	-
Outstanding at end of the period	8,703,919.60	87,039,196.07	2,293,134.82	22,931,348.20
<b>Grand Total</b>				
Opening	11,034,896.56	110,348,965.60	-	-
Issued	-	-	-	-
-New Fund Offer	-	-	10,571,650.00	105,716,500.00
-During the period	15,649,177.52	156,491,775.19	463,246.56	4,632,465.60
Redeemed during the period	131,289.74	1,312,897.40	-	-
Outstanding at end of the period	26,552,784.34	265,527,843.39	11,034,896.56	110,348,965.60

- (13) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES

During the year, the Scheme paid a sum of Rs. 210,450/- towards advertising charges to Quantum Information Services Ltd (QIS) an associate of Quantum Asset Management Company Private Limited.

## (14) INVESTMENTS IN GROUP COMPANIES

Quantum Long Term Equity Fund has made no investments in group companies during the year ended March 31, 2007.

(15) There is no change in the accounting policy during the year ended March 31, 2007.

(16) Unit holders holding over 25% of the Scheme of NAV is NIL as on March 31, 2007.

## (17) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITY AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED

Company Name	Company's investment as % of NAV of QLTEF		Purchases made during the period prescribed under Regulation 25(11)*			Purchases during March 2007	Holdings as on March 31, 2007 (Rs. In lacs)	
	As on date of investment	As on March 31, 2007	Investing Scheme	Asset Type	At Cost (Rs. in lacs)	At Cost (Rs. in lacs)	At Cost	At Market / Fair Value
Bajaj Auto Limited	47.30%	18.83%	QLTEF	Equity Shares	107.75	Nil	107.75	103.08

\* period prescribed under Regulation 25(11) is the period starting one year before and ending one year after the date of investment made in the Schemes by the Investor Company.

The Fund Managers of QLTEF are of the opinion that the investment in Bajaj Auto Limited (Bajaj Auto) has been made by QLTEF since Bajaj Auto is perceived to be the largest two wheeler player and has a significant market share in the motor cycle segment. Additionally it has inherent value in the insurance business too and in Bajaj Finance. Bajaj Auto is not associated with the Sponsor or the AMC.

## (18) SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2007, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2007, as well as the aggregate investments in each investment category.

Sr.No.	Name of Instrument	Industry Classification	Quantity	Amount (Rs. in lacs)	Percentage to Investment Category	Percentage to Net Asset
<b>EQUITY &amp; EQUITY RELATED</b>						
a)	Listed /Awaiting listing on the Stock Exchange					
1	3I InfoTech Ltd.	Software	31,500	76.01	2.63%	
2	Aditya Birla Nuvo Ltd.	Textile Products	11,908	126.44	4.38%	
3	Arvind Mills Ltd.	Textile Products	123,561	53.75	1.86%	
4	ASC Enterprises Ltd. (earlier known as Dish TV India Ltd.)	Media & Entertainment	19,102	16.61	0.57%	
5	Aventis Pharma Ltd	Pharmaceuticals	7,437	91.48	3.17%	
6	Bajaj Auto	Auto	4,250	103.08	3.57%	
7	Bharat Petroleum Corporation Ltd	Petroleum Products	15,359	46.42	1.61%	

Sr.No.	Name of Instrument	Industry Classification	Quantity	Amount (Rs. in lacs)	Percentage to Investment Category	Percentage to Net Asset
8	Corporation Bank	Banks	29,603	85.52	2.96%	
9	Crompton Greaves Ltd.	Industrial Capital Goods	47,136	94.01	3.25%	
10	Dr. Reddy'S Laboratories Ltd.	Pharmaceuticals	6,776	49.30	1.71%	
11	Gail (India) Ltd.	Gas	41,918	110.89	3.84%	
12	Geometric Software Solution Limited.	Software	66,642	66.78	2.31%	
13	Gujarat State Petronet Ltd.	Petroleum Products	146,000	68.26	2.36%	
14	Hero Honda Motors Ltd.	2 & 3 Wheelers	11,980	82.08	2.84%	
15	Hindustan Lever Ltd.	Consumer Non Durables	71,576	146.91	5.08%	
16	Hindustan Petroleum Corporation Ltd.	Petroleum Products	27,036	66.70	2.31%	
17	HDFC Bank Ltd.	Banks	8,066	76.58	2.65%	
18	HDFC Ltd.	Finance	5,418	82.37	2.85%	
19	Infosys Technologies Ltd.	Software	4,370	87.95	3.04%	
20	Ing Vysya Bank	Banks	52,261	91.12	3.15%	
21	Jet Airways (India) Ltd.	Transportation	13,559	85.73	2.97%	
22	NDTV Ltd.	Media & Entertainment	20,591	64.01	2.22%	
23	Oil & Natural Gas Corporation Ltd.	Oil	17,525	153.90	5.33%	
24	Power Trading Corporation	Power	162,015	96.48	3.34%	
25	Ranbaxy Laboratories Ltd.	Pharmaceuticals	28,545	100.65	3.48%	
26	Raymond Ltd	Textile Products	15,000	51.23	1.77%	
27	State Bank Of India	Banks	10,887	108.10	3.74%	
28	Tata Consultancy Services Limited	Software	12,300	151.44	5.24%	
29	Tata Motors Ltd.	Auto	11,722	85.31	2.95%	
30	Tata Power Co. Ltd.	Power	22,056	112.36	3.89%	
31	Tata Steel Ltd.	Ferrous Metals	20,017	90.00	3.11%	
32	Videsh Sanchar Nigam Ltd	Telecom - Services	16,050	64.42	2.23%	
33	Wire and Wireless India Ltd.	Media & Entertainment	16,610	14.77	0.51%	
34	Zee Entertainment Enterprises Ltd.	Media & Entertainment	33,221	83.27	2.88%	
35	Zee News Ltd.	Media & Entertainment	15,019	5.83	0.20%	
<b>TOTAL</b>			<b>1,147,016</b>	<b>2,889.74</b>	<b>100.00%</b>	<b>94.90%</b>

Sr.No.	Name of Instrument	Industry Classification	Quantity	Amount (Rs. in lacs)	Percentage to Investment Category	Percentage to Net Asset
b)	<b>Mutual Funds</b>					
	QLF-Growth Option			54.82		1.80%
	<b>MONEY MARKET INSTRUMENTS</b>					
c)	<b>Cash &amp; Equivalent</b>					
1	CBLO / Reverse Repo Investments			47.90		1.57%
2	Net Receivable / (Payables)			46.53		1.53%
3	Cash Balance			6.08		0.20%
	<b>TOTAL</b>			<b>100.51</b>		<b>3.30%</b>
	<b>Grand Total</b>			<b>3,045.07</b>		<b>100.00%</b>

- (19) Previous year's figures have been regrouped/re-arranged where appropriate.
- (20) On written request, present and prospective unit holders/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.
- (21) No bonus has been declared by the Scheme during the year ended March 31, 2007.
- (22) The scheme has not made any borrowing during the year ended March 31, 2007.
- (23) The scheme has not undertaken any underwriting obligation during the year ended March 31, 2007.
- (24) The scheme has no exposure to derivative products, foreign securities, ADR's and GDR's.
- (25) The unit holders, if they so desire, may request for the annual report of Quantum Asset Management Company Private Limited.

For and on behalf of  
(Quantum Trustee Company Pvt. Ltd)

**Jagdish Capoor**  
(Chairman)

For and on behalf of  
(Quantum Asset Management Company Pvt. Ltd)

**Ajit Dayal**  
(Chairman)

**Hormazdiyaar Shiavax Vakil**  
(Director)

**I.V. Subramaniam**  
(Director)

**Devendra Nevgi**  
(CEO & CIO)

**Atul Kumar**  
(Fund Manager)

## HISTORICAL PER UNIT STATISTICS

No. Particulars	Quantum Long Term Equity Fund ("the Scheme") Audited as of March 31, 2007	Quantum Long Term Equity Fund ("the Scheme") Audited as of March 31, 2006
(a) Net Assets Value	11.47	10.23
(b) Gross Income broken up into the following components		
(i) income other than profit on sale of investment	0.62	0.04
(ii) income from profit on inter scheme sales / transfer of investment	0	0
(iii) income from profit on sale of investment to third party	0	0
(iv) transfer to revenue account from past years' reserve	0	0
(c) Aggregate of expenses, write off, amortisation and charges	0.24	0.04
(d) Net unrealized appreciation in value of investments	0.73	0.23
(e) Net Income per unit	0.38	0.00
Highest sale price per unit	12.77	10.23
Lowest sale price per unit	8.87	10.00
Highest repurchase price per unit	12.77	9.82
Lowest repurchase price per unit	10.36	9.60
Price earning ratio	N.A	N.A
(f) Ratio of expenses to average daily net assets (excluding unrealized depreciation and amortization of deferred revenue expenditure)	2.48%	2.50%
(g) Ratio of gross income to average daily net assets	6.93%	0.39%

Note: Details are not available for the past 3 years, since this is the second year of the Scheme

**AUDITORS' REPORT**  
**TO THE BOARD OF TRUSTEES OF QUANTUM TRUSTEE COMPANY PRIVATE LIMITED**

We have audited the attached Balance Sheet of the Scheme '**Quantum Liquid Fund**' of **Quantum Mutual Fund** as at 31st March, 2007 and the Revenue Account of the Scheme for the period ended 31st March, 2007 and report thereon as follows:

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

For **HARIBHAKTI & CO.**  
**Chartered Accountants**

**CHETAN DESAI**  
**Partner**

Place : Mumbai,  
Date : August 29, 2007

Membership No.17000

QUANTUM LIQUID FUND  
BALANCE SHEET AS AT 31st March, 2007

	Schedule	March 31, 2007 Amount (Rs)
<b>LIABILITIES</b>		
Unit Capital	'A'	293,670,784
Reserves and Surplus	'B'	6,375,906
Current Liabilities and Provisions	'C'	826,783
<b>Total</b>		<b>300,873,473</b>
<b>ASSETS</b>		
Investments	'D'	184,614,798
Deposits	'E'	112,000,000
Other Current Assets	'F'	4,258,675
<b>Total</b>		<b>300,873,473</b>

Notes forming part of Accounts

'G'

For Haribhakti &amp; Co.

Chetan Desai  
Partner  
Membership No : 17000

For Quantum Trustee  
Company Pvt Ltd

Mr. Jagdish Capoor  
(Chairman)

Mr. Hormazdiyaar S.Vakil  
(Director)

For Quantum Asset Management  
Company Pvt Ltd

Mr. Ajit Dayal  
(Director)

Mr. I.V. Subramaniam Mr.Devendra Nevgi  
(Director) (CEO & CIO)

Mr. Arvind Chari  
(Fund Manager)

Place : Mumbai

Date : August 29, 2007



QUANTUM LIQUID FUND  
REVENUE ACCOUNT FOR THE PERIOD ENDED 31st March, 2007

	Schedule	March 31, 2007 Amount (Rs)
<b>INCOME</b>		
Interest		11,550,738
Profit on sale / redemption of investments (Other than inter-scheme transfer / sale)		2,108,764
Profit on inter scheme transfer / sale of investments		-
<b>Total</b>		<b>13,659,502</b>
<b>EXPENSES AND LOSSES</b>		
Loss on sale / redemption of investments ( Other than inter-scheme transfers / sale)		-
Loss on interscheme transfer / sale of investments		-
Management fees		426,370
Advt & Publication Expenses		817,860
Audit fees		56,120
Custodian fees		444,052
Registrar & Transfer Agent's fees		892,077
Other operating expenses		333,830
<b>Total</b>		<b>2,970,309</b>
<b>Less: Excess of Expenditure over permissible limit recovered from AMC</b>		<b>2,158,964</b>
		811,345
Net Surplus / ( Deficit ) for the period		12,848,157
<b>APPROPRIATION ACCOUNT FOR THE PERIOD ENDED 31st March, 2007</b>		
	Schedule	
Net Surplus / (Deficit) for the period		12,848,157
<b>TOTAL</b>		<b>12,848,157</b>
<b>Net Available Surplus</b>		<b>12,848,157</b>
Less : Dividend distributed		5,006,570
Less : Dividend Distribution Tax		1,016,425
<b>Net Surplus / ( Deficit ) carried forward</b>		<b>6,825,162</b>
Notes forming parts of Accounts	G	

For Haribhakti & Co.

Chetan Desai  
Partner  
Membership No : 17000

For Quantum Trustee  
Company Pvt Ltd

Mr. Jagdish Capoor  
(Chairman)

Mr. Hormazdiyaar S.Vakil  
(Director)

For Quantum Asset Management  
Company Pvt Ltd

Mr. Ajit Dayal  
(Director)

Mr. I.V. Subramaniam  
(Director)

Mr.Devendra Nevgi  
(CEO & CIO)

Mr. Arvind Chari  
(Fund Manager)

Place : Mumbai  
Date : August 29, 2007

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007

	Units	31st March, 2007 Amount (Rs)
<b>SCHEDULE 'A'</b>		
<b>UNIT CAPITAL</b>		
<b>(Face Value of Rs. 10 Each)</b>		
Unit Capital (Opening Balance)		-
Add : Subscription during Initial Offer period	13,372,000	133,720,000
Add : Subscription during the period	63,281,914	632,819,141
Less : Redemption during the period	47,286,836	472,868,357
<b>Unit Capital (Closing Balance)</b>	<b>29,367,078</b>	<b>293,670,784</b>
<b>SCHEDULE 'B'</b>		
<b>Reserves &amp; Surplus</b>		
<b>Unit Premium</b>		
Add \ (Less) : Net Additions \ (Deduction) during the period		(503,596)
Less:-Transferred to / (from) Equalisation Account		-
<b>Closing Balance</b>		<b>(503,596)</b>
<b>Equalisation Account</b>		
Transferred from / (to) Unit Premium Reserve		-
Less: Transferred to / (from) Revenue Account		-
<b>Closing Balance</b>		<b>-</b>
<b>UNREALISED APPRECIATION IN THE VALUE OF INVESTMENTS</b>		
Add:Net change during the year		54,340
		<b>54,340</b>
<b>Appropriation Account</b>		
Surplus/Deficit carried forward		6,825,162
<b>Total Reserves &amp; Surplus</b>		<b>6,375,906</b>

	Units	31st March, 2007 Amount (Rs)
<b>SCHEDULE 'C'</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors		102,383
Management Fees Payable		126,342
Audit Charges Payable		52,972
Custody Fees Payable		116,782
Registrar Fees Payable		161,911
Switch Payble		264,500
Dividend Payable		1,893
<b>Total</b>		<b>826,783</b>
<b>SCHEDULE 'D'</b>		
<b>INVESTMENTS</b>		
Corporate Debentures Listed / Awaiting Listing		20,000,000
Commercial Paper		48,677,140
Government Securities		40,000,000
Certificate Of Deposit		49,389,400
Investment in CBLO		26,548,258
<b>Total</b>		<b>184,614,798</b>
<b>SCHEDULE 'E'</b>		
<b>DEPOSITS</b>		
Fixed Deposit with Schedule Banks		112,000,000
<b>Total</b>		<b>112,000,000</b>
<b>SCHEDULE 'F'</b>		
<b>OTHER CURRENT ASSETS</b>		
Balances with Banks in Current Account, including cheques on hand		686,088
Outstanding and Accrued Income		1,665,368
Subscription Receivable (other than Inter Scheme)		9,899
Recievable from AMC		1,897,320
<b>Total</b>		<b>4,258,675</b>

**SCHEDULE – Quantum Liquid Fund****Notes:****1. ORGANISATION**

Quantum Liquid Fund ("the Scheme") is an open-ended liquid scheme of Quantum Mutual Fund and was launched on April 3, 2006. Quantum Mutual Fund. ('QUANTUM') has been Sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as the Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on April 4, 2006 and opened for ongoing subscription on April 10, 2006.

In accordance with the Securities and Exchange Board of India ("SEBI") (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The investment objective of the Scheme is to provide optimal returns with low to moderate levels of risk and high liquidity through judicious investments in money market and debt instruments. The Scheme offers its investors a Growth Plan, Monthly Dividend Payout Plan and Daily Dividend Re-investment Plan (collectively 'the Plans').

**2. SIGNIFICANT ACCOUNTING POLICIES****(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of account on an accrual basis. These financial statements have been prepared in accordance with the accounting policies and standards specified in the ninth schedule of Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 (the "Regulation") and amendments thereto as applicable.

**(2.2) INVESTMENTS**

Investments are accounted on the trade date. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investments traded during the financial year is recorded and reflected in the financial statements for that year. The cost of investments includes cost of acquisition, brokerage and stamp duty, if any.

**(2.3) PORTFOLIO VALUATION**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. The net asset value of the units of the scheme is determined separately for the units issued under the Plans in valuing the Scheme's investments.

1. Debt securities listed on a recognised stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that time, such securities are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under a procedure approved by the Trustee of Quantum Mutual Fund.
2. Non-traded and thinly traded debt securities are valued at fair value as determined by Quantum Asset Management Company Private Limited under a procedure approved by the Trustee of Quantum Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by the Securities and Exchange Board of India (SEBI).
3. Privately placed debt securities are valued at fair value as determined in good faith by Quantum Asset Management Company Private Limited under procedure approved by the Trustee of Quantum Mutual Fund.

4. Money market instruments are valued at cost plus accrued interest, traded money market securities are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instruments are valued at cost plus accrued interest.
5. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest up to the date of resale.
6. There were no investments recognised as Non-performing Assets (NPAs), as on March 31, 2007. An investment is regarded as non-performing, if the interest and/or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
7. The above policies are followed as and when applicable.

Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulation) net unrealized appreciation or depreciation in the value of investments is determined separately for each category of investments. Further the change in net unrealized appreciation or depreciation, if any between the two balance sheet dates/ date of determination is recognized in the Revenue Account. Unrealized appreciation is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation or depreciation in the value of investments is transferred to Reverse Fund,

#### (2.4) INVESTMENT INCOME

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned.

Dividend income is recognised on the ex-dividend date

Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption.

Profit/loss on sale of investments is accounted for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

#### (2.5) NET ASSET VALUE FOR GROWTH / DIVIDEND PLANS

The net asset value of the units of the scheme is determined separately for units issued under the Growth / Dividend Plans.

For reporting the net asset value for the plans, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are allocated to the Plans in proportion to the value of units outstanding.

#### (2.6) UNIT PREMIUM RESERVE

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the Scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equilization reserve. The unit premium reserve is available for dividend distribution except to the extent it is represented by unrealized net appreciation in value of investments.

#### (2.7) CUSTODY FEES

HSBC Limited provides custodial services to the scheme for which it receives custody fees.

(2.8) INCOME EQUALIZATION RESERVE

The net distributable income relating to units issued/repurchased is transferred to/from income equalization reserve for determining the net surplus/deficit, transferred from/to unit premium reserve.

(2.9) INVESTMENT MANAGEMENT FEES

The Scheme has paid or provided for investment management fees payable to Quantum Asset Management Company Private Limited for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceed 1.25% of the average daily net asset values recorded by the Scheme upto Rs.100 crores and 1% of the excess over Rs.100 crores. All costs, charges and expenses incurred by Quantum Asset Management Company Private Limited in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 and amendments thereto, as applicable, are on their own account for which they receive investment manager fees.

(2.10) TRUSTEE FEES

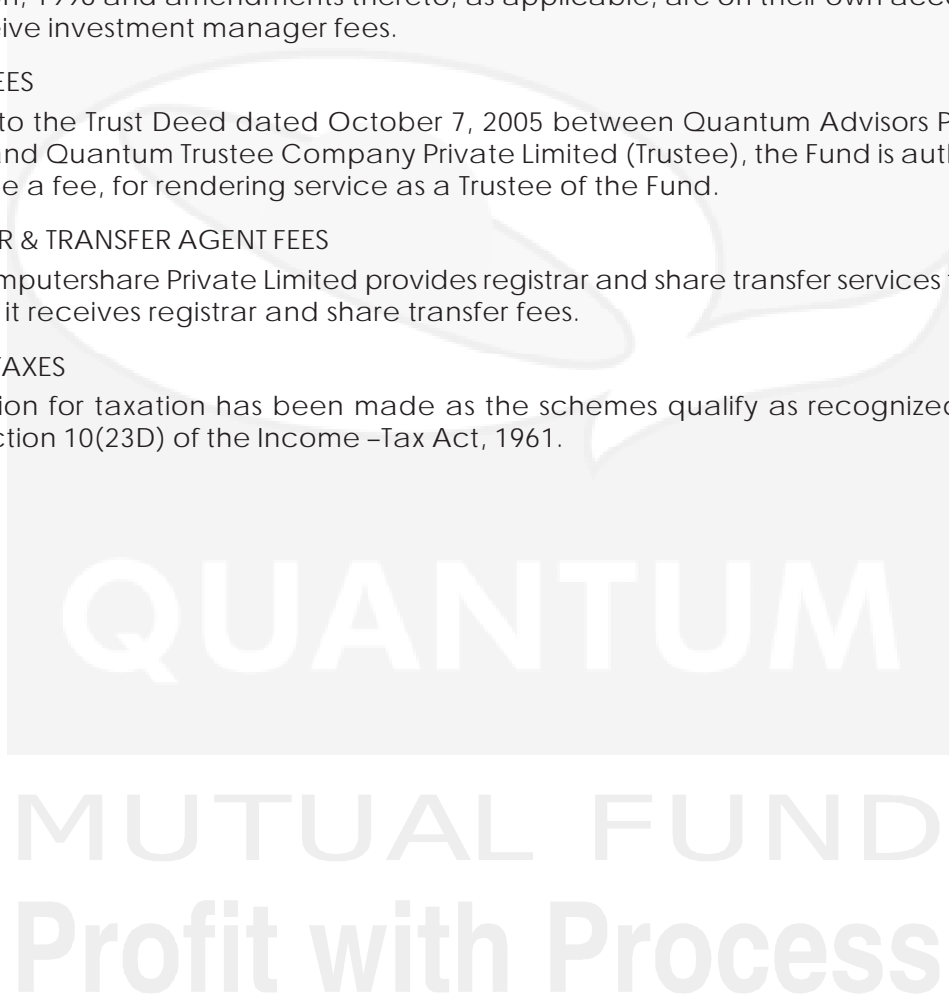
Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (Settlor) and Quantum Trustee Company Private Limited (Trustee), the Fund is authorized to pay the Trustee a fee, for rendering service as a Trustee of the Fund.

(2.11) REGISTRAR & TRANSFER AGENT FEES

Karvy Computershare Private Limited provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

(2.12) INCOME TAXES

No Provision for taxation has been made as the schemes qualify as recognized mutual fund under section 10(23D) of the Income -Tax Act, 1961.



### 3. Notes to accounts

#### (1) PLANS

The Scheme has three plans: Growth Plan, Daily Dividend Re-investment Plan and Monthly Dividend Payout Plan. A combined Balance Sheet and Revenue Account is prepared for the Scheme.

#### (2) VALUE OF INVESTMENTS AS ON MARCH 31, 2007

The Cost and Market Value/Fair Value of Investments as on March 31, 2007 is given below.

SR.NO.	SECURITIES	COST RS.	MARKET VALUE RS
1	Debt and Money Market Instruments	158,012,200	158,039,370
2	Repo/CBLO	26,548,258	26,548,258
3	Bank Deposits and Net Receivables	115,180,335	115,180,335
	TOTAL	299,740,793	299,767,963

#### (3) NON PERFORMING INVESTMENTS

Type of investments	Carrying value Amount (Rs.)	Market value Amount (Rs.)	Provisions
NIL	NIL	NIL	NIL

#### (4) NAV

Net Asset Value (NAV) per unit of a Face Value of Rs.10 as on March 31, 2007

SCHEME	NAV ( March 31, 2007 )
Growth Plan	10.6875
Daily Dividend Reinvestment Plan	10.0000
Monthly Dividend Payout Plan	10.0193

#### (5) NET APPRECIATION

Aggregate net appreciation in value of investments as on March 31, 2007 is as follows:

March 31, 2007	
Certificate of Deposits	
• Appreciation	28,400
Commercial Papers	
• Appreciation	25,940

#### (6) AGGREGATE VALUE OF PURCHASES AND SALES made during the period, expressed as a percentage of average daily net assets value

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs 3,478,382,076

- As a percentage of average daily net assets is 1907.32%

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) – Rs 3,322,478,640

- As a percentage of average daily net assets 1821.84%

#### (7) INCOME AND EXPENDITURE

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:



## Income

- Amount 13,659,501
- As a percentage of average daily net assets 7.49%

## Expenditure

- Amount 811,345
- As a percentage of average daily net assets 0.44

## (8) PRIOR PERIOD COMPARATIVES

As this is the first financial statements of the Scheme since the date of its launch, there are no prior period comparatives.

## (9) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES

Services of associates of Quantum Asset Management Company Private Limited (AMC) were utilized by the scheme during the year.

## (10) INVESTMENT MANAGEMENT FEES

Investment Management Fees has been computed on the basis of Average Daily Net Assets of the Scheme accrued on a daily basis. Management Fees accrued during the period is Rs. 426,370/-

## (11) There were no contracts for sale or purchase pending deliveries as on March 31, 2007.

## (12) MOVEMENT IN UNIT CAPITAL

Units of Rs 10/- each fully paid up	As on March 31, 2007	
	No. of units	Amount (Rs.)
<b>Growth Plan</b>		
Opening	-	-
Issued		
- New Fund Offer	10,513,000.00	105,130,000.00
- During the period April 10, 2006 to March 31, 2007	24,550,576.03	245,505,760.34
Redeemed during the period April 10, 2006 to March 31, 2007	26,052,725.66	260,527,256.61
Outstanding, end of period	9,010,850.37	90,108,503.73
<b>Daily Dividend Reinvestment Plan</b>		
Opening	-	-
Issued		
- New Fund Offer	2,830,000.00	28,300,000.00
- During the period April 10, 2006 to March 31, 2007	38,367,675.05	383,676,750.50
Redeemed during the period April 10, 2006 to March 31, 2007	20,998,190.89	209,981,908.91
Outstanding, end of period	20,199,484.16	201,994,841.59
<b>Monthly Dividend Payout Plan</b>		
Opening	-	-
Issued		
- New Fund Offer	29,000.00	290,000.00
- During the period April 10, 2006 to March 31, 2007	363,663.02	3,636,630.22
Redeemed during the period April 10, 2006 to March 31, 2007	235,919.16	2,359,191.57
Outstanding, end of period	156,743.87	1,567,438.65

Units of Rs 10/- each fully paid up	As on March 31, 2007	
	No. of units	Amount (Rs.)
<b>Grand Total</b>		
Outstanding at the beginning		
Opening	-	-
Issued		
New Fund Offer	13,372,000.00	133,720,000.00
- During the period	63,281,914.11	632,819,141.06
Redeemed during the period April 10, 2006 to March 31, 2007	47,286,835.71	472,868,357.09
Outstanding, end of period April 10, 2006 to March 31, 2007	29,367,078.40	293,670,783.97

## (13) INVESTMENTS IN GROUP COMPANIES

The Scheme has made no investments in Group Companies.

## (14) Unit holders holding over 25% of the Scheme of NAV

One Unit holder holds 33.36% of the total net asset of the scheme as on March 31, 2007.

## (15) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITY AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED

Company Name	Company's investment as % of NAV of QLF		Purchases made during the period prescribed under Regulation 25(11)*			Purchases during March 2007	Holdings as on March 31, 2007 (Rs. In lacs)	
	As on date of investment	As on March 31, 2007	Investing Scheme	Asset Type	At Cost (Rs. in lacs)	At Cost (Rs. in lacs)	At Cost	At Market / Fair Value
HDFC	34.07%	Nil	QLTEF**	Equity Shares	65.3	Nil	65.3	82.37
IDBI Bank	6.86%	Nil	QLF	Short-Term Fixed Deposit	1,780	Nil	Nil	Nil
HDFC Bank	14.96%	Nil	QLF	Short-Term Fixed Deposit	1,394.80	Nil	Nil	Nil
			QLTEF	Equity Shares	75.36	14.32	75.36	76.58
Shriram Transport Finance Co. Ltd.	33.36%	33.36%	QLF	Short-Term Fixed Deposit /FRN	798.15	200	Nil	Nil

\* period prescribed under Regulation 25(11) is the period starting one year before and ending one year after the date of investment made in the Schemes by the Investor Company.

\*\*QLTEF - Quantum Long-term Equity Fund

**Notes:**

- (i) Neither of the above **4 (four)** companies are associated with the Sponsor or the AMC.
- (ii) The Fund Managers of QLTEF are of the opinion that the investment in HDFC has been made by QLTEF since HDFC is the largest home finance company and also one of the most efficient. HDFC also benefits from having investments in HDFC AMC and in HDFC Standard Life Insurance and HDFC Chubb General Insurance.
- (iii) The Fund Manager of QLF was of the opinion that the investment in Short Term Fixed Deposits of HDFC Bank and IDBI Bank were made by QLF as it was considered as the better option after evaluation of various options on risks & asset liability matching basis with reference to the portfolio of QLF, including fixed deposits of scheduled commercial banks.
- (iv) The Fund Managers of QLTEF are of the opinion that HDFC Bank is one of the fastest growing and qualitatively the best Bank in the Indian financial space. It's focus on a clean portfolio and profitability coupled with a strong management makes it a very good player in the fast growing financial sector in India.
- (v) The Fund Manager of QLF is of the opinion that Shriram Transport Finance Co. Ltd. (Shriram Transport) is a niche player into Used Commercial Vehicle financing and is amongst the fastest growing NBFC's. Shriram Transport has been able to keep its balance sheet growing at a good pace without sacrificing profitability and asset quality. Their debt levels and gearing are very comfortable with the equity infusion in early 2006. It has a F1+ short term rating by Fitch. We can invest in their short term debt issuances and commercial paper programme.
- (16) **SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION**  
Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2007, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2007, as well as the aggregate investments in each investment category.

Name of the Instrument/Category	Industry Classification	Market / Fair Value	% to NAV	% to Category
<b>(I) DEBENTURES</b>				
<b>Privately Placed / Unlisted</b>				
Kotak Mahindra Prime Ltd.	<b>Diversified Financial Services</b>	20,000,000	6.67	33.33
Madras Cement Ltd.	<b>Cement</b>	20,000,000	6.67	33.33
Berger Paints Ltd.	<b>Paints</b>	20,000,000	6.67	33.33
<b>(Cost : Rs.60,000,000)</b>	<b>(I)</b>	<b>60,000,000</b>	<b>20.02</b>	<b>100.00</b>
<b>(II) COMMERCIAL PAPER</b>				
Exim Bank of India	<b>Bank</b>	48,664,170	16.23	100
<b>(Cost : Rs.48,651,200)</b>	<b>(II)</b>	<b>48,664,170</b>	<b>16.23</b>	<b>100</b>
<b>(III) CERTIFICATES OF DEPOSIT</b>				
State Bank of India	<b>Bank</b>	49,375,200	16.47	100
<b>(Cost : Rs.49,361,000)</b>	<b>(III)</b>	<b>49,375,200</b>	<b>16.47</b>	<b>100</b>
<b>TOTAL INVESTMENTS</b>		<b>158,039,370</b>	<b>52.72</b>	
<b>(Cost : Rs. 158,012,200)</b>	<b>(I)+(II)+(III)</b>			

Name of the Instrument/Category	Industry Classification	Market / Fair Value	% to NAV	% to Category
Deposits		112,000,000	37.36	
Net Current Assets		29,728,594	9.92	
Net Assets		299,767,964	100.00	

- (17) On written request, present and prospective unit holders/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.
- (18) No bonus has been declared by the scheme during the period ended March 31, 2007.
- (19) The scheme has not made any borrowing during the period ended March 31, 2007.
- (20) The scheme has no exposure to derivatives products, foreign securities, ADR and GDR.
- (21) The unit holders, if they so desire, may request for the annual report of Quantum Asset Management Company Private Limited.
- (22) The scheme has not undertaken any underwriting obligation during the period March 31, 2007.

For and on behalf of  
(Quantum Trustee Company Pvt. Ltd)(Quantum Asset Management Company Pvt. Ltd)

**Jagdish Capoor**  
(Chairman)

**Ajit Dayal**  
(Chairman)

**Hormazdiyaar Shiavax Vakil**  
(Director)

**I. V. Subramaniam**  
(Director)

**Devendra Nevgi**  
(CEO & CIO)

**Arvind Chari**  
(Fund Manager)

## HISTORICAL PER UNIT STATISTICS

Particulars		Quantum Liquid Fund ("the Scheme")
Per Unit Particulars (Rupees)		Audited as of March 31, 2007
Face Value		Rs.10/-
(a) <b>Net Asset Value</b>		
Growth Plan		10.6875
Daily Dividend Reinvestment Plan		10.0000
Monthly Dividend Payout Plan		10.0193
(b) <b>Gross Income broken up into the following components</b>		
(i) income other than profit on sale of investment		0.39
(ii) income from profit on inter-scheme sales/transfer of investment		0.00
(iii) income from profit on sale of investments to third party		0.07
(ii) transfer to revenue account from past years' reserve		0.00
<b>Total Gross Income</b>		<b>0.47</b>
(c) <b>Aggregate of expenses, write-off, amortization and charges</b>		0.03
<b>Total Gross Expenditure</b>		<b>0.03</b>
(d) <b>Net Unrealised appreciation in value of investments</b>		0.00
(e) <b>Net Income</b>		<b>0.44</b>
<b>REPURCHASE PRICE</b>		
<b>Highest</b>		
Growth Plan		10.6875
Daily Dividend Reinvestment Plan		10.0000
Monthly Dividend Payout Plan		10.0666
<b>Lowest</b>		
Growth Plan		10.0000
Daily Dividend Reinvestment Plan		10.0000
Monthly Dividend Payout Plan		10.0000
<b>SALE PRICE</b>		
<b>Highest</b>		
Growth Plan		10.6875
Daily Dividend Reinvestment Plan		10.0000
Monthly Dividend Payout Plan		10.0666
<b>Lowest</b>		
Growth Plan		10.0000
Daily Dividend Reinvestment Plan		10.0000
Monthly Dividend Payout Plan		10.0000
(f) <b>Ratio of expenses to average daily net assets (excluding unrealized depreciation and amortization of deferred revenue expenditure)</b>		0.44%
(g) <b>Ratio of gross income to average daily net assets</b>		7.49%

Note: Details are not available for the past 3 years, since this is the first year of the Scheme