

DSP BLACKROCK

INVESTMENT MANAGERS

DSP BlackRock Investment Managers Private Limited
(formerly DSP Merrill Lynch Fund Managers Limited)

Balance Sheet as at 31 March 2009

| | Schedule No. | As at 31.03.2009 Rs. '000 | As at 31.03.2008 Rs. '000 |
|--|------------------|------------------------------|------------------------------|
| I. SOURCES OF FUNDS | | | |
| 1. Shareholders' Funds | | | |
| (a) Share Capital | 1 | 200,000 | 200,000 |
| (b) Reserves & Surplus | 2 | 977,792 | 570,020 |
| 2. Loan Funds | | | |
| Secured Loans | 3 | 6,831 | 5,079 |
| | | 1,184,623 | 775,099 |
| II. APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| Gross Block | 4 | 220,425 | 163,607 |
| Less : Depreciation / Amortisation | | 123,063 | 84,973 |
| Net Block | | 97,362 | 78,634 |
| Capital Work in Progress | | 621 | 5,473 |
| 2. Investments | | | |
| | 5 | 861,747 | 628,426 |
| 3. Deferred Tax Asset (net) | | | |
| | 15 | 34,925 | 47,747 |
| | II [note 10 (b)] | | |
| 4. Current Assets, Loans and Advances | | | |
| (a) Sundry Debtors | 6 | 173,894 | 237,455 |
| (b) Cash and Bank Balances | 7 | 12,586 | 8,917 |
| (c) Loans and Advances | 8 | 305,543 | 349,138 |
| | (A) | 492,023 | 595,510 |
| Less : Current Liabilities and Provisions | | | |
| (a) Current Liabilities | 9 | 258,591 | 545,454 |
| (b) Provisions | 10 | 43,464 | 35,237 |
| | (B) | 302,055 | 580,691 |
| Net Current Assets | (A - B) | 189,968 | 14,819 |
| | | 1,184,623 | 775,099 |

Significant accounting policies and notes to accounts

15

Schedules 1 to 15 annexed hereto form part of these accounts

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

sd/-

P. B. Pardiwalla
Partner

For and on behalf of the Board of Directors

sd/-

Hemendra Kothari
Chairman

sd/-

K.R.V. Subrahmanian
Director

sd/-

Pritesh Majmudar
Company Secretary

Mumbai
21st August, 2009

Mumbai
21st August, 2009

DSP BLACKROCK

INVESTMENT MANAGERS

DSP BlackRock Investment Managers Private Limited
(formerly DSP Merrill Lynch Fund Managers Limited)

Profit and Loss Account for the year ended 31 March 2009

| | Schedule No. | Current Year Rs. '000 | Previous Year Rs. '000 |
|---|--------------|--------------------------|---------------------------|
| INCOME | | | |
| Asset Management and Advisory Fees | | 1,438,848 | 1,643,821 |
| Other Income | 11 | 60,650 | 35,341 |
| | (A) | 1,499,498 | 1,679,162 |
| EXPENDITURE | | | |
| Scheme Expenses (net) | 12 | 180,838 | 398,931 |
| Referral Fee for Portfolio Management Services | | 16,923 | 64,610 |
| Employee Costs | 13 | 410,196 | 488,224 |
| Administrative and Other Expenses | 14 | 249,224 | 275,882 |
| Depreciation / Amortisation | | 41,802 | 29,132 |
| Interest Expenses | | 549 | 520 |
| | (B) | 899,532 | 1,257,299 |
| PROFIT BEFORE TAXATION | (A - B) | 599,966 | 421,863 |
| Provision for Taxation (Refer Note 10 (a) of Schedule 15) | | 192,194 | 141,394 |
| PROFIT AFTER TAXATION | | 407,772 | 280,469 |
| BALANCE BROUGHT FORWARD | | 567,620 | 288,739 |
| Less: Adjustment made in accordance with the transitional provisions of Accounting Standard 15 on employee Benefits | | - | 1,588 |
| | | 567,620 | 287,151 |
| BALANCE CARRIED TO BALANCE SHEET | | 975,392 | 567,620 |
| Earning per share (Face value of Rs. 10 each) | | | |
| - Basic | | 20.39 | 14.02 |
| - Diluted (Refer Note 12 of Schedule 15) | | | |

Significant accounting policies and notes to accounts

15

Schedules 1 to 15 annexed hereto form part of these accounts

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

sd/-

P. B. Pardiwalla
Partner

For and on behalf of the Board of Directors

sd/-

Hemendra Kothari
Chairman

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K.R.V. Subrahmanian
Director

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Pritesh Majmudar
Company Secretary

Mumbai
21st August, 2009

Mumbai
21st August, 2009

DSP BLACKROCK

INVESTMENT MANAGERS

DSP BlackRock Investment Managers Private Limited
(formerly DSP Merrill Lynch Fund Managers Limited)

Cash Flow Statement for the year ended 31 March 2009

| | Current Year Rs '000 | Previous Year Rs '000 |
|---|-------------------------|--------------------------|
| A. Cash Flow from Operating Activities | | |
| Profit Before Tax | 599,966 | 421,863 |
| Adjustments for : | | |
| Depreciation | 41,802 | 29,132 |
| Loss on Sale of Fixed Assets | 397 | 490 |
| Write Back of Provision for Diminution in Value of Investments | - | (42) |
| Dividend on Units | (41,111) | (29,003) |
| Interest on Auto Loan | 549 | 520 |
| Profit on Sale of Current Investments (net) | (10,830) | (4,642) |
| Operating Profit Before Working Capital Changes | 590,773 | 418,318 |
| Adjustments for : | | |
| Trade Receivables | 63,561 | 53,917 |
| Other Receivables | 24,851 | (234,051) |
| Payables and Provisions | (278,636) | 262,892 |
| Cash Generated from Operations | 400,549 | 501,076 |
| Direct Taxes Paid | (160,623) | (170,145) |
| Net Cash Flow generated from Operating Activities | (A) 239,926 | 330,931 |
| B. Cash Flow from Investing Activities : | | |
| Purchase of Fixed Assets | (57,110) | (63,433) |
| Proceeds from Sale of Fixed Assets | 1,035 | 1,140 |
| Acquisition of Investments | (177,636) | (261,466) |
| Dividend received | 1,090 | 1,199 |
| Investment in subsidiary company | (4,839) | - |
| Net Cash used in Investing Activities | (B) (237,460) | (322,560) |
| C. Cash Flow from Financing Activities : | | |
| Increase / (Decrease) in Secured Loans | 1,752 | (996) |
| Interest Paid on loans | (549) | (520) |
| Net Cash generated from / (used in) Financing Activities | (C) 1,203 | (1,516) |
| Net Increase in Cash and Cash Equivalents | (A+B+C) 3,669 | 6,855 |
| Cash and Cash Equivalents as at the beginning of the year | 8,917 | 2,062 |
| Cash and Cash Equivalents as at the close of the year | 12,586 | 8,917 |
| Net Increase in Cash and Cash Equivalents | 3,669 | 6,855 |

For Deloitte Haskins & Sells
Chartered Accountants

sd/-

P. B. Pardiwalla
Partner

For and on behalf of the Board of Directors

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Hemendra Kothari
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Mumbai
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(formerly DSP Merrill Lynch Fund Managers Limited)

Schedules annexed to and forming part of the accounts for the year ended 31 March 2009

| | As at 31.03.2009 Rs. '000 | As at 31.03.2008 Rs. '000 |
|--|---------------------------------|---------------------------------|
| 1. SHARE CAPITAL : | | |
| Authorised 30,000,000 (Previous year - 30,000,000) Equity Shares of Rs. 10/- each | 300,000 | 300,000 |
| Issued and Subscribed 20,000,000 Equity Shares of Rs.10/- each, fully paid up | 200,000 | 200,000 |
| | 200,000 | 200,000 |
| 2. RESERVES AND SURPLUS : | | |
| General Reserve Balance as per last Balance Sheet | 2,400 | 2,400 |
| Surplus in Profit and Loss Account | 975,392 | 567,620 |
| | 977,792 | 570,020 |
| 3. SECURED LOANS : | | |
| Loans from Bank (Hire Purchase) (Secured against hypothecation of vehicles acquired under Auto Loan Scheme) | 6,831 | 5,079 |
| | 6,831 | 5,079 |

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Schedules annexed to and forming part of the accounts for the year ended 31 March 2009

4. FIXED ASSETS :

| Description | Gross Block (At Cost) | | | Depreciation/ Amortisation | | | Net Block | |
|---------------------------------|---------------------------------|--|---------------------------------|---------------------------------|--|--------------------------------|---------------------------------|---------------------------------|
| | As on 01.04.2008 Rs. '000 | Additions/ (Deductions) Rs. '000 | As on 31.03.2009 Rs. '000 | As on 01.04.2008 Rs. '000 | Additions/ (Deductions) Rs. '000 | Upto 31.03.2009 Rs. '000 | As on 31.03.2009 Rs. '000 | As on 31.03.2008 Rs. '000 |
| <u>Tangible Assets</u> | | | | | | | | |
| Equipments | 26,934 | 9,452 (423) | 35,963 | 12,342 | 7,149 (380) | 19,111 | 16,852 | 14,592 |
| Computers & Allied Equipment | 69,871 | 7,766 (192) | 77,445 | 40,697 | 12,344 (144) | 52,897 | 24,548 | 29,174 |
| Furniture & Fittings | 41,786 | 29,046 (2,395) | 68,437 | 18,111 | 15,545 (1,831) | 31,825 | 36,612 | 23,675 |
| Vehicles * | 9,467 | 3,658 (2,134) | 10,991 | 3,467 | 1,617 (1,357) | 3,727 | 7,264 | 6,000 |
| <u>Intangible Assets</u> | | | | | | | | |
| Software | 15,549 | 12,040 | 27,589 | 10,356 | 5,147 | 15,503 | 12,086 | 5,193 |
| Total | 163,607 | 61,962 (5,144) | 220,425 | 84,973 | 41,802 (3,712) | 123,063 | 97,362 | 78,634 |
| Previous Year | 116,505 | 60,643 (13,541) | 163,607 | 67,752 | 29,132 (11,911) | 84,973 | | 78,634 |
| Capital Work in Progress | | | | | | | 621 | 5,473 |

* Acquired on Hire Purchase

DSP BLACKROCK

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(formerly DSP Merrill Lynch Fund Managers Limited)

Schedules annexed to and forming part of the accounts for the year ended 31 March 2009

| | As at 31.03.2009 Rs. '000 | As at 31.03.2008 Rs. '000 |
|--|---------------------------------|---------------------------------|
| 5. INVESTMENTS : | | |
| (unquoted) | | |
| Long Term (Trade) (at cost) : | | |
| Shares in wholly owned subsidiary company : | 4,839 | - |
| 99,954 (Previous year - Nil) Equity Share of USD 1 each fully paid up in DSP BlackRock Investment Managers (Mauritius) Ltd. | | |
| Current Investments (Non-trade) (at lower of cost and market value) (As per Annexure A) | 856,908 | 628,426 |
| | 861,747 | 628,426 |
| 6. SUNDRY DEBTORS : | | |
| (Unsecured, considered good) | | |
| Debts outstanding for a period of less than six months | 173,894 | 237,455 |
| | 173,894 | 237,455 |
| 7. CASH AND BANK BALANCES : | | |
| Balances with Scheduled Banks | | |
| - Current Accounts | 12,586 | 8,917 |
| | 12,586 | 8,917 |
| 8. LOANS AND ADVANCES | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Advance to subsidiary company | 4,710 | - |
| Advances recoverable in cash or in kind or for value to be received | 192,953 | 207,217 |
| Service tax input credit | 14,633 | 35,708 |
| Premises and other deposits | 24,127 | 23,979 |
| Loans and advances to employees | | |
| - Considered Good | 11,220 | 5,590 |
| - Considered Doubtful | 688 | - |
| Less : Provision for doubtful advances | 688 | - |
| | 11,220 | 5,590 |
| Advance payment of Income Tax (net of provisions) | 57,900 | 76,644 |
| | 305,543 | 349,138 |
| 9. CURRENT LIABILITIES : | | |
| Sundry Creditors (Refer Note below) | | |
| Total outstanding dues of creditors other than micro enterprises and small enterprises. | 207,551 | 466,014 |
| Service Tax Payable | 42,324 | 68,100 |
| Other Liabilities (Net) | 8,716 | 11,340 |
| | 258,591 | 545,454 |
| Note: | | |
| The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given. | | |
| 10. PROVISIONS : | | |
| Gratuity | 21,551 | 14,583 |
| Leave Encashment | 21,913 | 20,654 |
| | 43,464 | 35,237 |

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(formerly DSP Merrill Lynch Fund Managers Limited)

Schedules annexed to and forming part of the accounts for the year ended 31 March 2009

| | Rs. '000 | Current Year Rs. '000 | Previous Year Rs. '000 |
|---|----------|--------------------------|---------------------------|
| 11. OTHER INCOME: | | | |
| Dividend on Units (Current Investments) | | 41,111 | 29,003 |
| Profit on Sale of Current Investments (net) | | 10,830 | 4,642 |
| Write Back of Provision for Diminution in Value of Current Investments | | - | 42 |
| Foreign Exchange Gain (net) | | 7,406 | - |
| Interest Income | | 452 | 1,625 |
| Other Miscellaneous Income | | 851 | 29 |
| | | 60,650 | 35,341 |
| 12. SCHEME EXPENSES (net): | | | |
| Brokerage | | 123,342 | 217,997 |
| Advertising, Publicity and others | | 47,737 | 178,820 |
| Financial Charges | | 9,759 | 2,114 |
| | | 180,838 | 398,931 |
| Note: | | | |
| Scheme expenses are shown net of expenditure reimbursed including sales & marketing and brokerage Rs.1,343,783,482/- (Previous Year - Rs.2,436,236,940/-) by the respective Mutual Fund schemes managed by the Company. The amount reimbursed includes sales & marketing expenses aggregating to Rs. 10,087,121/- (Previous Year - Rs. 10,282,826/-) incurred in the previous year. | | | |
| 13. EMPLOYEE COSTS : | | | |
| Salaries and Bonus | | 372,294 | 450,921 |
| Contribution to Provident fund | | 14,322 | 11,479 |
| Staff welfare expenses | | 11,850 | 14,335 |
| Stipend to Trainees | | 11,730 | 11,489 |
| | | 410,196 | 488,224 |
| 14. ADMINISTRATIVE AND OTHER EXPENSES (net) : | | | |
| Rent | | 67,491 | 54,006 |
| Professional fees | | 46,191 | 42,025 |
| SEBI registration and filing fees | | 6,981 | 16,329 |
| Infrastructure & Technology Cost | | 10,478 | 26,192 |
| Directors' sitting fees | | 525 | 795 |
| Electricity | | 10,434 | 8,096 |
| Foreign Exchange Loss (Net) | | - | 1,201 |
| Insurance | | 15,856 | 14,099 |
| Loss on Fixed Assets Sold / Discarded | | 397 | 490 |
| Mailing expenses | | 10,907 | 27,069 |
| Rates & Taxes | | 1,802 | 5,899 |
| Repairs & Maintenance - others | | 13,414 | 9,638 |
| Travelling expenses | | 10,179 | 19,339 |
| Provision for Doubtful Advances | | 688 | - |
| Miscellaneous expenses | | 53,881 | 50,704 |
| | | 249,224 | 275,882 |

Annexure : A TO SCHEDULE 5

| | Nominal Value | | As at 31 st March, 2009 | | As at 31st March, 2008 | |
|---|--------------------------|---------------------------|------------------------------------|------------------------|------------------------|------------------------|
| | Current Year Rs. '000 | Previous Year Rs. '000 | No. | Book Value Rs. '000 | No. | Book Value Rs. '000 |
| 1 Current Investments (Quoted) (at lower of cost and market value) | | | | | | |
| DSP BlackRock Bond Fund - Retail - Monthly Dividend Option | 97 | 97 | 9,666 | 100 | 9,666 | 100 |
| DSP BlackRock Govt Sec. Fund - Plan A - (Longer Duration Plan) - Monthly Dividend Option | 7,488 | 7,488 | 748,837 | 7,600 | 748,837 | 7,600 |
| DSP BlackRock Govt Sec. Fund - Plan A - Longer Duration Plan - Growth Option | 1,047 | 1,047 | 104,744 | 2,500 | 104,744 | 2,500 |
| DSP BlackRock Cash Plus Fund - Retail - Growth Option | 100 | 100 | 100 | 100 | 100 | 100 |
| DSP BlackRock Cash Plus Fund - Institutional - Growth Option | 100 | 100 | 100 | 100 | 100 | 100 |
| DSP BlackRock Fixed Term Plan - 13 M Series 1 Institutional Growth | 50,000 | 50,000 | 5,000,000 | 50,000 | 5,000,000 | 50,000 |
| DSP BlackRock Fixed Term Plan - 12 1/2 M Series 1 Institutional Growth | 50,000 | 50,000 | 5,000,000 | 50,000 | 5,000,000 | 50,000 |
| DSP BlackRock Fixed Term Plan - 15 M Series 2 Institutional Growth | 150,000 | 150,000 | 15,000,000 | 150,000 | 15,000,000 | 150,000 |
| DSP BlackRock Fixed Term Plan - Series 3F- Regular Dividend | | 20,641 | | | 20,641 | 20,645 |
| DSP BlackRock Govt Sec. Fund - Plan B - (Shorter Duration Plan) - Dividend Option | 10,250 | 16,748 | 1,025,018 | 10,366 | 1,674,751 | 16,941 |
| DSP BlackRock Money Manager Fund - Institutional Plan - Weekly Dividend | - | 180,266 | - | - | 180,266 | 180,440 |
| DSP BlackRock Fixed Term Plan - Series 3C - Growth Option | - | 100,000 | - | - | 100,000 | 100,000 |
| DSP BlackRock Fixed Term Plan - 3M Series 6 - Institutional Dividend | - | 50,000 | - | - | 5,000,000 | 50,000 |
| DSP BlackRock Strategic Bond Fund - Institutional Plan - Weekly Dividend | 182,325 | - | 182,325 | 182,940 | - | - |
| DSP BlackRock Cash Manager Fund - Institutional Plan - Weekly Dividend | 156,739 | - | 156,739 | 156,871 | - | - |
| DSP BlackRock Strategic Bond Fund - Institutional Plan Growth | 212,606 | - | 212,606 | 215,292 | - | - |
| DSP BlackRock Strategic Bond Fund - Institutional Plan - Monthly Dividend | 101 | - | 101 | 101 | - | - |
| DSP BlackRock Strategic Bond Fund - Institutional Plan - Dividend | 102 | - | 102 | 102 | - | - |
| DSP BlackRock Fixed Term Plan - 6 M Series 7- Institutional Growth | 30,632 | - | 3,063,205 | 30,636 | - | - |
| DSP BlackRock Strategic Bond Fund - Regular Plan - Daily Dividend | 100 | - | 100 | 100 | - | - |
| DSP BlackRock Strategic Bond Fund - Institutional Plan - Daily Dividend | 100 | - | 100 | 100 | - | - |
| | | | | 856,908 | | 628,426 |
| Aggregate of Book Value | | | | 856,908 | | 628,426 |
| Aggregate Repurchase Value of Units | | | | 886,177 | | 640,295 |

2 Units bought and sold during the year (Including dividend reinvested)

| | No of units | Cost in Rs. |
|---|-------------|-------------|
| DSP BlackRock Money Manager Fund - Institutional Plan - Weekly Dividend | 356,364 | 356,954,671 |
| DSP BlackRock Strategic Bond Fund - Institutional - Weekly Dividend | 104,633 | 105,003,397 |
| DSP BlackRock Cash Plus Fund - Institutional - Weekly Dividend | 822,345 | 823,112,526 |
| DSPBR Fixed Term Plan - Series 3F- Regular Dividend | 832 | 832,247 |
| DSP BlackRock Fixed Term Plan - 3M Series 6 - Institutional Dividend | 101,351 | 1,013,780 |
| DSP BlackRock Fixed Term Plan - 6M Series 5 - Institutional Dividend | 10,354,929 | 103,555,105 |
| DSP BlackRock Fixed Term Plan - 6M Series 6 - Institutional Dividend | 13,635,418 | 136,356,108 |
| DSP BlackRock Fixed Term Plan - 1M Series 1 - Institutional Dividend | 22,128,414 | 221,284,552 |
| DSP BlackRock Fixed Term Plan - 3M Series 16 - Institutional Dividend | 21,512,076 | 215,122,446 |

Schedule 15: Significant Accounting Policies and Notes on Accounts

I. SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Indian Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956.

b) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognised in the periods in which the results are known / materialize.

c) Fixed Assets, Intangible Assets, Depreciation, Amortisation and Impairment

Fixed Assets are stated at their cost of acquisition less accumulated depreciation and impairment losses. Cost comprises of all costs incurred to bring the assets to their location and working condition up to the date the assets are put to use.

Depreciation on assets is provided, prorata for the period of use, by the written down value method at the rates prescribed in Schedule XIV to the Act except as follows:

- Leasehold improvements, including furniture and fixtures, are depreciated over the lease period
- Computers and equipments are depreciated on a straight line basis over a period of 4 years.

Intangible assets are stated at their cost of acquisition, less accumulated amortization and impairment losses. An intangible asset is recognized, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured. The depreciable amount of intangible assets is allocated over the best estimate of its useful life on a straight-line basis.

Schedule 15: Significant Accounting Policies and Notes on Accounts

The company capitalizes software costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management's estimate of its useful life of 3 years.

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at the balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the profit and loss account.

Assets acquired under finance lease are accounted for in accordance with Accounting Standard 19 on Leases at the lower of the fair value of the asset and the present value of minimum lease payments.

d) Investments

Investments are classified as current or long term.

Current investments are stated at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss Account.

Long term investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of such investments.

e) Revenue Recognition

Revenue is recognized on delivery of services when it is earned and no significant uncertainty exists as to its realization or collection.

Asset Management fees are computed based on the previous day Net Asset Value (NAV) of the Mutual Fund Schemes managed by the Company in accordance with the SEBI regulations and the offer documents.

Schedule 15: Significant Accounting Policies and Notes on Accounts

Portfolio Management and Advisory fees are computed in accordance with the relevant agreements and are based on the NAV of the funds / portfolios as computed and provided by independent third party fund accountants / custodians.

f) Employee Benefits

Compensation to employees for services rendered is measured and accounted for in accordance with AS-15 on Employee Benefits.

Employee Benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the profit and loss account in the period in which the service is rendered.

Employee Benefits under defined benefit plans and other long term employee benefits such as gratuity and compensated absences which fall due for payment after completion of employment or after a period of twelve months from rendering service, are measured by the projected unit credit method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The company's obligations recognized in the balance sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial Gains and losses are recognised immediately in the Profit and Loss Account.

g) Foreign Currency Transactions

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date of the transaction.

Monetary items denominated in foreign currencies, are restated at the prevailing rates of exchange at the Balance Sheet date. All gains and losses arising out of fluctuations in exchange rates are accounted for in the Profit and Loss Account.

Non-monetary items such as investments are carried at historical cost using the exchange rates on the date of the transaction.

Schedule 15: Significant Accounting Policies and Notes on Accounts

h) Borrowing cost

Borrowing cost attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on Borrowing Costs are capitalized as part of the cost of such asset up to the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

i) Income Tax

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid/recovered from the taxation authorities, using the applicable tax rates and tax laws.

The Tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations.

The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

Fringe Benefits Tax (FBT) payable under the provisions of section 115 WC of the Income Tax Act, 1961 is, in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI, regarded as an additional income tax and considered in determination of the profits for the year. Tax on distributed profits payable in accordance with the provisions of section 115 O of the Income Tax Act, 1961 is, in accordance with the Guidance Note on Accounting for Corporate Dividend Tax, regarded as a tax on distribution of profits and is not considered in determination of the profits for the year.

j) Earnings Per Share

The Company reports basic and diluted Earnings per share (EPS) in accordance with Accounting Standard 20 on Earnings per Share. Basic EPS is computed by dividing the net profit or loss for the period/year by the weighted average number of equity shares outstanding

Schedule 15: Significant Accounting Policies and Notes on Accounts

during the period/year. Diluted EPS is computed by dividing the net profit or loss for the period/year by the weighted average number of equity shares outstanding during the period/year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

k) Operating leases

Operating lease payments are recognized as expense in the profit and loss account on a straight-line basis, which is representative of the time pattern of the user's benefit.

l) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company.

Cash and Cash equivalents presented in the Cash Flow Statement consist of cash on hand and current account bank balances.

m) Contingent liabilities

Contingent Liabilities as defined in Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets are disclosed by way of notes to the accounts. Disclosure is not made if the possibility of an outflow of future economic benefits is remote. Provision is made if it becomes probable that an outflow of future economic benefits will be required to settle the obligation.

II. NOTES TO ACCOUNTS:

Background:

DSP BlackRock Investment Managers Private Limited "the Company" was incorporated in India on May 13, 1996. The Company operates as an 'Asset Management Company' for schemes of DSP BlackRock Mutual Fund (formerly DSP Merrill Lynch Mutual Fund), registered in India. The Company also renders non-binding investment management advisory services to offshore Asset Management entities and portfolio management services to domestic and non-resident entities.

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INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

During the current year BlackRock Advisors Singapore (Pte.) Ltd acquired from DSP Merrill Lynch Limited (erstwhile holding Company) its entire shareholding in the Company. Consequently, the Company changed its name from DSP Merrill Lynch Fund Managers Limited to DSP BlackRock Investment Managers Limited.

With effect from 27 May, 2009 the company has converted into a Private Limited Company.

1. Contingent Liabilities

| | Current Year Rs.(‘000) | Previous Year Rs.(‘000) |
|--|----------------------------------|----------------------------|
| Interest on outstanding dues contested with Service tax authorities. | 2,412 | Nil |

2. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 140,235/- (Previous Year – Rs. 11,693,402/-).

3. Managerial remuneration under Section 198 of the Companies Act, 1956 :

| | For the period from 1 April 2008 to 30 January 2009 Rs.(‘000) | Previous Year Rs.(‘000) |
|--------------------------------|---|----------------------------|
| Remuneration | 1,423 | 2,351 |
| Contribution to Provident Fund | 72 | 75 |
| Total | 1,495 | 2,426 |

Note:

- Managerial remuneration excludes contributions to group schemes where the individual amounts are not ascertainable.

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Schedule 15: Significant Accounting Policies and Notes on Accounts

4. Payment to Auditors (including Service tax)

| | Current Year Rs.('000) | Previous Year Rs.('000) |
|---|-----------------------------------|----------------------------|
| a. As Auditors | 1,075 | 1,075 |
| b. Tax Audit fees | 310 | 309 |
| c. As advisor or in any other capacity: Certification etc. | 34 | 79 |
| d. As expenses | 5 | 12 |

5. Derivative Instruments

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Amounts receivable in foreign currency on account of the following:

| | Current Year ('000) | | Previous Year ('000) | |
|--|----------------------------------|------------------|----------------------------------|------------------|
| | Amount in Foreign Currency | Amount in INR | Amount in Foreign Currency | Amount in INR |
| Non-binding Offshore Advisory fees / Management fees | USD 1,166 | 59,405 | USD 2,078 | 83,049 |
| | JPY 36,865 | 19,122 | JPY 124,995 | 50,098 |

6. Employee Benefits:

a) Defined Contribution Plan:

| | Current Year (Rs.'000) | Previous Year (Rs.'000) |
|--|-----------------------------------|----------------------------|
| Company's contribution to Provident Fund | 14,322 | 11,479 |

DSP BLACKROCK

INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

b) Defined Benefit Plans:

| | Gratuity Current Year (Rs.'000) | Gratuity Previous Year (Rs.'000) |
|---|--|--|
| a) Liability recognized in the Balance Sheet | | |
| i) Present value of obligation | | |
| As at 1 April 2008 | 14,583 | 11,918 |
| Service Cost | 4,683 | 3,904 |
| Interest Cost | 1,675 | 976 |
| Actuarial loss/(gain) on obligation | 1,541 | (998) |
| Benefits paid | (931) | (1217) |
| As at 31 March 2009 | 21,551 | 14,583 |
| Amount recognized in Balance Sheet | 21,551 | 14,583 |
| b) Expense during the year | | |
| Service cost | 4,683 | 3,904 |
| Interest cost | 1,675 | 977 |
| Actuarial loss/(gain) | 1,541 | (998) |
| Total | 7,899 | 3,883 |
| c) Principal actuarial assumptions | | |
| Rate of Discounting | 7.95% p.a. | 8.75% p.a. |
| Rate of increase in salaries | 7.00% p.a. | 7.00% p.a. |
| Attrition Rate | | |
| Age 21 – 44 years | 2% p.a. | 2% p.a. |
| Age 45 – 59 years | 1% p.a. | 1% p.a. |

In assessing the Company's Post Retirement Liabilities the company monitors mortality assumptions and uses up-to-date mortality tables. The base being the LIC 1994-96 ultimate tables.

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INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

The Company operates a non-funded gratuity plan for qualifying employees. Under the plan, the employees are entitled to gratuity benefits based on final salary at retirement. The Company makes provision in the books based on third party actuarial valuations.

7. Additional information pursuant to the requirements of Part II of Schedule VI of the Companies Act, 1956.

| | Current Year Rs.(‘000) | Previous Year Rs.(‘000) |
|--------------------------------------|---|----------------------------|
| (i) Earnings in foreign currency | | |
| Non-binding Offshore Advisory fees | 221,412 | 357,361 |
| Retrocession Fee | 159,473 | 69,327 |
| (ii) Expenditure in foreign currency | | |
| Travel | 562 | 1,413 |
| Others | Nil | 1,467 |

8. Value of imported capital goods on CIF basis Rs.1,537,022/- (Previous Year – Rs.13,737,608).

9. Assets Taken on Lease

a. Operating Lease:

Lease payments recognised in the Profit and Loss Account amounts to Rs. 67,491,323 /- (Previous Year – Rs. 54,005,873/-).

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INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

b. Disclosure in respect of Finance Lease:

The total of minimum lease payments and their present value in respect of assets taken on finance lease are as follows:

| | Due not later than one year | | Due later than one year but not later than five years | |
|---|-----------------------------|----------------------------|---|----------------------------|
| | Current Year Rs.('000) | Previous Year Rs.('000) | Current Year Rs.('000) | Previous Year Rs.('000) |
| Total minimum future lease payments | 3,130 | 2,422 | 5,005 | 3,406 |
| Less: Finance Charge on future lease payments | (670) | (398) | (634) | (351) |
| Present Value of lease payments | 2,460 | 2,024 | 4,371 | 3,055 |

10. a) Provision for Taxation includes:

| | Current Year Rs. ('000) | Previous Year Rs. ('000) |
|--------------------|----------------------------|-----------------------------|
| Current Tax | 175,266 | 151,166 |
| Deferred Tax | 12,822 | (16,335) |
| Fringe Benefit Tax | 4,106 | 6,563 |
| Total | 192,194 | 141,394 |

b) The tax effects of significant timing differences are reflected through Deferred Tax Asset (net), which is included in the Balance Sheet.

The major components of the Deferred Tax Asset balance are set out below:

| | Current Year Rs. ('000) | Previous Year Rs. ('000) |
|--------------------------------------|----------------------------|-----------------------------|
| Depreciation | 5,897 | 2,320 |
| Expenses allowable on payment basis: | | |
| Employee Benefits | 28,794 | 40,649 |
| Provision for expenses | - | 4,778 |
| Others | 234 | - |
| Total | 34,925 | 47,747 |

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INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

11. Related Party Disclosures:

I) List of Related Parties and their relationships

| Sr. No | Name of the Related Party | Relationship |
|--------|---|--------------------------------------|
| 1 | DSP BlackRock Investment Managers (Mauritius) Ltd | Subsidiary |
| 2 | DSP BlackRock Trustee Company Pvt Ltd. (<i>erstwhile DSP Merrill Lynch Trustee Company Pvt Ltd</i>) | Associate |
| 3 | DSP BlackRock Mutual Fund. (<i>erstwhile DSP Merrill Lynch Mutual Fund</i>) | Associate |
| 4 | BlackRock India Equities Fund (Mauritius) Ltd (<i>erstwhile Merrill Lynch India Equities Fund (Mauritius) Ltd.</i>) | Associate |
| 5 | BlackRock (Hong Kong) Ltd (<i>erstwhile Merrill Lynch Investment Managers (Asia) Limited</i>) | Associate |
| 6 | BlackRock Investment Management (UK) Ltd [<i>erstwhile Merrill Lynch Investment Managers Ltd (London)</i>] | Associate |
| 7 | BlackRock (Channel Islands) Ltd | Associate |
| 8 | BlackRock Inc | Associate |
| 9 | DSP Merrill Lynch Ltd. | Associate |
| 10 | Hemendra M. Kothari | Key Management Personnel |
| 11 | Aditi Kothari | Relative of Key Management Personnel |
| 12 | Rashmi Poduval | Key Management Personnel |

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INVESTMENT MANAGERS

DSP BlackRock Investment Managers Private Limited

Schedule 15: Significant Accounting Policies and Notes on Accounts

ii) Transactions during the year with Related Parties :

| Sr no | Nature of Transaction | Subsidiary (Rs. '000) | Associates | | | Key Management Personnel and their Relatives (Rs. '000) | Total (Rs. '000) |
|-------|---|--------------------------|-------------------------------------|---|-------------------------|--|---------------------|
| | | | DSP Merrill Lynch Ltd (Rs. '000) | DSP BlackRock Mutual Fund (Rs. '000) | Others (Rs. '000) | | |
| 1 | Revenue | | | | | | |
| | Investment / Advisory Management Fees | | | | | | |
| | Current Year | - | - | 1,029,212 | 380,885 ⁽¹⁾ | - | 1,410,097 |
| | (Previous Year) | - | - | 1,083,535 | 426,688 | - | 1,510,223 |
| | Expenditure | | | | | | |
| 2. | Broker Reallowance | | | | | | |
| | Current Year | - | 76,118 | - | - | - | 76,118 |
| | (Previous Year) | - | 149,882 | - | - | - | 149,882 |
| 3 | Rent | | | | | | |
| | Current Year | - | 27,741 | - | - | - | 27,741 |
| | (Previous Year) | - | 23,517 | - | - | - | 23,517 |
| 4 | Referral Fees | | | | | | |
| | Current Year | - | 8,726 | - | - | - | 8,726 |
| | (Previous Year) | - | 50,312 | - | - | - | 50,312 |
| 5 | Remuneration | | | | | | |
| | Current Year | - | - | - | - | 1,495 | 1,495 |
| | (Previous Year) | - | - | - | - | 2,426 | 2,426 |
| 6 | Reimbursement / (Recovery) of expenses (net) | | | | | | |
| | Current Year | (4,710) | 8,982 | (1,343,783) | (60,346) ⁽⁵⁾ | - | (1,399,858) |
| | (Previous Year) | - | 13,272 | (2,436,237) | 21 ⁽⁴⁾ | - | (2,422,944) |
| 7 | Investments | | | | | | |
| | Purchases | | | | | | |
| | Current Year | 4,839 | - | 2,549,825 | - | - | 2,554,664 |
| | (Previous Year) | - | - | 1,395,305 | - | - | 1,395,305 |
| | Sales | | | | | | |
| | Current Year | - | - | 2,332,173 | - | - | 2,332,173 |
| | (Previous Year) | - | - | 1,096,710 | - | - | 1,096,710 |
| 8 | Dividend on Units | | | | | | |
| | Current Year | - | - | 41,111 | - | - | 41,111 |
| | (Previous Year) | - | - | 29,003 | - | - | 29,003 |
| 9 | Amounts recoverable | | | | | | |
| | Current Year | - | - | - | - | 7,691 ⁽³⁾ | 7,691 |
| | (Previous Year) | - | - | - | - | 292 | 292 |
| 10 | Balances Outstanding as at 31 March 2009 | | | | | | |
| | Investments | | | | | | |
| | Current Year | 4,839 | - | 856,908 | - | - | 861,747 |
| | (Previous Year) | - | - | 628,426 | - | - | 628,426 |
| 11 | Investment / Advisory Management Fees Receivable | | | | | | |
| | Current Year | - | - | 93,711 | 78,527 ⁽²⁾ | - | 172,238 |
| | (Previous Year) | - | - | 95,965 | 133,039 | - | 229,004 |
| 12 | Expenditure / Referral Fees / Reimbursement Receivable/(Payable) | | | | | | |
| | Current Year | 4,710 | (9,646) | 107,651 | 60,346 ⁽⁵⁾ | - | 163,061 |
| | (Previous Year) | - | (22,200) | 198,548 | 21 ⁽⁴⁾ | - | 176,369 |
| 13 | Amounts Recoverable | | | | | | |
| | Current Year | - | - | - | - | 7,691 ⁽³⁾ | 7,691 |
| | (Previous Year) | - | - | - | - | 292 | 292 |

Note: Figures in brackets, against balance outstanding, indicate amounts payable by the company to the related party.

- Non-binding Offshore Advisory Fees / Management Fee (Rs.'000)
From BlackRock India Equities Fund (Mauritius) Ltd (erstwhile Merrill Lynch Investment Managers (Asia) Limited) is Rs.105,863/- (Prev Year - Rs. 127,862/-)
From BlackRock (Hong Kong) Ltd (erstwhile Merrill Lynch Investment Managers (Asia) Limited) is Rs.115,549/- (Prev Year - Rs.207,261/-)
From BlackRock Investment Management (UK) Ltd (erstwhile Merrill Lynch Investment Managers (Asia) Limited) is Nil. (Prev Year - Rs.22,238/-)
From BlackRock (Channel Islands) Ltd is Rs. 179,347/- (Prev Year - Rs 69,327)
- Balance as at 31 March 2009 - Advisory Fees (Rs.'000)
From BlackRock India Equities Fund (Mauritius) Ltd is Rs.15,085/- (Prev Year - Rs. 40,694/-)
From BlackRock (Hong Kong) Ltd (erstwhile Merrill Lynch Investment Managers (Asia) Limited) is Rs.19,122/- (Prev Year - Rs.50,098/-)
From BlackRock (Channel Islands) Ltd is Rs. 44,320/- (Prev Year - Rs 42,248)
- The Company has made application to the Central Government for payment of remuneration to Ms. Aditi Kothari (relative of a director) in accordance with the provisions of section 314(1B) of the Companies Act, 1956. Till such time as the sanction is received, the amount paid Rs. 7,691 (thousand) has been considered as an amount held in trust by her and recoverable from her.
- DSP BlackRock Trustee Company Pvt. Ltd.
- BlackRock, Inc

DSP BLACKROCK

INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

12. Earnings per share (EPS):

| | Current Year | Previous Year |
|--|---------------------|---------------|
| Net Profit (Rs '000) | 407,772 | 280,469 |
| Weighted average number of shares ('000) | 20,000 | 20,000 |
| Basic EPS (Rs.) | 20.39 | 14.02 |
| Face Value / Nominal Value per share (Rs.) | 10 | 10 |

Note: There is no dilution to the basic EPS as there are no outstanding potentially dilutive equity shares.

13. Segment Reporting

The Company operates in a single business and geographical segment.

14. Comparatives

Figures of the previous year have been regrouped / reclassified wherever necessary to correspond to figures of the current year.

Signatures to Schedules 1 to 15

As per our attached report of even date

For Deloitte Haskins & Sells

Chartered Accountants

sd/-

P. B. Pardiwalla

Partner

For and on behalf of the Board of Directors

sd/-

Hemandra Kothari

Chairman

sd/-

K.R.V. Subrahmanian

Director

sd/-

Pritesh Majmudar

Company Secretary

Mumbai

21st August 2009

Mumbai

21st August 2009

DSP BLACKROCK

INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

Information pursuant to part IV of schedule VI to the Companies Act, 1956:

I. Registration Details

9 9 4 8 3 State Code 1 1 (Refer Code List)

Balance Sheet Date 3 1 0 3 2 0 0 9
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

| | | | | | | | | | | | | | | | | | | | | | |
|---|-------------------|--|--|--|--|--|---|---|---|---|---|--|--|--|--|--|--|--|---|---|---|
| Public Issue | Right Issue | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | N | I | L | | | | | | | | | | | | |
| | | | | | | | N | I | L | | | | | | | | | | | | |
| Bonus Issue | Private Placement | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | N | I | L | | | | | | | | | | | | |
| | | | | | | | N | I | L | | | | | | | | | | | | |

III. Position of Mobilisation and deployment of Funds (Amount in Rs. Thousands)

| | | | | | | | | | | | | | | | | | | | |
|--|--------------|---|---|---|---|---|---|---|---|--|--|--|---|---|---|---|---|---|---|
| Total Liabilities | Total Assets | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px; text-align: center;">1</td> <td style="width: 15px; height: 15px; text-align: center;">1</td> <td style="width: 15px; height: 15px; text-align: center;">8</td> <td style="width: 15px; height: 15px; text-align: center;">4</td> <td style="width: 15px; height: 15px; text-align: center;">6</td> <td style="width: 15px; height: 15px; text-align: center;">2</td> <td style="width: 15px; height: 15px; text-align: center;">3</td> </tr> </table> | | | 1 | 1 | 8 | 4 | 6 | 2 | 3 | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px; text-align: center;">1</td> <td style="width: 15px; height: 15px; text-align: center;">1</td> <td style="width: 15px; height: 15px; text-align: center;">8</td> <td style="width: 15px; height: 15px; text-align: center;">4</td> <td style="width: 15px; height: 15px; text-align: center;">6</td> <td style="width: 15px; height: 15px; text-align: center;">2</td> <td style="width: 15px; height: 15px; text-align: center;">3</td> </tr> </table> | | | 1 | 1 | 8 | 4 | 6 | 2 | 3 |
| | | 1 | 1 | 8 | 4 | 6 | 2 | 3 | | | | | | | | | | | |
| | | 1 | 1 | 8 | 4 | 6 | 2 | 3 | | | | | | | | | | | |

Sources of Funds

| | | | | | | | | | | | | | | | | | |
|--|--------------------|---|---|---|---|---|---|---|--|--|--|---|---|---|---|---|---|
| Paid-up Capital | Reserves & Surplus | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px; text-align: center;">2</td> <td style="width: 15px; height: 15px; text-align: center;">0</td> <td style="width: 15px; height: 15px; text-align: center;">0</td> <td style="width: 15px; height: 15px; text-align: center;">0</td> <td style="width: 15px; height: 15px; text-align: center;">0</td> <td style="width: 15px; height: 15px; text-align: center;">0</td> </tr> </table> | | | 2 | 0 | 0 | 0 | 0 | 0 | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px;"></td> <td style="width: 15px; height: 15px; text-align: center;">9</td> <td style="width: 15px; height: 15px; text-align: center;">7</td> <td style="width: 15px; height: 15px; text-align: center;">7</td> <td style="width: 15px; height: 15px; text-align: center;">7</td> <td style="width: 15px; height: 15px; text-align: center;">9</td> <td style="width: 15px; height: 15px; text-align: center;">2</td> </tr> </table> | | | 9 | 7 | 7 | 7 | 9 | 2 |
| | | 2 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | |
| | | 9 | 7 | 7 | 7 | 9 | 2 | | | | | | | | | | |
| Secured Loans | Unsecured Loans | | | | | | | | | | | | | | | | |
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| | | | | 6 | 8 | 3 | 1 | | | | | | | | | | |
| | | | | | N | I | L | | | | | | | | | | |

DSP BLACKROCK
INVESTMENT MANAGERS

Schedule 15: Significant Accounting Policies and Notes on Accounts

V. Generic Names of three Principle Products / Services of Company (as per Monetary terms)

| Product Description | Item Code No. |
|---------------------|---------------------|
| I N V E S T M E N T | N O T |
| M A N A G E M E N T | A P P L I C A B L E |
| S E R V I C E S | |

For and on behalf of the Board of Directors

sd/-

sd/-

Hemendra Kothari
Chairman

K.R.V. Subrahmanian
Director

sd/-

Pritesh Majmudar
Company Secretary

Mumbai
21st August 2009