

Auditors' Report to the Members of DSP Blackrock Investment Managers Private Limited
(formerly DSP Merrill Lynch Fund Managers Limited)

1. We have audited the attached Balance Sheet of DSP Blackrock Investment Managers Private Limited ("the Company") as at 31 March 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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4. Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2009;
- (ii) in the case of the Profit and Loss Account, of the profit for year ended on that date; and
- (iii) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

**For Deloitte Haskins & Sells
Chartered Accountants**

P. B. Pardiwalla

P. B. Pardiwalla

Partner

Membership No. 40005

Place: Mumbai

Date: August 21, 2009

Deloitte Haskins & Sells

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business/activities for the year are such that the requirements of items (i-c), (ii), (v), (vi), (viii), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of paragraph 4 of the Order are not applicable to the Company.
2. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
3. The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. There are no transactions for purchase of inventory or sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls.

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5. In our opinion, and based on the information and explanations provided to us, the internal audit system is commensurate with the size of the Company and the nature of its business.
6. In respect of its statutory dues:
- a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including provident fund, income-tax, wealth-tax, service tax, custom duty, cess and any other material statutory dues with the appropriate authorities during the year.
- b) According to the information and explanations given to us there are no disputed dues relating to Income tax, Customs Duty and Cess. Details of disputed statutory dues which have not been deposited as at 31 March 2009 are set out below:

Statute	Forum	Amount (In '000)	Year
Service Tax	Commissioner of Central Excise	2,412	2006-07

7. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
8. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained.
9. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.

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10. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla

P. B. Pardiwalla

Partner

Membership No. 40005

Place: Mumbai

Date: August 21, 2009

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

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)

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

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)

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

DSP BLACKROCK

INVESTMENT MANAGERS

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

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

INVESTMENT MANAGERS

DSP BlackRock Investment Managers Private Limited
(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

DSP BLACKROCK

INVESTMENT MANAGERS

DSP BlackRock Investment Managers Private Limited
(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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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

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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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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/-).

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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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

DSP BLACKROCK

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

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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																		
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		1	1	8	4	6	2	3											
		1	1	8	4	6	2	3											

Sources of Funds

Paid-up Capital	Reserves & Surplus																
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		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