

Auditors' Report to the Members of DSP Merrill Lynch Fund Managers Limited

1. We have audited the attached Balance Sheet of DSP Merrill Lynch Fund Managers Limited, as at 31 March 2008 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, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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- (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:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for year ended March 31, 2008; and
 - (iii) in the case of the Cash Flow statement, of the cash flows for the year ended March 31, 2008.

For Deloitte Haskins & Sells
Chartered Accountants

P. B. Pardiwalla

P. B. Pardiwalla
Partner
Membership No. 40005
Place: Mumbai
Date: July 21, 2008

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), (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 of verification, 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 respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 to the best of our knowledge and belief and according to the information and explanations given to us:
 - a) The particulars of the contracts or arrangements referred to in section 301 that needed to be entered into the register, maintained under the said section have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts and arrangements aggregating during the year to Rs. 5 lacs or more in respect of each party, have been made at prices which are, *prima facie*, reasonable having regard to the volume of transactions and the prevailing market prices.
6. The global internal audit department of Merrill Lynch & Co. Inc. performs the internal audit function of all the Merrill Lynch entities worldwide (including for the Company) in accordance with their global program. 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.
7. In respect of its statutory dues:
 - a) According to the information and explanations given to us, the Company has been generally 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 dues in respect of service tax, wealth tax, custom duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

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8. 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.
9. 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.
10. 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.
11. 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: July 21, 2008

DSP Merrill Lynch Fund Managers Limited
Balance Sheet as at 31 March 2008

	Schedule No.	As at 31.03.2008 Rs. '000	As at 31.03.2007 Rs. '000
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	200,000	200,000
(b) Reserves & Surplus	2	570,020	291,139
2. Loan Funds			
Secured Loans	3	5,079	6,075
		775,099	497,214
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	4	163,607	116,505
Less : Depreciation / Amortisation		84,973	67,752
Net Block		78,634	48,753
Capital Work in Progress		5,473	2,683
2. Investments			
	5	628,426	334,472
3. Deferred Tax Asset (net)			
	15	47,747	30,594
	II [note 10 (b)]		
4. Current Assets, Loans & Advances			
(a) Sundry Debtors	6	436,003	291,370
(b) Cash & Bank Balances	7	8,917	2,062
(c) Other Current Assets, Loans and Advances	8	150,590	102,671
	(A)	595,510	396,103
Less : Current Liabilities & Provisions			
(a) Current Liabilities	9	545,454	297,223
(b) Provisions	10	35,237	18,168
	(B)	580,691	315,391
Net Current Assets	(A - B)	14,819	80,712
		775,099	497,214

Significant accounting policies & 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

For and on behalf of the Board of Directors

P. B. Pardiwalla
Partner

Hemendra Kothari
Chairman

K.R.V. Subrahmanian
Director

Rashmi Poduval
Manager & Company
Secretary

Mumbai
21st July, 2008

Mumbai
21st July, 2008

DSP Merrill Lynch Fund Managers Limited
Profit & Loss Account for the year ended 31 March 2008

	Schedule No.	Current Year Rs. '000	Previous Period Rs. '000
INCOME			
Asset Management and Advisory Fees [Tax Deducted at Source Rs. 137,110,306/- (Previous Period - Rs. 54,297,827/-)]		1,643,821	1,288,784
Dividend on Units (Current Investments)		29,003	19,548
Profit on Sale of Current Investments (net)		4,642	3,625
Write Back of Provision for Diminution in Value of Current Investments		42	-
Interest Income	11	1,625	327
Other Income		29	1,011
	(A)	1,679,162	1,313,295
EXPENDITURE			
Scheme Expenses (net)	12	396,817	200,435
Referral Fee for Portfolio Management Services		64,610	51,137
Employee Costs	13	488,224	427,559
Administrative and Other Expenses	14	277,996	208,091
Depreciation / Amortisation		29,132	22,036
Interest Expenses		520	685
Amortisation of Preliminary Expenses		-	20
	(B)	1,257,299	909,963
PROFIT BEFORE TAXATION	(A - B)	421,863	403,332
Provision for Taxation (Refer Note 10 (a) of Schedule 15)		141,394	132,171
PROFIT AFTER TAXATION		280,469	271,161
BALANCE BROUGHT FORWARD		288,739	17,578
Less: Adjustment made in accordance with the transitional provisions of Accounting Standard 15 on employee Benefits		1,588	-
		287,151	17,578
BALANCE CARRIED TO BALANCE SHEET		567,620	288,739
Earning per share (Face value of Rs. 10 each)			
- Basic		14.02	13.56
- Diluted (Refer Note 11 of Schedule 15)			

Significant accounting policies & notes to accounts
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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

For and on behalf of the Board of Directors

P. B. Pardiwalla
Partner

Hemendra Kothari
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Director

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Manager & Company
Secretary

Mumbai
21st July, 2008

Mumbai
21st July, 2008

DSP Merrill Lynch Fund Managers Ltd.

Cash Flow Statement for the year ended 31 March 2008

	Current Year Rs '000	Previous Period Rs '000
A. Cash Flow from Operating Activities		
Profit Before Tax	421,863	403,332
Adjustments for :		
Depreciation	29,132	22,036
Amortisation of Preliminary Expenses	-	21
Loss on Sale of Fixed Assets	490	85
Diminution in Value of Current Investments	-	42
Write Back of Provision for Diminution in Value of Investments	(42)	-
Provision for Gratuity & Leave Encashment	17,239	10,946
Write Back of Provisions	-	1,005
Dividend on Units	(29,003)	(19,548)
Interest on Auto Loan	520	685
Profit on Sale of Current Investments (net)	(4,642)	(3,625)
Operating Profit Before Working Capital Changes	435,557	414,979
Adjustments for :		
Trade Receivables	(144,633)	(102,557)
Other Receivables	(35,503)	(5,668)
Payables and Provisions	245,655	39,911
Cash Generated from Operations	501,076	346,665
Direct Taxes Paid	170,145	170,172
Net Cash Flow generated from Operating Activities	(A) 330,931	176,493
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(63,433)	(40,204)
Proceeds from Sale of Fixed Assets	1,140	434
Acquisition of Investments	(261,466)	(140,397)
Dividend received	1,199	7
Net Cash used in Investing Activities	(B) (322,560)	(180,160)
C. Cash Flow from Financing Activities :		
(Decrease) / Increase in Secured Loans	(996)	1,574
Interest Paid on loans	(520)	(685)
Net Cash (used in) / generated from Financing Activities	(C) (1,516)	889
Net Increase / (Decrease) in Cash and Cash Equivalents	(A+B+C) 6,855	(2,778)
Cash and Cash Equivalents as at the beginning of the year	2,062	4,840
Cash and Cash Equivalents as at the close of the year	8,917	2,062
Net Increase / (Decrease) in Cash and Cash Equivalents	6,855	(2,778)

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

P. B. Pardiwalla
Partner

Hemendra Kothari
Chairman

K.R.V. Subrahmanian
Director

Rashmi Poduval
Manager & Company
Secretary

Mumbai
21st July, 2008

Mumbai
21st July, 2008

DSP Merrill Lynch Fund Managers Limited
Schedules annexed to and forming part of the accounts for the year ended 31 March 2008

	As at 31.03.2008 Rs. '000	As at 31.03.2007 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	567,620	288,739
	570,020	291,139
3. SECURED LOANS :		
Loans from Bank (Hire Purchase) (Secured against hypothecation of vehicles acquired under Auto Loan Scheme) [Principal amount due within one year Rs. 2,023,893/- (Previous year - Rs. 2,413,914/-)]	5,079	6,075
	5,079	6,075

DSP Merrill Lynch Fund Managers Limited

Schedules annexed to and forming part of the accounts for the year ended 31 March 2008

4. FIXED ASSETS :

Description	Gross Block (At Cost)			Depreciation/ Amortisation			Net Block	
	As on 01.04.2007 Rs. '000	Additions/ (Deductions) Rs. '000	As on 31.03.2008 Rs. '000	As on 01.04.2007 Rs. '000	Additions/ (Deductions) Rs. '000	Upto 31.03.2008 Rs. '000	As on 31.03.2008 Rs. '000	As on 31.03.2007 Rs. '000
<u>Tangible Assets</u>								
Equipments	16,720	12,155 (1,941)	26,934	8,737	5,498 (1,893)	12,342	14,592	7,983
Computers & Allied Equipment	57,812	19,141 (7,082)	69,871	37,340	10,345 (6,988)	40,697	29,174	20,472
Furniture & Fittings	19,125	22,893 (232)	41,786	9,324	8,951 (164)	18,111	23,675	9,801
Vehicles *	11,518	2,235 (4,286)	9,467	4,498	1,835 (2,866)	3,467	6,000	7,020
<u>Intangible Assets</u>								
Software	11,330	4,219	15,549	7,853	2,503	10,356	5,193	3,477
Total	116,505	60,643 (13,541)	163,607	67,752	29,132 (11,911)	84,973	78,634	48,753
Previous Period	80,009	39,102 (2,606)	116,505	47,803	22,036 (2,087)	67,752		48,753
Capital Work in Progress							5,473	2,683

* Acquired on Hire Purchase

DSP Merrill Lynch Fund Managers Limited
Schedules annexed to and forming part of the accounts for the year ended 31 March 2008

	As at 31.03.2008 Rs. '000	As at 31.03.2007 Rs. '000
5. INVESTMENTS :		
Current Investments (at lower of cost and fair market value) (As per Annexure A)	628,426	334,472
	628,426	334,472
6. SUNDRY DEBTORS :		
(Unsecured, considered good)		
Debts outstanding for a period of less than six months	436,003	291,370
	436,003	291,370
7. CASH AND BANK BALANCES :		
Balances with Scheduled Banks - - Current Accounts	8,917	2,062
	8,917	2,062
8. OTHER CURRENT ASSETS, LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	8,669	9,339
Service tax input credit	35,708	18,307
Premises and other deposits	23,979	7,262
Loans and advances to employees	5,590	3,535
Advance payment of Income Tax (net of provisions)	76,644	64,228
	150,590	102,671
9. CURRENT LIABILITIES (Refer note below) :		
Sundry Creditors (Refer Note below)		
Total outstanding dues of creditors other than micro enterprises and small enterprises.	523,254	282,831
Other Liabilities (Net)	22,200	14,392
	545,454	297,223
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	14,583	13,640
Leave Encashment	20,654	4,528
	35,237	18,168

DSP Merrill Lynch Fund Managers Limited
Schedules annexed to and forming part of the accounts for the year ended 31 March 2008

	Rs. '000	Current Year Rs. '000	Previous Period Rs. '000
11. INTEREST INCOME ON :			
Bank Deposits		-	16
[Tax Deducted at Source Rs. Nil/- (Previous Period - Rs. 3,079/-)]			
Others		1,625	311
		1,625	327
12. SCHEME EXPENSES (net):			
Brokerage		217,997	81,103
Advertising, Publicity and others		178,820	119,332
		396,817	200,435
Note:			
Scheme expenses are shown net of expenditure reimbursed including marketing / brokerage Rs. 2,436,236,940/- (Previous Period - Rs. 1,542,188,241/-) by the respective Mutual Fund schemes managed by the Company. The amount reimbursed includes Sales & Marketing expenses aggregating to Rs.10,282,826/- incurred in the previous year.			
13. EMPLOYEE COSTS :			
Salaries and Bonus		450,921	398,459
Contribution to Provident fund		11,479	9,618
Staff welfare expenses		14,335	12,904
Stipend to Trainees		11,489	6,578
		488,224	427,559
14. ADMINISTRATIVE AND OTHER EXPENSES (net) :			
Rent		54,006	40,643
Professional fees		42,025	32,504
Sebi registration and filing fees		16,329	6,905
Infrastructure & Technology Cost		26,192	15,087
Directors' sitting fees		795	575
Electricity		8,096	4,579
Foreign Exchange Fluctuation		1,201	757
Insurance		14,099	8,355
Loss on Fixed Assets Sold / Discarded		490	85
Mailing expenses		27,069	25,184
Diminution in Value of Current Investments		-	42
Rates & Taxes		5,899	3,560
Repairs & Maintenance		9,638	6,521
Travelling expenses		19,339	14,609
Miscellaneous expenses		52,818	48,685
		277,996	208,091

DSP Merrill Lynch Fund Managers Limited

Schedules annexed to and forming part of the accounts for the year ended 31 March 2008

Annexure : A TO SCHEDULE 5

	Nominal Value		As at 31 st March, 2008		As at 31 st March, 2007	
	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 fair market value) (Non-Trade)						
DSP Merrill Lynch Liquidity Fund - Institutional Plan - Weekly Dividend Option	-	24,994	-	-	24,994	25,029
DSP Merrill Lynch Bond Fund - Retail - Monthly Dividend Option	97	97	9,666	100	9,666	100
DSP Merrill Lynch Govt Sec. Fund - Plan A - (Longer Duration Plan) - Monthly Dividend Option	7,488	99	748,837	7,600	9,892	100
DSP Merrill Lynch Fixed Term Plan - 15 M Series 2 Institutional Growth Option	150,000	-	15,000,000	150,000	-	-
DSP Merrill Lynch Fixed Term Plan - Series 3F- Regular Dividend	20,641	-	20,641	20,645	-	-
DSP Merrill Lynch Govt Sec. Fund - Plan A - Longer Duration Plan - Growth Option	1,047	-	104,744	2,500	-	-
DSP Merrill Lynch Govt Sec. Fund - Plan B - (Shorter Duration Plan) - Growth Option	-	1,511	-	-	151,061	1,533
DSP Merrill Lynch Govt Sec. Fund - Plan B - (Shorter Duration Plan) - Dividend Option	16,748	-	1,674,751	16,941	-	-
DSP Merrill Lynch Liquid Plus Fund - Institutional Plan - Weekly Dividend	180,266	66,972	180,266	180,440	66,972	67,007
DSP Merrill Lynch Fixed Term Plan - Series 1H - Regular Plan - Dividend Reinvest	-	15,104	-	-	15,104	15,104
DSP Merrill Lynch Fixed Term Plan - Series 1H - Institutional Plan - Dividend Reinvest	-	15,119	-	-	15,119	15,119
DSP Merrill Lynch Fixed Term Plan - Series 1I - Institutional Plan - Dividend Reinvest	-	80,480	-	-	80,480	80,480
DSP Merrill Lynch Fixed Term Plan - Series 3C - Growth Option	100,000	100,000	100,000	100,000	100,000	100,000
DSP Merrill Lynch Fixed Term Plan - Series 1J - Institutional Plan - Dividend Reinvest	-	30,000	-	-	30,000	30,000
DSP Merrill Lynch Cash Plus Fund - Retail - Growth Option	100	-	100	100	-	-
DSP Merrill Lynch Cash Plus Fund - Institutional - Growth Option	100	-	100	100	-	-
DSP Merrill Lynch Fixed Term Plan - 3M Series 6 - Institutional Dividend	50,000	-	5,000,000	50,000	-	-
DSP Merrill Lynch Fixed Term Plan - 13M Series 1 - Institutional Growth Option	50,000	-	5,000,000	50,000	-	-
DSP Merrill Lynch Fixed Term Plan - 12 1/2 M Series 1 - Institutional Growth Option	50,000	-	5,000,000	50,000	-	-
				628,426		334,472
Aggregate of Book Value				628,426		334,472
Aggregate Repurchase Value of Units				640,295		334,472

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

	No of units	Cost in Rs.	Nominal Value
DSP Merrill Lynch Liquidity Fund - Inst Plan - Weekly dividend	212	212,438	212,396
DSP Merrill Lynch Fixed Term Plan - Series 1H - Dividend Regular	15,286	15,286,376	15,286,174
DSP Merrill Lynch Fixed Term Plan - Series 1I - Institutional Dividend	81,740	81,739,994	81,739,828
DSP Merrill Lynch Fixed Term Plan - Series 1H - Dividend Institutional	15,289	15,289,548	15,289,471
DSP Merrill Lynch Fixed Term Plan - Series 1J Dividend Institutional	30,675	30,675,438	30,675,315
DSP Merrill Lynch Fixed Term Plan - Series 1K Dividend Institutional	25,482	25,482,455	25,482,328
DSP Merrill Lynch Strategic Bond Fund - Dividend Regular	136,103	136,905,005	136,102,903
DSP Merrill Lynch Fixed Term Plan - Series 1M- Institutional Dividend	96,977	96,977,046	96,976,638
DSP Merrill Lynch Strategic Bond Fund - Institutional - Weekly Dividend	440,568	441,453,371	440,567,831
DSP Merrill Lynch Fixed Term Plan - Series 1O- Institutional Dividend	96,584	96,584,670	96,583,550
DSP Merrill Lynch Cash Plus Fund - Institutional - Weekly Dividend	351,686	351,919,732	351,685,527
DSP Merrill Lynch Govt. Sec. Fund - Plan A - Longer Duration Plan - Dividend	6,070,592	70,000,000	60,705,923
DSP Merrill Lynch Fixed Term Plan - 3 M Series 1 - Institutional Dividend	7,634,180	76,341,803	76,341,803

Schedule 15: Significant Accounting Policies and Notes on Accounts

I. SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of accounting

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

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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and differences between actual results and estimates are recognized 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 or construction 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.

The company capitalises software where it is reasonably estimated that the software has an enduring useful life. Software is amortised over an estimated useful life of 3 years.

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets, when at 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

Schedule 15: Significant Accounting Policies and Notes on Accounts

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 in accordance with the Accounting Standard 13 on Accounting for Investments.

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.

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

Short-term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost. Long-term employee benefits / other long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service) and

Schedule 15: Significant Accounting Policies and Notes on Accounts

post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

Contributions to Provident Fund, a defined contribution plan are made in accordance with the statute, and are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of providing leave encashment and gratuity, defined benefit plans, are determined using the Projected Unit Credit Method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The leave encashment and gratuity benefit obligations recognized in the balance sheet represents the present value of the obligations as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the discounted value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognized 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.

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.

Schedule 15: Significant Accounting Policies and Notes on Accounts

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 revenue authorities, using the applicable tax rates and 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. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. 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 benefit Tax (FBT) payable under the provisions of section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI and is regarded as an additional income tax and considered in determination of 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 the determination of profits.

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 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.

Schedule 15: Significant Accounting Policies and Notes on Accounts

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. Provision is made if it is probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

II. NOTES TO ACCOUNTS:

Background:

DSP Merrill Lynch Fund Managers Limited "the Company" was incorporated in India on May 13, 1996. The Company operates as an 'Asset Management Company' for schemes of 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.

1. Contingent Liabilities

	Current Year Rs.('000)	Previous Period Rs.('000)
Income Tax	Nil	509

Schedule 15: Significant Accounting Policies and Notes on Accounts
2. Capital Commitments

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

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

	Current Year Rs.(‘000)	Previous Period Rs.(‘000)
Remuneration	2,351	1,692
Contribution to Provident Fund	75	56
Total	2,426	1,748

Note:

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

4. Payment to Auditors (including Service tax)

	Current Year Rs.(‘000)	Previous Period Rs.(‘000)
a. As Auditors	1,075	722
b. Tax Audit fees	309	259
c. As advisor or in any other capacity: Certification etc.	79	12
d. As expenses	12	7

5. Derivative Instruments

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

Schedule 15: Significant Accounting Policies and Notes on Accounts

a. Amounts receivable in foreign currency on account of the following:

	Current Year		Previous Period	
	Amount in Foreign Currency	Amount in INR ('000)	Amount in Foreign Currency	Amount in INR ('000)
Non-binding Offshore Advisory fees / Management fees	USD 2,078	83,049	USD 445	19,393
	JPY 124,995	50,098	JPY 39,513	51,620
			EURO 104	6052

b. Amounts payable in foreign currency on account of the following:

	Current Year		Previous Period	
	Amount in Foreign Currency	Amount in INR ('000)	Amount in Foreign Currency	Amount in INR ('000)
Import of Capital Goods	Nil	Nil	USD 30,745	1,262

6. Employee Benefits:
a) Defined Contribution Plan:

Company's contribution to Provident Fund

Current Year (Rs.'000)
11,479

b) Defined Benefit Plans:
a) Liability recognized in the Balance Sheet

i) Present value of obligation

As at 1 April 2007

Service Cost

Interest Cost

Actuarial gain on obligation

Benefits paid

As at 31 March 2008

Amount recognized in Balance Sheet

Gratuity (Rs.'000)
11,918
3,904
976
(998)
(1,217)
14,583
14,583

Schedule 15: Significant Accounting Policies and Notes on Accounts

	Gratuity (Rs.'000)
b) Expense during the year	
Service cost	3,904
Interest cost	977
Actuarial Gain	(998)
Total	3,883
c) Principal actuarial assumptions	
Rate of Discounting	8.75% p.a.
Rate of increase in salaries	7.00% p.a.
Attrition Rate	
Age 21 – 44 years	2% p.a.
Age 45 – 59 years	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.

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.

Consequent to the adoption of the revised Accounting Standard 15 "Employee Benefits" (AS - 15), effective from April 1, 2007, the Company has revised its accounting policy in respect of employee benefits relating to contributions to gratuity and leave encashment. In accordance with the transitional provisions, the differential amount of the liability, as a result of the revision (net of deferred taxes) amounting to Rs. 1,588 ('000) has been adjusted to the opening balance in the Profit and Loss Account.

This being the first year in which the Company has adopted the Revised Accounting Standard 15 on Employee Benefits, comparatives have not been included.

Schedule 15: Significant Accounting Policies and Notes on Accounts
7. Additional information pursuant to the requirements of Part II of Schedule VI of the Companies Act, 1956.

	Current Year Rs.('000)	Previous Period Rs.('000)
(i) Earnings in foreign currency		
Non-binding Offshore Advisory fees	357,361	373,872
Retrocession Fee	69,327	-
(ii) Expenditure in foreign currency		
Travel	1,413	1,404
Others	1,467	549

8. Value of imported capital goods on CIF basis Rs.13,737,608/- (Previous Period – 1,380,281).

9. Assets Taken on Lease
a. Operating Lease:

Lease payments recognised in the Profit and Loss Account amounts to Rs. 54,005,873/- (Previous Period - Rs. 40,643,127/-).

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 Period Rs.('000)	Current Year Rs.('000)	Previous Period Rs.('000)
Total minimum future lease payments	2,422	2,813	3,406	3,764
Less: Finance Charge on future lease payments	(398)	(399)	(351)	(357)
Present Value of lease payments	2,024	2,414	3,055	3,407

Schedule 15: Significant Accounting Policies and Notes on Accounts

10. a) Provision for Taxation includes:

	Current Year Rs. ('000)	Previous Period Rs. ('000)
Current Tax	151,166	153,975
Deferred Tax	(16,335)	(26,776)
Fringe Benefit Tax	6,563	5,098
Tax adjustment of earlier years	-	(96)
Total	141,394	132,171

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 Period Rs. ('000)
Depreciation	2,320	917
Expenses allowable on payment basis:		
Employee Benefits	40,649	27,880
Provision for expenses	4,778	1,719
Others	-	78
Total	47,747	30,594

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 Merrill Lynch Ltd.	Associate
2	DSP Merrill Lynch Trustee Company Pvt. Ltd.	Associate
3	DSP Merrill Lynch Mutual Fund	Associate
4	Merrill Lynch India Equities Fund (Mauritius) Ltd.	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	DSP Investment Pvt. Ltd. (<i>erstwhile BIKO Investment Pvt. Ltd.</i>)	Associate
8	DSP Merrill Lynch Capital Ltd.	Associate
9	DSP HMK Holdings Pvt. Ltd. (<i>erstwhile HMK Investment Private Limited</i>)	Associate
10	DSP ADIKO Holdings Pvt. Ltd. (<i>erstwhile ADIKO Investment Private Limited</i>)	Associate
11	BlackRock (Channels) Islands Ltd	Associate
12	Hemendra M. Kothari	Key Management Personnel
13	Aditi Kothari	Relative of Key Management Personnel

DSP Merrill Lynch Fund Managers Limited

Schedule 15: Significant Accounting Policies and Notes on Accounts

ii) Transactions during the year with Related Parties :

Sr no	Nature of Transaction	Associates			Key Management Personnel and their Relatives (Rs. '000)	Total (Rs. '000)
		DSP Merrill Lynch Ltd (Rs. '000)	DSP Merrill Lynch Mutual Fund (Rs. '000)	Others (Rs. '000)		
1	Revenue					
	Investment / Advisory Management Fees					
	Current Year	-	1,083,535	426,688 ⁽¹⁾	-	1,510,223
	(Previous Year)	4,605	735,530	375,192	-	1,115,327
	Expenditure					
2.	Broker Reallowance					
	Current Year	149,882	-	-	-	149,882
	(Previous Year)	106,300	-	-	-	106,300
3	Rent					
	Current Year	23,517	-	-	-	23,517
	(Previous Year)	27,124	-	-	-	27,124
4	Referral Fees					
	Current Year	50,312	-	-	-	50,312
	(Previous Year)	48,033	-	-	-	48,033
5.	Reimbursement / (Recovery) of expenses (net)					
	Current Year	13,272	(2,436,237)	21 ⁽³⁾	-	(2,422,944)
	(Previous Year)	12,588	(1,585,834)	-	-	(1,573,246)
6	Investments					
	Purchases					
	Current Year	-	1,395,305	-	-	1,395,305
	(Previous Year)	-	1,099,877	-	-	1,099,877
	Sales					
	Current Year	-	1,096,710	-	-	1,096,710
	(Previous Year)	-	934,203	-	-	934,203
7	Dividend on Units					
	Current Year	-	29,003	-	-	29,003
	(Previous Year)	-	19,548	-	-	19,548
8	Balances Outstanding as at 31 March 2008					
	Investments					
	Current Year	-	628,426	-	-	628,426
	(Previous Year)	-	334,472	-	-	334,472
9	Investment / Advisory Management Fees Receivable					
	Current Year	-	95,965	133,039 ⁽²⁾	-	229,004
	(Previous Year)	-	59,532	77,065	-	136,597
10	Expenditure / Referral Fees / Reimbursement Payable					
	Current Year	(22,200)	198,547	21	-	176,368
	(Previous Year)	(14,724)	131,571	-	-	116,846

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 Merrill Lynch India Equities Fund (Mauritius) Ltd is Rs.127,862/- (Prev Year - Rs. 76,597/-)
 From BlackRock (Hong Kong) Ltd (*erstwhile Merrill Lynch Investment Managers (Asia) Limited*) is Rs.207,261/- (Prev Year - Rs.279,674/-)
 From BlackRock Investment Management (UK) Ltd (*erstwhile Merrill Lynch Investment Managers Ltd (London)*) is Rs. 22,238/- (Prev Year - Rs 17,601/-)
 From BlackRock (Channel Islands) Ltd is Rs. 69,327/- (Prev Year - Rs Nil)
 Management Fees - From DSP Investment Pvt. Ltd. (*erstwhile BIKO Investment Pvt. Ltd.*) on Portfolio Management Services Rs.Nil/- (Prev Year - Rs 1,320)
- Balance as at 31 March 2008 - Advisory Fees (Rs.'000)
 From Merrill Lynch India Equities Fund (Mauritius) Limited is Rs.40,694/- (Prev Year - Rs. 19,393/-)
 From BlackRock (Hong Kong) Ltd (*erstwhile Merrill Lynch Investment Managers (Asia) Limited*) is Rs.50,098/- (Prev Year - Rs.51,620/-)
 From BlackRock (Channel Islands) Ltd is Rs. 42,248/- (Prev Year - Rs Nil)
- To DSP Merrill Lynch Trustee Company Pvt. Ltd.

Schedule 15: Significant Accounting Policies and Notes on Accounts

12. Earnings per share (EPS):

	Current Year	Previous Period
Net Profit (Rs '000)	280,469	271,161
Weighted average number of shares ('000)	20,000	20,000
Basic EPS (Rs.)	14.02	13.56
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 period have been regrouped / reclassified wherever necessary to correspond to figures of the current year.

Previous period's figures are strictly not comparable to figures of the current year as the financial information is for twelve months in the current year as against fifteen months in the previous period.

Signatures to Schedules 1 to 15

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

P. B. Pardiwalla
Partner

Hemendra Kothari
Chairman

K.R.V. Subrahmanian
Director

Rashmi Poduval
Manager & Company
Secretary

Mumbai
21st July 2008

Mumbai
21st July 2008

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 8
Date Month Year

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

Public Issue Right Issue
N I L N I L

Bonus Issue Private Placement
N I L N I L

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

Total Liabilities Total Assets
7 7 5 0 9 9 7 7 5 0 9 9

Sources of Funds

Paid-up Capital Reserves & Surplus
2 0 0 0 0 0 5 7 0 0 2 0

Secured Loans Unsecured Loans
5 0 7 9 N I L

Application of Funds

Net Fixed Assets Investments
8 4 1 0 7 6 2 8 4 2 6

Deferred Tax (net) Net Current Assets
4 7 7 4 7 1 4 8 1 9

Misc. Expenditure Accumulated Losses
N I L N I L

Schedule 15: Significant Accounting Policies and Notes on Accounts

IV. Performance of Company (Amount in Rs. Thousands)

Turnover								Total Expenditure												
			1	6	7	9	1	6	2				1	2	5	7	2	9	9	
Profit / (Loss) before Tax									Profit / (Loss) after Tax											
				4	2	1	8	6	3					2	8	0	4	6	9	
Earning per Share in Rs.									Dividend rate %											
					1	4	.	0	2									N	I	L

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

Hemendra Kothari
Chairman

K.R.V. Subrahmanian
Director

Rashmi Poduval
Manager & Company
Secretary

Mumbai
21st July 2008

Directors' Report

DSP MERRILL LYNCH FUND MANAGERS LIMITED

Directors' Report to the Members

Your Directors have pleasure in presenting the 12th Annual Report together with the Audited Statement of Accounts and the Auditors' Report of your Company for the period, April 01, 2007 to March 31, 2008.

1. Background:

The Company acts as the Asset Management Company to DSP Merrill Lynch Mutual Fund ("the Fund"), in terms of the approval granted by SEBI vide letter no. IIMARP/201/97 dated January 30, 1997. The Company is also registered with SEBI under the SEBI (Portfolio Managers) Regulations, 1993, vide registration code PM/INP000000977, and undertakes activities as a portfolio manager. In addition, the Company offers non-binding investment advisory service to Merrill Lynch India Equities Fund (Mauritius) Limited and BlackRock (Hong Kong) Limited, for investment in Indian equities by entities registered with SEBI under the SEBI (Foreign Institutional Investors) Regulations, 1993.

2. Share Capital:

As on 31st March 2008, the Company had Issued, Subscribed and Paid-up Capital of Rs. 200 mm.

3. Financial Results:

The summarized financial result for the year ended March 31, 2008 as compared with the previous accounting period is as under: (Rs mm)

	01-04-07 to 31-03-08	01-01-06 to 31-03-07
Income	1679.16	1313.30
Profit before Depreciation and Taxation	450.99	425.37
Depreciation	29.13	22.04
Provision for Taxation	141.39	132.17
Profit / (Loss) after Depreciation and Taxation	280.47	271.16
Add: Balance brought forward from the previous year (after adjustment made in accordance with the transitional provisions of Accounting Standard 15 on employee benefits)	287.15	17.58
Balance carried to Balance sheet	567.62	288.74

4. Dividends:

Though the financial result of your Company has improved during the financial year, your Directors feel it prudent not to declare a dividend and are therefore unable to recommend any dividend for the year ended March 31, 2008.

5. Review of Operations:

a. Schemes/Growth in Assets under Management (AUM)

The Company is required to manage the Schemes of the Fund in accordance with the provisions of the Investment Management Agreement, the Trust Deed, the SEBI (Mutual Funds) Regulations, 1996 and the investment objectives of each Scheme as laid down by the relevant Offer Document.

During the year under reference, the Company acted as the Investment Manager to twenty one open-ended schemes, viz. DSP Merrill Lynch Bond Fund, DSP Merrill Lynch Equity Fund, DSP Merrill Lynch Liquidity Fund, DSP Merrill Lynch Balanced Fund, DSP Merrill Lynch Government Securities Fund, DSP Merrill Lynch Technology.com Fund, DSP Merrill Lynch Opportunities Fund, DSP Merrill Lynch Short Term Fund, DSP Merrill Lynch Savings Plus Fund- Conservative, DSP Merrill Lynch Savings Plus Fund-Moderate, DSP Merrill Lynch Savings Plus Fund- Aggressive, DSP Merrill Lynch Top 100 Equity Fund, DSP Merrill Lynch Floating Rate Fund, DSP Merrill Lynch India T.I.G.E.R. Fund (The Infrastructure Growth and Economic Reforms Fund), DSP Merrill Lynch Liquid Plus Fund, DSP Merrill Lynch Small and Mid Cap Fund, DSP Merrill Lynch Tax Saver Fund, DSP Merrill Lynch World Gold Fund, DSP Merrill Lynch Strategic Bond Fund, DSP Merrill Lynch Cash Plus Fund, DSP Merrill Lynch Natural resources and New Energy Fund. The Company also managed close ended schemes, viz. DSP Merrill Lynch Micro Cap Fund and several fixed maturity plans.

As on March 31, 2008, the Assets Under Management (AuM) of the Mutual Fund were Rs. 184 bn as against Rs. 121 bn as of March 31, 2007. As on March 31, 2008, the total assets under management and advice under Portfolio Management Services were approximately Rs. 3.6 bn as against Rs. 31 bn as of March 31, 2007.

b. Service Standards

Your Directors are happy to note that investor grievances / queries are resolved promptly by the customer response associates.

During the year, the AMC continued to provide innovative services and facilities for investors. With the increased retail interest and consequent increase in transaction volumes across the country, the AMC has taken suitable measures to enhance process and

controls with an endeavour to provide quality services to this customers and continuously reduce customer complaints.

The AMC opened new offices in Bhubaneshwar, Guwahati, Jamshedpur, Kanpur, Ludhiana, Mangalore, Nasik, Patna and Rajkot apart from moving to new premises in Kolkatta and Pune. Registrars & Transfer Agents (CAMS) have also increased their reach to cater to investors of various cities and now have presence in 152 locations across the country.

The call centre set up by the company witnessed significant increase in investor calls. Your company undertook major infrastructure enhancements in the call centre to cater to the increasing call volume. The call centre provides a host of services to investors and distributors through an advanced Interactive Voice Response (IVR) System. Investors can also subscribe to the unique T-PIN facility which enables them to transact over telephone. Investors can reach the call centre from BSNL / MTNL lines using toll free number 1800 345 4499 or alternatively from other lines on 044 3048 2855.

We encourage the investors to provide their valuable feedback via email on dspmlmf@ml.com or by reaching us on number 1800 345 4499 (Toll free from BSNL / MTNL Lines) or 044 3048 2855 from other lines.

c. New Initiatives – Schemes

Four open ended schemes were launched by the Fund during the period April 01, 2007 to March 31, 2008 viz. DSP Merrill Lynch World Gold Fund, DSP Merrill Lynch Strategic Bond Fund, DSP Merrill Lynch Cash Plus Fund and DSP Merrill Lynch Natural Resources and New Energy Fund. The Fund also launched eighteen other close ended schemes, viz. fixed maturity plans.

d. Going Forward:

In 2008, the focus will be on expanding the retail investor base by opening more branch offices, launching newer innovative products and providing innovative services and facilities. It is also envisaged that there will be substantial growth in the area of Portfolio Management Services and non-binding advisory services.

6. Directors:

In accordance with the provisions of the Companies Act, 1956, Mr. Hemendra Kothari and Mr. K.R.V. Subrahmanian retire by rotation, and being eligible, offer themselves for re-appointment. The Board of Directors recommend that they be re-appointed.

7. Auditors:

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting. The Company has received a consent letter from them in conformity with the provisions of section 224(1-B) of the Companies Act, 1956. Your Directors recommend their appointment and request you to authorise the Board of the Company to fix their remuneration.

8. Particulars of Employees:

The information as required under subsection (2A) of Section 217 of the Companies Act is being sent separately.

9. Conservation of Energy, Technology Absorption and Exports/Foreign Exchange Earnings and Outgo:

Being an Asset Management Company, your Company has no manufacturing activities. Hence, there is no report pertaining to conservation of energy or technology absorption. During the year under report, your Company earned foreign currency revenue of Rs.426,688,000 and incurred foreign exchange expenditure of Rs.1,413,000 for travel and Rs.1,467,000 for brokerage.

10. Directors' Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Board of Directors of your Company state:

- i that in the preparation of the annual accounts, the applicable accounting policies and accounting standards have been followed consistently along with proper explanation relating to material departures, if any.
- ii Such judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year.
- iii proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv that the annual accounts for the year ended March 31, 2008 have been prepared on a "going concern" basis.

11. Audit Committee:

The members of the Audit Committee are Mr. K.R.V. Subrahmanian (Chairman), Mr. Pradeep Dokania (Director), Mr. Ranjan Pant (Director) and Mr. Piyush Mankad (Director). The Audit Committee is constituted in accordance with the provisions of Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee include reviewing the half yearly and annual financial statements, reviewing internal control systems and ensuring compliance of the same, reviewing internal audit plan, SEBI inspection reports (to the extent it impinges/affects on the functioning of the AMC), audit reports and observations of statutory and internal auditors, implementation of audit recommendations and suggested rectifications by internal and/or statutory auditors, risk management as well as compliance of corporate law.

The Committee met four times during the year under review. It also reviewed and discussed the progress on implementation of the Risk Management practices in various areas as specified in the SEBI circular MFD/CIR/15/19133/2002, dated September 30, 2002.

The Audit Committee also invites senior executives as it considers appropriate to be present at the meeting of the Committee. Mr. R. Ramamoorthy acts as the Secretary to the Committee.

12. Appreciation:

The Directors would like to express their appreciation to the Government of India, the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), and the Association of Mutual Funds in India (AMFI) and the Trustees for their continued support and directions.

The Directors would like to thank the Auditors of the Company and the Schemes, Custodian and Registrar & Transfer Agent of the Schemes, Bankers, Distributors, Brokers, and all other service providers for their valuable support.

The Directors wish to thank all unit holders for their strong support.

The Directors wish to place on record their appreciation to each and every employee of the Company for their valuable contributions in the growth of the Company.

For and on behalf of the Board of Directors

Sd/-

Hemendra Kothari

Chairman

Mumbai, July 21, 2008