

**RELIANCE CAPITAL
ASSET MANAGEMENT LIMITED**

ANNUAL REPORT

2007-08

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting their Thirteenth Annual Report on the business and operations of the Company together with the audited Statement of Accounts for the year ended March 31, 2008.

Financial Results:

	Year ended March 31, 2008 (Rs.)	Year ended March 31, 2007 (Rs.)
Gross Income	377,64,58,607	202,64,19,366
Depreciation	4,55,17,085	1,93,36,122
Profit before tax	142,75,63,903	74,82,83,415
Provision for taxation	48,43,40,006	25,71,40,733
Provision for Deferred Tax Asset/ (Liability)	1,85,84,379	1,53,96,275
Excess/ (Short) provision for tax in the previous year	NIL	38,27,586
Net Profit	96,18,08,276	51,03,66,543
Balance carried to Balance Sheet	197,38,44,721	103,56,99,806
Basic and Diluted EPS of Rs. 10 each	107.55	67.77
Diluted EPS of Rs. 10 each	107.15	67.77

Dividend:

The Company has decided to plough back its entire profits for future developments. Hence no dividend is recommended for the year under review.

Operations:

The Company is the Investment Manager to Reliance Mutual Fund (RMF). RMF is the number one Mutual Fund in India as on March 31, 2008 on average assets under management (AAUM) basis. The AUM of RMF as on March 31, 2008 is approximately Rs.90,938 Crores. RMF currently has the following schemes:

Open-ended Equity Schemes	Reliance Vision Fund
	Reliance Growth Fund
	Reliance NRI Equity Fund
	Reliance Equity Opportunities Fund
	Reliance Equity Fund
	Reliance Tax Saver (ELSS) Fund
	Reliance Index Fund
	Reliance Equity Advantage Fund
	Reliance Regular Savings Fund
	Reliance Natural Resources Fund
Close-ended Equity Schemes	Reliance Long Term Equity Fund
	Reliance Equity Linked Saving Fund – Series I
Open-ended Debt Schemes	Reliance Income Fund
	Reliance Short Term Fund
	Reliance Medium Term Fund
	Reliance Monthly Income Plan
	Reliance Liquid Plus Fund
	Reliance NRI Income Fund
Close-ended Debt Schemes	Reliance Fixed Tenor Fund
	Reliance Fixed Horizon Fund -I
	Reliance Fixed Horizon Fund – II
	Reliance Fixed Horizon Fund – III
	Reliance Fixed Horizon Fund – IV
	Reliance Fixed Horizon Fund – V
	Reliance Fixed Horizon Fund – VI
	Reliance Fixed Horizon Fund – VII
	Reliance Fixed Horizon Fund – VIII
Reliance Fixed Horizon Fund – IX	
Open-ended Liquid Schemes	Reliance Liquid Fund
	Reliance Liquidity Fund
	Reliance Floating Rate Fund
Open-ended Government securities Scheme	Reliance Gilt Securities Fund
Open-ended Sector Specific Schemes	Reliance Banking Fund
	Reliance Diversified Power Sector Fund
	Reliance Pharma Fund
	Reliance Media & Entertainment Fund
Debt Oriented Interval Scheme	Reliance Interval Fund
Exchange Traded Fund (ETF)	Reliance Gold Exchange Traded Fund

Reliance Mutual Fund posted an exponential growth over the last year. The Average Assets Under Management (AUM) increased to Rs. 90,938 as on March 31, 2008 from Rs. 47,665 crores as on March 31, 2007, an increase of 91%. The aggregate Debt corpus under management increased to Rs. 58,486 crores as on March 31, 2008 from Rs. 20,189 crores as on March 31, 2007, an increase of 190%.

During the year, the Mutual Fund Industry also witnessed a rise of Rs. 1,79,411 crore in the Avg AUM from Rs. 3,59,097 crores to Rs. 5,38,508 crores between April 2007 and March 2008 (Source: AMFI Monthly Update, released on 11/04/2008).

The Company is also a SEBI registered Portfolio Manager and has commenced its Portfolio Management Services (PMS) since August 2004. It currently offers Discretionary and Advisory Services to various categories of clients whose assets have crossed a certain threshold level and who prefer to delegate management of those assets to a team of skilled investment experts. The team strength has been increasing to capitalize on the encouraging market outlook for this business.

Offshore Fund:

Reliance Emergent India Fund is a long only India equity fund. The fund is the first offshore fund to be launched by RCAM. It is structured as a master-feeder structure with the master fund based out of Mauritius and 2 feeder funds based out of Cayman Island. The master fund in Mauritius will invest into a mutual fund scheme in India which will be managed by Reliance Capital Asset Management Limited India.

The fund will be offered to international investors in key financial markets across the globe. The fund's initial offer period is closing on 5th May 2008. It will be open for ongoing subscription from 6th May onwards.

New Launches:

During the period under review, RMF launched 10 schemes. On August 23, 2007, RMF launched the "Reliance Fixed Horizon Fund - IV", a closed-ended income scheme; on Sept 10, 2007, the "Reliance Fixed Horizon Fund - V", a closed-ended income scheme; on Dec 24, 2007 the "Reliance Fixed Horizon Fund - VI", a closed-ended income scheme; on Jan 21, 2008 the "Reliance Fixed Horizon Fund - VII", a closed-ended income scheme; on March 19, 2008, the "Reliance Fixed Horizon Fund – IX", a closed-ended income scheme; on March 28, 2008, the "Reliance Fixed Horizon Fund – VIII", a closed-ended income scheme; on June 12, 2007, the "Reliance Equity Advantage Fund" an open ended diversified equity scheme; on October 15, 2007, the "Reliance Gold Exchange Traded Fund" an open ended gold exchange traded fund; on Jan 1, 2008, the "Reliance Natural Resources Fund", an open ended diversified equity scheme; and on December 18, 2007, the "Reliance Equity Linked Saving Fund – Series I", a 10 year close –ended equity linked saving scheme.

A series of Monthly Plans, Quarterly Plans and Annual Plans were launched under Reliance Fixed Horizon Fund - IV, Reliance Fixed Horizon Fund- V, Reliance Fixed Horizon Fund – VI, Reliance Fixed Horizon Fund – VII, Reliance Fixed Horizon Fund – VIII and Reliance Fixed Horizon Fund – IX.

During the period under review, we have lowered down the minimum SIP amount to Rs 100 per month; introduced Institutional plans in 5 schemes i.e. Reliance Vision fund, Reliance Growth Fund, Reliance Equity Fund, Reliance Equity Opportunities Fund and Reliance Diversified Power Sector Fund

The Fund also repositioned Reliance Index Fund to Reliance Quant Plus Fund i.e. from an passively managed fund to an actively managed fund.

Subsidiaries:

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, of all the subsidiaries for the year ended 31st March 2008 shall be annexed hereto, together with the statement relating to company's interest in the Subsidiary Companies.

Awards and Recognitions:

- (1) Reliance Mutual Fund won the prestigious "Fund House of the Year" award in the Equity category according to a survey by ICRA Online Ltd.¹
- (2) CNBC TV18 - CRISIL Mutual Fund of the Year Award for 2007
Reliance Growth Fund - Most Consistent CPR Performer - Equity Fund Category.²
- (3) Reliance Diversified Power Sector Fund has been ranked as a Seven Star Fund and awarded the ICRA 7-Star Gold Award in the category of 'Open Ended Diversified Equity - Aggressive' schemes for its 1 year performance till December 31, 2007 by ICRA Online Ltd.³
- (4) Reliance Diversified Power Sector Fund has been ranked as a Seven Star Fund and awarded the ICRA 7-Star Gold Award in the category of 'Open Ended Diversified Equity - Aggressive' schemes for its 3 year performance till December 31, 2007 by ICRA Online Ltd.⁴
- (5) Reliance Media & Entertainment Fund has been ranked as a Seven Star Fund and awarded the ICRA 7-Star Gold Award in the category of 'Open Ended Sectoral' schemes for its 1 year performance till December 31, 2007 by ICRA Online Ltd.⁵
- (6) Reliance Pharma Fund has been ranked as a Five Star Fund in the category of 'Open Ended Sectoral - Healthcare' schemes for its 3 year performance till December 31, 2007 by ICRA Online Ltd.⁶
- (7) Reliance Pharma Fund has been ranked as a Five Star Fund in the category of 'Open Ended Sectoral - Healthcare' schemes for its 1 year performance till December 31, 2007 by ICRA Online Ltd.⁷
- (8) Reliance Short Term Fund has been ranked as a Five Star Fund in the category of 'Open Ended Debt - Short Term' schemes for its 3 year performance till December 31, 2007 by ICRA Online Ltd.⁸
- (9) Reliance Floating Rate Fund has been ranked as a Five Star Fund in the category of 'Open Ended Floating Rate Fund' schemes for its 3 year performance till December 31, 2007 by ICRA Online Ltd.⁹

CRISIL Ranking :

- (1) Reliance Floating Rate Fund
 - CRISIL has assigned a Composite Performance Rank of "CRISIL~CPR 2* Open End Liquid Scheme, December 2007" to Reliance Floating Rate Fund
- (2) Reliance Gilt Securities Fund - Long Term Plan
 - CRISIL has assigned a Composite Performance Rank of "CRISIL~CPR 2*** Open End Long Term Gilt Schemes, December 2007" to Reliance Gilt Securities Fund - Long Term Plan

- (3) Reliance Growth Fund
- CRISIL has assigned a Composite Performance Rank of “CRISIL~CPR 2” *** Open End Diversified Equity Schemes, December 2007” to Reliance Growth Fund – Growth
- (4) Reliance Short Term Fund
- CRISIL has assigned a Composite Performance Rank of “CRISIL~CPR 2”**** Open End Debt Short Term Schemes, December 2007” to Reliance Short Term Fund
- (5) Reliance Liquid Fund - Treasury Plan
- CRISIL has assigned a Composite Performance Rank of “CRISIL~CPR 2”# Open End Liquid Schemes, December 2007” to Reliance Liquid Fund - Treasury Plan
- (6) Reliance Income Fund
- CRISIL has assigned a Composite Performance Rank of “CRISIL~CPR 2”# Open End Debt Schemes, December 2007” to Reliance Income Fund
- (7) Reliance Equity Opportunities Fund
- CRISIL has assigned a Composite Performance Rank of “CRISIL~CPR 3” ### Open End Diversified Equity Schemes, December 2007” to Reliance Equity Opportunities Fund
- (8) Reliance Vision Fund
- CRISIL has assigned a Composite Performance Rank of “CRISIL~CPR 3” #### Open End Diversified Equity Schemes, December 2007” to Reliance Vision Fund

Returns Delivered:

Performance of the Flagship Schemes of RMF Vis - A - Vis Benchmark Indices

Name of the Scheme / Benchmark Index	Absolute Returns for the period from 01.04.2007 to 31.03.08 (%)	Compounded Annualised Returns (%)				Inception Date
		1 year	3 years	5 years	Since Inception	
Reliance Growth Fund- Retail Plan	28.41	28.41	40.79	63.74	32.43	08.10.1995
BSE 100	24.83	24.83	33.19	40.50	13.80	
Reliance Vision Fund- - Retail Plan	21.40	21.40	33.43	50.65	27.42	08.10.1995
BSE 100	24.83	24.83	33.19	40.50	13.80	
Reliance NRI Equity Fund	17.16	17.16	34.12	NA	34.68	16.11.2004
BSE 200 Index	23.99	23.99	30.56	NA	30.65	
Reliance Index Fund – Nifty Plan	21.51	21.51	23.72	NA	22.16	08.02.2005
S&P CNX Nifty	23.74	23.74	32.46	NA	30.42	

Reliance Index Fund – Sensex Plan	17.09	17.09	32.00	NA	29.71	08.02.2005
BSE Sensex	19.56	19.56	34.03	NA	31.96	
Reliance Equity Opportunities Fund - Retail Plan	7.42	7.42	30.02	NA	29.75	31.03.2005
BSE 100	24.83	24.83	33.19	NA	33.19	
Reliance Regular Savings Fund - Equity Option	51.32	51.32	NA	NA	32.01	09.06.2005
BSE 100	24.83	24.83	NA	NA	33.28	
Reliance Regular Savings Fund – Debt Option	4.46	4.46	NA	NA	3.57	09.06.2005
Crisil Composite Bond Fund Index	8.20	8.20	NA	NA	4.96	
*Reliance Regular Savings Fund- Hybrid Option (Performance as on January 12, 2007)	NA	NA	NA	NA	10.83	09.06.2005
Crisil MIP Blended Index	NA	NA	NA	NA	26.50	
**Reliance Regular Savings Fund – Balanced Option (Performance as on January 13, 2007 to February 19, 2007)	NA	NA	NA	NA	-0.44	13.01.2007
Crisil MIP Blended Index	NA	NA	NA	NA	0.24	
Reliance Regular Savings Fund- Balanced Option	21.47	33.77	NA	NA	22.65	13.01.2007
Crisil Balanced Fund Index	19.48	29.94	NA	NA	20.36	
Reliance Tax Saver (ELSS) Fund	5.46	5.46	NA	NA	14.56	22.09.2005
BSE 100	24.83	24.83	NA	NA	28.75	
Reliance Equity Fund - Retail Plan	20.17	20.17	NA	NA	15.19	30.03.2006
S & P CNX Nifty	23.74	23.74	NA	NA	17.62	
Reliance Long Term Equity Fund	15.13	15.13	NA	NA	10.71	27.12.2006
BSE 200	23.99	23.99	NA	NA	13.07	
Reliance Equity Advantage Fund - Retail Plan	2.87	NA	NA	NA	2.87	09.08.2007
S & P CNX Nifty	7.52	NA	NA	NA	7.52	

Outlook:

The Indian Mutual Fund industry is one of the fastest growing industries in the financial service sector with 33 AMCs currently operating in the country. The industry has grown at a CAGR of 24% since 1965 and the AUM has grown at a CAGR of 40% in the last three years, with Rs. 5,38,508 crores of average assets as on March '08.

RMF intends to actively pursue growth opportunities in the fast growing mutual fund industry in the country and to be most preferred investment choice for retail investors. The fund house is poised to grow with innovative products and service initiatives and aggressive expansion strategies.

Board Meetings held during the year:

During the year under review, ten meetings of the Board of Directors of the Company were held.

Issue of shares of the Company:

During the year under review, the Company had on September 30, 2007 issued and allotted 24,99,300 shares to Reliance Capital Limited, the holding Company, by way of rights.

Pursuant to the approval granted by the members at their meeting held on September 20, 2007, the Authorised Share Capital was re-classified such that the unclassified shares of Rs 10/- each forming a part of the authorised capital was reclassified into equity shares of Rs 10/- each.

The company has approved launch of an Employee Stock Option Scheme (ESOP) through a trust, namely, Reliance Capital Asset Management Employees Benefit Trust specifically formed for this purpose with Reliance ADA Group Trustee Private Limited as the Trustee. The Company has issued 2,00,000 equity shares of Rs 10/- each to Reliance ADA Group Trustee Private Limited, at a price of Rs. 2000/- per share (including a premium of Rs. 1990/- per share) for the benefit of the employees of the Company, under the ESOP.

The Company has inducted a leading global investor by issue and allotment of 510,000 equity shares of Rs 10/- each to EP Global Markets (Cayman) Limited for Rs. 9,823.53 (Rupees Nine Thousand Eight Hundred Twenty Three and Fifty Three paise only) inclusive of premium on preferential basis, as approved by the members by way of Special Resolution u/s 81(1A) of the Companies Act, 1956 at the Extra-ordinary General Meeting of the Company held on January 4, 2008.

The Company had previously issued 350,000 Preference shares of Rs 100/- each to Reliance Capital Limited which were duly redeemed on December 15, 2007.

Fixed Deposits:

The Company has not accepted any Fixed Deposits from the public.

Directors:

Mr. Manu Chadha – Director of the Company, retires by rotation and being eligible offers himself for re-appointment. Mr. S Ghosh has been appointed as an Additional Director by way of circular resolution passed by the Board of Directors on April 22, 2008.

As per Section 260 of the Companies Act, 1956, Mr. S Ghosh who is an Additional Director, will hold office till the date of Annual General Meeting of the Company. As per Section 257 of the Companies Act, 1956, the Company has received notice along with deposit from a member proposing the candidature of Mr. S Ghosh for the office of Director of the Company.

During the year, the Board of Directors at their Meeting held on April 24, 2008 accepted the resignation of Mr. Amitabh Chaturvedi as a Director.

Your Directors place on record their deep appreciation for the invaluable contributions made by Mr. Amitabh Chaturvedi during his tenure as Director of the Company.

Directors' Responsibility Statement:

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of the annual accounts for the financial year ended March 31, 2008, the applicable accounting standards have been followed and that there are no material departures.
- (ii) The Directors have selected such accounting policies in consultation with the Statutory Auditors and have applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profit or loss of the Company for the year under review.
- (iii) The Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Financial Statements:

The consolidated financial statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

Auditors & Auditors' Report:

M/s. Dalal & Shah., Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a letter from them to the effect that their re-appointment if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Members are requested to consider the appointment of the Auditors and fix their remuneration.

The notes to the accounts referred to in the Auditor's Report are self-explanatory.

Personnel:

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure of the Director's Report.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:

Particulars required to be furnished under the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 are as under:

- (1) Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.
- (2) Foreign Exchange earnings and outgo:
Earnings-Rs.3,63,956.00
Outgo -Rs.3,33,86,876.00

Audit committee:

In compliance with the provisions of Section 292A of the Companies Act, 1956, the Board of Directors has constituted an Audit Committee of Directors comprising of, Mr. Kanu Doshi, Mr. S. C. Tripathi, Mr. Manu Chadha and Mr. S Ghosh.

Acknowledgements:

Your Directors place on record their deep appreciation for the co-operation and assistance received from SEBI, RBI, Custodian, Bankers, Registrars, Shareholders and other business constituents during the year under review.

Your Directors also wish to place on record their appreciation for the commitment displayed by all the executives, officers and staff, resulting in successful performance during the year.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Soumen Ghosh
Director

Kanu Doshi
Director

Place: Mumbai

Dated: April 24, 2008

Methodology for Awards/Recognition:

1. Reliance Mutual Fund has been judged Fund House of the Year by ICRA Mutual Fund Awards 2008. in the Equity Category. The rank indicates top overall performance within the eligible fund houses. The average performance of the entire scheme in a sub-category for a particular mutual fund house is multiplied by the weight of that category. These weights are derived by expressing the average asset under management that the sub-category collectively holds as a percentage of the total industry corpus. The scores in the sub-categories are then added to arrive at the collective performance score for the fund house. The ranking methodology did not take into account entry and exit loads imposed by the Fund. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Equity Fund. Ranking Source & Publisher: ICRA Online Ltd.
2. Reliance Growth Fund was the only scheme that won the CNBC TV18 - CRISIL Mutual Fund of the Year Award in the Most Consistent CPR Performer - Equity Fund category. In total 8 schemes were eligible for the award universe. Schemes present in all 20 quarterly CRISIL CPRs for the 5 years ending with 2007 were considered for the award. The award is based on consistency of the scheme's performance in the twenty quarterly CRISIL CPR rankings released during the calendar years 2003 to 2007. The individual CRISIL CPR parameter scores averaged for the twenty quarters were further multiplied by the parameter weight as per the CRISIL CPR methodology to arrive at the final scores. A detailed methodology of the CRISIL CPR is available at www.crisil.com. Past performance is no guarantee of future results.
3. Reliance Diversified Power Sector Fund has been ranked as a Seven Star Fund and awarded the ICRA 7-Star Gold Award in the category of 'Open Ended Diversified Equity - Aggressive' schemes for its 1 year performance till December 31, 2007. The rank indicates top performance within the specified category for its 1 year performance. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, company concentration, portfolio turnover and liquidity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 40 schemes considered in 'Open Ended Diversified Equity - Aggressive' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Diversified Power Sector Fund. Ranking Source & Publisher: ICRA Online Limited
4. Reliance Diversified Power Sector Fund has been ranked as a Seven Star Fund and awarded the ICRA 7-Star Gold Award in the category of 'Open Ended Diversified Equity - Aggressive' schemes for its 3 year performance till December 31, 2007. The rank indicates top performance within the specified category for its 3 year performance. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, company concentration, company concentration, portfolio turnover and liquidity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 31 schemes considered in 'Open Ended Diversified Equity - Aggressive' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Diversified Power Sector Fund. Ranking Source & Publisher: ICRA Online Limited.
5. Reliance Media & Entertainment Fund has been ranked as a Seven Star Fund and awarded the ICRA 7-Star Gold Award in the category of 'Open Ended Sectoral' schemes for its 1 year performance till December 31, 2007. The rank indicates top performance within the specified category for its 1 year performance. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, company concentration, portfolio turnover and liquidity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 18 schemes considered in 'Open Ended Sectoral' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Media & Entertainment Fund. Ranking Source & Publisher: ICRA Online Limited.

6. Reliance Pharma Fund has been ranked as a Five Star Fund in the category of 'Open Ended Sectoral - Healthcare' schemes for its 3 year performance till December 31, 2007. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, company concentration, portfolio turnover and liquidity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 5 schemes considered in 'Open Ended Sectoral - Healthcare' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Pharma Fund. Ranking Source & Publisher: ICRA Online Limited.
 7. Reliance Pharma Fund has been ranked as a Five Star Fund in the category of 'Open Ended Sectoral - Healthcare' schemes for its 1 year performance till December 31, 2007. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, company concentration, portfolio turnover and liquidity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 5 schemes considered in 'Open Ended Sectoral - Healthcare' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Pharma Fund. Ranking Source & Publisher: ICRA Online Limited.
 8. Reliance Short Term Fund has been ranked as a Five Star Fund in the category of 'Open Ended Debt - Short Term' schemes for its 3 year performance till December 31, 2007. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size and average maturity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 25 schemes considered in 'Open Ended Debt - Short Term' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Short Term Fund. Ranking Source & Publisher: ICRA Online Limited.
 9. Reliance Floating Rate Fund has been ranked as a Five Star Fund in the category of 'Open Ended Floating Rate Fund' schemes for its 3 year performance till December 31, 2007. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size and average maturity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 24 schemes considered in 'Open Ended Floating Rate Fund' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Reliance Floating Rate Fund. Ranking Source & Publisher: ICRA Online Limited.
- CRISIL~CPR 2 Open End Liquid Scheme, January 2007 - December 2007

*CRISIL~CPR 2 – The composite performance of Reliance Floating Rate Fund is “Good” in the Open End Liquid Category, and ranks within Top 30% of the 25 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Mean Return, Volatility, based on NAVs over the 1-year period ended December 31, 2007, Asset size, Average Maturity, Downside Risk Probability, Company Concentration & Asset Quality of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme. The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.
Ranking Source: CRISIL Fund Services, CRISIL Limited
 - CRISIL~CPR 2 Open End Long Term Gilt Schemes, January 2006 -December 2007

**CRISIL~CPR 2 – The composite performance of Reliance Gilt Securities Fund - Long Term Plan is “Good” in the Open End Long Term Gilt Category, and ranks within the top 30% of the 13 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Superior Return Score, based on NAVs over the 2-year period ended December 31, 2007, Average Maturity and Liquidity of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme.

The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.

Ranking Source: CRISIL Fund Services, CRISIL Limited

- CRISIL~CPR 2 Open End Diversified Equity Scheme, January 2006 -December 2007

***CRISIL~CPR 2 – The composite performance of Reliance Growth Fund - Growth is “Good” in the Open End Diversified Equity Category, and ranks within the top 30% of the 73 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Superior Return Score, based on NAVs over the 2-year period ended December 31, 2007, Concentration and Liquidity of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme. The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.
Ranking Source: CRISIL Fund Services, CRISIL Limited
- CRISIL~CPR 2 Open End Debt Short Term Scheme, January 2007 -December 2007

****CRISIL~CPR 2 – The composite performance of Reliance Short Term Fund is “Good” performance in the Open End Debt Short Term Fund Category, and ranks within the top 30% of the 17 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Mean Return, Volatility, based on NAVs over the 1-year period ended December 31, 2007, Asset size, Concentration, Average Maturity, Asset Quality & Downside Risk Probability of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme. The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.
Ranking Source: CRISIL Fund Services, CRISIL Limited
- CRISIL~CPR 2 Open End Liquid Scheme, January 2007- December 2007

#CRISIL~CPR 2 – The composite performance of Reliance Liquid Fund - Treasury Plan is “Good” in the Open End Liquid Category, and ranks within the Top 30% of the 25 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Mean Return, Volatility, based on NAVs over the 1-year period ended December 31, 2007, Asset size, Average Maturity, Downside Risk Probability, Company Concentration & Asset Quality of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme. The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.
Ranking Source: CRISIL Fund Services, CRISIL Limited
- CRISIL~CPR 2 Open End Debt Scheme, January 2006 - December 2007

##CRISIL~CPR 2– The composite performance of Reliance Income Fund is “Good” in the Open End Debt Category, and ranks within the top 30% of the 18 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Superior Return Score, based on NAVs over the 2-year period ended December 31, 2007, Average Maturity, Concentration, Liquidity and Asset Quality of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme. The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.
Ranking Source: CRISIL Fund Services, CRISIL Limited
- CRISIL~CPR 3 Open End Diversified Equity Scheme, January 2006 –December 2007

###CRISIL~CPR 3 – The composite performance of Reliance Equity Opportunities Fund is “Average” in the Open End Diversified Equity Category, and ranks within the top 70% of the 73 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Superior Return Score, based on NAVs over the 2-year period ended December 31, 2007, Concentration and Liquidity of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme.

The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.

Ranking Source: CRISIL FundServices, CRISIL Limited

- CRISIL~CPR 3 Open End Diversified Equity Scheme, January 2006 -December 2007

CRISIL~CPR 3 – The composite performance of Reliance Vision Fund is “Average” in the Open End Diversified Equity Category, and ranks within the Top 70% of the 73 schemes ranked in this category. The criteria used in computing the CRISIL Composite Performance Rank are Superior Return Score, based on NAVs over the 2-year period ended December 31, 2007, Concentration and Liquidity of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme. The CRISIL CPR is no indication of the performance that can be expected from the scheme in future.

Ranking Source: CRISIL FundServices, CRISIL Limited

RELIANCE CAPITAL ASSET MANAGEMENT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of RELIANCE CAPITAL ASSET MANAGEMENT LIMITED as at 31st March 2008, annexed Profit and Loss Account for the year ended on that date, and also the Cash Flow Statement for the year ended on that date. 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.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatements. 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 and Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. 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 books of the Company;
 - 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 of the Company;

- 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) Based on the written representations made by the Directors as on 31st March, 2008 and taken on record by the Board of Directors of the Company, and the information and explanations given to us, none of the directors is, as at 31st March, 2008, prima-facie disqualified 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 said financial statements read together with the notes thereon, 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 31st March 2008;
- (ii) in the case of the Profit and Loss Account, of the profit for the 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 and on behalf of
DALAL & SHAH
Chartered Accountants

Mumbai: 24th April, 2008

Ashish Dalal
Partner
Membership No. 33596

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 OF RELIANCE CAPITAL ASSET MANAGEMENT LIMITED.

- (i.) (a) The Company has maintained proper records showing particulars including quantitative details and situation of fixed assets;
 - (b) As explained to us, the fixed assets have been verified by the management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification;
 - (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern;
- (ii.) The Company did not have any inventory;
- (iii.) (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;
 - (b) According to the information and explanations given to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;
- (iv.) 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 with regard to purchase of fixed assets and for the sale of services. There were no purchase of inventory and sale of goods during the year. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- (v.) On the basis of the audit procedures performed by us, and according to the information, explanations and representations given to us, we have not come across any particulars of contracts or arrangements in which directors were interested, as contemplated under Section 297 and Section 299 of the Companies Act, 1956, and which were required to be entered in the register maintained under Section 301 of the said Act;
- (vi.) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year;

- (vii.) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the coverage of internal audit functions carried out by a firm of Chartered Accountants appointed by the management, is commensurate with the size of the Company and nature of its business;
- (viii.)(a)According to the records of the Company, it has been generally regular in depositing undisputed statutory dues including Provident Fund, Income-Tax, Wealth-Tax, Service Tax and other statutory dues with the appropriate authorities. As explained to us, the Employees' State Insurance Scheme is, at present, not applicable to the Company. There were no dues towards Investor Education and Protection Fund, Sales Tax, Excise Duty, Customs Duty and Cess;
- (b)On the basis of our examination of the documents and records and the information and explanations given to us, there are no disputed dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess;
- (ix.) The Company, neither has accumulated losses at the end of the financial year nor has incurred cash losses, both, in the financial year under report and in the immediately preceding financial year;
- (x.) On the basis of the records examined by us and the information and explanations given to us, there were no dues to any banks, financial institutions or debenture holders;
- (xi.) As explained to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or any other securities;
- (xii.) In respect of shares, securities, debentures and other investments dealt in or traded by the Company, proper records have been maintained in respect of transactions and contracts and timely entries have been made therein. All the investments have been held by the Company in its own name;
- (xiii.) According to the information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank or financial institution;
- (xiv.) The Company has not obtained any term loans during the year;
- (xv.) According to the information and explanations given to us, we are of the opinion that, prima-facie short term funds have not been used for long term investment;
- (xvi.) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956;

- (xvii.) The Company has not issued any debentures during the year, nor was any debenture outstanding at the beginning of the year;
- (xviii.) The Company has not raised any money by public issue during the year;
- (xix.) According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud on or by the Company has been noticed or reported by the Company during the year;

Looking to the nature of activities being carried on, at present, by the Company and also considering the nature of the matters referred to in the various clauses of the Companies (Auditor's Report) Order, 2003, and the Companies (Auditor's Report) (Amendment) Order, 2004, clauses (ii)(b), (ii)(c), (iii)(b), (iii)(c), (iii)(d), (iii)(f), (iii)(g), (v)(b), (viii) and (xiii) of paragraph 4 of the aforesaid Order, are, in our opinion, not applicable to the Company.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Mumbai: 24th April, 2008

Ashish Dalal
Partner
Membership No. 33596

Reliance Capital Asset Management Limited

BALANCE SHEET AS AT 31ST MARCH 2008

Schedule	(Rupees)		(Rupees)	
	As at 31st March, 2008		As at 31st March, 2007	
Sources of Funds :				
Shareholders' Funds				
(a) Share Capital	A	105,100,000	110,007,000	
(b) Reserves & Surplus	B	6,988,752,021	1,035,699,806	
		<u>7,093,852,021</u>	<u>1,145,706,806</u>	
TOTAL		<u><u>7,093,852,021</u></u>	<u><u>1,145,706,806</u></u>	
Application of Funds :				
Fixed Assets				
(a) Gross Block	C	271,756,662	144,782,556	
(b) Less : Depreciation		<u>90,470,475</u>	<u>46,597,735</u>	
(c) Net Block		<u>181,286,187</u>	<u>98,184,821</u>	
Investments	D	6,825,863,718	706,175,809	
Deferred Tax Asset (Net)		31,485,739	5,869,400	
Current Assets, Loans & Advances				
(a) Debtors	E	35,349,122	78,482,911	
(b) Cash and Bank Balance		3,043,875	20,840,688	
(c) Interest accrued		13,725,710	13,514,211	
(d) Loans and Advances		<u>1,646,728,506</u>	<u>909,235,559</u>	
		<u>1,698,847,213</u>	<u>1,022,073,369</u>	
Less : Current Liabilities & Provisions				
(a) Current Liabilities	F	659,273,787	249,608,297	
(b) Provisions		<u>984,357,049</u>	<u>446,735,822</u>	
		<u>1,643,630,836</u>	<u>696,344,119</u>	
Net Current Assets		55,216,377	325,729,250	
Miscellaneous Expenditure (to the extent not written off or adjusted)	G	-	9,747,526	
TOTAL		<u><u>7,093,852,021</u></u>	<u><u>1,145,706,806</u></u>	
Significant Accounting Policies and Notes to Accounts	L			

As per our attached report of even date
For and on Behalf of Dalal & Shah
Chartered Accountants

For and on behalf of the Board of Directors

Partner

Soumen Ghosh
Director

Kanu Doshi
Director

Vikrant Gugnani
Chief Executive Officer

Sanjay Wadhwa
Chief Financial Officer

Geeta Chandran
Manager

Mumbai, 24th April 2008

Mumbai, 24th April 2008

Reliance Capital Asset Management Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2008

Schedule	(Rupees)	
	2007-2008	2006-2007
Income		
Investment Management and Advisory fees	3,281,764,413	1,777,285,847
Portfolio Management Fees	286,484,036	135,800,429
Interest	H 24,794,220	17,362,086
Dividend on long term investments (Non-Trade)	38,814,556	37,016,331
Dividend on current investments (Non-Trade)	44,531,683	-
Surplus on Sale/Redemption of long term Investment (Net)	7,362,551	38,454,508
Surplus on Sale/Redemption of current Investment (Net)	92,707,148	20,061,225
Gain on Variation in Foreign Exchange Rates	-	212,425
Provision no longer required written back	-	226,515
	3,776,458,607	2,026,419,366
Expenditure		
Salaries and Benefits to Employees	I 766,779,176	425,605,281
Administrative and Other Expenses	J 583,350,226	416,278,944
Marketing and Publicity Expenses	K 943,218,879	404,373,196
Depreciation	45,517,085	19,336,122
Provision for Diminution in value of Current Investment	183,685	-
Loss on Sale of Fixed Assets (Net)	98,127	644,175
Deferred Revenue expenditure written off	9,747,526	11,898,233
	2,348,894,704	1,278,135,951
Profit Before Tax	1,427,563,903	748,283,415
Provision for tax		
Current tax	(470,000,000)	(250,059,346)
Deferred tax (charge) / credit	18,584,379	15,396,275
Fringe Benefit Tax	(14,300,000)	(7,000,000)
Wealth Tax	(40,006)	(81,387)
Profit After Tax	961,808,276	506,538,957
Excess Provision for Tax in respect of earlier years	-	3,827,586
Net Profit	961,808,276	510,366,543
Add: Balance brought forward	1,035,699,806	525,333,263
Less: Transferred to Capital Redemption Reserve	10,007,000	-
Less: Employee Benefit Transitional Liability (Net of Tax Rs.70,31,960)	13,656,361	-
Balance Carried to Balance Sheet	1,973,844,721	1,035,699,806
Basic Earning per share of Rs. 10 each	107.55	67.77
Diluted Earning per share of Rs. 10 each	107.15	67.77

Significant Accounting Policies and Notes to Accounts L

As per our attached report of even date
For and on Behalf of Dalal & Shah
Chartered Accountants

For and on behalf of the Board of Directors

Partner

Soumen Ghosh
Director

Kanu Doshi
Director

Vikrant Gugnani
Chief Executive Officer

Sanjay Wadhwa
Chief Financial Officer

Geeta Chandran
Manager

Reliance Capital Asset Management Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

Particulars	2007-2008		2006-07	
	Rs.	Rs.	Rs.	Rs.
A. Cash Flow from Operating Activities				
Net Profit before tax as per P&L Account		1,427,563,903		748,283,415
Adjusted for				
Depreciation	45,517,085		19,336,122	
Deferred revenue expenditure written off	9,747,526		11,898,233	
Provision for Employee Benefit	32,592,900		19,217,742	
Provision for Gratuity	-		(2,196,073)	
Investments				
Interest / Dividend Income	(108,140,459)		(54,378,417)	
(Profit) / Loss on sale of Investment (Net)	(100,069,699)		(58,515,733)	
Add : Revaluation Loss on Variation in Foreign Exchange Rates	402,786		-	
Add : Provision for Diminution in value of current Investment	183,685		-	
Loss / (Profit) on sale of Fixed Assets	98,127	(119,668,049)	644,175	(63,993,951)
Operating Profit before Working Capital changes		1,307,895,854		684,289,464
Adjusted for				
Trade and Other Receivables	(153,775,780)		174,330,044	
Trade Payables	409,665,490	255,889,710	22,979,550	197,309,594
Cash generated from Operations		1,563,785,564		881,599,058
Taxes Paid	(529,624,298)		(326,223,143)	
Refund received	-	(529,624,298)	756,888	(325,466,255)
Net Cash from Operating Activities		1,034,161,266		556,132,803
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(129,363,396)		(66,252,177)	
Sale of Fixed Assets	646,818		974,351	
Inter Corporate Deposit Given	(10,000,000)		(260,000,000)	
Loans to Subsidiaries	(1,312,275)		-	
Purchase of Investments	(22,297,495,040)		(1,741,788,505)	
Investment in Subsidiaries	(23,538,390)		(62,332,075)	
Sale of Investments	16,301,231,535		1,543,971,379	
Interest Received	24,533,130		31,938	
Dividend Received	83,346,239		37,016,331	
Net Cash used in Investing Activities		(6,051,951,379)		(548,378,758)
C. Cash Flow from Financing Activities				
Fresh Issue of Share Capital	5,034,993,300		-	
Redemption of Preference Shares	(35,000,000)		-	
Net Cash from Financing Activities		4,999,993,300		-
Net increase/(decrease) in cash and cash Equivalents (A+B+C)		(17,796,813)		7,754,045
Opening Balance of Cash and Cash Equivalents		20,840,688		13,086,643
Closing Balance of Cash and Cash Equivalents		3,043,875		20,840,688

Cash and cash equivalents represent cash and balance with the scheduled banks in current account.

As per our attached report of even date

For and on Behalf of Dalal & Shah
Chartered Accountants

For and on behalf of the Board of Directors

Partner

Soumen Ghosh
Director

Kanu Doshi
Director

Vikrant Gugnani
Chief Executive Officer

Sanjay Wadhwa
Chief Financial Officer

Geeta Chandran
Manager

Mumbai, 24th April 2008

Mumbai, 24th April 2008

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Rupees)	(Rupees)
	As at 31st March, 2008	As at 31st March, 2007
Schedule "A"		
Share Capital		
Authorised		
11,500,000 Equity shares of Rs.10/- each (10,000,000) (Includes 1,500,000 Unclassified shares of Rs.10/- each converted into equity shares of Rs.10/- each during the year)	115,000,000	100,000,000
350,000 Cumulative Redeemable Preference shares of Rs.100/- each	35,000,000	35,000,000
- Unclassified shares of Rs.10/- each (1,500,000)	-	15,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up		
10,710,000 Equity shares of Rs.10/- each, fully paid up (7,500,700) Less : Amount recoverable from Reliance Capital Asset Management Employee Benefit Trust (ESOP Trust) (Face value of 2,00,000 Equity Shares of Rs.10/- each allotted to the Trust during the year at a premium of Rs.1990 per share)	107,100,000	75,007,000
	<u>2,000,000</u>	-
	105,100,000	75,007,000
- Includes 10,000,000 shares held by Reliance Capital Limited, the holding company (including 24,99,300 shares allotted during the year at par.) - Includes 5,10,000 shares allotted during the year by way of private placement at a premium of Rs.9813.53 per share		
- 5% Cumulative Redeemable Preference shares (350,000) of Rs.100/- each, fully paid up (redeemed at par on 15.12.2007)	-	35,000,000
	<u>105,100,000</u>	<u>110,007,000</u>
Schedule "B"		
Reserves and Surplus		
Securities Premium Account		
Opening Balance	-	-
Add: Received during the Year	5,402,900,300	-
Less : Amount recoverable from Reliance Capital Asset Management Employee Benefit Trust (ESOP Trust) (Premium on 2,00,000 Equity Shares of Rs.10/- each allotted to the Trust during the year)	<u>398,000,000</u>	-
	5,004,900,300	-
Capital Redemption Reserve		
Transferred from Profit & Loss Account	10,007,000	-
Surplus in Profit & Loss Account		
	1,973,844,721	1,035,699,806
	<u>6,988,752,021</u>	<u>1,035,699,806</u>

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule "C"

Fixed Assets

(Rupees)

Assets	Gross Block (At Cost)			Depreciation				Net Block		
	As at 1.4.2007	Additions	Deductions	As at 31.03.2008	Up to 1.4.2007	During the Year	Deductions	Up to 31.03.2008	As at 31.03.2008	As at 31.3.2007
Computer	46,350,890	30,078,344	273,637	76,155,597	24,859,490	14,804,184	204,426	39,459,248	36,696,349	21,491,400
Motor Car	8,623,324	3,454,419	2,040,336	10,037,407	4,336,221	1,612,649	1,412,026	4,536,844	5,500,563	4,287,103
Office Equipment	42,573,284	25,910,946	26,950	68,457,280	8,645,225	6,815,777	6,560	15,454,442	53,002,838	33,928,059
Furniture	19,856,345	12,707,611	-	32,563,956	4,691,801	3,902,064	-	8,593,865	23,970,091	15,164,544
Improvements to Rented Premises	27,378,713	57,212,076	48,367	84,542,422	4,064,998	18,382,411	21,333	22,426,076	62,116,346	23,313,715
Total	144,782,556	129,363,396	2,389,290	271,756,662	46,597,735	45,517,085	1,644,345	90,470,475	181,286,187	98,184,821
Previous year	81,721,962	66,252,178	3,191,584	144,782,556	28,834,671	19,336,122	1,573,058	46,597,735	98,184,821	

Reliance Capital Asset Management Limited
SCHEDULES FORMING PART OF THE BALANCE SHEET

	Face Value	(Rupees)		(Rupees)	
		Quantity As at 31.03.2008	Cost / Fair Value As at 31.03.2008	Quantity As at 31.03.2007	Cost / Fair Value As at 31.03.2007
Schedule "D"					
Investments					
(A) Long term Investments - (At Cost)					
(I) Subsidiary Companies (Unquoted,fully paid up equity shares)					
Reliance Asset Management (Mauritius) Limited	USD 10	11,000	4,922,600	11,000	4,922,600
Reliance Asset Management Singapore Pte Limited	SGD 1	2,000,003	57,859,056	2,000,003	57,859,056
Reliance Asset Management (U.K) PLC	GBP 1	300,000	23,538,390	-	-
			86,320,046		62,781,656
(II) Other Non Trade					
(a) Government and Trust Securities (Quoted)					
6.75% Tax free US 64 Bonds	100	22	2,011	22	2011
			2,011		2011
(b) Investments in Other Body Corporates					
1. Unquoted Fully Paid					
Citicorp Financial Ltd - Non -Convertible Debentures	1000000	20	20,000,000	20	20,000,000
Clearing Corporation of India Ltd - 8% Cumulative Preference Shares	10	5,000,000	50,000,000	-	-
Reliance Asset Reconstruction Co Ltd (fully paid up equity shares)	10	-	-	200,000	2,000,000
			70,000,000		22,000,000
2. Quoted fully paid up equity shares					
Reliance Industries Limited	10	24,982	34,254,772	24,982	34,254,772
Reliance Communications Limited	5	24,923	10,518,365	24,923	10,518,365
ICICI Bank Limited	10	4,150	5,005,234	-	-
Kotak Mahindra Bank Limited	10	4,620	5,004,125	-	-
			54,782,496		44,773,137
(c) Investments in Mutual Funds (UnQuoted) fully paid units of Rs.10 each					
1. Reliance Income Fund - Retail Plan - Growth Plan-Bonus Option (NAV Previous Year Rs. 0.37 Crs.)	10	-	-	162,823	2,000,000
2. Reliance Income Fund - Retail Plan - Growth Plan-Growth Option (NAV Rs.19.62 Crs.)	10	7,692,219	200,000,000	-	-
3. Reliance Growth Fund- Retail plan - Dividend Plan (NAV Rs.7.49 Crs., Previous Year Rs.7.07 Crs.)	10	1,478,358	67,500,000	1,478,358	67,500,000
4. Reliance Vision Fund - Retail Plan -Dividend Plan (NAV Rs.10.34 Crs., Previous Year Rs.10.40 Crs.)	10	2,401,851	100,000,000	2,401,851	100,000,000
5. Reliance Short Term Fund -Retail Plan Growth Plan (NAV Rs.55.28 Crs., Previous Year Rs.4.36 Crs.)	10	38,484,128	540,268,116	3,341,660	40,268,116
6. Reliance Banking Fund Growth Plan - Bonus Option (NAV Previous Year Rs.0.22 Crs.)	10	-	-	60,362	1,500,000
7. Reliance Index Fund - Nifty - Growth Option (NAV Previous Year Rs.0.25 Crs.)	10	-	-	164,918	1,649,184
8. Reliance Tax Saver (ELSS) Fund -Growth Option (NAV Rs.3.08 Crs., Previous Year Rs.2.92 Crs.)	10	2,200,000	22,000,000	2,200,000	22,000,000
9. Reliance Equity Fund -Retail Plan- Growth Plan (NAV Rs.3.92 Crs., Previous Year Rs.3.86 Crs.)	10	2,954,633	29,546,330	3,500,000	35,000,000
10. Reliance Equity Oppurtuinitites Fund-Retail Plan- Growth Option (NAV Rs.2.49 Crs., Previous Year Rs.2.72 Crs.)	10	1,138,605	11,386,050	1,335,900	13,359,000
11. Reliance Equity Advantage Fund -Retail Plan -Growth Plan (NAV Rs.4.91 Crs.)	10	4,889,976	50,000,000	-	-
12. Reliance Natural Resource Fund - Institutional Plan - Growth Option (NAV Rs.11.55 Crs.)	10	12,000,000	120,000,000	-	-
13. Reliance Fixed Horizon fund VII Sr. 1 - Institutional Growth (NAV Rs.10.15 Crs.)	10	10,000,000	100,000,000	-	-
14. Reliance Fixed Horizon fund VII Sr. 3 - Institutional Growth (NAV Rs.1.01Crs.)	10	1,000,000	10,000,000	-	-
15. Reliance Fixed Horizon fund VII Sr. 6 - Institutional Growth (NAV Rs.20.10 Crs.)	10	20,000,000	200,000,000	-	-
			1,450,700,496		283,276,300
Total Long Term			1,661,805,049		412,833,104
(B) Current Investments -Non trade (At Lower of Cost and Fair Value)					
Mutual Funds (UnQuoted) fully paid units					
1. Reliance Fixed Horizon Fund QP VI Sr 2 - Institutional Dividend Payout * (NAV Rs.200.25 Crs.)	10	200,000,000	2,000,000,000	-	-
2. Reliance Liquid Plus Fund - Institutional - Monthly Dividend Reinvestment * (Net of Diminution Rs.183685/-) (NAV Rs.157.14 Crs.)	1,000	1,560,531	1,571,351,578	-	-
3. Reliance Monthly Interval Fund Sr II - Institutional - Dividend Reinvestment Plan* (NAV Rs.100.69Crs.)	10	100,643,500	1,006,888,307	-	-
4. Reliance Fixed Horizon Fund VI Sr 3 Institutional - Dividend Payout (NAV Rs.50.07 Crs.)*	10	50,000,000	500,000,000	-	-
5. Reliance Liquid Plus Fund- Institutional Plan - Growth Plan (NAV Rs.8.69 Crs)	1,000	79,458	85,818,784	-	-
6. Reliance Liquidity Fund - Growth Plan (NAV Previous Year Rs.30.03 Crs)	10	-	-	26,730,013	293,342,705
			5,164,058,669		293,342,705
Total Current			5,164,058,669		293,342,705
GRAND TOTAL			6,825,863,718		706,175,809
Notes:					
1. Quoted investments					
			Aggregate of Book value		54,784,507
			Aggregate of Market value		44,775,148
					75,342,129
Unquoted investments					
			Aggregate of Book value		6,771,079,211
					661,400,661
2. All the above Long Term Investments have been so classified by the Company in view of its intention to hold the same on long term basis.					
3. During the year the following investments were purchased and sold					
		Quantity	Purchase Value		
Reliance Monthly Interval Fund Sr 1 Institutional Growth Plan		186,214,538	2,000,000,000		
Reliance Liquidity Fund - Growth Plan		666,154,350	7,928,432,337		
Reliance Liquid Plus Fund- Inst. Plan - Growth Plan		2,921,022	3,143,807,762		
Reliance Liquid Plus Fund- Inst. Plan - Daily Div. Plan		2,317,075	2,319,708,223		
Reliance Liquid Plus Fund- Inst. Plan - Monthly Div Plan		497,202	500,713,682		
*Includes balance unutilised out of equity shares issued during the year by way of private placement, Amount : Rs. 501,00,00,300/-					

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Rupees) As at 31st March, 2008	(Rupees) As at 31st March, 2007
Schedule "E"		
Current Assets, Loans & Advances		
(a) Sundry Debtors : (Unsecured considered good)		
Outstanding for more than six months	-	-
Other debtors	35,349,122	78,482,911
	<u>35,349,122</u>	<u>78,482,911</u>
	<u>35,349,122</u>	<u>78,482,911</u>
(b) Cash / Bank Balance :		
Cash on Hand	36,652	8,235
Balance in current accounts with Scheduled banks	3,007,223	20,832,453
	<u>3,043,875</u>	<u>20,840,688</u>
	<u>3,043,875</u>	<u>20,840,688</u>
(c) Interest Accrued		
Loans to Subsidiaries	536,579	325,080
Inter Corporate Deposits	13,189,131	13,189,131
	<u>13,725,710</u>	<u>13,514,211</u>
	<u>13,725,710</u>	<u>13,514,211</u>
(d) Loans and Advances : (Unsecured considered good)		
Loans to Subsidiaries	5,603,080	4,644,000
Inter Corporate Deposit	270,000,000	260,000,000
Loans to Employees	5,440,102	1,354,267
Advances recoverable in cash or in kind or for value to be received	358,571,781	165,748,047
Advance Tax Paid / Tax Deducted at Source	1,007,113,543	477,489,245
	<u>1,646,728,506</u>	<u>909,235,559</u>
	<u>1,646,728,506</u>	<u>909,235,559</u>
Schedule "F"		
Current Liabilities and Provisions		
(a) Current Liabilities		
TDS Payable	29,332,133	29,522,263
Professional tax payable	122,136	151,423
E.P.F. Payable	4,599,065	2,780,515
Sundry creditors (other than micro & small scale enterprises)	361,566,150	217,154,096
Overdrawn Bank Balances as per books of accounts	263,654,303	-
	<u>659,273,787</u>	<u>249,608,297</u>
	<u>659,273,787</u>	<u>249,608,297</u>
(b) Provisions		
Provision for Taxation	893,716,029	409,376,023
Provision for Employees' benefit	90,641,020	37,359,799
	<u>984,357,049</u>	<u>446,735,822</u>
	<u>984,357,049</u>	<u>446,735,822</u>
Schedule "G"		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure (Promotional Expenditure on launch of the Mutual Fund Schemes)	9,747,526	21,645,759
Less: Written off during the year	9,747,526	11,898,233
	<u>-</u>	<u>9,747,526</u>
	<u>-</u>	<u>9,747,526</u>

Reliance Capital Asset Management Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	(Rupees) 2007-2008	(Rupees) 2006-2007
Schedule "H"		
Interest Income		
Interest (including from Subsidiaries Rs.3,63,956 ,Previous Year -Rs.3,25,080)	24,794,220	17,362,086
(Tax deducted at source Rs.55,33,064 , Previous year Rs.38,15,937)	<u>24,794,220</u>	<u>17,362,086</u>
Schedule "I"		
Salaries and Benefits to Employees		
Salaries, Allowances and Bonus	705,562,723	391,733,808
Contribution to Provident and other funds	37,088,493	20,539,756
Staff welfare expenses	<u>24,127,960</u>	<u>13,331,717</u>
	766,779,176	425,605,281
	<u>766,779,176</u>	<u>425,605,281</u>
Schedule "J"		
Administrative and Other Expenses		
Auditors Remuneration	750,233	770,000
Software repair & Maintenance	4,461,745	4,037,250
Conveyance & Travelling	58,299,372	41,466,742
Courier charges	12,149,602	1,204,706
Director sitting fees	1,020,000	740,000
Entertainment	8,847,277	5,085,153
Filing fees & Stamp duty	84,255,576	39,119,489
Loss on Variation in Foreign Exchange rates	31,075	-
Revaluation Loss on Variation in Foreign Exchange Rates	417,369	-
Lease rent	5,485,332	3,386,699
Insurance	7,429,927	5,356,379
Legal & Professional Charges	86,376,976	53,240,997
Membership & Subscription	19,790,328	11,763,367
Office Administration	30,800,711	14,645,480
Petrol and car maintenance	18,102,364	8,142,230
Printing & Stationary	32,818,079	9,072,176
Rent	69,437,945	86,613,839
Electricity	12,450,378	6,502,252
Repairs & Maintainance	16,633,061	6,338,882
Seminar & training	20,869,407	15,839,085
Telephone	71,058,745	61,019,964
Donation	45,000	842,305
Amounts Written Off	-	38,890,694
Miscellaneous Expenses (including Bank charges, profession Tax etc.)	<u>21,819,724</u>	<u>2,201,255</u>
	583,350,226	416,278,944
	<u>583,350,226</u>	<u>416,278,944</u>
Schedule "K"		
Marketing & Publicity Expenses		
Advertisement	70,097,780	10,605
Marketing Expenses	101,325,983	204,250,873
Brokerage and Incentives	<u>771,795,116</u>	<u>200,111,718</u>
	943,218,879	404,373,196
	<u>943,218,879</u>	<u>404,373,196</u>

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Schedule “L”

Significant Accounting Policies and Notes to Accounts

A. Significant Accounting Policies

1. Basis of preparation of Financial Statements:

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

2. Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/ materialised.

3. Fixed Assets:

Fixed Assets are stated at historical cost less accumulated depreciation.

4. Depreciation:

Depreciation of Fixed Assets is provided on written down value method in accordance with Section 205 (2) (a) of the Companies Act, 1956 as per rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on Improvement to Rented Premises is provided on straight line method over the period of lease, or three years whichever is less.

5. Impairment of Assets:

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the profit & loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

6. Investment:

Long Term Investments are stated at cost of acquisition. Provision for diminution is made to recognise a decline, other than temporary, in the value of Long Term Investments. Current Investments are carried at lower of cost and fair value.

7. Initial Issue expenses of schemes:

Initial issue expenses of the schemes of Reliance Mutual Fund incurred upto 31st March,2004 are treated as Deferred Revenue Expenditure and written off over five years in equal installments. However the same incurred on or after 1st April 2004 are charged to Profit and loss account in compliance with Accounting Standard 26 on Intangible Assets issued by the Institute of Chartered Accountants of India.

8. Revenue Recognition :

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection.

(I) Investment Management Fees:

Investment Management fees are computed in accordance with Investment Management Agreement and SEBI Regulations based on Net Asset Value confirmed by Reliance Mutual Fund schemes.

(II) Portfolio Management Fees:

Portfolio Management fees are computed in accordance with Portfolio Management Agreements and SEBI Regulations.

(III) Profit on Sale of Investments:

Profit on sale of Investments is accounted reckoning the average cost of the Investments.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

9. Foreign Currency Transactions:

All foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities at the Balance Sheet date are restated at the exchange rate prevailing on the Balance Sheet date. The exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with as Foreign Exchange Fluctuations in the Profit and Loss account. Non monetary items denominated in foreign currency are stated at the rate prevailing on the date of transaction.

Accounting of foreign branch (integral foreign operation)

- (a) Monetary assets and liabilities are converted at the appropriate rate of exchange prevailing on the Balance Sheet date.
- (b) Fixed assets and depreciation thereon are converted at the exchange rates prevailing on the date of the transactions.
- (c) Revenue items (excluding depreciation) are converted at the rate prevailing on date of the transaction.

10. Leased Assets:

Rentals in respect of assets taken on operating lease by the company are expensed with reference to the terms of the lease and other considerations.

11. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events, it is probable that there will be an outflow of resources and reliable estimate of the amount of the obligation can be made. Contingent Liabilities are not recognized and are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

12. Taxation:

Income tax expense comprises of current tax, fringe benefits tax (FBT) and deferred tax charge or credit. Provision for current tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Provision for FBT is made on the benefits provided/ deemed to have been provided to the employees at the rates and the values applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax Assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax Assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realisation.

13. Employee Benefits :

A. Short Term Employee Benefits:

All employee benefits payable within twelve months of rendering the service are recognised in the period in which the employee renders the related service.

B. Post employment benefits:

i. Defined Contribution plans:

The Company's superannuation policy scheme funded with the Birla Sun Life Insurance Company Limited, State Government provident fund scheme and employee pension scheme are defined contribution plans. The contribution paid / payable under the schemes is recognised during the period in which the employee renders the related service.

ii. Defined Benefit Plans :

The present value of the obligation under defined benefit plans is determined based on the actuarial valuation at the close of the year using the Projected Unit Credit Method. Actuarial gains and losses arising on such valuation are recognised immediately in the Profit and Loss account. In case of Gratuity, which is funded with the Reliance Life Insurance Company Limited under its Group Gratuity (Unit Linked) Plan, the fair value of Plan Assets is reduced from the gross obligation under the Defined Benefit Plans, to recognize the obligation on net basis.

iii. Termination Benefit

Termination benefits are recognized as and when incurred.

14. Scheme Expenses :

Recurring expenses incurred on behalf of schemes of Reliance Mutual Fund in excess of limits prescribed by Securities and Exchange Board of India are allocated to respective expense heads in the Profit & Loss Account.

Reliance Capital Asset Management Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

B. Notes to Accounts

	2007 – 2008	(Rupees) 2006 – 2007
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	10,060,686	3,579,073
2. Payment to Auditors:		
Audit Fees	325,000	250,000
Tax Audit Fees	75,000	75,000
Certification Matters	345,000	445,000
Out of Pocket Expenses	5,233	-
3. Information regarding Managerial Remuneration:		
Salaries	2,079,276	1,640,560
Perquisites & Other Allowances	950,000	500,000
Contribution to Provident Fund	161,472	109,440
Total	<u>3,190,748</u>	<u>2,250,000</u>
Note:		
a. Contribution /provision for gratuity are not considered as employee wise details are not available.		
b. Reimbursement of expenses incurred in the normal course of business is not considered.		
4. Future liability in respect of car taken on operating lease after 1st April, 2001:		
a) Not later than one year	6,773,794	6,099,351
b) Later than one year and not later than five years	8,147,583	11,537,823
c) Later than five years	-	-
Future liability in respect of premises taken on operating lease after 1st April, 2001:		
a) Not later than one year	48,523,607	25,086,261
b) Later than one year and not later than five years	170,178,951	69,139,683
c) Later than five years	81,477,871	43,919,452
5. Deferred Tax:		
Deferred Tax Liabilities		
Depreciation	(676,857)	3,516,011
Deferred Revenue expenditure (promotional expenditure on launch of the mutual fund schemes)	-	3,313,184
Total	<u>(676,857)</u>	<u>6,829,195</u>
Deferred Tax Asset		
Employees' Benefit	<u>30,808,882</u>	<u>12,698,595</u>
Net Deferred Tax Asset	<u>31,485,739</u>	<u>5,869,400</u>
6. Earnings per share:		
Net Profit as per Profit and Loss Account	961,808,276	510,366,543
Less:- Preference dividend	-	1,750,000
Dividend Tax	-	297,413
Net Profit attributable to equity shareholders	961,808,276	508,319,130
Weighted average number of equity shares outstanding	8,942,515	7,500,700
Basic Earnings Per Share	107.55	67.77
Weighted average number of equity shares outstanding	8,976,439	7,500,700
Diluted Earnings Per Share	107.15	67.77

The equity shares issued to the ESOP Trust under the Company's ESOP are not considered for calculation of EPS as the employees have not exercised their right to obtain the shares. The outstanding options to the extent granted, as at reporting date have been considered for computing Diluted EPS by comparing the exercise price with the Fair Value. However, the exercise price of the option to be granted in the future, will be determined at such time, and hence their dilutive potential can not be ascertained at present.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

7. Disclosure pursuant to Accounting Standard - 15 (Revised) " Employee Benefits" :

- a. Pursuant to the adoption of Accounting Standard 15 (AS-15) on "Employee Benefits" transitional liability as at April 01, 2007 of Rs.13,656,361 (net of tax of Rs.7,031,960) has been adjusted against the opening balance of Profit and loss account.
- b. **Defined Contribution Plans:**
Amount of Rs. 26,059,197 /- is recognised as expense and included in "Salaries & Benefits to Employees" - Schedule "I" in the Profit and Loss Account.

c. **Defined Benefit Plans:**

- i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

	Gratuity	Leave Benefit
a. Present value of Defined Benefit Obligation at the beginning of the year	11,915,581	58,048,120
b. Interest cost	983,035	4,238,523
c. Current service cost	5,368,463	46,862,970
d. Actuarial Losses / (Gains)	(643,002)	(15,439,639)
e. Benefits paid	-	(3,068,954)
f. Present value of Defined Benefit Obligation at the close of the year	17,624,077	90,641,020

- ii Changes in the fair value of Plan Assets and the reconciliation thereof:

	Gratuity	Leave Benefit
a. Fair value of Plan Assets at the beginning of the year	5,139,958	-
b. Add :Expected return on Plan Asset:	411,197	-
c. Add / (Less) : Actuarial (Losses) / Gains	(333,260)	-
d. Add : Contributions	18,567,398	-
e. Less: Benefits Paid	-	-
f. Fair value of Plan Assets at the close of the year	24,451,813	-

- iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the balancesheet:

	Gratuity	Leave Benefit
a. Present value of Defined Benefit obligation	17,624,077	90,641,020
b. Less: Fair value of Plan Assets	24,451,813	-
c. Present value of unfunded obligation	(6,827,736)	90,641,020
d. Net Liability / (Asset) recognised in the Balancesheet	(6,827,736)	90,641,020

Reliance Capital Asset Management Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

iv. Amount recognised in the Profit and Loss Account are as follows :

	Gratuity	Leave Benefit
a. Current Service Cost	5,368,463	46,862,970
b. Interest Cost	983,035	4,238,523
c. Expected return on Plan Assets	(411,197)	-
d. Actuarial Losses / (Gains)	(976,262)	(15,439,639)
e. Past service costs	-	-
f. Effect of curtailment / settlement	-	-
g. Adjustments for earlier years Recognised in the Profit and Loss Account	-	-

v. Broad Categories of plan assets as a percentage of total assets as at 31.03.08

	Gratuity Plan	Leave Benefit
a. Government of India Securities	19.08%	UNFUNDED
b. State Government Securities	-	
c. Corporate Bonds	37.64%	
d. Fixed Deposit under Special Deposit Scheme	-	
e. Equity Shares	18.85%	
f. Bank Deposits / Mutual Funds	24.43%	
g. Public Sector Bonds	-	
	100.00%	

vi. Actuarial Assumptions as the Balancesheet date:

	Gratuity	Leave Benefit
a. Discount Rate	8.00%	7.50%
b. Expected rate of return on Plan Assets	8.00%	-
c. Salary Escalation rate -- Management Staff	6.00%	9.00%
d. Salary Escalation rate -- Non -Management Staff	-	-
e. Annual increase in Healthcare costs	-	-
f. Attrition rate	1% at each age	1% throughout

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

vii. General Descriptions of significant Defined plans:

a. **Gratuity Plan :**

Gratuity is payable to all eligible employees of the Company on superannuation, death and permanent disablement, in terms of the provisions of the Payment of Gratuity Act or as per the Company's Scheme whichever is more beneficial.

b. **Leave Plan :**

Encashment of leave in the earned account can be opted by an employee on the accumulation crossing 90 days subject to a retention of minimum 30 days in the Earned Leave account. However the employee will have the option to accumulate up to 240 days beyond which the leave will be mandatorily encashed. Encashment will be calculated on CTC basis.

viii. This being the first year of implementation of AS-15 (Revised 2005), previous year figures have not been given.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

8. Related Party Disclosures:

(i) List of Related Parties with whom transactions have taken place and relationships:

Sr. No.	Name of the Related Party	Relationship
1	AAA Enterprises Private Limited	Ultimate Holding Company
2	Reliance Capital Limitec	Holding Company
3	Reliance Asset Management (Mauritius) Ltd	Wholly Owned Subsidiary
4	Reliance Asset Management (Singapore) Pte Ltd	Wholly Owned Subsidiary
5	Reliance Capital Asset Management (UK) Plc.	Wholly Owned Subsidiary
6	Reliance General Insurance Company Ltd	Fellow Subsidiary
7	Reliance Money Express Pvt.Ltd	Fellow Subsidiary
8	Reliance Gilts Ltd.	Fellow Subsidiary
9	Reliance Capital Trustee Co Ltd	Fellow Subsidiary
10	Medybiz Pvt Ltd	Fellow Subsidiary
11	Net Logistic Pvt Ltd	Fellow Subsidiary
12	Reliance Venture Asset Management Pvt Ltd	Fellow Subsidiary
13	Reliance Capital Research Pvt. Ltd	Fellow Subsidiary
14	Reliance Technology Ventures Pvt. Ltd	Fellow Subsidiary
15	Reliance Capital Markets Pvt Ltd	Fellow Subsidiary
16	Reliance Communications Ltd.	Fellow Subsidiary - Holding Company
17	Reliance Communication Infrastructure Ltd.	Fellow Subsidiary - Holding Company
18	Reliance Telecom Ltd.	Fellow Subsidiary - Holding Company
19	Matrix Innovations Ltd.	Fellow Subsidiary - Holding Company
20	Gateway Systems (India) Ltd	Fellow Subsidiary - Holding Company
21	Reliance Natural Resources Ltd.	Fellow Subsidiary - Holding Company
22	Reliance Webstore Ltd.	Fellow Subsidiary - Holding Company
23	Reliance Mutual Fund	Associate
24	Reliance India Power Func	Associate
25	Ms.Geeta Chandran	Manager

Sr.No	Nature of Transaction	Holding Company	Wholly Owned Subsidiaries	Fellow Subsidiaries	Fellow Subsidiary - Holding Company	Associate	Whole Time Director / Manager	Total
A	Investments							
	Purchases		23,538,390			22,297,495,037		22,321,033,427
			(62,332,075)			(1,385,000,000)		(1,447,332,075)
	Sales					16,301,231,535		16,301,231,535
						(1,181,662,476)		(1,181,662,476)
B	Sundry Debtors					198,815		198,815
						(78,482,911)		(78,482,911)
C	Sundry Creditors					-		-
						(84,796,931)		(84,796,931)
D	Advance recoverable in cash or in kind or for value to be received		-	9,155,064	1,950,112	32,307,749		43,412,925
		(15,187,465)		(727,954)	(20,000,000)	-		(35,915,419)
E	Loans to Subsidiaries							
	Balance as on 01.04.2007		4,644,000					4,644,000
	Add: Given during the year		2,400,275					2,400,275
	Less: Received Back during the Year		1,088,000					1,088,000
	Balance as on 31.03.2008		* 5,603,080					5,603,080
F	Interest Accrued		* 536,579					536,579
			(325,080)					(325,080)
G	Issue of Equity shares	24,993,000						24,993,000
		(-)						(-)
H	Redemption of Preference Shares	35,000,000						35,000,000
		(-)						(-)
I	Investment Management & Advisory Fees					3,281,764,413		3,281,764,413
						(1,777,285,847)		(1,777,285,847)
J	Portfolio Management Fees			1,200,000				1,200,000
				(3,367,200)				(3,367,200)
K	Dividend on Long Term Investments					55,398,624		55,398,624
						(36,491,131)		(36,491,131)
L	Interest Received		363,956					363,956
			(325,080)					(325,080)
M	Salaries & Benefits to Employees						3,190,748	3,190,748
							(2,250,000)	(2,250,000)
N	Staff Welfare Expenses			273,750				273,750
				(-)				(-)
O	Rent Expense	7,728,000		5,769,000	72,000			13,569,000
		(13,443,000)		(2,080,500)	(581,123)			(16,104,623)
P	Marketing Expenses					1,149,660		1,149,660
				(200,000,000)	(-)			(200,000,000)
Q	Insurance Charges			6,791,044				6,791,044
				(3,172,324)				(3,172,324)
R	Telephone / Internet					59,250,882		59,250,882
						(58,469,595)		(58,469,595)
S	Travelling expenses			3,429,132				3,429,132
				(543,117)				(543,117)

Note : Related Party Relationship is as identified by the company and relied upon by the auditor
 (Previous year figures are in brackets
 * Adjusted for Revaluation loss:
 Loan to subsidiary Rs.353,195
 Interest accrued Rs.49,591

Reliance Capital Asset Management Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

	2007 – 2008	(Rupees) 2006 – 2007
9. Expenditure in foreign currency (including expenses incurred at Foreign Branch) :		
Salary and Benefits	11,127,226	3,075,791
Traveling	4,983,054	2,782,765
Seminar & Training	3,150,481	3,542,609
Professional & Consultancy	3,111,397	3,556,632
Other Expenses	11,014,718	4,642,614
10. Earnings in foreign currency:		
Interest	363,956	325,080

11. Disclosure in respect of derivative instruments:

- a) Derivative instruments outstanding: Nil (Previous Year Rs. Nil)
b) Foreign Exposures that are not hedged by derivative instruments:

	As at 31 st March 2008		As at 31 st March 2007	
	USD	Sing Dollar	USD	Sing Dollar
Loans	140,000	NIL	80,000	40,000
Interest Receivable	13,407	NIL	5,600	2,800

12. In the opinion of the management, the Company is mainly engaged in the business of Asset Management Services that (as a standalone entity) are carried out from within India. Segment information is not required to be disclosed since there is only one business and geographical segment. However, segment information on the basis of geographical location of entities (subsidiaries) within the group is disclosed in the Consolidated Financial Statements

13. Employees Stock Option Plan (ESOP) :

(i) Pursuant to the shareholder's, resolution dated September 20, 2007, the company introduced the Employee Stock Option Plan under which the company decided to grant, from time to time, options to the employees of the company. The grant of options to the employees under the ESOP Scheme is on the basis of their performance and other eligibility criteria.

(ii) On December 21, 2007, the company issued a total of 200,000 equity shares at a price Rs. 2000/- per equity share to the Trust, Reliance Capital Asset Management Employee Benefit Trust.

(iii) All above options are planned to be settled in cash or equity at the time of exercise and have maximum period of 5 years from the date of respective grants. The plan existing during the year is as follows:

a)The option under this plan has an exercise price of Rs.2000/- per share and vest on a graded basis as follows:

	Vesting period from the grant date	Vesting schedule
For the options with a vesting period of 5 years	On completion of 3 years	30%
	On completion of 4 years	30%
	On completion of 5 years	40%

(iv) The information concerning stock options granted, exercised, forfeited and outstanding at the year-end is as follows:

Shares in Thousands	As of March 31, 2008		
	Number of stock options	Weighted average exercise price (Rs.)	Weighted average remaining contractual life (in Years)
Number of shares under option:			
Outstanding at beginning of year	NIL	NIL	
Granted	77,125	2000	
Exercised	NIL	NIL	
Cancelled or expired	5,150	NIL	
Outstanding at the year end	66,575	2000	3.1 years
Exercisable at end of year	66,575	2000	

(v) The fair value of the options granted was estimated on the date of grant using the Black- Scholes model with the following assumptions

	Year ended March 31,2008
Risk free interest rate	8%
Expected life	7 years
Volatility	50.98%
Dividend yield	0.00%

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

The Volatility of the options is based on the historical volatility of the share price of Reliance Capital Limited, the holding company of Reliance Capital Asset Management Limited over the previous 7 years.

(vi) The Company has chosen to account for the Plan by the Intrinsic Value Method. The total expense recognised for the period arising from stock option plan as per intrinsic value method is Rs. Nil. The net results for the period, had the company adopted the fair value method, would have been lower by Rs.12,379,587 (net of tax saving Rs.6,374,521) and accordingly the EPS (both basic and diluted) would have been lower by Rs.1.38.

(vii) This being the first year of implementation of ESOP guidelines, previous year figures have not been given.

14. In the absence of necessary information relating to the suppliers registered as Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, the company has not been able to identify such suppliers and disclose the information required under the said Act relating to them.
15. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to the figures of the current financial year

As per our attached report of even date

For and on behalf of the Board

For and on behalf of Dalal & Shah
Chartered Accountants

Soumen Ghosh
Director

Kanu Doshi
Director

Partner

Vikrant Gugnani
Chief Executive Officer

Sanjay Wadhwa
Chief Financial Officer

Geeta Chandran
Manager

Mumbai
Date: 24th April, 2008

Mumbai
Date: 24th April, 2008

Reliance Capital Asset Management Limited

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

* Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration No. State Code

Balance Sheet Date

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

Public Issue Rights Issue

Bonus Issue Private Placement

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

Total Liabilities Total Assets

Sources of Funds Applications of Funds

Paid up Capital Net Fixed Assets

Reserves & Surplus Investments

Secured Loans Net Current Assets

Unsecured Loans Miscellaneous Expenditure

Deferred Tax Asset (Net)

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

Turnover Total Expenditure

Profit/ Loss Before Tax Profit/ Loss After Tax

Earning Per Share (Rs.) Dividend Rate %

V. Generic Names of Three Principal Products/ Services of the Company (as per monetary terms)

Not Applicable

For and on behalf of the Board

Soumen Ghosh
Director

Kanu Doshi
Director

Vikrant Gugnani
Chief Executive officer

Sanjay Wadhwa
Chief Financial Officer

Geeta Chandran
Manager

Mumbai
Date: 24th April, 2008