

DSP BLACKROCK

PENSION FUND MANAGERS

DSP BLACKROCK PENSION FUND MANAGERS PRIVATE LIMITED

ANNUAL REPORT 2013 - 2014

NPS Trust A/c - DSP BlackRock Pension Fund Scheme E - Tier I

NPS Trust A/c -DSP BlackRock Pension Fund Scheme E - Tier II

NPS Trust A/c -DSP BlackRock Pension Fund Scheme C - Tier I

NPS Trust A/c -DSP BlackRock Pension Fund Scheme C - Tier II

NPS Trust A/c -DSP BlackRock Pension Fund Scheme G - Tier I

NPS Trust A/c -DSP BlackRock Pension Fund Scheme G - Tier II

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1. Brief Background

DSP BlackRock Pension Fund Managers Private Limited (“DSPBRPFM”) is a fund manager for managing the funds collected under the New Pension System (NPS) for Indian citizens other than government employees under PFRDA (Registration of Pension Funds for Private Sector) Guidelines - 2012. DSPBRPFM received certificate of registration and certificate of commencement of business from the Pension Fund Regulatory and Development Authority (PFRDA) for managing the pension funds under the National Pension System (NPS) on April 17, 2013 and June 25, 2013, respectively. The said certificate of registration is valid for a year. DSPBRPFM has applied for renewal of the certification of registration vide letter dated April 7, 2014.

DSPBRPFM is a subsidiary of DSP BlackRock Investment Managers Private Limited (Sponsor Company). The Sponsor Company is a joint venture between the DSP Group and BlackRock Inc. and was incorporated in 1996 to carry on asset management for mutual/investment fund and/or institutional investors. The Sponsor Company besides being an asset management company to the DSP BlackRock Mutual Fund also provides investment advisory services and act as investment manager to DSP BlackRock Alternative Investment Fund - Category III (DSPBRAIF - C - III).

The DSP Group based in India, promoted by the Kothari family of D. S. Purbhoodas and Co. has a track record of over 148 years, and is one of the oldest financial services firms in the country today, being one of the founding members of The Stock Exchange, Mumbai (BSE). Each generation of D. S. Purbhoodas and Co. has seen a partner serving as President of the Bombay Stock Exchange, bearing testimony to the long-standing position D. S. Purbhoodas & Co. occupies in the Indian financial arena.

BlackRock is a premier provider of global investment management services founded in 1988. It is the largest asset management company in the world. As of December 31, 2013, BlackRock manages US\$4.3 trillion across equity, fixed income, real estate, liquidity, alternatives, and asset allocation/balanced strategies for institutional and retail clients.

During the year ending March 31, 2014, the company managed the following six schemes under the NPS:

- NPS Trust A/c - DSP BlackRock Scheme E - Tier I
- NPS Trust A/c - DSP BlackRock Scheme C - Tier I
- NPS Trust A/c - DSP BlackRock Scheme G - Tier I
- NPS Trust A/c - DSP BlackRock Scheme E - Tier II

- NPS Trust A/c - DSP BlackRock Scheme C - Tier II
- NPS Trust A/c - DSP BlackRock Scheme G - Tier II

The Company has combined assets under management (AUM) of Rs 80.64 Lakhs across all the schemes for the year ended March 31, 2014. The scheme wise AUM as on March 31, 2014 is given below:

| Scheme | AUM as on March 31, 2014 (in Rs Lakhs) |
|---|---|
| NPS Trust - A/C DSP BlackRock Pension Fund Scheme E - Tier I | 28.72 |
| NPS Trust - A/C DSP BlackRock Pension Fund Scheme C - Tier I | 22.13 |
| NPS Trust - A/C DSP BlackRock Pension Fund Scheme G - Tier I | 25.31 |
| NPS Trust - A/C DSP BlackRock Pension Fund Scheme E - Tier II | 1.68 |
| NPS Trust - A/C DSP BlackRock Pension Fund Scheme C - Tier II | 1.17 |
| NPS Trust - A/C DSP BlackRock Pension Fund Scheme G - Tier II | 1.63 |
| Total | 80.64 |

2. Economic Scenario

Equity Review FY2014

After a modest performance over most of the year, equity markets closed FY14 on a triumphant note with the benchmark indices closing at record highs. The Nifty, having started the year at levels close to 5,700 ended gaining 1,000 points to close over 6,700 level. For FY2014, the NSE Nifty ended the fiscal with 18% gain at 6,704. In the broader markets, the midcap index marginally underperformed at 16% while the small-cap index outperformed with a 22% gain.

A large part of FY2014 was driven by one central theme - 'tapering' of US quantitative easing and its impact on emerging economies including India. However as the year progressed, the Indian equity markets took the moderate tapering program in their stride as India's external sector risks subsided.

The benchmark indices reported their sharpest rally in past four years during FY2014 aided by supportive global cues and continued buying by foreign institutional investors (FIIs) on expectations of a stable government at the Centre post elections. FIIs have made net investments of Rs 79,708 Crores (\$13.4 billion) in Indian equities during FY2014. Foreign capital inflows were strong enough to withstand selling by local investors as well as primary issuances owing to government disinvestment.

The improvement in market sentiments was also aided by improvement in macroeconomic indicators such as lowering inflation, current account deficit and increasing growth prospects.

Debt Review FY2014

FY2014 was a tumultuous year for Indian debt markets dictated by falling economic growth, depreciating rupee, high inflations and tight liquidity conditions. While the year started on a favorable note with lower commodity prices, fears of taper in the US led to high volatility in the financial markets.

RBI which had initially cut the Repo rate by 25 bps, in the second half of the year, increased Repo rate by 75 basis points to tackle persistently high inflation. Both headline and core inflation reversed from the low levels seen earlier due to a combination of weak rupee and a sharp rise in food inflation. This was despite the year witnessing above normal monsoons. The 10 year benchmark government security was highly volatile during the year and it increased by about 70 basis points from 8.1% on March 31, 2013 to 8.8% as on March 31, 2014.

The underlying dominant theme in FY2014 was weakness in the Indian rupee which was at its lowest ebb in August 2013 at Rs 68 to the US dollar. To tackle the rupee depreciation, in the second half, the new Reserve Bank of India (RBI) governor launched a slew of measures - hike in import duty of gold, special swap window to attract FCNR (B) deposits and foreign currency borrowings and special window for oil marketing companies to help meet their daily forex requirements. All these measures paid off and the rupee reverted to below 60 levels by end FY2014.

System liquidity remained tight over large part of the year and RBI addressed it using Open Market Operations (OMOs) in government securities. Current Account Deficit (CAD) was another cause of concern for the RBI. However, measures implemented by the RBI and curbs imposed by the government on imports helped keep the CAD under check during the second half of FY2014. RBI iterated that managing inflation will remain the top priority for monetary policy and will decide the future course of actions.

Outlook

Equity Outlook FY2015

FY2015 will be an important year for India, with the general elections due in May. A decisive verdict will lead to a strong revival in economic growth led by investment spending. This will supplement domestic consumption demand which has always been a strong driver of economic growth. Strong export growth, along with recovery in external demands the key factors for improvement in GDP growth. Return of growth and a stable currency will help deliver steady FII and FDI flows. Reversal in interest rates eventually will have an effect on equity returns. High

inflation, fiscal deficit (and financing of the same) and high international crude prices are the likely obstacles for the Indian economy.

We strongly believe that the Indian economy is on the cusp of a strong growth uptrend that could herald 6-7% GDP growth per annum over the next 5-10 years. Robust consumption, driven by rural wage growth; Infrastructure, both private and government and Outsourcing, led by automobiles and pharmaceuticals exports are key themes that will drive India's growth story for the next decade. This will contribute to robust growth in corporate earnings and underpin strong performance of Indian equities.

Debt Outlook FY2015

Subdued sentiment, lower appetite for EM bonds and developments in the global markets may continue to support high yields in H1FY2015. At the same time, we believe that the steps taken by the RBI will likely have a positive effect on inflation, which we believe, will trend lower in H2FY2015. Considering the upcoming maturity of a large number of government securities over the next three years, the gross borrowing program announced for FY2015 came as a welcome surprise. A declining trend in government borrowing may have a positive impact on India's debt capital markets as it may result in the availability of more capital for the private sector.

Though the economy is still in a low growth phase, it looks close to bottoming out. A recovery in the economy along with resolution of structural supply issues could result in a fall in inflation leading to a softer interest rate regime in the latter half of FY2015. Attractive absolute level of yields, tapering being less of an overhang, a structurally lower CAD and a relatively stable rupee auger well for the Indian debt markets in FY2015.

3. Investment objectives for each scheme

Scheme E - The investment philosophy of the scheme is to invest in equity and equity related securities which can be summarized as close replication of the underlying Benchmark Index so as to achieve returns in-line with the index with low tracking error. The scheme adopts a passive strategy and invests into the NSE Nifty stocks in the same weight as the index.

Scheme C - The investment objective is to optimize returns for the subscribers by investing in high credit fixed income securities. The scheme invests in high quality long term corporate bonds and fixed deposits in accordance with the investment guidelines defined by PFRDA.

Scheme G - The investment objective is to optimize returns for the subscribers by investing in sovereign bonds issued by the Government of India and securities issued by state governments.

Basis and Policy of investments underlying the Scheme

The subscriptions are invested as per the investment guidelines and restrictions laid down in the Schedule II of the Investment Management Agreement (IMA) and as per the guidelines prescribed by the PFRDA from time to time. Further, such investments are also governed by the PFM's internal norms laid down in the investment policy subject to the above guidelines.

Disclaimer

Since the schemes permit investments in shares, bonds, debentures and other scripts or securities whose price and redemption value of the units, and income from them, can go up as well as come down with fluctuations in the market value of the underlying investments.

4. Scheme Performance and Operations

NPS Trust A/c DSP BlackRock Pension Fund Scheme E - Tier I

The scheme adopts a passive strategy and invests into NSE Nifty shares in the same weight as the index. The AUM of the scheme as on March 31, 2014 stood at Rs 28.72 lakhs.

| Period | Returns (%) | Benchmark returns (%) |
|------------------|-------------|-----------------------|
| Since inception* | 7.99% | 17.77% |

* Date of inception: August 05, 2013

The scheme under-performed the benchmark as for the initial part of the period, the funds were invested in liquid schemes of mutual funds due to insufficient size of investible corpus.

NPS Trust A/c DSP BlackRock Pension Fund Scheme C - Tier I

The objective of the scheme is to invest in high credit long term fixed income securities to generate optimum returns for subscribers. The AUM of the scheme as on March 31, 2014 stood at Rs 22.13 lakhs.

| Period | Returns (%) | Benchmark returns (%) |
|------------------|-------------|-----------------------|
| Since inception* | 5.02% | N.A |

* Date of inception: August 05, 2013

However for FY2014, the funds in this scheme were invested in liquid schemes of mutual funds due to insufficient size of investible corpus.

NPS Trust A/c DSP BlackRock Pension Fund Scheme G - Tier I

The objective of the scheme is to optimize the returns for subscribers by investing in sovereign bonds issued by Government of India and securities issued by state governments. The AUM of the scheme as on March 31, 2014 stood at Rs 25.31 lakhs.

| Period | Returns (%) | Benchmark returns (%) |
|------------------|-------------|-----------------------|
| Since inception* | 4.83% | N.A |

* Date of inception: August 05, 2013

However, for the initial part of the period, the funds in this scheme were invested in liquid schemes of mutual funds due to insufficient size of investible corpus.

NPS Trust A/c DSP BlackRock Pension Fund Scheme E - Tier II

The scheme adopts a passive strategy and invests into NSE Nifty shares in the same weight as the index. The AUM of the scheme as on March 31, 2014 stood at Rs 1.68 lakhs.

| Period | Returns (%) | Benchmark returns (%) |
|------------------|-------------|-----------------------|
| Since inception* | 3.42% | 17.77% |

* Date of inception: August 05, 2013

The scheme under-performed the benchmark as the funds in this scheme were invested in liquid schemes of mutual funds due to insufficient size of investible corpus.

NPS Trust A/c DSP BlackRock Pension Fund Scheme C - Tier II

The objective of the scheme is to invest in high credit long term fixed income securities to generate optimum returns for subscribers. The AUM of the scheme as on March 31, 2014 stood at Rs 1.17 lakhs.

| Period | Returns (%) | Benchmark returns (%) |
|------------------|-------------|-----------------------|
| Since inception* | 3.42% | N.A |

* Date of inception: August 05, 2013

However for FY2014, the funds in this scheme were invested in liquid schemes of mutual funds due to insufficient size of investible corpus.

NPS Trust A/c DSP BlackRock Pension Fund Scheme G - Tier II

The objective of the scheme is to optimize the returns for subscribers by investing in sovereign bonds issued by Government of India and securities issued by state governments. The AUM of the scheme as on March 31, 2014 stood at Rs 1.63 lakhs.

| Period | Returns (%) | Benchmark returns (%) |
|------------------|-------------|-----------------------|
| Since inception* | 3.29% | N.A |

* Date of inception: August 05, 2013

However, for the initial part of the period, the funds in this scheme were invested in liquid schemes of mutual funds due to insufficient size of investible corpus.

5. Liabilities and Responsibilities of the Company

DSPBRPFM has been appointed by PFRDA as a fund manager for management of investments of the Schemes and, in that capacity makes investment decisions, transacts and manages the Scheme in accordance with the Investment Guidelines, Scheme Objectives, IMA and provisions of the PFRDA guidelines /directions and the code of ethics prescribed by the Trustees.

DSPBRPFM has exercised necessary due diligence and vigilance in carrying out its duties of Investment Management and in protecting the rights and interests of the subscribers. Investment decisions have been taken with to generate optimum returns with due consideration to the risk-reward trade-off. The Company has not dealt in any speculative transactions in dealing for investments. DSPBRPFM will be responsible for the acts of omissions or commissions of its employees or the persons whose services have been procured by the Company.

NPS Trust A/c - DSP BlackRock Pension Fund Scheme E - Tier I
Financial Statements together with Auditors' Report for the year ended March
31, 2014

INDEPENDENT AUDITORS' REPORT

To,
The Trustees,
National Pension System Trust

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c DSP Blackrock Pension Fund Managers Private Limited Scheme E Tier I under the National Pension System Trust (NPS Trust)** managed by **DSP Blackrock Pension Fund Managers Private Ltd (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and Revenue Account for the period 5th August, 2013 to 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period 5th August, 2013 to 31st March, 2014;

Report on Other Legal And Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transaction expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA Guidelines, 2012.

8. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No. 101961W

Sd/-

Hiren Shah

Partner

Membership No.: 100052

Place: MUMBAI

Date: June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/C - DSP BlackRock Pension Fund Scheme E - Tier I

Balance Sheet as on March 31, 2014

(in ₹)

| Particulars | Schedule | Scheme E Tier I 31-Mar-14 |
|---|----------|------------------------------|
| Sources of funds | | |
| Unit capital | 1 | 2,655,920.90 |
| Reserves and Surplus | 2 | 215,911.92 |
| Current Liabilities and Provisions | 3 | 402,996.02 |
| Borrowings | | - |
| Total | | 3,274,828.84 |
| Application of funds | | |
| Investments (long term and short term) | 4 | 3,273,221.15 |
| Deposits | 5 | - |
| Other Current Assets | 6 | 1,607.69 |
| Total | | 3,274,828.84 |
| (a) Net asset as per Balance Sheet (Schedule 4+5+6 -3) | | 2,871,832.82 |
| (b) Number of units outstanding | | 265,592.09 |
| (c) NAV per unit (a)/(b) (Refer Note 11 of Schedule 7) | | 10.8129 |

Notes to accounts

7

The schedules referred to the above and the notes to accounts form an integral part of the accounts.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

**For DSP BlackRock Pension Fund Managers
Private Limited**

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Sd/-

K. R. V. Subrahmanian
Director

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/C - DSP BlackRock Pension Fund Scheme E - Tier I

Revenue Account for the period August 5, 2013 to March 31, 2014

(in ₹)

| Particulars | Scheme E Tier I 31-Mar-14 |
|---|------------------------------|
| Income and Gains | |
| Interest income | - |
| Dividend income | 3,809.50 |
| Net profit / (loss) on sale/redemption of investments (other than inter-scheme) | 2,278.00 |
| Net profit / (loss) on inter-scheme sale/redemption of investments | |
| Unrealised gain on appreciation in investments | 151,233.85 |
| Total income (A) | 157,321.35 |
| Expenses and Losses | |
| Management fees | 1,017.49 |
| Trusteeship/Regulatory Fees | |
| Publicity Expenses | |
| Audit fees | |
| Custodian fees | 28.59 |
| Trustee Bank fees | - |
| CCIL Charges | - |
| CRA Fees | 547.83 |
| <u>Less:</u> Amount recovered on sale of units on account of CRA charges | (547.83) |
| Unrealised losses in value of Investments | - |
| Provision for outstanding accrued income considered doubtful | - |
| Provision for doubtful deposits and current assets | |
| Total expenditure (B) | 1,046.08 |
| Surplus for the year | 156,275.27 |
| Less: Amount Transfer to unrealised appreciation on investments | 151,233.85 |
| Net income/(expenses) for the year appropriated to Balance Sheet | 5,041.42 |

(in ₹)

| Particulars | Scheme E Tier I 31-Mar-14 |
|---|------------------------------|
| Balance at the beginning of the year | - |
| Balance at the end of the period carried to Balance Sheet | 5,041.42 |
| Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis. | 20.88% |
| Total expenditure expressed as a percentage of average net assets, calculated on a daily basis | 0.14% |

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Sd/-

K. R. V. Subrahmanian
Director

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 1: Unit capital

(in ₹)

| Particulars | Scheme E Tier I |
|--------------------------------------|---------------------|
| | 31-Mar-14 |
| Initial Capital | - |
| Unit Capital | |
| Opening balance | - |
| Additions during the year | 2,659,635.30 |
| Deduction during the year | 3,714.40 |
| Closing balance | 2,655,920.90 |
| Number of units of face value Rs. 10 | 265,592.0859 |

Schedule 2 : Reserves and surplus

(in ₹)

| Particulars | Scheme E Tier I |
|--|-------------------|
| | 31-Mar-14 |
| Unit premium reserve | |
| Opening balance | - |
| Net premium on issue / redemption of units during the period | 59,636.65 |
| Closing balance | 59,636.65 |
| Surplus/(deficit) in Revenue account | |
| Opening balance | - |
| Add: Surplus transferred from / (to) Revenue Account | 5,041.42 |
| Closing balance | 5,041.42 |
| Unrealised Appreciation on Investments | |
| Opening Balance | - |
| Less: Reversed during the year / period | - |
| Add: Unrealised appreciation as at year / period end | 151,233.85 |
| Closing Balance | 151,233.85 |
| General Reserve | - |
| Appropriation Account | - |
| Total | 215,911.92 |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

| Particulars | Scheme E Tier I |
|---------------------------------------|-------------------|
| | 31-Mar-14 |
| Current liabilities | 872.50 |
| Sundry creditors | - |
| Contracts for purchase of investments | 402,123.52 |
| Unclaimed distributed income | - |
| Others | - |
| Provisions | - |
| Unit redemption payable | - |
| Total | 402,996.02 |

Schedule 4 : Investments

(in ₹)

| Particulars | Scheme E Tier I |
|---|---------------------|
| | 31-Mar-14 |
| Equity shares | 2,862,552.91 |
| Preference shares | - |
| Debentures and bonds | - |
| Central and state government securities (including treasury bills) | - |
| Commercial Paper | - |
| Others - Mutual funds | 410,668.24 |
| Total | 3,273,221.15 |

Schedule 5 : Deposits

(in ₹)

| Particulars | Scheme E Tier I |
|-------------------------------|-----------------|
| | 31-Mar-14 |
| Deposits with scheduled banks | - |
| Others | - |
| Total | - |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 6 : Other current assets

(in ₹)

| Particulars | Scheme E Tier I |
|---|-----------------|
| | 31-Mar-14 |
| Balances with banks in current/ saving account | 1.37 |
| Cash on hand | |
| Sundry debtor | |
| Contracts for sale of Investments | |
| Outstanding and accrued income | 1,452.00 |
| Advance, deposits etc. | |
| Shares/debentures/ others application money pending allotment | |
| Others | 154.32 |
| Total | 1,607.69 |

Schedule 7: Significant accounting policies and notes to accounts for the year ended March 31, 2014

1) Background

DSP BlackRock Pension Fund Managers Private Limited ('the Company') is appointed as a Pension Fund Manager ('PFM') by the National Pension System Trust ('NPS') for the management of Pension Schemes under the National Pension System. Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank along with the data made available by the Central Recordkeeping Agency ('CRA'). CRA is required to furnish subscribers' data at a consolidated level to the Company and the Company makes investments as per the requirements of IMA and the scheme wise flow of funds.

2) Significant Accounting Policies

a) Basis of Accounting

- The financial statements have been prepared to comply, in all material respects, with the generally accepted accounting principles in India and to PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines 2012 ("The Guidelines").
- These financial statements have been prepared under the historical cost convention on an accrual basis, as modified for investments, which are 'marked to market. The financial results have been prepared as per the format prescribed under Schedule A of The Guidelines.

- The financials have been prepared for the NPS Trust A/c - DSP BlackRock Pension Fund Scheme E - Tier I being managed by the Company. The Company manages six separate schemes under the two tiered structure (Tier I and II) and the NPS Lite scheme under government pattern as prescribed by the NPS authorities. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:
 - Scheme E - Equity market instruments
 - Scheme C - Credit risk bearing fixed income instruments
 - Scheme G - Government securities
 - NPS Lite - All of the above

b) Unit Premium Reserve

Upon Issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme.

c) Investments

- Purchase and sale of securities are accounted on trade date, except redemption trades for Mutual Fund which are accounted on the following business day.
- Investments are reconciled with the custodian records on daily basis and units are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.
- Cost of investments does not include brokerage paid on buying and selling of securities.

d) Valuation of Investments

- For the purpose of financial statements, the schemes mark all investments to market and carry investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.
- As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL).
- Listed equity shares are valued at market value, being the last quoted closing price on the National stock exchange (NSE). If they are not quoted on NSE, then the last quoted closing price on the Bombay stock exchange (BSE) is taken.
- As per the investment valuation methodology adopted by SHCIL for Mutual fund, the units are valued at the latest available net asset values.

e) Revenue Recognition

- Profit or loss on sale of investments is accounted for in the period in which the contract for sale is entered into.
- Dividend income is recognized on the `ex-dividend date`. Bonus shares to which the scheme becomes entitled are recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.

Similarly, rights entitlements are recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

- Change in unrealized gain/ (loss), if any, arising out of appreciation/depreciation in value of investments, form part of the Revenue Account.

f) Management Fees

- Investment management fees are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- The Investment Management Fee excludes brokerage, custodian charges and applicable taxes, if any.
- The Investment Management Fee is charged on funds under management at the rate of 0.25% on daily basis.

g) Other expenses

- Custody charges are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- All other charges are recognized on a periodic basis upon approval by NPS Trust.

3) Investments

- All the investments of the Schemes are in the name of the NPS Trust.
- There are no investments made by any schemes in the Associates and group companies at March 31, 2014.
- There are no non traded investments which are valued "in good faith" as on March 31, 2014.

4) Provisions

There are no provisions for outstanding and accrued income.

5) Contingent liabilities

There are no contingent liabilities as of March 31, 2014 on account of uncalled liability on partly paid shares or any other commitments.

6) Details of transactions with sponsor and its related parties

| Nature of relationship | Name of the related party |
|------------------------|--|
| Pension Fund Manager | DSP BlackRock Pension Fund Manager Private Limited |
| Sponsor Company | DSP BlackRock Investment Managers Private Limited |

The following represents significant transactions between the Company and its related parties for the year ending March 31, 2014:

| Nature of transaction | Year Ended March 31, 2014 |
|----------------------------|---------------------------|
| Investment Management Fees | 1,017.49 |

Details of amount receivable from and payable to the Pension Fund Manager are given below:

| Nature of transaction | Year Ended March 31, 2014 |
|--|---------------------------|
| Investment Management Fees Payable | 844.97 |
| Receivable from PFM - Brokerage on Equity Trades | 154.32 |

7) Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 8,377,462.24 |
| % to average net assets | 1112.06% |

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 2,739,151.44 |
| % to average net assets | 363.61% |

**liquid mutual fund investments are held for day to day cash management, hence excluded.*

8) Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

| Investment Classification | At March 31, 2014 | |
|--|---------------------|-----------------------|
| | Market value | % of Investment Class |
| Equity | 2,862,552.90 | 99.68% |
| Monetary intermediation of commercial banks, saving banks, postal savings bank and discount houses | 591,080.05 | 20.55% |

| Investment Classification | At March 31, 2014 | |
|--|---------------------|-----------------------|
| | Market value | % of Investment Class |
| Writing , modifying, testing of computer program to meet the needs of a particular client excluding web-page designing | 462,886.00 | 16.16% |
| Manufacture of cigarettes, cigarette tobacco | 255,216.40 | 8.75% |
| Manufacture of other petroleum n.e.c. (includes manufacture of petroleum jelly, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals) | 194,223.80 | 6.87% |
| Activities of specialized institutions granting credit for house purchases that also take deposits | 176,035.80 | 6.19% |
| Manufacture of allopathic pharmaceutical preparations | 149,825.50 | 5.20% |
| Others | 1,033,285.35 | 35.96% |
| Mutual Funds | 410,668.26 | 14.30% |
| Net Receivables / Payables | (401,388.35) | (13.98%) |
| NET ASSETS | 2,871,832.81 | 100.00% |

9) Statement of Portfolio Holding as on March 31, 2014:

Please refer Annexure I

10) Key statistics for the period ended March 31, 2014

Please refer Annexure II

11) The NAV per unit disclosed in the Balance Sheet is calculated on computed assets as on March 31, 2014. The last declared NAV is 10.7986 as on March 28, 2014, being the last business day.

12) The Company has commenced its operations in the current financial year on August 05, 2013 accordingly financial statements have been prepared. Since company has commenced its operation during the year previous year figures are not available

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Annexure 1 - Statement of Portfolio Holding as on March 31, 2014

| Security Name | Quantity | Book Cost | Market Value |
|---|----------|---------------------|---------------------|
| Equity | | 2,711,738.28 | 2,862,552.90 |
| ACC LIMITED | 11 | 12,892.75 | 15,395.05 |
| AMBUJA CEMENTS LIMITED | 98 | 17,518.19 | 19,815.60 |
| ASIAN PAINTS LIMITED | 57 | 28,640.89 | 31,233.15 |
| AXIS BANK LIMITED | 39 | 50,460.29 | 56,959.50 |
| BAJAJ AUTO LIMITED | 17 | 33,255.00 | 35,421.20 |
| BANK OF BARODA | 24 | 15,259.09 | 17,298.00 |
| BHARAT HEAVY ELECTRICALS LIMITED | 102 | 17,599.39 | 19,997.10 |
| BHARAT PETROLEUM CORPORATION LIMITED | 33 | 13,080.10 | 15,181.65 |
| BHARTI AIRTEL LIMITED | 153 | 48,078.30 | 48,615.75 |
| CAIRN INDIA LIMITED | 76 | 24,839.49 | 25,308.00 |
| CIPLA LIMITED | 64 | 25,521.70 | 24,499.20 |
| COAL INDIA LIMITED | 81 | 22,067.80 | 23,388.75 |
| DLF LIMITED | 57 | 9,120.70 | 10,057.65 |
| DR. REDDYS LABORATORIES LIMITED | 16 | 41,197.00 | 41,022.40 |
| GAIL (INDIA) LIMITED | 57 | 20,554.74 | 21,434.85 |
| GRASIM INDUSTRIES LIMITED | 8 | 21,819.10 | 23,104.40 |
| HCL TECHNOLOGIES LIMITED | 34 | 46,325.40 | 47,283.80 |
| HDFC BANK LIMITED | 238 | 163,847.74 | 178,214.40 |
| HERO MOTOCORP LIMITED | 15 | 31,201.35 | 34,122.00 |
| HINDALCO INDUSTRIES LIMITED | 165 | 19,255.20 | 23,388.75 |
| HINDUSTAN UNILEVER LIMITED | 91 | 51,872.44 | 55,105.05 |
| HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED | 201 | 167,533.09 | 177,663.90 |
| ICICI BANK LIMITED | 148 | 167,350.95 | 184,267.40 |
| IDFC LIMITED | 161 | 17,450.04 | 19,682.25 |
| INDUSIND BANK LIMITED | 54 | 23,853.15 | 27,099.90 |
| INFOSYS LIMITED | 61 | 212,082.59 | 200,250.80 |
| ITC LIMITED | 712 | 237,499.84 | 251,229.20 |
| JINDAL STEEL & POWER LIMITED | 47 | 12,100.64 | 13,745.15 |
| KOTAK MAHINDRA BANK LIMITED | 48 | 34,710.80 | 37,490.40 |
| LARSEN & TOUBRO LIMITED | 105 | 118,225.25 | 133,549.50 |
| LUPIN LIMITED | 30 | 26,978.34 | 27,994.50 |
| MAHINDRA & MAHINDRA LIMITED | 58 | 55,111.94 | 56,880.60 |
| MARUTI SUZUKI INDIA LIMITED | 16 | 27,807.80 | 31,548.00 |
| NMDC LIMITED | 102 | 13,948.79 | 14,203.50 |

| Security Name | Quantity | Book Cost | Market Value |
|---|----------|---------------------|---------------------|
| NTPC LIMITED | 265 | 33,914.64 | 31,773.50 |
| OIL & NATURAL GAS CORPORATION LIMITED | 228 | 68,614.79 | 72,663.60 |
| POWER GRID CORPORATION OF INDIA LIMITED | 283 | 28,063.29 | 29,715.00 |
| PUNJAB NATIONAL BANK | 19 | 11,907.34 | 14,134.10 |
| RELIANCE INDUSTRIES LIMITED | 212 | 184,091.70 | 197,319.00 |
| SESA STERLITE LTD | 159 | 29,687.79 | 29,979.45 |
| STATE BANK OF INDIA | 39 | 65,428.65 | 74,790.30 |
| SUN PHARMACEUTICALS INDUSTRIES LIMITED | 97 | 56,343.14 | 55,750.75 |
| TATA CONSULTANCY SERVICES LIMITED | 65 | 139,449.94 | 138,654.75 |
| TATA MOTORS LIMITED | 231 | 89,081.80 | 92,088.15 |
| TATA POWER COMPANY LIMITED | 213 | 17,332.85 | 18,136.95 |
| TATA POWER COMPANY LIMITED - RIGHTS | 22 | 0.00 | 553.30 |
| TATA STEEL LIMITED | 86 | 31,771.15 | 33,879.70 |
| TECH MAHINDRA LIMITED | 18 | 33,628.35 | 32,316.30 |
| ULTRATECH CEMENT LIMITED | 12 | 22,719.10 | 26,243.40 |
| UNITED SPIRITS LIMITED | 10 | 24,333.10 | 26,474.50 |
| WIPRO LIMITED | 84 | 46,310.55 | 45,628.80 |
| Mutual Fund | | 410,249.02 | 410,668.25 |
| Axis Liquid Fund - Direct Plan - Growth | 288.826 | 410,249.02 | 410,668.25 |
| TOTAL | | 3,121,987.31 | 3,273,221.16 |

Annexure II

| Key statistics for the period ended March 31, 2014 | Scheme E Tier I |
|--|------------------|
| | 31-Mar-14 |
| 1. NAV per unit (Rs.)* | |
| Open | 10.0000 |
| High | 10.7986 |
| Low | 9.7003 |
| End ^{@@} | 10.7986 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 28.72 |
| Average | 7.53 |
| 3. Gross income as % of AAUM [#] | 20.88% |
| 4. Expense ratio ^{**} | |
| a. Total expense as % of AAUM (scheme wise) ^{**} | 0.14% |
| b. Management fee as % of AAUM (scheme wise) ^{**} | 0.14% |
| 5. Net income as % of AAUM ^{##} | 20.74% |
| 6. Portfolio turnover ratio | 3.49 |
| 7. Total dividend per unit distributed during the period | NA |
| 8. Returns: (%) | |
| a. Last one year | NA |
| Benchmark | |
| b. Since inception [§] | 7.98600% |
| Benchmark | 17.77000% |
| c. Compound annualised yield (%) | |
| Last 1 year | NA |
| Last 3 year | NA |
| Last 5 year | NA |
| Since launch of the scheme | 7.98600% |
| Launch Date | 05th August 2013 |

^{@@} = Last declared NAV as on March 28, 2014.

All computations other than returns are based on the computed NAV as on March 31, 2014

[#] Gross Income = amount (A) in the Revenue account i.e. Income

^{##} Net Income = amount (A-B) in the Revenue Account i.e. Net realized Gains / (Losses) for the Year/Period

[@] Portfolio Turnover = Lower of Sales or Purchase divided by the Average AUM for the year/period

* NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any)/ (no. of units at the valuation date (before creation/ redemption of units))

[§] Since Inception Returns = Absolute Returns since the date of first inflow in the scheme

NPS Trust A/c - DSP BlackRock Pension Fund Scheme E - Tier II
Financial Statements together with Auditors' Report for the year ended March 31,
2014

INDEPENDENT AUDITORS' REPORT

To,
The Trustees,
National Pension System Trust

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c DSP Blackrock Pension Fund Managers Private Limited Scheme E Tier II under the National Pension System Trust (NPS Trust)** managed by **DSP Blackrock Pension Fund Managers Private Ltd (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and Revenue Account for the period 5th August, 2013 to 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period 5th August, 2013 to 31st March, 2014;

Report on Other Legal And Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transaction expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA Guidelines, 2012.

8. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No. 101961W

Sd/-

Hiren Shah

Partner

Membership No.: 100052

Place: MUMBAI

Date: June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme E - Tier II

Balance Sheet as on March 31, 2014

(in ₹)

| Particulars | Schedule | Scheme E Tier II 31-Mar-14 |
|---|----------|-------------------------------|
| Sources of funds | | |
| Unit capital | 1 | 162,723.02 |
| Reserves and Surplus | 2 | 5,731.83 |
| Current Liabilities and Provisions | 3 | 43.83 |
| Borrowings | | - |
| Total | | 168,498.68 |
| Application of funds | | |
| Investments (long term and short term) | 4 | 168,496.79 |
| Deposits | 5 | - |
| Other Current Assets | 6 | 1.89 |
| Total | | 168,498.68 |
| (a) Net asset as per Balance Sheet (Schedule 4+5+6 -3) | | 168,454.85 |
| (b) Number of units outstanding | | 16,272.30 |
| (c) NAV per unit (a)/(b) (Refer Note 11 of Schedule 7) | | 10.3522 |

Notes to accounts

7

The schedules referred to the above and the notes to accounts form an integral part of the accounts.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

**For DSP BlackRock Pension Fund Managers
Private Limited**

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Sd/-

K. R. V. Subrahmanian
Director

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Chief Executive Officer

Mumbai, June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme E - Tier II

Revenue Account for the period August 5, 2013 to March 31, 2014

(in ₹)

| Particulars | Scheme E Tier II 31-Mar-14 |
|---|-------------------------------|
| Income and Gains | |
| Interest income | - |
| Dividend income | - |
| Net profit / (loss) on sale/redemption of investments (other than inter-scheme) | 99.40 |
| Net profit / (loss) on inter-scheme sale/redemption of investments | |
| Unrealised gain on appreciation in investments | 1,748.72 |
| Total income (A) | 1,848.12 |
| Expenses and Losses | |
| Management fees | 50.50 |
| Trusteeship/Regulatory Fees | |
| Publicity Expenses | - |
| Audit fees | - |
| Custodian fees | - |
| Trustee Bank fees | - |
| CCIL Charges | - |
| CRA Fees | 22.77 |
| <u>Less:</u> Amount recovered on sale of units on account of CRA charges | (22.77) |
| Unrealised losses in value of Investments | - |
| Provision for outstanding accrued income considered doubtful | - |
| Provision for doubtful deposits and current assets | |
| Total expenditure (B) | 50.50 |
| Surplus for the year | 1,797.62 |
| Less: Amount Transfer to unrealised appreciation on investments | 1,748.72 |
| Net income/(expenses) for the year appropriated to Balance Sheet | 48.90 |

| Particulars | Scheme E Tier II 31-Mar-14 |
|---|-------------------------------|
| Balance at the beginning of the year | |
| Balance at the end of the period carried to Balance Sheet | 48.90 |
| Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis. | 3.60% |
| Total expenditure expressed as a percentage of average net assets, calculated on a daily basis | 0.10% |

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 1: Unit capital

(in ₹)

| Particulars | Scheme E Tier II |
|--------------------------------------|-------------------|
| | 31-Mar-14 |
| Initial Capital | - |
| Unit Capital | |
| Opening balance | |
| Additions during the year | 163,628.23 |
| Deduction during the year | 905.21 |
| Closing balance | 162,723.02 |
| Number of units of face value Rs. 10 | 16,272.2990 |

Schedule 2 : Reserves and surplus

(in ₹)

| Particulars | Scheme E Tier II |
|--|------------------|
| | 31-Mar-14 |
| Unit premium reserve | |
| Opening balance | - |
| Net premium on issue / redemption of units during the period | 3,934.21 |
| Closing balance | 3,934.21 |
| Surplus/(deficit) in Revenue account | |
| Opening balance | |
| Add: Surplus transferred from / (to) Revenue Account | 48.90 |
| Closing balance | 48.90 |
| Unrealised Appreciation on Investments | |
| Opening Balance | - |
| Less: Reversed during the year / period | - |
| Add: Unrealised appreciation as at year / period end | 1,748.72 |
| Closing Balance | 1,748.72 |
| General Reserve | |
| Appropriation Account | |
| Total | 5,731.83 |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 3 : Current liabilities and provisions

(in ₹)

| Particulars | Scheme E Tier II |
|---------------------------------------|------------------|
| | 31-Mar-14 |
| Current liabilities | 43.83 |
| Sundry creditors | - |
| Contracts for purchase of investments | - |
| Unclaimed distributed income | - |
| Others | - |
| Provisions | - |
| Unit redemption payable | - |
| Total | 43.83 |

Schedule 4 : Investments

(in ₹)

| Particulars | Scheme E Tier II |
|---|-------------------|
| | 31-Mar-14 |
| Equity shares | - |
| Preference shares | - |
| Debentures and bonds | - |
| Central and state government securities (including treasury bills) | - |
| Commercial Paper | - |
| Others - Mutual funds | 168,496.79 |
| Total | 168,496.79 |

Schedule 5 : Deposits

(in ₹)

| Particulars | Scheme E Tier II |
|-------------------------------|------------------|
| | 31-Mar-14 |
| Deposits with scheduled banks | - |
| Others | - |
| Total | - |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 6 : Other current assets

(in ₹)

| Particulars | Scheme E Tier II |
|---|------------------|
| | 31-Mar-14 |
| Balances with banks in current/ saving account | 1.89 |
| Cash on hand | - |
| Sundry debtor | - |
| Contracts for sale of Investments | - |
| Outstanding and accrued income | - |
| Advance, deposits etc. | - |
| Shares/debentures/ others application money pending allotment | - |
| Others | - |
| Total | 1.89 |

Schedule 7: Significant accounting policies and notes to accounts for the year ended March 31, 2014

1) Background

DSP BlackRock Pension Fund Managers Private Limited ('the Company') is appointed as a Pension Fund Manager ('PFM') by the National Pension System Trust ('NPS') for the management of Pension Schemes under the National Pension System. Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank along with the data made available by the Central Recordkeeping Agency ('CRA'). CRA is required to furnish subscribers' data at a consolidated level to the Company and the Company makes investments as per the requirements of IMA and the scheme wise flow of funds

2) Significant Accounting Policies

a) Basis of Accounting

- The financial statements have been prepared to comply, in all material respects, with the generally accepted accounting principles in India and to PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines 2012 ("The Guidelines").
- These financial statements have been prepared under the historical cost convention on an accrual basis, as modified for investments, which are 'marked to market. The financial results have been prepared as per the format prescribed under Schedule A of The Guidelines.

- The financials have been prepared for the NPS Trust A/c - DSP BlackRock Pension Fund Scheme E - Tier II being managed by the Company. The Company manages six separate schemes under the two tiered structure (Tier I and II) and the NPS Lite scheme under government pattern as prescribed by the NPS authorities. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:
 - Scheme E - Equity market instruments
 - Scheme C - Credit risk bearing fixed income instruments
 - Scheme G - Government securities
 - NPS Lite - All of the above

b) Unit Premium Reserve

Upon Issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme.

c) Investments

- Purchase and sale of securities are accounted on trade date, except redemption trades for Mutual Fund which are accounted on the following business day.
- Investments are reconciled with the custodian records on daily basis and units are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.
- Cost of investments does not include brokerage paid on buying and selling of securities.

d) Valuation of Investments

- For the purpose of financial statements, the schemes mark all investments to market and carry investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.
- As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL).
- Listed equity shares are valued at market value, being the last quoted closing price on the National stock exchange (NSE). If they are not quoted on NSE, then the last quoted closing price on the Bombay stock exchange (BSE) is taken.
- As per the investment valuation methodology adopted by SHCIL for Mutual fund, the units are valued based on the net asset value of the day preceding the valuation date.

e) Revenue Recognition

- Profit or loss on sale of investments is accounted for in the period in which the contract for sale is entered into.
- Dividend income is recognized on the 'ex-dividend date'. Bonus shares to which the scheme becomes entitled are recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements are recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

- Change in unrealized gain/ (loss), if any, arising out of appreciation/depreciation in value of investments, form part of the Revenue Account

f) Management Fees

- Investment management fees are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- The Investment Management Fee excludes brokerage, custodian charges and applicable taxes, if any.
- The Investment Management Fee is charged on funds under management at the rate of 0.25% on daily basis.

g) Other expenses

- Custody charges are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- All other charges are recognized on a periodic basis upon approval by NPS Trust.

3) Investments

- All the investments of the Schemes are in the name of the NPS Trust.
- There are no investments made by any schemes in the Associates and group companies at March 31, 2014.
- There are no non traded investments which are valued "in good faith" as on March 31, 2014.

4) Provisions

There are no provisions for outstanding and accrued income.

5) Contingent liabilities

There are no contingent liabilities as of March 31, 2014 on account of uncalled liability on partly paid shares or any other commitments.

6) Details of transactions with sponsor and its related parties

| Nature of relationship | Name of the related party |
|------------------------|--|
| Pension Fund Manager | DSP BlackRock Pension Fund Manager Private Limited |
| Sponsor Company | DSP BlackRock Investment Managers Private Limited |

The following represents significant transactions between the Company and its related parties for the year ending March 31, 2013:

| Nature of transaction | Year Ended March 31, 2014 |
|----------------------------|---------------------------|
| Investment Management Fees | 50.50 |

Details of amount receivable from and payable to the Pension Fund Manager are given below:

| Nature of transaction | Year Ended March 31, 2014 |
|------------------------------------|---------------------------|
| Investment Management Fees Payable | 43.83 |

7) Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 191,053.55 |
| % to average net assets | 372.55% |

8) Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) is disclosed as under:

| Investment Classification | At March 31, 2014 | |
|----------------------------|-------------------|-----------------------|
| | Market value | % of Investment Class |
| Mutual Funds | 168,496.75 | 100.03% |
| Net Receivables / Payables | (41.90) | -0.03% |
| NET ASSETS | 168,454.85 | 100.00% |

9) Statement of Portfolio Holding as on March 31, 2014:

| Security Name | Quantity | Book Cost | Market Value |
|---|----------|------------|--------------|
| Axis Liquid Fund - Direct Plan - Growth | 118.505 | 166,748.02 | 168,496.75 |

10) Key statistics for the period ended March 31, 2014

Please refer Annexure I

- 11) The NAV per unit disclosed in the Balance Sheet is calculated on computed assets as on March 31, 2014. The last declared NAV is 10.3424 as on March 28, 2014, being the last business day.
- 12) The Company has commenced its operations in the current financial year on August 05, 2013 accordingly financial statements have been prepared. Since company has commenced its operation during the year, previous year figures are not available.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Annexure I

| Key statistics for the period ended March 31, 2014 | Scheme E Tier II |
|--|------------------|
| | 31-Mar-14 |
| 1. NAV per unit (Rs.)* | |
| Open | 10.0000 |
| High | 10.3424 |
| Low | 9.9999 |
| End @@ | 10.3424 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 1.68 |
| Average | 0.51 |
| 3. Gross income as % of AAuM# | 3.60% |
| 4. Expense ratio** | |
| a. Total expense as % of AAuM (scheme wise)** | 0.10% |
| b. Management fee as % of AAuM (scheme wise)** | 0.10% |
| 5. Net income as % of AAuM## | 3.51% |
| 6. Portfolio turnover ratio | 0.24 |
| 7. Total dividend per unit distributed during the period | NA |
| 8. Returns: (%) | |
| a. Last one year | NA |
| Benchmark | |
| b. Since inception§ | 3.42400% |
| Benchmark | 17.77000% |
| c. Compound annualised yield (%) | |
| Last 1 year | NA |
| Last 3 year | NA |
| Last 5 year | NA |
| Since launch of the scheme | 3.42400% |
| Launch Date | 05th August 2013 |

@@ = Last declared NAV as on March 28, 2014.

All computations other than returns are based on the computed NAV as on March 31, 2014

Gross Income = amount (A) in the Revenue account i.e. Income

Net Income = amount (A-B) in the Revenue Account i.e. Net realized Gains / (Losses) for the Year/Period

@ Portfolio Turnover = Lower of Sales or Purchase divided by the Average AUM for the year/period

* NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any)/ (no. of units at the valuation date (before creation/ redemption of units)

§ Since Inception Returns = Absolute Returns since the date of first inflow in the scheme

NPS Trust A/c - DSP BlackRock Pension Fund Scheme C - Tier I
Financial Statements together with Auditors' Report for the year ended
March 31, 2014

INDEPENDENT AUDITORS' REPORT

To,
The Trustees,
National Pension System Trust

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c DSP Blackrock Pension Fund Managers Private Limited Scheme C Tier I under the National Pension System Trust (NPS Trust)** managed by **DSP Blackrock Pension Fund Managers Private Ltd (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and Revenue Account for the period 5th August, 2013 to 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period 5th August, 2013 to 31st March, 2014;

Report on Other Legal And Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transaction expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA Guidelines, 2012.

8. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For CNK & Associates
Chartered Accountants LLP
Firm Registration No. 101961W

Sd/-

Hiren Shah

Partner

Membership No.: 100052

Place: MUMBAI

Date: June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme C - Tier I

Balance Sheet as on March 31, 2014

(in ₹)

| Particulars | Schedule | Scheme C Tier I 31-Mar-14 |
|---|----------|------------------------------|
| Sources of funds | | |
| Unit capital | 1 | 2,104,947.31 |
| Reserves and Surplus | 2 | 107,862.14 |
| Current Liabilities and Provisions | 3 | 616.56 |
| Borrowings | | - |
| Total | | 2,213,426.01 |
| Application of funds | | |
| Investments (long term and short term) | 4 | 2,213,424.94 |
| Deposits | 5 | - |
| Other Current Assets | 6 | 1.07 |
| Total | | 2,213,426.01 |
| (a) Net asset as per Balance Sheet (Schedule 4+5+6 -3) | | 2,212,809.45 |
| (b) Number of units outstanding | | 210,494.73 |
| (c) NAV per unit (a)/(b) (Refer Note 11 of Schedule 7) | | 10.5124 |

Notes to accounts

7

The schedules referred to the above and the notes to accounts form an integral part of the accounts.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

**For DSP BlackRock Pension Fund Managers
Private Limited**

Sd/-

Sd/-

Sd/-

Hiren Shah
Partner

Hemendra Kothari
Chairman

K. R. V. Subrahmanian
Director

Membership No: 100052

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Sd/-

Chairman, NPS Trust Board

Chief Executive Officer

Mumbai, June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme C - Tier I

Revenue Account for the period August 5, 2013 to March 31, 2014

(in ₹)

| Particulars | Scheme C Tier I 31-Mar-14 |
|---|------------------------------|
| Income and Gains | |
| Interest income | - |
| Dividend income | - |
| Net profit / (loss) on sale/redemption of investments (other than inter-scheme) | 370.10 |
| Net profit / (loss) on inter-scheme sale/redemption of investments | |
| Unrealised gain on appreciation in investments | 26,493.51 |
| Total income (A) | 26,863.61 |
| Expenses and Losses | |
| Management fees | 726.77 |
| Trusteeship/Regulatory Fees | |
| Publicity Expenses | - |
| Audit fees | - |
| Custodian fees | - |
| Trustee Bank fees | - |
| CCIL Charges | - |
| CRA Fees | 332.64 |
| <u>Less:</u> Amount recovered on sale of units on account of CRA charges | (332.64) |
| Unrealised losses in value of Investments | - |
| Provision for outstanding accrued income considered doubtful | - |
| Provision for doubtful deposits and current assets | |
| Total expenditure (B) | 726.77 |
| Surplus for the year | 26,136.84 |
| Less: Amount Transfer to unrealised appreciation on investments | 26,493.51 |
| Net income/(expenses) for the year appropriated to Balance Sheet | (356.67) |

(in ₹)

| Particulars | Scheme C Tier I 31-Mar-14 |
|---|------------------------------|
| Balance at the beginning of the year | |
| Balance at the end of the period carried to Balance Sheet | (356.67) |
| Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis. | 4.98% |
| Total expenditure expressed as a percentage of average net assets, calculated on a daily basis | 0.13% |

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Sd/-

K. R. V. Subrahmanian
Director

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 1: Unit capital

(in ₹)

| Particulars | Scheme C Tier I |
|--------------------------------------|---------------------|
| | 31-Mar-14 |
| Initial Capital | - |
| Unit Capital | |
| Opening balance | |
| Additions during the year | 2,106,951.01 |
| Deduction during the year | 2,003.70 |
| Closing balance | 2,104,947.31 |
| Number of units of face value Rs. 10 | 210,494.7261 |

Schedule 2 : Reserves and surplus

(in ₹)

| Particulars | Scheme C Tier I |
|--|-------------------|
| | 31-Mar-14 |
| Unit premium reserve | |
| Opening balance | |
| Net premium on issue / redemption of units during the period | 81,725.30 |
| Closing balance | 81,725.30 |
| Surplus/(deficit) in Revenue account | |
| Opening balance | |
| Add: Surplus transferred from / (to) Revenue Account | (356.67) |
| Closing balance | (356.67) |
| Unrealised Appreciation on Investments | |
| Opening Balance | - |
| Less: Reversed during the year / period | - |
| Add: Unrealised appreciation as at year / period end | 26,493.51 |
| Closing Balance | 26,493.51 |
| General Reserve | |
| Appropriation Account | |
| Total | 107,862.14 |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 3 : Current liabilities and provisions

(in ₹)

| Particulars | Scheme C Tier I |
|---------------------------------------|-----------------|
| | 31-Mar-14 |
| Current liabilities | 616.56 |
| Sundry creditors | - |
| Contracts for purchase of investments | - |
| Unclaimed distributed income | - |
| Others | - |
| Provisions | - |
| Unit redemption payable | - |
| Total | 616.56 |

Schedule 4 : Investments

(in ₹)

| Particulars | Scheme C Tier I |
|---|---------------------|
| | 31-Mar-14 |
| Equity shares | - |
| Preference shares | - |
| Debentures and bonds | - |
| Central and state government securities (including treasury bills) | - |
| Commercial Paper | - |
| Others - Mutual funds | 2,213,424.94 |
| Total | 2,213,424.94 |

Schedule 5 : Deposits

(in ₹)

| Particulars | Scheme C Tier I |
|-------------------------------|-----------------|
| | 31-Mar-14 |
| Deposits with scheduled banks | - |
| Others | - |
| Total | - |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 6 : Other current assets

(in ₹)

| Particulars | Scheme C Tier I |
|---|-----------------|
| | 31-Mar-14 |
| Balances with banks in current/ saving account | 1.07 |
| Cash on hand | - |
| Sundry debtor | - |
| Contracts for sale of Investments | - |
| Outstanding and accrued income | - |
| Advance, deposits etc. | - |
| Shares/debentures/ others application money pending allotment | - |
| Others | - |
| Total | 1.07 |

Schedule 7: Significant accounting policies and Notes to accounts for the year ended March 31, 2014

1) Background

DSP BlackRock Pension Fund Managers Private Limited ('the Company') is appointed as a Pension Fund Manager ('PFM') by the National Pension System Trust ('NPS') for the management of Pension Schemes under the National Pension System. Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank along with the data made available by the Central Recordkeeping Agency ('CRA'). CRA is required to furnish subscribers' data at a consolidated level to the Company and the Company makes investments as per the requirements of IMA and the scheme wise flow of funds

2) Significant Accounting Policies

a) Basis of Accounting

- The financial statements have been prepared to comply, in all material respects, with the generally accepted accounting principles in India and to PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines 2012 ("The Guidelines").
- These financial statements have been prepared under the historical cost convention on an accrual basis, as modified for investments, which are 'marked to market'.
- The financial results have been prepared as per the format prescribed under Schedule A of The Guidelines.

- The financials have been prepared for the NPS Trust A/c - DSP BlackRock Pension Fund Scheme C - Tier I being managed by the Company. The Company manages six separate schemes under the two tiered structure (Tier I and II) and the NPS Lite scheme under government pattern as prescribed by the NPS authorities. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:
 - Scheme E - Equity market instruments
 - Scheme C - Credit risk bearing fixed income instruments
 - Scheme G - Government securities
 - NPS Lite - All of the above

b) Unit Premium Reserve

Upon Issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme.

c) Investments

- Purchase and sale of securities are accounted on trade date, except redemption trades for Mutual Fund which are accounted on the following business day.
- Investments are reconciled with the custodian records on daily basis and units are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.
- Cost of investments does not include brokerage paid on buying and selling of securities.

d) Non Performing Assets (NPA)

- An investment is regarded as non - performing, if the interest/principal or both the amounts, have not been received, or has remained outstanding for 90 days from the day such income/installment has fallen due
- In case of Income receivable on investments which has accrued but not received for a period of 90 days beyond due date, provision for the same is made in the Revenue Account. No further accrual of income is made in respect of these investments (NPA).

e) Valuation of Investments

- For the purpose of financial statements, the schemes mark all investments to market and carry investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.
- As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL).
- As per the investment valuation methodology adopted by SHCIL for Mutual fund, the units are valued based on the net asset value of the day preceding the valuation date.

f) Revenue Recognition

- Profit or loss on sale of investments is accounted for in the period in which the contract for sale is entered into.
- Change in unrealized gain/ (loss), if any, arising out of appreciation/depreciation in value of investments, form part of the Revenue Account.

g) Management Fees

- Investment management fees are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- The Investment Management Fee excludes brokerage, custodian charges and applicable taxes, if any.
- The Investment Management Fee is charged on funds under management at the rate of 0.25% on daily basis.

h) Other expenses

- Custody charges are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- All other charges are recognized on a periodic basis upon approval by NPS Trust.

3) Investments

- All the investments in the scheme portfolio are performing investments. All the investments of the Schemes are in the name of the NPS Trust.
- There are no investments made by any schemes in the Associates and group companies at March 31, 2014.
- There are no non traded investments which are valued "in good faith" as on March 31, 2014.

4) Provisions

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

5) Contingent liabilities

There are no contingent liabilities as of March 31, 2014 on account of uncalled liability on partly paid shares or any other commitments.

6) Details of transactions with sponsor and its related parties

| Nature of relationship | Name of the related party |
|------------------------|--|
| Pension Fund Manager | DSP BlackRock Pension Fund Manager Private Limited |
| Sponsor Company | DSP BlackRock Investment Managers Private Limited |

The following represents significant transactions between the Company and its related parties for the year ending March 31, 2013:

| Nature of transaction | Year Ended March 31, 2014 |
|----------------------------|---------------------------|
| Investment Management Fees | 726.77 |

Details of amount receivable from and payable to the Pension Fund Manager are given below:

| Nature of transaction | Year Ended March 31, 2014 |
|------------------------------------|---------------------------|
| Investment Management Fees Payable | 616.56 |

7) Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 2,327,094.69 |
| % to average net assets | 431.79% |

8) Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

| Investment Classification | At March 31, 2014 | |
|----------------------------|---------------------|-----------------------|
| | Market value | % of Investment Class |
| Mutual Funds | 2,213,424.94 | 100.03% |
| Net Receivables / Payables | (615.49) | -0.03% |
| NET ASSETS | 2,212,809.45 | 100.00% |

9) Statement of Portfolio Holding as on March 31, 2014

| Security Name | Quantity | Book Cost | Market Value |
|---|-----------|--------------|--------------|
| Axis Liquid Fund - Direct Plan - Growth | 1,556.718 | 2,186,931.42 | 2,213,424.94 |

10) Key statistics for the period ended March 2014

Please refer Annexure I

11) The NAV per unit disclosed in the Balance Sheet is calculated on computed assets as on March 31, 2014. The last declared NAV is 10.5022 as on March 28, 2014, being the last business day.

12) The Company has commenced its operations in the current financial year on August 05, 2013 accordingly financial statements have been prepared. Since company has commenced its operation during the year, previous year figures are not available.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Sd/-

K. R. V. Subrahmanian
Director

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Annexure I

| Key statistics for the period ended March 31, 2014 | Scheme C Tier I |
|--|------------------|
| | 31-Mar-14 |
| 1. NAV per unit (Rs.)* | |
| Open | 10.0000 |
| High | 10.5022 |
| Low | 10.0000 |
| End @@ | 10.5022 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 22.13 |
| Average | 5.39 |
| 3. Gross income as % of AAUM# | 4.98% |
| 4. Expense ratio** | |
| a. Total expense as % of AAUM (scheme wise)** | 0.13% |
| b. Management fee as % of AAUM (scheme wise)** | 0.13% |
| 5. Net income as % of AAUM## | 4.85% |
| 6. Portfolio turnover ratio | 0.13 |
| 7. Total dividend per unit distributed during the period | NA |
| 8. Returns: (%) | |
| a. Last one year | NA |
| Benchmark | |
| b. Since inception [§] | 5.02200% |
| Benchmark | NA |
| c. Compound annualised yield (%) | |
| Last 1 year | NA |
| Last 3 year | NA |
| Last 5 year | NA |
| Since launch of the scheme | 5.02200% |
| Launch Date | 05th August 2013 |

@@ = Last declared NAV as on March 28, 2014.

All computations other than returns are based on the computed NAV as on March 31, 2014

Gross Income = amount (A) in the Revenue account i.e. Income

Net Income = amount (A-B) in the Revenue Account i.e. Net realized Gains / (Losses) for the Year/Period

@ Portfolio Turnover = Lower of Sales or Purchase divided by the Average AUM for the year/period

* NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any)/ (no. of units at the valuation date (before creation/ redemption of units)

§ Since Inception Returns = Absolute Returns since the date of first inflow in the scheme

NPS Trust A/c - DSP BlackRock Pension Fund Scheme C - Tier II
Financial Statements together with Auditors' Report for the year ended
March 31, 2014

INDEPENDENT AUDITORS' REPORT

To,
The Trustees,
National Pension System Trust

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c DSP Blackrock Pension Fund Managers Private Limited Scheme C Tier II under the National Pension System Trust (NPS Trust)** managed by **DSP Blackrock Pension Fund Managers Private Ltd (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and Revenue Account for the period 5th August, 2013 to 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period 5th August, 2013 to 31st March, 2014;

Report on Other Legal And Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transaction expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA Guidelines, 2012.

8. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No. 101961W

Sd/-
Hiren Shah
Partner
Membership No.: 100052
Place: MUMBAI
Date: June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme C - Tier II

Balance Sheet as on March 31, 2014.

(in ₹)

| Particulars | Schedule | Scheme C Tier II 31-Mar-14 |
|---|----------|-------------------------------|
| Sources of funds | | |
| Unit capital | 1 | 113,038.93 |
| Reserves and Surplus | 2 | 3,981.72 |
| Current Liabilities and Provisions | 3 | 29.97 |
| Borrowings | | - |
| Total | | 117,050.62 |
| Application of funds | | |
| Investments (long term and short term) | 4 | 117,049.80 |
| Deposits | 5 | - |
| Other Current Assets | 6 | 0.82 |
| Total | | 117,050.62 |
| (a) Net asset as per Balance Sheet (Schedule 4+5+6 -3) | | 117,020.65 |
| (b) Number of units outstanding | | 11,303.89 |
| (c) NAV per unit (a)/(b) (Refer Note 11 of Schedule 7) | | 10.3522 |

Notes to accounts

7

The schedules referred to the above and the notes to accounts form an integral part of the accounts.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Sd/-

K. R. V. Subrahmanian
Director

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme C - Tier II

Revenue Account for the period August 5, 2013 to March 31, 2014.

(in ₹)

| Particulars | Scheme C Tier II 31-Mar-14 |
|---|-------------------------------|
| Income and Gains | |
| Interest income | - |
| Dividend income | - |
| Net profit / (loss) on sale/redemption of investments (other than inter-scheme) | 135.04 |
| Net profit / (loss) on inter-scheme sale/redemption of investments | |
| Unrealised gain on appreciation in investments | 1,168.01 |
| Total income (A) | 1,303.05 |
| Expenses and Losses | |
| Management fees | 35.46 |
| Trusteeship/Regulatory Fees | |
| Publicity Expenses | |
| Audit fees | |
| Custodian fees | - |
| Trustee Bank fees | |
| CCIL Charges | - |
| CRA Fees | 16.09 |
| <u>Less:</u> Amount recovered on sale of units on account of CRA charges | (16.09) |
| Unrealised losses in value of Investments | |
| Provision for outstanding accrued income considered doubtful | |
| Provision for doubtful deposits and current assets | |
| Total expenditure (B) | 35.46 |
| Surplus for the year | 1,267.59 |
| Less: Amount Transfer to unrealised appreciation on investments | 1,168.01 |
| Net income/(expenses) for the year appropriated to Balance Sheet | 99.58 |

(in ₹)

| Particulars | Scheme C Tier II 31-Mar-14 |
|---|-------------------------------|
| Balance at the beginning of the year | |
| Balance at the end of the period carried to Balance Sheet | 99.58 |
| Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis. | 3.61% |
| Total expenditure expressed as a percentage of average net assets, calculated on a daily basis | 0.10% |

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 1: Unit capital

(in ₹)

| Particulars | Scheme C Tier II |
|--------------------------------------|-------------------|
| | 31-Mar-14 |
| Initial Capital | - |
| Unit Capital | |
| Opening balance | |
| Additions during the year | 113,689.15 |
| Deduction during the year | 650.22 |
| Closing balance | 113,038.93 |
| Number of units of face value Rs. 10 | 11,303.8915 |

Schedule 2 : Reserves and surplus

(in ₹)

| Particulars | Scheme C Tier II |
|--|------------------|
| | 31-Mar-14 |
| Unit premium reserve | |
| Opening balance | |
| Net premium on issue / redemption of units during the period | 2,714.13 |
| Closing balance | 2,714.13 |
| Surplus/(deficit) in Revenue account | |
| Opening balance | |
| Add: Surplus transferred from / (to) Revenue Account | 99.58 |
| Closing balance | 99.58 |
| Unrealised Appreciation on Investments | |
| Opening Balance | - |
| Less: Reversed during the year / period | - |
| Add: Unrealised appreciation as at year / period end | 1,168.01 |
| Closing Balance | 1,168.01 |
| General Reserve | |
| Appropriation Account | |
| Total | 3,981.72 |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 3 : Current liabilities and provisions

(in ₹)

| Particulars | Scheme C Tier II |
|---------------------------------------|------------------|
| | 31-Mar-14 |
| Current liabilities | 29.97 |
| Sundry creditors | - |
| Contracts for purchase of investments | - |
| Unclaimed distributed income | - |
| Others | - |
| Provisions | - |
| Unit redemption payable | - |
| Total | 29.97 |

Schedule 4 : Investments

(in ₹)

| Particulars | Scheme C Tier II |
|---|-------------------|
| | 31-Mar-14 |
| Equity shares | - |
| Preference shares | - |
| Debentures and bonds | - |
| Central and state government securities (including treasury bills) | - |
| Commercial Paper | - |
| Others - Mutual funds | 117,049.80 |
| Total | 117,049.80 |

Schedule 5 : Deposits

(in ₹)

| Particulars | Scheme C Tier II |
|-------------------------------|------------------|
| | 31-Mar-14 |
| Deposits with scheduled banks | - |
| Others | - |
| Total | - |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 6 : Other current assets

| Particulars | (in ₹) |
|---|-------------------------------|
| | Scheme C Tier II 31-Mar-14 |
| Balances with banks in current/ saving account | 0.82 |
| Cash on hand | - |
| Sundry debtor | - |
| Contracts for sale of Investments | - |
| Outstanding and accrued income | - |
| Advance, deposits etc. | - |
| Shares/debentures/ others application money pending allotment | - |
| Others | - |
| Total | 0.82 |

Schedule 7 : Significant accounting policies and Notes to accounts for the year ended March 31, 2014

1) Background

DSP BlackRock Pension Fund Managers Private Limited ('the Company') is appointed as a Pension Fund Manager ('PFM') by the National Pension System Trust ('NPS') for the management of Pension Schemes under the National Pension System. Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank along with the data made available by the Central Recordkeeping Agency ('CRA'). CRA is required to furnish subscribers' data at a consolidated level to the Company and the Company makes investments as per the requirements of IMA and the scheme wise flow of funds

2) Significant Accounting Policies

a) Basis of Accounting

- The financial statements have been prepared to comply, in all material respects, with the generally accepted accounting principles in India and to PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines 2012 ("The Guidelines").
- These financial statements have been prepared under the historical cost convention on an accrual basis, as modified for investments, which are 'marked to market'.
- The financial results have been prepared as per the format prescribed under Schedule A of The Guidelines.

- The financials have been prepared for the NPS Trust A/c - DSP BlackRock Pension Fund Scheme C - Tier II being managed by the Company. The Company manages six separate schemes under the two tiered structure (Tier I and II) and the NPS Lite scheme under government pattern as prescribed by the NPS authorities. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:
 - Scheme E - Equity market instruments
 - Scheme C - Credit risk bearing fixed income instruments
 - Scheme G - Government securities
 - NPS Lite - All of the above

b) Unit Premium Reserve

Upon Issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme.

c) Investments

- Purchase and sale of securities are accounted on trade date, except redemption trades for Mutual Fund which are accounted on the following business day.
- Investments are reconciled with the custodian records on daily basis and units are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.
- Cost of investments does not include brokerage paid on buying and selling of securities.

d) Non Performing Assets (NPA)

- An investment is regarded as non - performing, if the interest/principal or both the amounts, have not been received, or has remained outstanding for 90 days from the day such income/installment has fallen due
- In case of Income receivable on investments which has accrued but not received for a period of 90 days beyond due date, provision for the same is made in the Revenue Account. No further accrual of income is made in respect of these investments (NPA).

e) Valuation of Investments

- For the purpose of financial statements, the schemes mark all investments to market and carry investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.
- As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL).
- As per the investment valuation methodology adopted by SHCIL for Mutual fund, the units are valued based on the net asset value of the day preceding the valuation date.

f) Revenue Recognition

- Profit or loss on sale of investments is accounted for in the period in which the contract for sale is entered into.
- Change in unrealized gain/ (loss), if any, arising out of appreciation/depreciation in value of investments, form part of the Revenue Account.

g) Management Fees

- Investment management fees are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- The Investment Management Fee excludes brokerage, custodian charges and applicable taxes, if any.
- The Investment Management Fee is charged on funds under management at the rate of 0.25% on daily basis.

h) Other expenses

- Custody charges are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- All other charges are recognized on a periodic basis upon approval by NPS Trust.

3) Investments

- All the investments in the scheme portfolio are performing investments. All the investments of the Schemes are in the name of the NPS Trust.
- There are no investments made by any schemes in the Associates and group companies at March 31, 2014.
- There are no non traded investments which are valued "in good faith" as on March 31, 2014.

4) Provisions

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

5) Contingent liabilities

There are no contingent liabilities as of March 31, 2014 on account of uncalled liability on partly paid shares or any other commitments.

6) Details of transactions with sponsor and its related parties

| Nature of relationship | Name of the related party |
|------------------------|--|
| Pension Fund Manager | DSP BlackRock Pension Fund Manager Private Limited |
| Sponsor Company | DSP BlackRock Investment Managers Private Limited |

The following represents significant transactions between the Company and its related parties for the year ending March 31, 2013:

| Nature of transaction | Year Ended March 31, 2014 |
|----------------------------|---------------------------|
| Investment Management Fees | 35.46 |

Details of amount receivable from and payable to the Pension Fund Manager are given below:

| Nature of transaction | Year Ended March 31, 2014 |
|------------------------------------|---------------------------|
| Investment Management Fees Payable | 29.97 |

7) Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 145,151.86 |
| % to average net assets | 402.09% |

8) Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

| Investment Classification | At March 31, 2014 | |
|----------------------------|-------------------|-----------------------|
| | Market value | % of Investment Class |
| Mutual Funds | 117,049.82 | 100.03% |
| Net Receivables / Payables | (29.17) | -0.03% |
| NET ASSETS | 117,020.65 | 100.00% |

9) Statement of Portfolio Holding as on March 31, 2014

| Security Name | Quantity | Book Cost | Market Value |
|---|----------|------------|--------------|
| Axis Liquid Fund - Direct Plan - Growth | 82.322 | 115,881.81 | 117,049.80 |

10) Key statistics for the period ended March 31, 2014

Please refer Annexure I

- 11) The NAV per unit disclosed in the Balance Sheet is calculated on computed assets as on March 31, 2014. The last declared NAV is 10.3423 as on March 28, 2014 being the last business day.
- 12) The Company has commenced its operations in the current financial year on August 05, 2013 accordingly financial statements have been prepared. Since company has commenced its operation during the year, previous year figures are not available.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Annexure I

| Key statistics for the period ended March 31, 2014 | Scheme C Tier II |
|--|------------------|
| | 31-Mar-14 |
| 1. NAV per unit (Rs.)* | |
| Open | 10.0000 |
| High | 10.3423 |
| Low | 9.9999 |
| End ^{@@} | 10.3423 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 1.17 |
| Average | 0.36 |
| 3. Gross income as % of AAuM [#] | 3.61% |
| 4. Expense ratio ^{**} | |
| a. Total expense as % of AAuM (scheme wise) ^{**} | 0.10% |
| b. Management fee as % of AAuM (scheme wise) ^{**} | 0.10% |
| 5. Net income as % of AAuM ^{##} | 3.51% |
| 6. Portfolio turnover ratio | 0.41 |
| 7. Total dividend per unit distributed during the period | NA |
| 8. Returns: (%) | |
| a. Last one year | NA |
| Benchmark | |
| b. Since inception [§] | 3.42300% |
| Benchmark | NA |
| c. Compound annualised yield (%) | |
| Last 1 year | NA |
| Last 3 year | NA |
| Last 5 year | NA |
| Since launch of the scheme | 3.42300% |
| Launch Date | 05th August 2013 |

^{@@} = Last declared NAV as on March 28, 2014.

All computations other than returns are based on the computed NAV as on March 31, 2014

[#] Gross Income = amount (A) in the Revenue account i.e. Income

^{##} Net Income = amount (A-B) in the Revenue Account i.e. Net realized Gains / (Losses) for the Year/Period

[@] Portfolio Turnover = Lower of Sales or Purchase divided by the Average AUM for the year/period

* NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any)/ (no. of units at the valuation date (before creation/ redemption of units))

[§] Since Inception Returns = Absolute Returns since the date of first inflow in the scheme

NPS Trust A/c - DSP BlackRock Pension Fund Scheme G - Tier I
Financial Statements together with Auditors' Report for the year ended
March 31, 2014

INDEPENDENT AUDITORS' REPORT

To,
The Trustees,
National Pension System Trust

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c DSP Blackrock Pension Fund Managers Private Limited Scheme G Tier I under the National Pension System Trust (NPS Trust)** managed by **DSP Blackrock Pension Fund Managers Private Ltd (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and Revenue Account for the period 5th August, 2013 to 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period 5th August, 2013 to 31st March, 2014;

Report on Other Legal And Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transaction expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA Guidelines, 2012.

8. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No. 101961W

Sd/-
Hiren Shah
Partner
Membership No.: 100052
Place: MUMBAI
Date: June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme G - Tier I

Balance Sheet as on March 31, 2014.

(in ₹)

| Particulars | Schedule | Scheme G Tier I 31-Mar-14 |
|---|----------|------------------------------|
| Sources of funds | | |
| Unit capital | 1 | 2,413,673.11 |
| Reserves and Surplus | 2 | 117,353.02 |
| Current Liabilities and Provisions | 3 | 660.73 |
| Borrowings | | - |
| Total | | 2,531,686.86 |
| Application of funds | | |
| Investments (long term and short term) | 4 | 2,504,806.00 |
| Deposits | 5 | - |
| Other Current Assets | 6 | 26,880.86 |
| Total | | 2,531,686.86 |
| (a) Net asset as per Balance Sheet (Schedule 4+5+6 -3) | | 2,531,026.13 |
| (b) Number of units outstanding | | 241,367.31 |
| (c) NAV per unit (a)/(b) (Refer Note 11 of Schedule 7) | | 10.4862 |

Notes to accounts

7

The schedules referred to the above and the notes to accounts form an integral part of the accounts.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

**For DSP BlackRock Pension Fund Managers
Private Limited**

Sd/-

Sd/-

Sd/-

Hiren Shah
Partner

Hemendra Kothari
Chairman

K. R. V. Subrahmanian
Director

Membership No: 100052

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Sd/-

Chairman, NPS Trust Board

Chief Executive Officer

Mumbai, June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme G - Tier I

Revenue Account for the period August 5, 2013 to March 31, 2014.

(in ₹)

| Particulars | Scheme G Tier I 31-Mar-14 |
|---|------------------------------|
| Income and Gains | |
| Interest income | 16,012.16 |
| Dividend income | - |
| Net profit / (loss) on sale/redemption of investments (other than inter-scheme) | 3,775.67 |
| Net profit / (loss) on inter-scheme sale/redemption of investments | - |
| Unrealised gain on appreciation in investments | 5,522.46 |
| Total income (A) | 25,310.29 |
| Expenses and Losses | |
| Management fees | 583.08 |
| Trusteeship/Regulatory Fees | |
| Publicity Expenses | - |
| Audit fees | - |
| Custodian fees | 14.72 |
| Trustee Bank fees | - |
| CCIL Charges | 168.54 |
| CRA Fees | 285.93 |
| <u>Less:</u> Amount recovered on sale of units on account of CRA charges | (285.93) |
| Unrealised losses in value of Investments | - |
| Provision for outstanding accrued income considered doubtful | - |
| Provision for doubtful deposits and current assets | |
| Total expenditure (B) | 766.34 |
| Surplus for the year | 24,543.95 |
| Less: Amount Transfer to unrealised appreciation on investments | 5,522.46 |
| Net income/(expenses) for the year appropriated to Balance Sheet | 19,021.49 |

(in ₹)

| Particulars | Scheme G Tier I 31-Mar-14 |
|---|------------------------------|
| Balance at the beginning of the year | - |
| Balance at the end of the period carried to Balance Sheet | 19,021.49 |
| Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis. | 5.80% |
| Total expenditure expressed as a percentage of average net assets, calculated on a daily basis | 0.18% |

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 1: Unit capital

(in ₹)

| Particulars | Scheme G Tier I |
|--------------------------------------|---------------------|
| | 31-Mar-14 |
| Initial Capital | - |
| Unit Capital | |
| Opening balance | |
| Additions during the year | 2,413,989.52 |
| Deduction during the year | 316.41 |
| Closing balance | 2,413,673.11 |
| Number of units of face value Rs. 10 | 241,367.3070 |

Schedule 2 : Reserves and surplus

(in ₹)

| Particulars | Scheme G Tier I |
|--|-------------------|
| | 31-Mar-14 |
| Unit premium reserve | |
| Opening balance | |
| Net premium on issue / redemption of units during the period | 92,809.07 |
| Closing balance | 92,809.07 |
| Surplus/(deficit) in Revenue account | |
| Opening balance | - |
| Add: Surplus transferred from / (to) Revenue Account | 19,021.49 |
| Closing balance | 19,021.49 |
| Unrealised Appreciation on Investments | |
| Opening Balance | - |
| Less: Reversed during the year / period | - |
| Add: Unrealised appreciation as at year / period end | 5,522.46 |
| Closing Balance | 5,522.46 |
| General Reserve | |
| Appropriation Account | |
| Total | 117,353.02 |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account for The Period August 5, 2013 To March 31, 2014.

Schedule 3 : Current liabilities and provisions

(in ₹)

| Particulars | Scheme G Tier I |
|---------------------------------------|-----------------|
| | 31-Mar-14 |
| Current liabilities | 660.73 |
| Sundry creditors | - |
| Contracts for purchase of investments | - |
| Unclaimed distributed income | - |
| Others | - |
| Provisions | - |
| Unit redemption payable | - |
| Total | 660.73 |

Schedule 4 : Investments

(in ₹)

| Particulars | Scheme G Tier I |
|---|---------------------|
| | 31-Mar-14 |
| Equity shares | - |
| Preference shares | - |
| Debentures and bonds | - |
| Central and state government securities (including treasury bills) | 2,435,910.12 |
| Commercial Paper | - |
| Others - Mutual funds | 68,895.88 |
| Total | 2,504,806.00 |

Schedule 5 : Deposits

(in ₹)

| Particulars | Scheme G Tier I |
|-------------------------------|-----------------|
| | 31-Mar-14 |
| Deposits with scheduled banks | - |
| Others | - |
| Total | - |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account For The Period August 5, 2013 To March 31, 2014.

Schedule 6 : Other current assets

(in ₹)

| Particulars | Scheme G Tier I |
|---|------------------|
| | 31-Mar-14 |
| Balances with banks in current/ saving account | 0.48 |
| Cash on hand | - |
| Sundry debtor | - |
| Contracts for sale of Investments | - |
| Outstanding and accrued income | 26,880.38 |
| Advance, deposits etc. | - |
| Shares/debentures/ others application money pending allotment | - |
| Others | - |
| Total | 26,880.86 |

Schedule 7: Significant accounting policies and Notes to accounts for the year ended March 31, 2014.

1 Background

DSP BlackRock Pension Fund Managers Private Limited ('the Company') is appointed as a Pension Fund Manager ('PFM') by the National Pension System Trust ('NPS') for the management of Pension Schemes under the National Pension System. Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank along with the data made available by the Central Recordkeeping Agency ('CRA'). CRA is required to furnish subscribers' data at a consolidated level to the Company and the Company makes investments as per the requirements of IMA and the scheme wise flow of funds

2 Significant Accounting Policies

a) Basis of Accounting

- The financial statements have been prepared to comply, in all material respects, with the generally accepted accounting principles in India and to PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines 2012 ("The Guidelines").
- These financial statements have been prepared under the historical cost convention on an accrual basis, as modified for investments, which are 'marked to market'.
- The financial results have been prepared as per the format prescribed under Schedule A of The Guidelines.

- The financials have been prepared for the NPS Trust A/c - DSP BlackRock Pension Fund Scheme G - Tier I being managed by the Company. The Company manages six separate schemes under the two tiered structure (Tier I and II) and the NPS Lite scheme under government pattern as prescribed by the NPS authorities. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:
 - Scheme E - Equity market instruments
 - Scheme C - Credit risk bearing fixed income instruments
 - Scheme G - Government securities
 - NPS Lite - All of the above

b) Unit Premium Reserve

Upon Issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme.

c) Investments

- Purchase and sale of securities are accounted on trade date, except redemption trades for Mutual Fund which are accounted on the following business day.
- Investments are reconciled with the custodian records on daily basis and units are reconciled with Central Recordkeeping Agency (CRA) records on daily basis.
- Cost of investments does not include brokerage paid on buying and selling of securities.

d) Non Performing Assets (NPA)

- An investment is regarded as non - performing, if the interest/principal or both the amounts, have not been received, or has remained outstanding for 90 days from the day such income/installment has fallen due
- In case of Income receivable on investments which has accrued but not received for a period of 90 days beyond due date, provision for the same is made in the Revenue Account. No further accrual of income is made in respect of these investments (NPA).

e) Valuation of Investments

- For the purpose of financial statements, the schemes mark all investments to market and carry investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.
- As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL).
- Investments in Central Government Securities are valued at the aggregated prices received daily from independent valuation agencies (CRISIL & ICRA)
- As per the investment valuation methodology adopted by SHCIL for Mutual fund, the units are valued based on the net asset value of the day preceding the valuation date.

f) Revenue Recognition

- Profit or loss on sale of investments is accounted for in the period in which the contract for sale is entered into.
- Interest income on all interest bearing investment is recognized on daily accrual basis.
- On purchase of investments, interest paid for the period from the last interest due date up to the date of purchase is debited to Interest Accrual Account and not included in cost of purchase.
- Interest received at the time of sale for the period from the last interest due date up to the date of sale credited to Interest Accrual Account and not included in sale value.
- Change in unrealized gain/ (loss), if any, arising out of appreciation/depreciation in value of investments, form part of the Revenue Account.

g) Management Fees

- Investment management fees are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- The Investment Management Fee excludes brokerage, custodian charges and applicable taxes, if any.
- The Investment Management Fee is charged on funds under management at the rate of 0.25% on daily basis for all the Schemes namely Scheme E, Scheme C and Scheme G (Tier I and Tier II). For NPS Lite management fees would be charged at the rate of 0.0102%

h) Other expenses

- Custody charges are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- All other charges are recognized on a periodic basis upon approval by NPS Trust.

3) Investments

- All the investments in the scheme portfolio are performing investments. All the investments of the Schemes are in the name of the NPS Trust.
- There are no investments made by any schemes in the Associates and group companies at March 31, 2014.
- There are no non traded investments which are valued "in good faith" as on March 31, 2014.

4) Provisions

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

5) Contingent liabilities

There are no contingent liabilities as of March 31, 2014 on account of uncalled liability on partly paid shares or any other commitments.

6) Details of transactions with sponsor and its related parties

| Nature of relationship | Name of the related party |
|------------------------|--|
| Pension Fund Manager | DSP BlackRock Pension Fund Manager Private Limited |
| Sponsor Company | DSP BlackRock Investment Managers Private Limited |

The following represents significant transactions between the Company and its related parties for the year ending March 31, 2013:

| Nature of transaction | Year Ended March 31, 2014 |
|----------------------------|---------------------------|
| Investment Management Fees | 583.08 |

Details of amount receivable from and payable to the Pension Fund Manager are given below:

| Nature of transaction | Year Ended March 31, 2014 |
|------------------------------------|---------------------------|
| Investment Management Fees Payable | 506.52 |

7) Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 5,979,484.21 |
| % to average net assets | 1370.84% |

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 2,430,456.00 |
| % to average net assets | 557.20% |

**liquid mutual fund investments are held for day to day cash management, hence excluded*

8) Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

| Investment Classification | At March 31, 2014 | |
|--------------------------------------|---------------------|-----------------------|
| | Market value | % of Investment Class |
| Central Government Securities | 2,435,910.00 | 96.24% |
| 8.12% CGL 10122020 | 477,150.00 | 18.85% |
| 8.24% CGL 15022027 | 232,875.00 | 9.20% |
| 8.28% CGL 21092027 | 1,306,900.00 | 51.64% |
| 8.32% CGL 02082032 | 278,775.00 | 11.01% |
| 8.83% CGL 25112023 | 140,210.00 | 5.54% |
| Mutual Funds | 68,895.91 | 2.72% |
| Net Receivables / Payables | 26,220.21 | 1.04% |
| NET ASSETS | 2,531,026.13 | 100% |

9) Statement of Portfolio Holding as on March 31, 2014

| Security Name | Quantity | Book Cost | Market Value |
|---|-----------|---------------------|---------------------|
| Central Government Securities | | 2,430,455.88 | 2,435,910.00 |
| 8.12% GOI 10122020 | 500,000 | 475,900.00 | 477,150.00 |
| 8.24% CGL 15022027 | 250,000 | 230,970.00 | 232,875.00 |
| 8.28% CGL 21092027 | 1,400,000 | 1,305,430.00 | 1,306,900.00 |
| 8.32% CGL 02082032 | 300,000 | 278,049.90 | 278,775.00 |
| 8.83% CGL 25112023 | 140,000 | 140,105.98 | 140,210.00 |
| Mutual Funds | | 68,827.57 | 68,895.88 |
| Axis Liquid Fund - Direct Plan - Growth | 48.455 | 68,827.57 | 68,895.88 |
| TOTAL | | 2,499,283.46 | 2,504,805.91 |

10) Key statistics for the period ended March 31, 2014

Please refer Annexure I

11) The NAV per unit disclosed in the Balance Sheet is calculated on computed assets as on March 31, 2014. The last declared NAV is 10.4825 as on March 28, 2014 being the last business day.

12) The Company has commenced its operations in the current financial year on August 05, 2013 accordingly financial statements have been prepared. Since company has commenced its operation during the year, previous year figures are not available.

**For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W**

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

**For DSP BlackRock Pension Fund Managers
Private Limited**

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Annexure I

| Key statistics for the period ended March 31, 2014 | Scheme G Tier I |
|--|------------------|
| | 31-Mar-14 |
| 1. NAV per unit (Rs.)* | |
| Open | 10.0000 |
| High | 10.4873 |
| Low | 10.0000 |
| End @@ | 10.4825 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 25.31 |
| Average | 4.36 |
| 3. Gross income as % of AAUM# | 5.80% |
| 4. Expense ratio** | |
| a. Total expense as % of AAUM (scheme wise)** | 0.18% |
| b. Management fee as % of AAUM (scheme wise)** | 0.13% |
| 5. Net income as % of AAUM## | 5.63% |
| 6. Portfolio turnover ratio | 3.99 |
| 7. Total dividend per unit distributed during the period | NA |
| 8. Returns: (%) | |
| a. Last one year | NA |
| Benchmark | |
| b. Since inception§ | 4.82500% |
| Benchmark | NA |
| c. Compound annualised yield (%) | |
| Last 1 year | NA |
| Last 3 year | NA |
| Last 5 year | NA |
| Since launch of the scheme | 4.82500% |
| Launch Date | 05th August 2013 |

@@ = Last declared NAV as on March 28, 2014.

All computations other than returns are based on the computed NAV as on March 31, 2014

Gross Income = amount (A) in the Revenue account i.e. Income

Net Income = amount (A-B) in the Revenue Account i.e. Net realized Gains / (Losses) for the Year/Period

@ Portfolio Turnover = Lower of Sales or Purchase divided by the Average AUM for the year/period

* NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any) / (no. of units at the valuation date (before creation/ redemption of units))

§ Since Inception Returns = Absolute Returns since the date of first inflow in the scheme

NPS Trust A/c - DSP BlackRock Pension Fund Scheme G - Tier II
Financial Statements together with Auditors' Report for the year ended
March 31, 2014

INDEPENDENT AUDITORS' REPORT

To,
The Trustees,
National Pension System Trust

Report on Financial Statements

1. We have audited the accompanying financial statements of **NPS Trust A/c DSP Blackrock Pension Fund Managers Private Limited Scheme G Tier II under the National Pension System Trust (NPS Trust)** managed by **DSP Blackrock Pension Fund Managers Private Ltd (PFM)** which comprise of the Balance Sheet as at March 31, 2014, and Revenue Account for the period 5th August, 2013 to 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management of the PFM, in accordance with the PFRDA Guidelines and the Investment Management Agreement (IMA) with the NPS Trust, is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent made applicable by PFRDA to Scheme. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements are also approved by the NPS Trust on the recommendation of the Board of Directors of the PFM.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the PFM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012 and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2014;
 - b) in the case of the Revenue Account, of the surplus of the Scheme for the period 5th August, 2013 to 31st March, 2014;

Report on Other Legal And Regulatory Requirements

7. As required by the PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines - 2012, as amended, we report that:
 - a) We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b) The Balance Sheet and Revenue account of the Scheme are in agreement with the books of account of the Scheme.
 - c) In our opinion, proper books of account of the Scheme, as required by the PFRDA have been maintained by the PFM so far as appears from our examination of those books.
 - d) All transaction expenses in excess of the limits contractually agreed to / approved by the Authority are borne by the Pension Fund (if any) and are not charged to the NAV of the Scheme.
 - e) In our opinion the Balance Sheet and Revenue Account of the Scheme dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA Guidelines, 2012.

8. We further certify that
- a) Investments have been valued in accordance with the guidelines issued by the Authority.
 - b) Transaction and claims/fee raised by different entities are in accordance with the prescribed fee.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No. 101961W

Sd/-
Hiren Shah
Partner
Membership No.: 100052
Place: MUMBAI
Date: June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme G - Tier II

Balance Sheet as on March 31, 2014.

| Particulars | Schedule | Scheme G Tier II 31-Mar-14 |
|---|----------|-------------------------------|
| Sources of funds | | |
| Unit capital | 1 | 158,097.00 |
| Reserves and Surplus | 2 | 5,230.29 |
| Current Liabilities and Provisions | 3 | 53.91 |
| Borrowings | | - |
| Total | | 163,381.20 |
| Application of funds | | |
| Investments (long term and short term) | 4 | 163,127.47 |
| Deposits | 5 | - |
| Other Current Assets | 6 | 253.73 |
| Total | | 163,381.20 |
| (a) Net asset as per Balance Sheet (Schedule 4+5+6 -3) | | 163,327.29 |
| (b) Number of units outstanding | | 15,809.70 |
| (c) NAV per unit (a)/(b) (Refer Note 11 of Schedule 7) | | 10.3308 |

Notes to accounts

7

The schedules referred to the above and the notes to accounts form an integral part of the accounts.

**For CNK & Associates
Chartered Accountants**

**For DSP BlackRock Pension Fund Managers
Private Limited**

Sd/-

Sd/-

Sd/-

Hiren Shah
Partner

Hemendra Kothari
Chairman

K. R. V. Subrahmanian
Director

Membership No: 100052

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Sd/-

Chairman, NPS Trust Board

Chief Executive Officer

Mumbai, June 12, 2014

DSP BlackRock Pension Fund Managers Private Limited

NPS Trust A/c DSP BlackRock Pension Fund Scheme G - Tier II

Revenue Account for the period August 5, 2013 to March 31, 2014.

(in ₹)

| Particulars | Scheme G Tier II 31-Mar-14 |
|---|-------------------------------|
| Income and Gains | |
| Interest income | - |
| Dividend income | - |
| Net profit / (loss) on sale/redemption of investments (other than inter-scheme) | 175.33 |
| Net profit / (loss) on inter-scheme sale/redemption of investments | - |
| Unrealised gain on appreciation in investments | 875.07 |
| Total income (A) | 1,050.40 |
| Expenses and Losses | |
| Management fees | 30.85 |
| Trusteeship/Regulatory Fees | |
| Publicity Expenses | - |
| Audit fees | - |
| Custodian fees | 0.08 |
| Trustee Bank fees | - |
| CCIL Charges | 28.09 |
| CRA Fees | 19.53 |
| <u>Less:</u> Amount recovered on sale of units on account of CRA charges | (19.53) |
| Unrealised losses in value of Investments | 70.00 |
| Provision for outstanding accrued income considered doubtful | - |
| Provision for doubtful deposits and current assets | |
| Total expenditure (B) | 129.02 |
| Surplus for the year | 921.38 |
| Less: Amount Transfer to unrealised appreciation on investments | 875.07 |
| Net income/(expenses) for the year appropriated to Balance Sheet | 46.31 |

(in ₹)

| Particulars | Scheme G Tier II 31-Mar-14 |
|---|-------------------------------|
| Balance at the beginning of the year | - |
| Balance at the end of the period carried to Balance Sheet | 46.31 |
| Total income (including net unrealised gain/loss) expressed as a percentage of average net assets, calculated on a daily basis. | 3.30% |
| Total expenditure expressed as a percentage of average net assets, calculated on a daily basis | 0.41% |

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

Sd/-

Hemendra Kothari
Chairman

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

Sd/-

K. R. V. Subrahmanian
Director

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account for The Period August 5, 2013 To March 31, 2014.

Schedule 1: Unit capital

(in ₹)

| Particulars | Scheme G Tier II |
|--------------------------------------|-------------------|
| | 31-Mar-14 |
| Initial Capital | - |
| Unit Capital | |
| Opening balance | |
| Additions during the year | 158,244.93 |
| Deduction during the year | 147.93 |
| Closing balance | 158,097.00 |
| Number of units of face value Rs. 10 | 15,809.7001 |

Schedule 2 : Reserves and surplus

(in ₹)

| Particulars | Scheme G Tier II |
|--|------------------|
| | 31-Mar-14 |
| Unit premium reserve | |
| Opening balance | |
| Net premium on issue / redemption of units during the period | 4,308.91 |
| Closing balance | 4,308.91 |
| Surplus/(deficit) in Revenue account | |
| Opening balance | - |
| Add: Surplus transferred from / (to) Revenue Account | 46.31 |
| Closing balance | 46.31 |
| Unrealised Appreciation on Investments | |
| Opening Balance | - |
| Less: Reversed during the year / period | - |
| Add: Unrealised appreciation as at year / period end | 875.07 |
| Closing Balance | 875.07 |
| General Reserve | |
| Appropriation Account | |
| Total | 5,230.29 |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account for The Period August 5, 2013 To March 31, 2014.

Schedule 3 : Current liabilities and provisions

(in ₹)

| Particulars | Scheme G Tier II |
|---------------------------------------|------------------|
| | 31-Mar-14 |
| Current liabilities | 53.91 |
| Sundry creditors | - |
| Contracts for purchase of investments | - |
| Unclaimed distributed income | - |
| Others | - |
| Provisions | - |
| Unit redemption payable | - |
| Total | 53.91 |

Schedule 4 : Investments

(in ₹)

| Particulars | Scheme G Tier II |
|---|-------------------|
| | 31-Mar-14 |
| Equity shares | - |
| Preference shares | - |
| Debentures and bonds | - |
| Central and state government securities (including treasury bills) | 93,350.00 |
| Commercial Paper | - |
| Others - Mutual funds | 69,777.47 |
| Total | 163,127.47 |

Schedule 5 : Deposits

(in ₹)

| Particulars | Scheme G Tier II |
|-------------------------------|------------------|
| | 31-Mar-14 |
| Deposits with scheduled banks | - |
| Others | - |
| Total | - |

Schedules Forming Part of The Balance Sheet As At March 31, 2014 And The Revenue Account for The Period August 5, 2013 To March 31, 2014.

Schedule 6 : Other current assets

(in ₹)

| Particulars | Scheme G Tier II |
|---|------------------|
| | 31-Mar-14 |
| Balances with banks in current/ saving account | 0.73 |
| Cash on hand | - |
| Sundry debtor | - |
| Contracts for sale of Investments | - |
| Outstanding and accrued income | 253.00 |
| Advance, deposits etc. | - |
| Shares/debentures/ others application money pending allotment | - |
| Others | - |
| Total | 253.73 |

Schedule 7: Significant accounting policies and Notes to accounts for the year ended March 31, 2014.

1) Background

DSP BlackRock Pension Fund Managers Private Limited ('the Company') is appointed as a Pension Fund Manager ('PFM') by the National Pension System Trust ('NPS') for the management of Pension Schemes under the National Pension System. Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank along with the data made available by the Central Recordkeeping Agency ('CRA'). CRA is required to furnish subscribers' data at a consolidated level to the Company and the Company makes investments as per the requirements of IMA and the scheme wise flow of funds

2) Significant Accounting Policies

a) Basis of Accounting

- The financial statements have been prepared to comply, in all material respects, with the generally accepted accounting principles in India and to PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines 2012 ("The Guidelines").
- These financial statements have been prepared under the historical cost convention on an accrual basis, as modified for investments, which are 'marked to market'.
- The financial results have been prepared as per the format prescribed under Schedule A of The Guidelines.

- The financials have been prepared for the NPS Trust A/c - DSP BlackRock Pension Fund Scheme G - Tier II being managed by the Company. The Company manages six separate schemes under the two tiered structure (Tier I and II) and the NPS Lite scheme under government pattern as prescribed by the NPS authorities. The schemes are classified as Scheme E, C and G based on the asset class prescribed under the NPS as follows:
 - Scheme E - Equity market instruments
 - Scheme C - Credit risk bearing fixed income instruments
 - Scheme G - Government securities
 - NPS Lite - All of the above

b) Unit Premium Reserve

Upon Issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme.

c) Investments

- Purchase and sale of securities are accounted on trade date, except redemption trades for Mutual Fund which are accounted on the following business day.
- Investments are reconciled with the custodian records on daily basis and units are reconciled with Central Recordkeeping Agency (CRA) records on daily basis
- Cost of investments does not include brokerage paid on buying and selling of securities.

d) Non Performing Assets (NPA)

- An investment is regarded as non - performing, if the interest/principal or both the amounts, have not been received, or has remained outstanding for 90 days from the day such income/installment has fallen due
- In case of Income receivable on investments which has accrued but not received for a period of 90 days beyond due date, provision for the same is made in the Revenue Account. No further accrual of income is made in respect of these investments (NPA).

e) Valuation of Investments

- For the purpose of financial statements, the schemes mark all investments to market and carry investments in the Balance Sheet at the market value as on Balance Sheet date / date of determination / date of valuation.
- As per directive received from NPS Trust, the valuation of investments is carried out by Stock Holding Corporation of India Limited (SHCIL).
- Investments in Central Government Securities are valued at the aggregated prices received daily from independent valuation agencies (CRISIL & ICRA).
- As per the investment valuation methodology adopted by SHCIL for Mutual fund, the units are valued based on the net asset value of the day preceding the valuation date.

f) Revenue Recognition

- Profit or loss on sale of investments is accounted for in the period in which the contract for sale is entered into.
- Interest income on all interest bearing investment is recognized on daily accrual basis.
- On purchase of investments, interest paid for the period from the last interest due date up to the date of purchase is debited to Interest Accrual Account and not included in cost of purchase.
- Interest received at the time of sale for the period from the last interest due date up to the date of sale credited to Interest Accrual Account and not included in sale value.
- Change in unrealized gain/ (loss), if any, arising out of appreciation/depreciation in value of investments, form part of the Revenue Account.

g) Management Fees

- Investment management fees are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA.
- The Investment Management Fee excludes brokerage, custodian charges and applicable taxes, if any
- The Investment Management Fee is charged on funds under management at the rate of 0.25% on daily basis.

h) Other expenses

Custody charges are recognized on daily accrual basis in accordance with the terms of contract between the Company and NPS Trust, established by PFRDA. All other charges are recognized on a periodic basis upon approval by NPS Trust.

3) Investments

- All our investments are performing investments. All the investments of the Schemes are in the name of the NPS Trust.
- There are no investments made by any schemes in the Associates and group companies at March 31, 2014.
- There are no non traded investments which are valued "in good faith" at the end of the half year ended March 31, 2014.

4) Provisions

There are no provisions for doubtful deposits, debts and outstanding and accrued income.

5) Contingent liabilities

There are no contingent liabilities as of March 31, 2014 on account of uncalled liability on partly paid shares or any other commitments.

6) Details of transactions with sponsor and its related parties

| Nature of relationship | Name of the related party |
|------------------------|--|
| Pension Fund Manager | DSP BlackRock Pension Fund Manager Private Limited |
| Sponsor Company | DSP BlackRock Investment Managers Private Limited |

The following represents significant transactions between the Company and its related parties for the year ending March 31, 2013:

| Nature of transaction | Year Ended March 31, 2014 |
|----------------------------|---------------------------|
| Investment Management Fees | 30.85 |

Details of amount receivable from and payable to the Pension Fund Manager are given below:

| Nature of transaction | Year Ended March 31, 2014 |
|------------------------------------|---------------------------|
| Investment Management Fees Payable | 25.74 |

7) Aggregate value of purchase and sale with percentage to average assets

Aggregate value of purchase and sale with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 203,456.11 |
| % to average net assets | 640.00% |

Aggregate value of purchase and sale (excluding liquid mutual fund)* with percentage to average daily net assets is as follows:

| Particulars | Year Ended March 31, 2014 |
|--------------------------------------|---------------------------|
| Aggregate value of purchase and sale | 93,420.00 |
| % to average net assets | 293.86% |

**liquid mutual fund investments are held for day to day cash management, hence excluded.*

8) Investments falling under each major industry group

The total value of investments falling under each major industry group (which constitutes not less than 5% of the total investments in the major classification of the financials) are disclosed as under:

| Investment Classification | At March 31, 2014 | |
|--------------------------------------|-------------------|-----------------------|
| | Market value | % of Investment Class |
| Central Government Securities | 93,350.00 | 57.18% |
| 8.28% CGL 21092027 | 93,350.00 | 57.18% |
| Mutual Funds | 69,777.46 | 42.70% |
| Net Receivables / Payables | 199.83 | 0.12% |
| NET ASSETS | 163,327.29 | 100.00% |

9) Statement of Portfolio Holding as on March 31, 2014

| Security Name | Quantity | Book Cost | Market Value |
|---|----------|-------------------|-------------------|
| Central Government Securities | | 93,420.00 | 93,350.00 |
| 8.28% CGL 21092027 | 100,000 | 93,420.00 | 93,350.00 |
| Mutual Funds | | 68,902.39 | 69,777.47 |
| Axis Liquid Fund - Direct Plan - Growth | 49.075 | 68,902.39 | 69,777.47 |
| TOTAL | | 162,322.39 | 163,127.47 |

10) Key statistics for the period ended March 2014

Please refer Annexure I

11) The NAV per unit disclosed in the Balance Sheet is calculated on computed assets as on March 31, 2014. The last declared NAV is 10.4825 as on March 28, 2014 being the last business day.

12) The Company has commenced its operations in the current financial year on August 05, 2013 accordingly financial statements have been prepared. Since company has commenced its operation during the year, previous year figures are not available.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No.: 101961W

Sd/-

Hiren Shah
Partner

Membership No: 100052

Mumbai, April 25, 2014

For DSP BlackRock Pension Fund Managers
Private Limited

Sd/-

Hemendra Kothari
Chairman

Sd/-

K. R. V. Subrahmanian
Director

Sd/-

Anil Ghelani
Business Head & Chief Investment Officer

Mumbai, April 25, 2014

For and on Behalf of NPS Trust

Sd/-

Chairman, NPS Trust Board

Mumbai, June 12, 2014

Sd/-

Chief Executive Officer

Annexure I

| Key statistics for the period ended March 31, 2014 | Scheme G Tier II |
|--|------------------|
| | 31-Mar-14 |
| 1. NAV per unit (Rs.)* | |
| Open | 10.0000 |
| High | 10.3389 |
| Low | 9.9999 |
| End @@ | 10.3285 |
| 2. Closing Assets Under Management (Rs. in Lakhs) | |
| End | 1.63 |
| Average | 0.32 |
| 3. Gross income as % of AAuM [#] | 3.30% |
| 4. Expense ratio** | |
| a. Total expense as % of AAuM (scheme wise)** | 0.41% |
| b. Management fee as % of AAuM (scheme wise)** | 0.10% |
| 5. Net income as % of AAuM ^{##} | 2.90% |
| 6. Portfolio turnover ratio | 0.65 |
| 7. Total dividend per unit distributed during the period | NA |
| 8. Returns: (%) | |
| a. Last one year | NA |
| Benchmark | |
| b. Since inception [§] | 3.28500% |
| Benchmark | NA |
| c. Compound annualised yield (%) | |
| Last 1 year | NA |
| Last 3 year | NA |
| Last 5 year | NA |
| Since launch of the scheme | 3.28500% |
| Launch Date | 05th August 2013 |

@@ = Last declared NAV as on March 28, 2014.

All computations other than returns are based on the computed NAV as on March 31, 2014

Gross Income = amount (A) in the Revenue account i.e. Income

Net Income = amount (A-B) in the Revenue Account i.e. Net realized Gains / (Losses) for the Year/Period

@ Portfolio Turnover = Lower of Sales or Purchase divided by the Average AUM for the year/period

* NAV = (Market value of investment held by scheme + value of current assets - value of current liability and provisions, if any)/ (no. of units at the valuation date (before creation/ redemption of units)

§ Since Inception Returns = Absolute Returns since the date of first inflow in the scheme