

Investing responsibly so you can relish life



CONTENTS

| | | | |
|--|-----------|--|-----|
| UNIT HOLDER INFORMATION REPORT | 03 | DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B | |
| DSP MERRILL LYNCH BOND FUND | | Auditors' Report | 67 |
| Auditors' Report | 13 | Balance Sheet | 68 |
| Balance Sheet | 14 | Revenue Account | 69 |
| Revenue Account | 15 | Schedules | 70 |
| Cash Flow Statement | 16 | Notes to Accounts | 72 |
| Schedules | 17 | Statement of Portfolio Holding | 74 |
| Notes to Accounts | 19 | DSP MERRILL LYNCH TECHNOLOGY.COM FUND | |
| Statement of Portfolio Holding | 23 | Auditors' Report | 75 |
| DSP MERRILL LYNCH EQUITY FUND | | Balance Sheet | 76 |
| Auditors' Report | 25 | Revenue Account | 77 |
| Balance Sheet | 26 | Schedules | 78 |
| Revenue Account | 27 | Notes to Accounts | 80 |
| Schedules | 28 | Statement of Portfolio Holding | 83 |
| Notes to Accounts | 30 | DSP MERRILL LYNCH OPPORTUNITIES FUND | |
| Statement of Portfolio Holding | 33 | Auditors' Report | 84 |
| DSP MERRILL LYNCH LIQUIDITY FUND | | Balance Sheet | 85 |
| Auditors' Report | 36 | Revenue Account | 86 |
| Balance Sheet | 37 | Cash Flow Statement | 87 |
| Revenue Account | 38 | Schedules | 88 |
| Cash Flow Statement | 39 | Notes to Accounts | 90 |
| Schedules | 40 | Statement of Portfolio Holding | 94 |
| Notes to Accounts | 42 | DSP MERRILL LYNCH SHORT TERM FUND | |
| Statement of Portfolio Holding | 46 | Auditors' Report | 96 |
| DSP MERRILL LYNCH BALANCED FUND | | Balance Sheet | 97 |
| Auditors' Report | 48 | Revenue Account | 98 |
| Balance Sheet | 49 | Cash Flow Statement | 99 |
| Revenue Account | 50 | Schedules | 100 |
| Schedules | 51 | Notes to Accounts | 102 |
| Notes to Accounts | 53 | Statement of Portfolio Holding | 106 |
| Statement of Portfolio Holding | 56 | DSP MERRILL LYNCH TOP 100 EQUITY FUND | |
| DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A | | Auditors' Report | 108 |
| Auditors' Report | 59 | Balance Sheet | 109 |
| Balance Sheet | 60 | Revenue Account | 110 |
| Revenue Account | 61 | Schedules | 111 |
| Schedules | 62 | Notes to Accounts | 113 |
| Notes to Accounts | 64 | Statement of Portfolio Holding | 116 |
| Statement of Portfolio Holding | 66 | | |



BULLISH ON LIFE

DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE

| | |
|--------------------------------|-----|
| Auditors' Report | 118 |
| Balance Sheet | 119 |
| Revenue Account | 120 |
| Schedules | 121 |
| Notes to Accounts | 123 |
| Statement of Portfolio Holding | 126 |

DSP MERRILL LYNCH FLOATING RATE FUND

| | |
|--------------------------------|-----|
| Auditors' Report | 129 |
| Balance Sheet | 130 |
| Revenue Account | 131 |
| Schedules | 132 |
| Notes to Accounts | 134 |
| Statement of Portfolio Holding | 137 |

UNIT HOLDER INFORMATION REPORT**From the Board of Directors, DSP Merrill Lynch
Trustee Company Private Limited****DSP MERRILL LYNCH MUTUAL FUND**

DSP Merrill Lynch Mutual Fund (DSPMLMF) was set up as a Trust by the Settlers, DSP Merrill Lynch Ltd. and Merrill Lynch Asset Management L.P now known as Merrill Lynch Investment Managers LP (MLIM) on 16th December, 1996 with DSP Merrill Lynch Trustee Company Pvt. Ltd. (the Trustee Company) as a Trustee in accordance with the provisions of the Indian Trust Act, 1882 and is duly registered under the Indian Registration Act, 1908. The Trustee has entered into an Investment Management Agreement dated 16th December, 1996 with DSP Merrill Lynch Investment Managers Ltd. now known as DSP Merrill Lynch Fund Managers Ltd. (the AMC) to function as the Investment Manager for all the Schemes of DSPMLMF. DSPMLMF was registered with SEBI on 30th January 1997.

DSP MERRILL LYNCH TRUSTEE COMPANY PRIVATE LIMITED

The Trustee is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unitholders. The Trustee has been discharging its duties and carrying out the responsibilities as provided in the Regulations and the Trust Deed. The Trustee seeks to ensure that the Fund and the Schemes floated thereunder are managed by the AMC in accordance with the Trust Deed, the Regulations, directions and guidelines issued by SEBI, the Stock Exchanges, Association of Mutual Funds in India and other regulatory agencies.

Directors of DSP Merrill Lynch Trustee Company Private Limited

- Mr. Shitin D. Desai – Mr. Desai is the Executive Vice-Chairman of DSP Merrill Lynch Ltd.
- Mr. S. S. Thakur - Mr. Thakur is currently the Chairman of the Central Depository Services (India) Ltd. and serves on the Board of Directors of various other companies.
- Ms. Tarjani Vakil – Ms. Vakil was the Chairperson and Managing Director of Export Import Bank of India from 1993 to 1996 and serves on the Board of Directors of various other companies.
- Mr. Andrew Holland: Mr. Holland is the Executive Vice President Research and Chief Administrative Officer of DSP Merrill Lynch Ltd.
- Mr. Ashok Mody: Mr. Mody is a designated Senior Advocate of the High court at Mumbai since 1982. He was a Judge of the High court at Mumbai for the years 1980 and 1981.

Directors of DSP Merrill Lynch Fund Managers Ltd.

- Mr. Hemendra M. Kothari – Mr. Kothari is the Chairman of DSP Merrill Lynch Ltd.
- Mr. Pradeep Dokania – Mr. Dokania is the Executive Vice President and head of Global Private Client Group of DSP Merrill Lynch Limited.
- Mr. K. R. V. Subrahmanian – Mr. Subrahmanian is a Management Consultant and is on the Board of various well-known corporates in India.
- Dr. Omkar Goswami – Dr. Goswami was the Chief Economist of the Confederation of Indian Industry (CII), India's largest industry and business association.
- Mr. Ranjan Pant - Mr. Pant is a global Management Consultant advising CEOs/Boards on Strategy and Change Management.
- Mr. David Graham: Mr. Graham is the Managing Director of Merrill Lynch Investment Managers based in London.
- Mr. John Thurlow: Mr. Thurlow was the Chief Administrative Officer of Merrill Lynch in the Asia Pacific Region. (ceased to be a Director w.e.f. March 5, 2004)

As on date, DSPMLMF has fourteen schemes namely DSP Merrill Lynch Bond Fund, DSP Merrill Lynch Equity Fund, DSP Merrill Lynch Liquidity Fund, DSP Merrill Lynch Balanced Fund, DSP Merrill Lynch Government Securities Fund,

DSP Merrill Lynch Technology.com Fund, DSP Merrill Lynch Opportunities Fund, DSP Merrill Lynch Short Term Fund, DSP Merrill Lynch Top 100 Equity Fund, DSP Merrill Lynch Savings Plus Fund - Moderate, DSP Merrill Lynch Floating Rate Fund DSP Merrill Lynch Savings Plus Fund – Aggressive, DSP Merrill Lynch Savings Plus Fund – Conservative and DSP Merrill Lynch India T.I.G.E.R. Fund (The Infrastructure Growth and Economic Reforms Fund) . All the fourteen Schemes are open ended and available for ongoing purchases.

Debt Market Review

Interest rates maintained a declining trend from April until October 2003, when the yield on the benchmark 10-year government security briefly dipped below 5%. Thereafter interest rates were range-bound until March 2004, although they displayed more volatility than in the past, with the benchmark yield moving largely in the 5% to 5.40% range. While foreign exchange reserves continued to grow robustly and liquidity remained ample, the market was increasingly concerned about the prospect of rising inflation, particularly resulting from stronger oil prices. However, the traditional tightness of liquidity normally expected in March turned out to be otherwise, and the bond market staged a smart rally on the back of ample liquidity and an appreciating rupee.

Equity Market Review

The stock market performed very well in the year under review. Rapid acceleration in economic growth, a significant turnaround in agriculture due to a good monsoon, a benign inflation rate and interest rate backdrop, together with ample systemic liquidity, contributed to sustained investor interest. FIIs hit an all-time high as institutional investors focused on attractive stock valuations in various sectors displaying strong fundamentals. Cyclical sectors did very well as did the banking, technology and pharmaceutical sectors. The re-rating of valuations was significantly more widespread across various sectors and therefore contributed to a sustained upturn in the stock market.

EQUITY FUNDS**DSP MERRILL LYNCH EQUITY FUND**

The primary investment objective of the Scheme is to seek to generate long term capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of issuers domiciled in India. Equity related securities include, but are not limited to, fully convertible debentures, partly convertible debentures, convertible preferred shares and warrants converting into equity securities. The Scheme may also invest a certain portion of its corpus in debt and money market securities, in order to meet liquidity requirements from time to time. There can be no assurance that the investment objective of the Scheme will be realized.

The investment manager conducts in-house research that focuses not only on the financial analysis of a company but also on factors such as the quality of managerial resources and the outlook for the industry.

The Fund was able to outperform its benchmark (the S&P CNX Nifty Index) during the past year due to its sector weightings in banking, oil & gas, technology, pharmaceuticals and cyclical, all of which attracted investor interest over the same period.

As of June 28, 2004 the net assets of the Fund were Rs. 68.56 crores.

DSP MERRILL LYNCH TECHNOLOGY.COM FUND

DSP Merrill Lynch Technology.com Fund focuses on investing in technology and technology dependent companies, including businesses relating to hardware, peripherals and components, software (products and services), telecom, telecommunications and media and entertainment, internet and E-commerce, and other technology enabled companies (e.g. transaction processing and call centers). The primary investment objective of the Scheme is to seek to generate long term capital appreciation and the secondary objective is income generation and the distribution of dividend from a portfolio constituted of equity and equity related securities concentrating on the investment focus of each Scheme. However, there can be no assurance that the investment objectives of the Schemes will be realized.

The Fund has performed well in the past year, relative to its benchmark (the BSE TECK Index). The Fund benefited from an increase in investor focus on the technology and telecommunications sectors, as a result of which valuations began to reflect the improving fundamentals. In recent quarters, the IT services sector, which enjoys the largest weighting in the Fund, has experienced improving volumes, an abatement in pricing pressure, and a more profitable revenue mix.

As of June 28, 2004 the net assets of the DSP Merrill Lynch Technology.com Fund were Rs. 21.42 crores.

DSP MERRILL LYNCH OPPORTUNITIES FUND

DSP Merrill Lynch Opportunities Fund focuses on responding to the dynamically changing Indian economy by moving its investments amongst different sectors such as the Lifestyle sector, Pharmaceuticals Sectors, Cyclical sector and Technology sector as prevailing trends change. This Scheme allows the Investment Manager to be highly concentrated in any of two or more Sectors. The Investment Manager may at any given time have a zero weightage in any or more of the sectors.

The investment objective of the Scheme is to seek to generate long term capital appreciation and the secondary objective is income generation and the distribution of dividend from a portfolio constituted of equity and equity related securities concentrating on the investment focus of the Scheme. However, there can be no assurance that the investment objectives of the Schemes will be realized.

The Fund has significantly outperformed its benchmark index (the S&P CNX Nifty Index) during the past year. Sectors that were in focus during the year included the banking, technology, oil & gas, pharmaceutical and cyclical sectors. The past year was characterised by robust economic growth, which triggered a substantial expansion in corporate earnings. Consequently, the market was significantly re-rated, aided by considerable FII inflows.

As of June 28, 2004 the net assets of the DSP Merrill Lynch Opportunities Fund were Rs. 591.91 crores.

DSP MERRILL LYNCH TOP100 EQUITY FUND

The primary investment objective of the Scheme is to generate capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of the 100 largest corporates by market capitalisation, listed in India

The Fund was able to benefit from an increased interest in large-cap stocks, as investors, particularly FIIs, sought to participate in India's rapid economic growth. The Fund performed well relative to its benchmark (the BSE 100 Index) in the past year. Sectors that received emphasis included banking, oil & gas, technology, pharmaceuticals and cyclical.

As of June 28, 2004 the net assets of the Fund were Rs. 100.94 crores.

HYBRID FUNDS

DSP MERRILL LYNCH BALANCED FUND

The primary investment objective of the Scheme is to seek to generate long-term capital appreciation and current income from a portfolio constituted of equity and equity related securities as well as fixed income securities (debt and money market securities). Equity related securities include, but are not limited to, fully convertible debentures, partly convertible debentures, convertible preference shares and warrants converting into equity securities. However, there can be no assurance that the investment objective of the Scheme will be realized.

The Fund has performed well relative to its benchmark (the CRISIL Balanced Fund Index) in the past year, not only because of its sector weights in pharmaceuticals, banking and technology, but also because of the dynamic allocation between the debt and equity components of its portfolio.

As of June 28, 2004 the net assets of the Fund were Rs. 137.03 crores.

DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE

The Scheme has been renamed as DSP Merrill Lynch Savings Plus Fund – Moderate (earlier DSP Merrill Lynch Savings Plus Fund). The objective of the Scheme is to generate attractive returns with prudent risk from a portfolio which is substantially constituted of quality debt securities. The Scheme will also seek to generate capital appreciation by investing a smaller portfolio of its corpus in equity and equity related securities of the 100 largest corporates, by market capitalization listed in India.

The Fund has been actively managing the equity component of the portfolio, in keeping with its prevailing outlook on the equity market. The debt component of the portfolio was largely invested in floating rate debt securities and shorter-tenor fixed rate corporate and government securities, in order to minimise the price risk that may arise from likely volatility in interest rates.

As of June 28, 2004 the net assets of the Fund was Rs. 697.58 crores.

FIXED INCOME FUNDS

DSP MERRILL LYNCH BOND FUND

The primary investment objective of the Scheme is to seek to generate an attractive return, consistent with prudent risk, from a portfolio which is substantially constituted of high quality debt securities of issuers domiciled in India and the secondary objective of the Scheme is to seek capital appreciation. The Scheme will also invest a certain portion of its corpus in money market securities, in order to meet liquidity requirements from time to time. There can be no assurance that the investment objective of the Scheme will be realized.

The Fund benefited from a continuing decline in interest rates as well as a contraction in credit spreads. Interest rates hit an all-time low, with the yield on the benchmark 10-year government bond briefly dipping below 5% in October 2003. With ample liquidity and a benign inflation rate, interest rates remained soft for most of the year.

As of June 28, 2004 the net assets of the Fund were Rs. 520.71 crores.

DSP MERRILL LYNCH LIQUIDITY FUND

The primary investment objective of the Scheme is to seek to generate a reasonable return commensurate with low risk and a high degree of liquidity, from a portfolio constituted of money market securities and high quality debt securities. However, there can be no assurance that the investment objective of the Scheme will be realized.

The Fund witnessed a significant increase in its size during the past year. Nevertheless, it continues to emphasise the same conservative approach with regard to credit risk and price risk as it has done in the past.

As of June 28, 2004 the net assets of the Fund were Rs. 2102.96 crores.

DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND

The primary investment objective of the Scheme is to seek to generate income through investments in Central Government Securities of various maturities. There are two Investment Plans offered under this Scheme viz. Plan A and Plan B. Plan A typically invests in long-term Government Securities with a residual maturity upto 30 years or more while Plan B typically invests in Government Securities with a residual maturity of upto 5 years.

The government securities market was characterised by a softening of interest rates in the first half of the year, with a similar trend in the second half, although accompanied by higher volatility. The average maturity profile of both investment plans (Plan A and Plan B) was actively managed, duly considering the prevailing interest rate environment and the price volatility exhibited by government securities.

As of June 28, 2004 the net assets of the Fund (including Plan A and Plan B) were Rs. 106.56 crores.

DSP MERRILL LYNCH SHORT TERM FUND

The primary investment objective of the Scheme is to generate income commensurate with prudent risk, from a portfolio constituting of money market securities, floating rate debt securities and debt securities.

The Fund benefited from the soft interest rate environment that prevailed for the better part of the year. Besides investing in fixed rate corporate bonds and government securities, the Fund also invested in securitised debt and floating rate debt securities.

As of June 28, 2004 the net assets of the Fund were Rs. 533.44 crores.

DSP MERRILL LYNCH FLOATING RATE FUND

The Scheme was open on May 12, 2003 for Initial Offer. Thereafter, it was reopened for subscription and redemption on May 14, 2003. The primary investment objective of the Scheme is to seek to generate income commensurate with prudent risk, from a portfolio substantially constituted of floating rate securities and fixed rate debt securities swapped for floating rate returns. The Scheme may also invest in fixed rate debt securities.

The Fund has invested in a variety of floating rate debt securities that are referenced to different interest rate benchmarks such as MIBOR, INBMK, etc. Investor interest in floating rate securities is beginning to increase with the perception that interest rates possibly cannot soften any further.

As of June 28, 2004 the net assets of the Fund were Rs. 1029.43 crores.

RETURNS FOR THE SCHEMES vis-à-vis BENCHMARK INDICES.

The Portfolio performance of the aforesaid schemes is given at page 7 to 10.

LAUNCH OF NEW SCHEMES:

The Fund has launched three new open ended schemes viz, DSP Merrill Lynch Savings Plus Fund – Aggressive (DSPMLSPFA), DSP Merrill Lynch Savings Plus Fund – Conservative (DSPMLSPFC) and DSP Merrill Lynch India T.I.G.E.R. Fund (DSPMLITF).

These schemes were launched on April 27, 2004 and were open for subscription between April 27, 2004 and May 25, 2004. Thereafter, these have been reopened for subscription and redemption on June 14, 2004.

DSPMLSPFA, DSPMLSPFC

Investment Objective of DSPMLSPFA and DSPMLSPFC is, to generate attractive returns with prudent risk from a portfolio which is substantially constituted of quality debt securities. The Scheme will also seek to generate capital appreciation by investing a smaller portfolio of its corpus in equity and equity related securities of the 100 largest corporates, by market capitalization listed in India. The only difference in the investment objective of the two schemes is the asset allocation to Debt and Money Market Instruments, as given below:

| Instrument | Indicate Allocation (DSPMLSPFA) | Indicate Allocation (DSPMLSPFC) |
|--------------------------------------|---------------------------------|---------------------------------|
| Debt and Market Securities | 70 % to 100 % | 90 % to 100 % |
| Equity and Equity Related Securities | 0 % to 30 % | 0 % to 10 % |

As of June 28, 2004 the net assets of DSPMLSPFA and DSPMLSPFC was Rs. 44.08 crores and Rs. 58.77 crores respectively.

DSPMLITF

Investment Objective of DSPMLITF is to seek to generate capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of corporates, which could benefit from structural changes brought about by continuing liberalization in economic policies by the Government and / or from continuing investments in infrastructure, both by the public and private sector.

As of June 28, 2004 the net assets of the Fund were Rs. 170.40 crores

FUTURE OUTLOOK

Debt Market Preview

With robust economic growth and the likelihood of an acceleration of credit growth in the quarters ahead, interest rates are likely to start edging upwards in the next few months. Additionally, we could expect a substantial uptick in inflation, on the back of stronger oil prices and a hardening of commodity prices.

Equity Market Preview

We expect the equity market to do well over the medium to long term, as the latent growth potential of India is unleashed. Rising investments in infrastructure should deliver growth in efficiency and higher productivity. The boom in consumption is likely to continue, backed by the easier availability of credit. On the external sector, India should benefit from a growing trend towards cost-effective outsourcing. All of these trends augur well for the stock market over the medium to long term.

Investor Services

In continuation of our philosophy to enhance services and facilities for our investors, we have expanded our reach during the year. We have opened a new office in Coimbatore and offices in Vadodara, Surat have been opened recently. Our registrars CAMS have also increased their reach to cater to investors of various cities and now have ISCs in 24 cities and transaction points in 20 locations.

We have started providing alerts via email and/or SMS to investors requesting for the same. These alerts are sent to investors based on the happening of a specific event. To add to the convenience in receiving dividends, facility of directly crediting the dividend proceeds to the investors' bank account has been started with select nine banks. We have revamped our website www.dspmlmutualfund.com and added various subscription facilities. Investors who wish to receive regular NAV/Dividend updates, Market outlook, fact sheets can visit the site and subscribe to these services.

We encourage the investors to provide with their valuable feedback via email on dspmlmf@ml.com or by calling us on our toll free number 1600 33 4499.

Distribution of Income

The fund has declared dividends in some of the Schemes during the Financial Year 2003-2004. Details are annexed and forms part of this Annual Report.

UNCLAIMED DIVIDENDS AND REDEMPTION AMOUNTS

Unclaimed Dividends

Based on the feed back received from the bankers to the dividend account, the amount of dividends declared and remaining unclaimed (for more than six months) as on the balance sheet date are as under:

| Scheme | Amount (Rs.) | No. of Unclaimed Drafts/Warrants |
|------------------------------------|------------------|----------------------------------|
| DSPML Bond Fund | 1,300,387 | 475 |
| DSPML Savings Plus Fund - Moderate | 55,129 | 25 |
| DSPML Equity Fund | 84,848 | 58 |
| DSPML GSec Fund Plan A | 9,346 | 1 |
| DSPML Balanced Fund | 134,526 | 35 |
| DSPML Opportunities Fund | 432,955 | 162 |
| DSPML Short Term Fund | 1,232 | 1 |
| DSPML Top 100 Equity Fund | 785 | 2 |
| Grand Total | 2,019,208 | 759 |

Unclaimed Redemptions

The amount of redemptions remaining unclaimed are as under:

| Scheme | Amount (Rs.) | No. of Unclaimed Drafts/Warrants |
|---------------------------|----------------|----------------------------------|
| DSPML Balanced Fund | 79,315 | 5 |
| DSPML Bond Fund | 61,102 | 6 |
| DSPML Equity Fund | 74,199 | 7 |
| DSPML Opportunity Fund | 55,170 | 3 |
| DSPML Technology.com Fund | 36,053 | 8 |
| Grand Total | 305,839 | 29 |

LARGE HOLDING IN THE SCHEMES (I.E. IN EXCESS OF 25% OF THE NET ASSETS)

As on 31st March, 2004, DSP Merrill Lynch Government Securities Fund Plan B had one investor holding 59.00 % of the net assets of the scheme.

STATUTORY DETAILS

The sponsor, trustee and investment manager to the fund are DSP Merrill Lynch Ltd. DSP Merrill Lynch Trustee Company Pvt. Ltd. and DSP Merrill Lynch Fund Managers Ltd. respectively. The sponsor is not responsible or liable for any loss resulting from the operation of the scheme beyond the initial contribution of Rs. 1 lakh towards setting up the fund and such other accretions / additions to same.

The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.

On written request, present and prospective unit holder/investor can obtain copy of the trust deed, the annual report of the Fund /AMC at a price and the text of the relevant scheme.

For DSP Merrill Lynch Trustee Co. Pvt. Ltd.

Shitin D. Desai
Chairman

Place: Mumbai
Date: 05th July 2004

PORTFOLIO PERFORMANCE

Note: Past Performance may or may not be sustained in future and should not be used as a basis for comparison with other investments

EQUITY FUNDS

DSPML EQUITY FUND

| Period | DSPML Equity Fund# | S&P CNX Nifty** |
|--------------------|--------------------|-----------------|
| Last 1 year | 132.79% * | 80.85% |
| Last 3 years | 30.68% * | 15.53% |
| Last 5 years | 13.77% * | 10.44% |
| Since inception*** | 21.26% | 7.74% |

Assumes reinvestment of dividend at net asset value on the ex-dividend date.

* The "Returns" shown above are based on changes in net asset values for the periods shown and assume reinvestment of dividend at net asset value on the ex-dividend date. The "Returns" shown above do not take into account the entry load. Hence, actual "Returns" would be lower than those shown above.

** S&P CNX Nifty index as on 31-Mar -04 was 1771.90.

*** Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 29-Apr-97.

DSPML TECHNOLOGY.COM FUND

| Period | DSPML Technology.com Fund | BSE TECK Index** |
|--------------------|---------------------------|------------------|
| Last 1 year | 77.79%* | 54.53% |
| Last 3 years | 23.07%* | 4.26% |
| Since inception*** | -7.51% | -14.98% |

* The "Returns" shown above do not take into account the entry load. Hence, actual "Returns" would be lower than those shown above.

** BSE TECK Index as on 31-Mar-04 was 1157.95.

*** Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 16-May -00.

DSPML OPPORTUNITIES FUND

| Period | DSPML - Opportunities Fund Growth Option | S&P CNX Nifty** |
|--------------------|--|-----------------|
| Last 1 year | 143.35%* | 80.85% |
| Last 3 years | 40.52% * | 15.53% |
| Since inception*** | 19.47% | 8.17% |

* The "Returns" shown above do not take into account the entry load. Hence, actual "Returns" would be lower than those shown above.

** S&P CNX Nifty index as on 31-Mar -04 was 1771.90.

*** Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 16-May -00.

Note: Past Performance may or may not be sustained in future and should not be used as a basis for comparison with other investments

EQUITY FUNDS *Continued:*

DSPML TOP100 EQUITY FUND

| Period | DSPML Top 100 Equity Fund - Growth Option | BSE 100* |
|-------------------|---|----------|
| Last 1 year | 129.43% | 97.29% |
| Since inception** | 110.00% | 84.81% |

* BSE 100 Index as on 31-Mar-04 was 2966.31.

** Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 10-Mar-03.

HYBRID FUNDS

DSPML BALANCED FUND

| Period | DSPML Balanced Fund - Growth Option | CRISIL Balanced Fund Index** |
|------------------|-------------------------------------|------------------------------|
| Last 1 year | 79.63% | 52.01% |
| Last 3 years | 25.48% | NA# |
| Since inception* | 13.02% | NA# |

* Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 27-May -99.

** CRISIL Balanced Fund Index as on 31 March 2004 was 1450.46

Since historical data for the adopted benchmark (CRISIL Balanced Fund Index) is not available, performance has not been compared.

DSPML SAVINGS PLUS FUND - MODERATE

| Period | DSPML Savings Plus Fund - Moderate - Growth Option | CRISIL MIP Blended Index* |
|-------------------|--|---------------------------|
| Last 1 year | 17.44% | 18.50% |
| Since inception** | 16.40% | 17.84% |

* CRISIL MIP Blended Index as on 31 March 2004 was 1266.97

** Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 10-Mar-03.

Note: Past Performance may or may not be sustained in future and should not be used as a basis for comparison with other investments

FIXED INCOME FUNDS

DSPML BOND FUND

Retail Plan

| Period | DSPML Bond Fund –Retail Plan Growth Option | CRISIL Composite Bond Fund Index*** |
|------------------|--|-------------------------------------|
| Last 1 year | 8.55% | 8.80% |
| Last 3 years | 12.62% | NA# |
| Last 5 years | 12.63% | NA# |
| Since inception* | 12.68% | NA# |

Institution Plan

| Period | DSPML Bond Fund – Institutional Plan Growth Option | CRISIL Composite Bond Fund Index*** |
|-------------------|--|-------------------------------------|
| Last 1 year | 9.45% | 8.80% |
| Since inception** | 10.03% | 9.26% |

* Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 29-Apr-97.

** Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 10-Mar-03.

*** CRISIL Composite Bond Fund Index as on 31 March 2004 was 1206.78

Since historical data for the adopted benchmark (CRISIL Composite Bond Fund Index) is not available, performance has not been compared.

DSPML LIQUIDITY FUND

| Period | DSPML Liquidity Fund – Growth Option | CRISIL Liquid Fund Index** |
|------------------|--------------------------------------|----------------------------|
| Last 1 year | 5.06% | 4.34% |
| Last 3 years | 6.44% | NA# |
| Last 5 years | 7.30% | NA# |
| Since inception* | 7.46% | NA# |

* Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 11-Mar -98.

** CRISIL Liquid Fund Index as on 31-Mar -04 was 1106.74.

Since historical data for the adopted benchmark (CRISIL Liquid Fund Index) is not available, performance has not been compared.

Note: Past Performance may or may not be sustained in future and should not be used as a basis for comparison with other investments

FIXED INCOME FUNDS *Continued:*

DSPML SHORT TERM FUND

| Period | DSPML Short Term Fund - Growth Option | CRISIL Liquid Fund Index** |
|------------------|---------------------------------------|----------------------------|
| Last 1 year | 6.58% | 4.34% |
| Since inception* | 6.91% | 4.66% |

* Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 09-Sep-02.

** CRISIL Liquid Fund Index as on 31-Mar-04 was 1106.74

DSPML GOVERNMENT SECURITIES FUND PLAN A (LONGER DURATION)

| Period | Longer Duration Plan – Growth Option | Long ICICI Securities Sovereign Bond Index** |
|------------------|--------------------------------------|--|
| Last 1 year | 10.78% | 14.93% |
| Last 3 years | 19.26% | 24.27% |
| Since Inception* | 18.27% | 21.95% |

DSPML GOVERNMENT SECURITIES FUND PLAN B (SHORTER DURATION)

| Period | Shorter Duration Plan – Growth Option | Short ICICI Securities Sovereign Bond Index*** |
|------------------|---------------------------------------|--|
| Last 1 year | 6.44% | 7.83% |
| Last 3 years | 8.08% | 9.39% |
| Since Inception* | 8.96% | 10.38% |

* Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 30-Sep-99.

** Long ICICI Securities Sovereign Bond Index as on 31-Mar -04 was 4582.65.

*** Short ICICI Securities Sovereign Bond Index as on 31-Mar -04 was 2505.28.

DSPML FLOATING RATE FUND

| Period | DSPML Floating Rate – Growth Option | CRISIL Liquid Fund Index** |
|------------------|-------------------------------------|----------------------------|
| Since inception* | 4.41% | 3.63% |

* Note: As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 13-May-03.

** CRISIL Liquid Fund Index as on 31-Mar -04 was 1106.74

Return percentage reported above is absolute return figure since the Scheme has not completed more than one year since the date of allotment.

DIVIDEND DECLARED IN 2003-2004:**EQUITY FUNDS**

| Record date | Dividend Rs. / unit |
|-----------------------------------|---------------------|
| DSPML EQUITY FUND * | |
| 30-Jun-03 | 0.80 |
| 19-Dec-03 | 4.00 |
| 26-Mar-04 | 4.00 |
| Total | 8.80 |
| DSPML OPPORTUNITIES FUND * | |
| 07-Oct-03 | 1.30 |
| 16-Jan-04 | 3.00 |
| Total | 4.30 |
| DSPML TOP100 EQUITY FUND * | |
| 30-Jun-03 | 0.80 |
| 10-Nov-03 | 3.00 |
| 10-Feb-04 | 3.00 |
| Total | 6.80 |

HYBRID FUNDS

| Record date | Dividend Rs. / unit |
|---|---------------------|
| DSPML BALANCED FUND * | |
| 07-Oct-03 | 1.15 |
| Total | 1.15 |
| DSPML SAVINGS PLUS FUND - MODERATE: Quarterly ** | |
| 27-Jun-03 | 0.200 |
| 26-Sep-03 | 0.350 |
| 26-Dec-03 | 0.340 |
| 26-Mar-04 | 0.225 |
| Total | 1.115 |
| DSPML SAVINGS PLUS FUND - MODERATE: Monthly ** | |
| 27-Jun-03 | 0.200 |
| 28-Jul-03 | 0.120 |
| 28-Aug-03 | 0.110 |
| 26-Sep-03 | 0.120 |
| 28-Oct-03 | 0.100 |
| 28-Nov-03 | 0.120 |
| 26-Dec-03 | 0.120 |
| 28-Jan-04 | 0.140 |
| 27-Feb-04 | 0.055 |
| 26-Mar-04 | 0.033 |
| Total | 1.118 |

FIXED INCOME FUNDS

| Record date | Dividend Rs. / unit |
|--|---------------------|
| DSPML BOND FUND: Retail ** | |
| 16-Apr-03 | 0.66 |
| 16-Jul-03 | 0.30 |
| 30-Sep-03 | 0.16 |
| 29-Dec-03 | 0.25 |
| 29-Mar-04 | 0.16 |
| Total | 1.53 |
| DSPML BOND FUND: Institutional ** | |
| 16-Jul-03 | 0.30 |
| 30-Sep-03 | 0.16 |
| 29-Dec-03 | 0.25 |
| 29-Mar-04 | 0.16 |
| Total | 0.87 |

DSPML LIQUIDITY FUND: Weekly **
During the F.Y.03-04 0.551761

DSPML LIQUIDITY FUND: Daily **
(introduced on May 05, 2003)
During the F.Y.03-04 0.387413

DSPML GOVERNMENT SECURITIES FUND PLAN A: Dividend **

| | |
|--------------|-------------|
| 16-Apr-03 | 1.10 |
| 29-Sep-03 | 0.75 |
| 29-Mar-04 | 0.32 |
| Total | 2.17 |

DSPML GOVERNMENT SECURITIES FUND PLAN A: Monthly **
(introduced on January 27, 2004)

| | |
|--------------|-------------|
| 26-Mar-04 | 0.05 |
| Total | 0.05 |

DSPML GOVERNMENT SECURITIES FUND PLAN B: Dividend **

| | |
|--------------|-------------|
| 16-Apr-03 | 0.32 |
| 29-Sep-03 | 0.13 |
| 29-Mar-04 | 0.20 |
| Total | 0.65 |

DSPML SHORT TERM FUND: Dividend **

| | |
|--------------|---------------|
| 16-Apr-03 | 0.2837 |
| 16-Jul-03 | 0.1550 |
| 29-Sep-03 | 0.1250 |
| 29-Dec-03 | 0.1250 |
| 29-Mar-04 | 0.1000 |
| Total | 0.7887 |

FIXED INCOME FUNDS

Record date Dividend Rs. / unit

DSPML SHORT TERM FUND: Weekly **

(introduced on May 05, 2003)

| | |
|-----------------------|---------|
| During the F.Y. 03-04 | 0.37384 |
|-----------------------|---------|

DSPML FLOATING RATE FUND: Dividend **

(scheme launched on May 12, 2003)

| | |
|--------------|---------------|
| 16-Jul-03 | 0.0750 |
| 29-Sep-03 | 0.0850 |
| 29-Dec-03 | 0.1100 |
| 29-Mar-04 | 0.1100 |
| Total | 0.3800 |

DSPML FLOATING RATE FUND: Weekly **

(scheme launched on May 12, 2003)

| | |
|-----------------------|----------|
| During the F.Y. 03-04 | 0.375247 |
|-----------------------|----------|

Note:

1. EQUITY SCHEMES *

Post declaration of the dividend, the NAV of the Scheme will fall to the extent of the dividend payout.

2. DEBT SCHEMES **

Post declaration of the dividend, the NAV of the Scheme will fall to the extent of the dividend payout and distribution tax and surcharge.

3. All dividends are calculated on a face value of Rs. 10 per unit. Past performance may or may not sustain in future.

4. In case of Weekly Dividend and Daily Dividend Options, consolidated amount of dividend declared during the Financial Year 2003-2004 is reported.

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BOND FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – BOND FUND

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – BOND FUND ('the Scheme') as at March 31, 2004 and also the revenue account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet, revenue account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').
 - iv. In our opinion, and on the basis of information and explanations given to us, the methods used to value non traded securities as at March 31, 2004 in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board Of India as applicable and approved by the Board of Directors of DSP Merrill Lynch Trustee Co. Pvt. Ltd., are fair and reasonable.

- v. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004;
 - b) in the case of the revenue account, of the surplus for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BOND FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|------------------------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 4,945,626,101 | 7,577,304,663 |
| Reserves & Surplus | 2 | 3,497,091,276 | 6,372,498,032 |
| Current Liabilities and Provisions | 3 | 97,645,460 | 248,595,745 |
| | | 8,540,362,837 | 14,198,398,440 |
| ASSETS | | | |
| Investments | 4 | 7,840,592,361 | 13,285,822,751 |
| Deposits | 5 | 14,800,000 | 274,500,000 |
| Other Current Assets | 6 | 684,970,476 | 638,075,689 |
| | | 8,540,362,837 | 14,198,398,440 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BOND FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Interest | 7 | 962,543,365 | 1,202,331,297 |
| Profit on sale/redemption of investments (net) | | 498,311,225 | 569,272,723 |
| Profit on inter-scheme sale of Investments | | 40,178,973 | 46,260,281 |
| | | 1,501,033,563 | 1,817,864,301 |
| EXPENSES & LOSSES | | | |
| Management fees | | 129,801,193 | 149,782,014 |
| Transfer agents fees & expenses | | 18,908,569 | 19,068,857 |
| Custodian Fees & Transaction charges | | 2,219,490 | 2,344,094 |
| Trusteeship fees | | 498,600 | 684,672 |
| Marketing expenses | | 64,971,764 | 73,976,681 |
| Payment to Auditor | | | |
| Audit fees | | 1,028,000 | 1,120,000 |
| Other matters including reimbursement of expenses | | 22,700 | 92,276 |
| Other operating expenses | | 1,485,302 | 2,100,305 |
| | | 218,935,618 | 249,168,899 |
| Excess of income and gains over expenses and losses | | 1,282,097,945 | 1,568,695,402 |
| Add / (Less): Income equalisation account | | (347,111,104) | (243,031,757) |
| Income available for appropriation | | 934,986,841 | 1,325,663,645 |
| Appropriation | | | |
| Income Distributed during the year | | 326,000,717 | 56,053,747 |
| Tax on income distributed during the year | | 41,768,842 | - |
| Retained Surplus carried forward to Balance sheet | | 567,217,282 | 1,269,609,898 |

Notes to Accounts

8

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah

Partner

Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai

Chairman

S. S. Thakur

Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari

Chairman

K R V Subrahmanian

Director

**Naganath Sundaresan
Chief Investment Officer**

**Dhawal Dalal
Fund Manager**

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BOND FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

| | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|---|------------------------------------|------------------------------------|
| A. Cashflow from Operating Activity | | |
| Excess of income and gains over expenses and losses | 1,282,097,945 | 1,568,695,402 |
| Operating Profit Before Working Capital Changes | 1,282,097,945 | 1,568,695,402 |
| Adjustments for:- | | |
| (Increase)/Decrease in Other Current Assets | (88,984,913) | 998,771,619 |
| (Increase)/Decrease in Money Market Lending (Deposits) | 118,700,000 | (133,500,000) |
| (Increase)/Decrease in Investments | 5,360,658,311 | (1,446,246,517) |
| Increase/(Decrease) in Current Liabilities and Provisions | (67,195,889) | 59,530,034 |
| Net Cash Generated From Operations | (A) 6,605,275,454 | 1,047,250,538 |
| B. Cashflow from Financing Activities | | |
| Increase/(Decrease) in Unit Corpus | (2,631,678,562) | (1,741,474,396) |
| Increase/(Decrease) in Unit Premium | (3,705,163,063) | (155,642,942) |
| Outstanding Receivable/Payables for Unit Corpus | (104,549,448) | 178,187,908 |
| Dividend Paid during the year (including dividend tax paid) | (348,825,501) | (75,961,337) |
| Net Cash Used in Financing Activities | (B) (6,790,216,574) | (1,794,890,767) |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (A+B) (184,941,120) | (747,640,229) |
| Cash and Cash Equivalents as at the beginning of the year | 240,214,314 | 987,854,543 |
| Cash and Cash Equivalents as at the close of the year | 55,273,194 | 240,214,314 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (184,941,120) | (747,640,229) |
| Components of cash and cash equivalents | | |
| With Banks - on current account | 55,273,194 | 99,214,314 |
| Money at Call with Institutions | - | 141,000,000 |
| | 55,273,194 | 240,214,314 |

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BOND FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

Schedule

| 1 | UNIT CAPITAL | As at 31.03.2004 | | As at 31.03.2003 | |
|---|--|-----------------------------|------------------------|-----------------------------|-----------------------|
| | | Units | Rupees | Units | Rupees |
| | Issued and subscribed: | | | | |
| | Units of Rs. 10 each fully paid up | | | | |
| | Opening Balance | 757,730,466.287 | 7,577,304,663 | 931,877,905.897 | 9,318,779,059 |
| | Initial Public Offer for Institution Plan | - | - | 25,045,500.000 | 250,455,000 |
| | Capital issued during the year | 903,950,912.809 | 9,039,509,129 | 735,472,691.965 | 7,354,726,920 |
| | | 1,661,681,379.096 | 16,616,813,792 | 1,692,396,097.862 | 16,923,960,979 |
| | Redemptions during the year | 1,167,118,769.116 | 11,671,187,691 | 934,665,631.575 | 9,346,656,316 |
| | Unit Capital at the end of the year | 494,562,609.980 | 4,945,626,101 | 757,730,466.287 | 7,577,304,663 |
| | Retail: Growth Plan | 255,659,138.360 | 2,556,591,384 | 560,277,269.650 | 5,602,772,697 |
| | Retail: Dividend Plan | 88,730,384.860 | 887,303,849 | 103,918,404.695 | 1,039,184,047 |
| | Institution: Growth | 125,639,653.381 | 1,256,396,534 | 53,434,379.814 | 534,343,798 |
| | Institution: Dividend | 24,533,433.379 | 245,334,334 | 40,100,412.128 | 401,004,121 |
| | Unit Capital at the end of the year | 494,562,609.980 | 4,945,626,101 | 757,730,466.287 | 7,577,304,663 |
| | | | | | |
| | 2 RESERVES AND SURPLUS | | | | |
| | Unit Premium Reserve | | | | |
| | Opening balance | | 1,594,665,805 | | 1,507,276,990 |
| | Net premium on issue / redemption of units during the year | | (3,705,163,063) | | (155,642,942) |
| | Transfer from / (to) Income Equalisation Account | | 347,111,104 | | 243,031,757 |
| | Closing balance | | (1,763,386,154) | | 1,594,665,805 |
| | Retained Surplus | | | | |
| | Opening balance | | 4,560,986,383 | | 3,291,376,485 |
| | Add: Surplus transferred from Revenue Account | | 567,217,282 | | 1,269,609,898 |
| | Closing balance | | 5,128,203,665 | | 4,560,986,383 |
| | Unrealised Appreciation on Investments | | | | |
| | Opening balance | | 216,845,844 | | 164,816,471 |
| | Less: Reversed during the year | | (216,845,844) | | (164,816,471) |
| | Add: Unrealised appreciation as at year end | | 132,273,765 | | 216,845,844 |
| | Closing balance | | 132,273,765 | | 216,845,844 |
| | | | | | |
| | | | 3,497,091,276 | | 6,372,498,032 |
| | | | | | |
| | 3 CURRENT LIABILITIES & PROVISIONS | | | | |
| | Sundry creditors | | 12,540,575 | | 79,219,269 |
| | Payable for units repurchased | | 63,976,336 | | 166,674,790 |
| | Distributed income payable | | 18,953,328 | | 9,270 |
| | Unclaimed redemptions / distributed income | | 1,653,636 | | 1,688,390 |
| | Other liabilities | | 521,585 | | 1,004,026 |
| | | | 97,645,460 | | 248,595,745 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BOND FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|-------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Government Securities | 2,621,105,269 | 2,648,140,000 | 4,037,489,182 | 4,112,000,000 |
| Bonds & Debentures | | | | |
| Listed or awaiting listing | 3,653,186,155 | 3,721,455,044 | 4,107,815,209 | 4,206,680,674 |
| Private placement/Unlisted | 1,434,027,172 | 1,470,997,317 | 4,923,672,516 | 4,967,142,077 |
| | 7,708,318,596 | 7,840,592,361 | 13,068,976,907 | 13,285,822,751 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with : | | |
| - Institutions | - | 141,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 14,800,000 | 133,500,000 |
| | 14,800,000 | 274,500,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current account | 55,273,194 | 99,214,314 |
| Receivable for Units sold | 7,627,328 | 5,776,334 |
| Contracts for sale of investments | - | 115,450,992 |
| Collateralised Lending (Reverse Repurchase transactions) | 352,002,907 | - |
| Outstanding and accrued income | 268,974,656 | 416,541,658 |
| Tax deducted at source | 1,092,391 | 1,092,391 |
| | 684,970,476 | 638,075,689 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|------------------------------------|------------------------------------|
| Call and term deposits | 2,290,654 | 12,115,225 |
| Collateralised Lending (Reverse Repurchase transactions) | 26,485,075 | 44,340,064 |
| Govt. Securities, Bonds and Debentures | 932,625,088 | 1,141,455,321 |
| CCIL Margin & others | 1,142,548 | 4,420,687 |
| | 962,543,365 | 1,202,331,297 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BOND FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8**NOTES TO ACCOUNTS****1. Organisation**

DSP Merrill Lynch Bond Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML) The Scheme was launched on April 7, 1997 and was open for subscription between April 7, 1997 and April 15, 1997. Thereafter, it was reopened for subscription and redemption on May 2, 1997.

The objective of the Scheme is to primarily generate attractive returns, consistent with prudent risk, from a portfolio of high quality debt securities of issuers domiciled in India.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies**2.1 Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments**a) Accounting for investment transactions**

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable, excluding custodian transaction charges. The front-end fee receivable, if any, is reduced from the cost of such investment.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities**Debt Securities**

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation or one day prior to the valuation date.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities**II.I Debt Securities of upto 182 Days to Maturity**

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the instrument.

II.II Debt Securities of over 182 Days to Maturity

Non traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options**V.I Securities with Call option**

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

V.II Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and

valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

V.III. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Contingent Deferred Sales Charge

The Contingent Deferred Sales Charge collected is utilised for meeting the selling and distribution expenses.

3. Settlement Guarantee Fund (SGF)

During the year, the Scheme has pledge towards SGF following Central Government dated Securities with the Clearing Corporation of India Limited:

| Security | Face Value (rupees) | Period |
|-----------------|---------------------|--------------------------|
| 08.07% CGL 2017 | 200,000,000 | 18/06/2003 to 04/12/2003 |
| 07.40% CGL 2012 | 200,000,000 | 03/12/2003 to 31/03/2004 |

4. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at an annual rate of 1.25 per cent of the Scheme's daily net asset value upto Rs. 100 crores and at an annual rate of 1 per cent on daily net assets above Rs.100 crores. Investment management fee for Institutional Plan has been charged at an annual rate of 0.50 per cent on daily net assets.

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

5. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11)% | Outstanding as at March 31, 2004 at Market/Fair Value |
|-----------------------------|------------------------------------|--|---|
| Bharti Cellular Ltd. @ | LF | - | 5.34 |
| Export Import Bank of India | LF,STF | 5.05 | 15.22 |
| Finolex Cables Ltd. | FRF | - | 3.39 |
| HDFC Ltd. | LF,BAF,STF,SPF | - | 25.36 |
| Hindalco Ltd. | LF,BF | - | 5.46 |
| ICICI Bank Ltd. @ | LF,STF | 19.94 | 10.99 |
| IDBI @ | LF,STF,GSF,FRF | 202.55 | 66.49 |
| IDFC | LF,GSF,STF,FRF | - | 21.54 |
| Punjab National Bank | LF,STF,TEF | 16.75 | 16.77 |
| State Bank of India | OF | 6.30 | 47.93 |

% - Includes interscheme Investment, @ - Including investment in subsidiaries

*BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth. Further, investments in bonds issued by the aforesaid companies would yield attractive returns commensurate with the risks associated with the issuer.

- The aggregate value of investments purchased and sold (including redeemed) during the year were Rs. 39,340,909,602 (previous year Rs. 51,230,931,596) and Rs. 45,229,997,880 (previous year Rs. 50,433,464,221) respectively being 285.23 % (previous year 346.06 %) and 327.93 % (previous year 340.67 %) respectively of the average daily net assets.

6. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|----------------------------------|---------------------------------|
| Payment of Brokerage for Distribution and Sale of Units | | |
| • DSP Merrill Lynch Ltd. | 25,066,528 | 35,439,150 |
| • ING Vysya Financial Services Ltd. | 462,843 | 409,176 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers | | |
| • DSP Merrill Lynch Ltd. | 300,000,000 | 1,819,163,346 |

7. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|-------------------------------------|------------------------------------|
| Net Income as per Revenue Account | 934,986,841 | 1,325,663,645 |
| Add: Balance of undistributed income as at the beginning of the year | 4,560,986,383 | 3,291,376,485 |
| Less: Unrealised appreciation on investments included in the undistributed income as the beginning of the year | - | - |
| Less: Distributed to unitholders & distribution tax | 367,769,559 | 56,053,747 |
| Balance Distributable income | 5,128,203,665 | 4,560,986,383 |

8. Segment Information

The Scheme operates only in one segment viz. to primarily generate attractive returns, consistent with prudent risk, from a portfolio of high quality debt securities of issuers domiciled in India.

9. Related Party Disclosure pursuant to Accounting Standard 18 issued by The Institute of Chartered Accountants of India

The following are the related parties by control:

- DSP Merrill Lynch Fund Managers Ltd (AMC)
- DSP Merrill Lynch Trustee Company Private Limited (Trustee Company)
- Key Management Personnel:
 - Mr. Alok Vajpeyi – President
 - Mr. Naganath Sundaresan – Chief Investment Officer and Joint President
 - Mr. Dhawal Dalal – Fund Manager
 - Mr. Pankaj Sharma – Risk Manager
- Associates
 - DSP Merrill Lynch Limited (DSPML)
 - Merrill Lynch Holding (Mauritius)

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2004 and March 31, 2003 and for the years then ended are presented in the following table:-

Figures in Rupees

| | Management Fees | Brokerage on Unit Distribution (Refer Note) | Trustee Fee | Call and Repending (Interest received) | Value of Units Purchased (at transaction NAVs) | Value of Units Redeemed (at transaction NAVs) | Year-end Outstanding Units (valued at last declared NAV) | Year-end Other Payables |
|---------------------------------|--------------------|---|----------------|---|--|---|--|-------------------------|
| AMC | | | | | | | | |
| 2003-2004 | 129,801,193 | - | - | - | 72,500,000 | - | 70,243,787 | 6,432,358 |
| 2002-2003 | 149,782,014 | - | - | - | 130,000,000 | 139,818,938 | - | 12,218,346 |
| Trustee Company | | | | | | | | |
| 2003-2004 | - | - | 498,600 | - | - | - | - | 182,728 |
| 2002-2003 | - | - | 684,672 | - | - | - | - | 295,712 |
| Associates | | | | | | | | |
| <u>DSPML</u> | | | | | | | | |
| 2003-2004 | - | 25,066,528 | - | 159,500,000 (interest recd. Rs. 38,595) | - | - | - | 1,050,118 |
| 2002-2003 | - | 35,439,150 | - | 2,516,645,167 (interest recd. Rs. 654,146) | 253,203,509 | 525,570,605 | - | 6,983,701 |
| Key Management Personnel | | | | | | | | |
| <u>Alok Vajpeyi</u> | | | | | | | | |
| 2003-2004 | - | - | - | - | - | - | - | - |
| 2002-2003 | - | - | - | - | 1,000,000 | 999,471 | - | - |
| <u>Nagnath S</u> | | | | | | | | |
| 2003-2004 | - | - | - | - | - | - | - | - |
| 2002-2003 | - | - | - | - | 1,200,000 | 1,281,070 | - | - |
| Grand Total | | | | | | | | |
| 2003-2004 | 129,801,193 | 25,066,528 | 498,600 | 159,500,000 (interest recd. Rs. 38,595) | 72,500,000 | - | 70,243,787 | 7,665,204 |
| 2002-2003 | 149,782,014 | 35,439,150 | 684,672 | 2,516,645,167 (interest recd. Rs. 654,146) | 385,403,509 | 667,670,084 | - | 19,497,759 |

Note: Payment of Brokerage on unit distribution is made by the AMC and the year end balance is reflected in the books of the AMC.

10. Prior Year Comparatives

Prior year figures have been reclassified, wherever necessary, to conform to current years' presentation.

11. Contingent Liability: Nil

12. Large holdings in the Scheme (over 25% of the NAV of the Scheme): Nil

13. Perspective Historical per Unit Statistics

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | | Rupees March 31, 2002* | |
|---|--------------------------|----------------------|--------------------------|----------------------|---------------------------|-----------------|
| a. Net asset value, At the end of the period: | | | | | | |
| Retail Growth Plan | 22.8567 | | 21.0507 | | 18.8300 | |
| Retail Dividend Plan | 10.8407 | | 11.6447 | | 10.7900 | |
| Institution Growth Plan | 10.0671 | | 10.1092 | | - | |
| Institution Dividend Plan | 10.0605 | | 10.1092 | | - | |
| b. Gross Income | | | | | | |
| (i) Income other than profit on sale of investment | 1.9463 | | 1.5868 | | 1.2800 | |
| (ii) Income from profit on inter scheme sales/transfer of investment | 0.0812 | | 0.0611 | | - | |
| (iii) Income from profit / (loss) on sale of investment to third party | 1.0076 | | 0.7513 | | 0.9500 | |
| (iv) Transfer to revenue account Income from past year' reserve | - | | - | | - | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.4428 | | 0.3289 | | 0.2200 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 2.5923 | | 2.0703 | | 2.0100 | |
| e. Unrealised appreciation/(depreciation) in value of investments | 0.2675 | | 0.2862 | | 0.1800 | |
| f. Repurchase and Resale Price | Growth | Dividend | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | | | |
| | Retail | | Retail | | | |
| -Highest Price | 22.7196 | 11.7429 | 21.1670 | 11.7025 | 18.7900 | 11.4100 |
| -Lowest Price | 20.9486 | 10.7716 | 18.5100 | 10.6100 | 15.9900 | 10.6200 |
| | Institutional | | Institutional | | | |
| -Highest Price | 11.0671 | 10.4983 | 10.1092 | 10.1092 | - | |
| -Lowest Price | 10.1261 | 10.0572 | 10.0124 | 10.0124 | - | |
| Resale Price | | | | | | |
| | Retail | | Retail | | | |
| -Highest Price | 22.8567 | 11.8138 | 21.2948 | 11.7731 | 18.7900 | 11.4100 |
| -Lowest Price | 21.0750 | 10.8366 | 18.6200 | 10.6700 | 15.9900 | 10.6200 |
| | Institutional | | Institutional | | | |
| -Highest Price | 11.0671 | 10.4983 | 10.1092 | 10.1092 | - | |
| -Lowest Price | 10.1261 | 10.0572 | 10.0124 | 10.0124 | - | |
| g. Ratio of expenses to average Daily net assets by percentage | Retail | Institutional | Retail | Institutional | | |
| | 1.69% | 0.98% | 1.68% | 0.91% | | 1.71% |
| h. Ratio of gross income to average daily Net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation/depreciation on investments) | | | | | | |
| | | 11.84% | | 13.74% | | 18.51% |

*Net Asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes:

1. The highest and lowest repurchase price of the units of the Scheme has been determined after reducing from the highest and lowest declared NAV, the maximum CDSC applicable.
2. The per unit calculations are based on the number of units outstanding at the end of the financial year.
3. P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH BOND FUND
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE INSTRUMENT | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|--|--------|-----------|--------------------------|-----------------|
| CENTRAL GOVERNMENT SECURITIES | | | | | |
| 1 | 09.81% GOI 2013 | SOV | 2,500,000 | 334,125,000 | 3.96% |
| 2 | 07.49% GOI 2017 | SOV | 3,000,000 | 356,190,000 | 4.22% |
| 3 | 08.07 % GOI 2017 | SOV | 2,000,000 | 248,740,000 | 2.95% |
| 4 | 07.40 % GOI 2012 | SOV | 9,500,000 | 1,094,210,000 | 12.96% |
| 5 | 06.25 % GOI 2018 | SOV | 3,000,000 | 321,750,000 | 3.81% |
| 6 | 07.37 % GOI 2014 | SOV | 2,500,000 | 293,125,000 | 3.47% |
| CENTRAL GOVERNMENT SECURITIES | | | | 2,648,140,000 | 31.37% |
| DEBT INSTRUMENTS | | | | | |
| (a) Listed / awaiting listing on Stock Exchanges | | | | | |
| BANKS | | | | | |
| 7 | EXIM Bank 2007 (Put/ Call 2005) ** | AAA | 15 | 152,247,900 | 1.80% |
| 8 | HDFC 2008 ** | AAA | 250 | 253,619,750 | 3.00% |
| 9 | ICICI Bank 2007 ** | AAA | 100 | 109,992,300 | 1.30% |
| 10 | NABARD 2008 ** | AAA | 250 | 252,286,250 | 2.99% |
| 11 | Punjab National Bank 2009 ** | AAA | 150 | 167,674,800 | 1.99% |
| 12 | State Bank of India 2006 ** | AAA | 100 | 111,550,500 | 1.32% |
| 13 | State Bank of India 2008 ** | AAA | 300 | 367,736,400 | 4.36% |
| | | | | 1,415,107,900 | 16.76% |
| CONSUMER FINANCE | | | | | |
| 14 | LIC Housing Finance - INDIA MBS 2002 SERIES 1-D ** | AAA | 7 | 31,146,759 | 0.37% |
| | | | | 31,146,759 | 0.37% |
| ELECTRIC UTILITIES | | | | | |
| 15 | Power Grid Corporation 2008 ** | AAA | 160 | 222,504,200 | 2.64% |
| | | | | 222,504,200 | 2.64% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 16 | IDBI 2018 ** | AA | 500 | 55,766,200 | 0.66% |
| 17 | IDBI BONDS 2008 ** | AA | 4,000 | 408,056,000 | 4.83% |
| 18 | IDBI OMNI Bonds 2008 ** | AA | 2,000 | 201,041,800 | 2.38% |
| 19 | IDFC 2006 ** | AAA | 20 | 215,350,000 | 2.55% |
| 20 | IRFC 2006 ** | AAA | 100 | 101,688,100 | 1.20% |
| 21 | IRFC 2006 ** | AAA | 250 | 274,258,250 | 3.25% |
| 22 | IRFC 2008 ** | AAA | 50 | 50,877,150 | 0.60% |
| 23 | IRFC 2010 ** | AAA | 50 | 51,236,400 | 0.61% |
| 24 | Power Finance Corporation - A 2007 ** | AAA | 1,000 | 109,803,900 | 1.30% |
| 25 | Power Finance Corporation 2007 ** | AAA | 1,500 | 159,420,450 | 1.89% |
| 26 | Power Finance Corporation 2009 ** | AAA | 2,000 | 229,312,600 | 2.72% |
| | | | | 1,856,810,850 | 21.99% |
| GAS & UTILITIES | | | | | |
| 27 | Gas Authority of India 2011 ** | AAA | 50 | 50,284,850 | 0.60% |
| | | | | 50,284,850 | 0.60% |
| METALS & MINING | | | | | |
| 28 | Hindalco 2008 ** | AAA | 5 | 54,551,250 | 0.65% |
| 29 | NALCO 2005 ** | AAA | 250,000 | 91,049,235 | 1.08% |
| | | | | 145,600,485 | 1.72% |
| Total: Listed / awaiting listing on Stock Exchanges | | | | 3,721,455,044 | 44.08% |

| SR. NO | NAME OF THE INSTRUMENT | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|--|---------------|-----------------|----------------------------------|------------------------|
| (b) Unlisted / Privately Placed ** | | | | | |
| CHEMICALS | | | | | |
| 30 | Reliance Industries 2006 ** | AAA | 350 | 369,467,350 | 4.38% |
| 31 | Reliance Industries 2006 ** | AAA | 15 | 162,958,800 | 1.93% |
| | | | | 532,426,150 | 6.31% |
| COMMUNICATIONS EQUIPMENTS | | | | | |
| 32 | Finolex Cables 2004 ** | AA+ | 10 | 33,867,263 | 0.40% |
| | | | | 33,867,263 | 0.40% |
| CONSTRUCTION MATERIAL | | | | | |
| 33 | Gujarat Ambuja - Loan Securitisation Trust 2007 ** | AA+ | 25 | 272,133,500 | 3.22% |
| | | | | 272,133,500 | 3.22% |
| CONSUMER FINANCE | | | | | |
| 34 | Citicorp Finance India 2005 ** | AAA | 1,500 | 76,583,154 | 0.91% |
| 35 | Rabo India Finance FRN 2005 ** | P1+ | 25 | 250,000,000 | 2.96% |
| | | | | 326,583,154 | 3.87% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 36 | Oscar Investments 2006 ** | AA | 5 | 51,026,300 | 0.60% |
| | | | | 51,026,300 | 0.60% |
| INTEGRATED TELECOMMUNICATION SERVICES | | | | | |
| 37 | Bharti Mobile 2006 ** | AAA | 5 | 53,419,150 | 0.63% |
| | | | | 53,419,150 | 0.63% |
| METALS & MINING | | | | | |
| 38 | TISCO (Put / Call 2004) 2006** | AAA | 20 | 201,541,800 | 2.39% |
| | | | | 201,541,800 | 2.39% |
| Total: Unlisted / Privately Placed | | | | 1,470,997,317 | 17.42% |
| MONEY MARKET INSTRUMENTS | | | | | |
| Reverse Repo Investments | | | | 352,002,907 | 4.17% |
| Net receivables/(Payables) | | | | 250,122,110 | 2.96% |
| Grand Total | | | | 8,442,717,377 | 100.00% |

** Non Traded / Thinly Traded as of March 31, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH EQUITY FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – EQUITY FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – EQUITY FUND ('the Scheme') as at March 31, 2004 and also the revenue account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').

- iv. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH EQUITY FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|------------------------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 370,680,905 | 164,663,065 |
| Reserves & Surplus | 2 | 400,261,023 | 49,006,300 |
| Current Liabilities and Provisions | 3 | 28,990,763 | 11,973,718 |
| | | 799,932,691 | 225,643,083 |
| ASSETS | | | |
| Investments | 4 | 710,141,564 | 186,192,859 |
| Deposits | 5 | - | 17,500,000 |
| Other Current Assets | 6 | 89,791,127 | 21,950,224 |
| | | 799,932,691 | 225,643,083 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH EQUITY FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Dividend | | 7,509,723 | 6,068,360 |
| Interest | 7 | 576,886 | 508,252 |
| Profit on sale of investments (net) | | 107,174,268 | - |
| Write back of provision for unrealised loss in the value of investments | | 12,547 | 4,782,106 |
| | | 115,273,424 | 11,358,718 |
| EXPENSES & LOSSES | | | |
| Management fees | | 4,241,756 | 3,274,753 |
| Transfer agents fees & expenses | | 901,953 | 552,026 |
| Custodian Fees & Transaction charges | | 447,248 | 185,138 |
| Trusteeship fees | | 8,100 | 13,439 |
| Marketing expenses | | 2,546,943 | 1,964,879 |
| Payment to Auditor | | | |
| Audit fees | | 28,000 | 20,000 |
| Other matters including reimbursement of expenses | | 500 | 2,400 |
| Other operating expenses | | 37,105 | 147,341 |
| Loss on sale of investments (net) | | - | 12,878,276 |
| Change in net unrealised loss in the value of investments | | 1,239,723 | 12,547 |
| | | 9,451,328 | 19,050,799 |
| Excess of income and gains over expenses and losses / (Excess of expenses and losses over income and gains) | | 105,822,096 | (7,692,081) |
| Add: Income equalisation account | | 87,928,673 | 3,702,779 |
| Income available for appropriation | | 193,750,769 | (3,989,302) |
| Appropriation | | | |
| Income distribution during the year (refer note 3 of Schedule 8) | | 249,369,801 | - |
| Retained Surplus carried forward to Balance Sheet | | (55,619,032) | (3,989,302) |

Notes to Accounts

8

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH EQUITY FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

Schedule

| 1 | UNIT CAPITAL | As at 31.03.2004 | | As at 31.03.2003 | |
|---|--|-----------------------|--------------------|-----------------------|---------------------|
| | | Units | Rupees | Units | Rupees |
| | Issued and subscribed: | | | | |
| | Units of Rs. 10 each fully paid up | | | | |
| | Opening Balance | 16,466,306.410 | 164,663,065 | 22,026,258.271 | 220,262,583 |
| | Capital issued during the year | 45,021,669.170 | 450,216,692 | 4,686,414.469 | 46,864,145 |
| | | 61,487,975.580 | 614,879,757 | 26,712,672.740 | 267,126,728 |
| | Redemptions during the year | 24,419,885.089 | 244,198,851 | 10,246,366.330 | 102,463,663 |
| | Unit Capital at the end of the year | 37,068,090.505 | 370,680,905 | 16,466,306.410 | 164,663,065 |
| | | | | | |
| | 2 RESERVES AND SURPLUS | | | | |
| | Unit Premium Reserve | | | | |
| | Opening Balance | | (20,362,726) | | 324,011 |
| | Net premium on issue /redemption of units during the year | | 352,551,681 | | (16,983,958) |
| | Transfer from / (to) Income Equalisation Account | | (87,928,673) | | (3,702,779) |
| | Closing Balance | | 244,260,282 | | (20,362,726) |
| | Retained Surplus | | | | |
| | Opening balance | | 69,369,026 | | 73,358,328 |
| | Add / (Less): Surplus/(Deficit) transferred from Revenue Account | | (55,619,032) | | (3,989,302) |
| | Closing balance | | 13,749,994 | | 69,369,026 |
| | Unrealised Appreciation on Investments | | | | |
| | Opening Balance | | - | | 10,399,540 |
| | Less: Reversed during the year | | - | | (10,399,540) |
| | Add: Unrealised gain as at year end | | 142,250,747 | | - |
| | Closing balance | | 142,250,747 | | - |
| | | | 400,261,023 | | 49,006,300 |
| | | | | | |
| | 3 CURRENT LIABILITIES & PROVISIONS | | | | |
| | Sundry creditors | | 1,257,911 | | 1,342,113 |
| | Payable for units repurchased | | 12,579,478 | | 8,945,098 |
| | Contracts for purchase of investments | | 7,568,750 | | 1,657,500 |
| | Distributed income payable | | 3,508,967 | | - |
| | Unclaimed redemptions / distributed income | | 116,850 | | 14,386 |
| | Other liabilities | | 3,958,807 | | 14,621 |
| | | | 28,990,763 | | 11,973,718 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH EQUITY FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|----------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Equity Shares | | | | |
| Listed or awaiting listing | 566,717,294 | 708,945,771 | 184,390,700 | 184,378,153 |
| Unlisted Shares | 35,119,490 | 588,235 | 35,119,490 | 1,814,706 |
| Preference Shares | | | | |
| Listed or awaiting listing | 331,300 | 318,048 | - | - |
| Debentures | | | | |
| Listed or awaiting listing | 267,240 | 289,510 | - | - |
| | 602,435,324 | 710,141,564 | 219,510,190 | 186,192,859 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| | Money at call with : | |
| - Institutions | - | 17,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | - | 500,000 |
| | - | 17,500,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|---|---|-------------------|-------------------------------|-------------------|
| | Balances with banks in current accounts | | 42,072,668 | |
| Receivable for Units sold | | 5,190,744 | | 4,025 |
| Contracts for sale of investments | | - | | 2,015,360 |
| Outstanding and accrued income | 24,049 | | 8,875 | |
| Less : Provision for outstanding and accrued income considered doubtful | (1,425) | 22,624 | (1,425) | 7,450 |
| Tax deducted at source | | 31,135 | | 31,135 |
| Collateralised Lending (Reverse Repurchase transactions) | | 42,473,956 | | - |
| | | 89,791,127 | | 21,950,224 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|----------------------|--|------------------------------------|
| | Collateralised Lending (Reverse Repurchase transactions) | 433,043 |
| Call Deposits | 121,464 | 440,840 |
| CCIL Margin & others | 4,324 | 20,771 |
| Debentures | 18,055 | - |
| | 576,886 | 508,252 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH EQUITY FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Equity Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on April 7, 1997 and was open for subscription between April 7, 1997 and April 15, 1997. Thereafter, it was reopened for subscription and redemption on May 2, 1997.

The objective of the Scheme is to primarily generate long term capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of issuers domiciled in India.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a. Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable and excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex- bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

b. Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

- I. Valuation of Traded Equity and Equity related Securities**
Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.
- II. Valuation of Thinly Traded / Non-traded and Unlisted Equity & Equity related Securities**
Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.
- III. Valuation of Money Market Instruments**
Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Dividend is recognised on 'ex-dividend date' for quoted shares and on the date of declaration for unquoted shares.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Load Collected

Load collected is utilised for meeting the selling and distribution expenses.

3. Income Distribution

Income distribution during the year was made from the distributable surplus of current year's earnings and accumulated reserves of earlier years.

4. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at an annual rate of 1.25 per cent of the Scheme's daily net asset value upto Rs. 100 crores and at an annual rate of 1 per cent on daily net assets above Rs.100 crores.

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

5. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund.

| Rupees Crores | | | |
|--|------------------------------------|---|---|
| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11) | Outstanding as at March 31, 2004 at Market/Fair Value |
| Bharti Televentures Ltd. | FRF | 2.27 | 2.08 |
| Grasim Industries Ltd. | LF,STF,FRF | 3.09 | 4.86 |
| Gujarat Ambuja Cements | LF | 1.59 | 1.60 |
| HCL Corporation Ltd. (Subsidiary - HCL Infosystems Ltd.) | TEF | 0.96 | 0.98 |
| Hero Honda Ltd. | LF,BF,SPF | 1.01 | 0.97 |
| Hindustan Lever Ltd. | GSF,STF,LF | 0.55 | 0.45 |
| Hindustan Zinc Ltd. | STF | 1.84 | 1.63 |
| Indian Rayon and Industries Ltd. | FRF | 1.38 | - |
| Indo Rama Synthetics Ltd. | OF | 1.99 | 1.05 |
| ITC Ltd. | LF,STF | 1.56 | 2.49 |
| Kotak Mahindra Bank Ltd. | LF | 1.88 | 2.03 |
| Maruti Udyog Ltd. | STF,FRF | 2.06 | 2.69 |
| Oriental Bank of Commerce | SPF,TEF | 0.54 | - |
| State Bank of India | OF | 4.73 | 5.09 |
| Tata Motors Ltd. | LF,FRF,SPF | 0.89 | 1.67 |
| ING Vysya Bank Ltd. | STF | 0.20 | 0.60 |
| Vijaya Bank Ltd. | BAF,EF,TEF | 2.46 | 2.28 |
| Wipro Ltd. | STF | 1.86 | 1.60 |

* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth.

- The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 723,077,914 (previous year Rs. 232,539,513) and Rs. 447,922,916 (previous year Rs. 320,585,095) respectively being 211.75 % (previous year 88.76 %) and 131.17% (previous year 122.37 %) respectively of the average daily net assets.

6. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|----------------------------------|---------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Limited | 1,465,703 | 573,636 |
| • ING Vysya Financial Services Ltd. | 32,036 | - |
| Payment of Brokerage on Secondary Market transactions: | | |
| • DSP Merrill Lynch Limited | 554,007 | 49,605 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers: | | |
| • DSP Merrill Lynch Limited | 5,176,500 | 5,830,000 |

7. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|----------------------------------|---------------------------------|
| Net Income as per Revenue Account | 193,750,769 | (3,989,302) |
| Add: Balance of undistributed income as at the beginning of the year | 69,369,026 | 73,358,328 |
| Less: Unrealised appreciation on investments included in the undistributed income as at the beginning of the year | - | - |
| Less: Distributed to unitholders & distribution Tax | 249,369,801 | - |
| Balance Distributable income | 13,749,994 | 69,369,026 |

8. Prior Year Comparatives

Prior year figures have been reclassified, wherever necessary, to conform to current years' presentation.

9. Contingent Liability: Nil

10. Large holdings in the Scheme (over 25% of the NAV of the Scheme): Nil

11. Perspective Historical per Unit Statistics

| | Rupees March 31, 2004 | Rupees March 31, 2003 | Rupees March 31, 2002* |
|---|--------------------------|--------------------------|---------------------------|
| a. Net asset value, At the end of the period: | 20.80 | 12.98 | 13.82 |
| b. Gross Income | | | |
| (i) Income other than profit on sale of investment. | 0.22 | 0.40 | 0.55 |
| (ii) Income from profit on inter scheme sales/transfer of investment. | - | - | - |
| (iii) Income from profit / (loss) on sale of investment to third party | 2.89 | (0.78) | (3.67) |
| (iv) Transfer to revenue account Income from past year' reserve. | - | 0.29 | 3.57 |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.23 | 0.38 | 0.37 |
| d. Net Income (excluding change in unrealised depreciation in investments) | 2.88 | (0.47) | 0.08 |
| e. Unrealised appreciation/ (depreciation) in value of investments | 2.91 | (2.02) | (1.26) |
| f. Repurchase and Resale Price | | | |
| Repurchase Price | | | |
| - Highest Price | 28.28 | 14.21 | 14.96 |
| - Lowest Price | 13.03 | 11.65 | 10.23 |
| Resale Price | | | |
| - Highest Price | 28.85 | 14.49 | 15.27 |
| - Lowest Price | 13.29 | 11.88 | 10.44 |
| g. Ratio of expenses to average daily net assets by percentage | 2.40% | 2.35% | 2.36% |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 65.29% | (15.12%) | (17.03%) |

*Net Asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes :

1. The highest and lowest resale price of the units of the Scheme has been determined after adding to the highest and lowest declared NAV, the maximum sales load applicable.
2. The per unit calculations are based on the number of units outstanding at the end of the financial year.
3. P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH EQUITY FUND
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|-----------------------------|----------|-----------------------------|--------------------|
| EQUITY: LISTED OR AWAITING LISTING | | | | |
| AGRICULTURAL PRODUCTS | | | | |
| 1 | Balrampur Chini | 72,500 | 22,036,375 | 2.86% |
| | | | 22,036,375 | 2.86% |
| AUTOMOBILE MANUFACTURERS | | | | |
| 2 | Maruti Udyog | 54,130 | 26,926,969 | 3.49% |
| 3 | Tata Motors | 34,300 | 16,664,655 | 2.16% |
| | | | 43,591,624 | 5.65% |
| BANKS | | | | |
| 4 | Karur Vysya Bank | 32,920 | 11,772,192 | 1.53% |
| 5 | Kotak Mahindra Bank | 50,379 | 20,315,332 | 2.64% |
| 6 | State Bank of India | 84,050 | 50,921,693 | 6.61% |
| 7 | Vijaya Bank | 370,500 | 22,767,225 | 2.95% |
| 8 | Vysya Bank | 12,400 | 5,958,200 | 0.77% |
| | | | 111,734,642 | 14.49% |
| BREWERIES | | | | |
| 9 | United Breweries | 11,310 | 1,094,243 | 0.14% |
| | | | 1,094,243 | 0.14% |
| COMMODITY CHEMICALS | | | | |
| 10 | Finolex Industries | 126,000 | 6,268,500 | 0.81% |
| 11 | Indo Rama | 149,300 | 10,458,465 | 1.36% |
| 12 | Reliance Industries | 56,250 | 30,265,313 | 3.93% |
| | | | 46,992,278 | 6.10% |
| COMPUTER HARDWARE | | | | |
| 13 | CMC | 12,050 | 5,953,303 | 0.77% |
| 14 | HCL Infosystems | 14,800 | 9,823,500 | 1.27% |
| 15 | Infosys Technologies | 5,679 | 28,044,038 | 3.64% |
| | | | 43,820,841 | 5.68% |
| CONSTRUCTION MATERIAL | | | | |
| 16 | Guj. Ambuja Cements | 54,050 | 15,971,775 | 2.07% |
| | | | 15,971,775 | 2.07% |
| DIVERSIFIED METALS & MINING | | | | |
| 17 | Hindustan Zinc | 160,100 | 16,266,160 | 2.11% |
| 18 | NMDC | 7,400 | 2,407,960 | 0.31% |
| | | | 18,674,120 | 2.42% |
| ELECTRIC UTILITIES | | | | |
| 19 | Power Trading Corporation + | 132,300 | 2,116,800 | 0.27% |
| 20 | Tata Power | 43,200 | 16,292,880 | 2.11% |
| | | | 18,409,680 | 2.39% |
| ELECTRICAL COMPONENTS & EQUIPMENT | | | | |
| 21 | Crompton Greaves | 73,241 | 11,264,466 | 1.46% |
| 22 | Siemens | 11,630 | 11,428,220 | 1.48% |
| | | | 22,692,686 | 2.94% |
| GAS UTILITIES | | | | |
| 23 | GAIL | 60,900 | 12,983,880 | 1.68% |
| | | | 12,983,880 | 1.68% |
| HEAVY ELECTRICAL EQUIPMENT | | | | |
| 24 | ABB | 7,100 | 5,659,765 | 0.73% |
| 25 | BHEL | 40,450 | 24,445,958 | 3.17% |
| 26 | Thermax | 41,100 | 15,167,955 | 1.97% |
| | | | 45,273,678 | 5.87% |
| HOUSEHOLD PRODUCTS | | | | |
| 27 | Hindustan Lever | 27,400 | 4,230,560 | 0.55% |
| | | | 4,230,560 | 0.55% |

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|----------------------------|----------|--------------------------|-----------------|
| INDUSTRIAL CONGLOMERATE | | | | |
| 28 | Grasim Industries | 45,510 | 48,604,680 | 6.30% |
| | | | 48,604,680 | 6.30% |
| INDUSTRIAL MACHINERY | | | | |
| 29 | Bharat Forge | 15,840 | 11,621,016 | 1.51% |
| | | | 11,621,016 | 1.51% |
| INTEGRATED TELECOMMUNICATION SERVICES | | | | |
| 30 | Bharti Televentures | 133,500 | 20,799,300 | 2.70% |
| | | | 20,799,300 | 2.70% |
| IT CONSULTING & SERVICES | | | | |
| 31 | E-serve International | 6,900 | 4,182,435 | 0.54% |
| 32 | Wipro | 11,750 | 15,994,100 | 2.07% |
| | | | 20,176,535 | 2.62% |
| METAL & GLASS CONTAINERS | | | | |
| 33 | Balmer Lawrie | 31,700 | 3,258,760 | 0.42% |
| | | | 3,258,760 | 0.42% |
| MOTORCYCLE MANUFACTURERS | | | | |
| 34 | Hero Honda | 19,850 | 9,738,410 | 1.26% |
| | | | 9,738,410 | 1.26% |
| OIL & GAS EXPLORATION & PRODUCTIONS | | | | |
| 35 | Dredging Corporation | 8,113 | 4,138,847 | 0.54% |
| 36 | ONGC | 4,600 | 3,867,220 | 0.50% |
| | | | 8,006,067 | 1.04% |
| OIL & GAS REFINING & MARKETING | | | | |
| 37 | BPCL | 31,100 | 14,904,675 | 1.93% |
| 38 | Bongaigaon Refinery | 274,500 | 21,287,475 | 2.76% |
| 39 | HPCL | 32,200 | 16,330,230 | 2.12% |
| 40 | Kochi Refineries | 47,000 | 9,731,350 | 1.26% |
| 41 | IOC | 42,100 | 20,885,810 | 2.71% |
| | | | 83,139,540 | 10.78% |
| PHARMACEUTICALS | | | | |
| 42 | Aventis India | 23,800 | 17,046,750 | 2.21% |
| 43 | Biocon + | 1,100 | 346,500 | 0.04% |
| 44 | Jupiter Biosciences | 40,800 | 4,643,040 | 0.60% |
| 45 | Ranbaxy | 11,100 | 10,431,225 | 1.35% |
| | | | 32,467,515 | 4.21% |
| STEEL | | | | |
| 46 | Sesa Goa | 26,675 | 12,763,988 | 1.66% |
| 47 | Tisco | 45,300 | 17,379,345 | 2.25% |
| | | | 30,143,333 | 3.91% |
| TEXTILES | | | | |
| 48 | Pantaloon Retail | 29,635 | 8,554,143 | 1.11% |
| | | | 8,554,143 | 1.11% |
| TOBACCO | | | | |
| 49 | ITC | 23,900 | 24,930,090 | 3.23% |
| | | | 24,930,090 | 3.23% |
| EQUITY: LISTED OR AWAITING LISTING | | | 708,945,771 | 91.96% |
| EQUITY: UNLISTED SHARES | | | | |
| MEDIA | | | | |
| 50 | Magnasound | 25,000 | - | 0.00% |
| | | | - | 0.00% |
| IT CONSULTING & SERVICES | | | | |
| 51 | SIP Technologies & Exports | 122,549 | 588,235 | 0.08% |
| | | | 588,235 | 0.08% |
| EQUITY: UNLISTED SHARES | | | 588,235 | 0.08% |

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|----------------------------------|----------|--------------------------|-----------------|
| EQUITY SHARES | | | 709,534,006 | 92.03% |
| PREFERNCE SHARES LISTED OR AWAITING LISTING | | | | |
| HEAVY ELECTRICAL EQUIPMENT | | | | |
| | 52 Thermax 6 % Preference Shares | 33,130 | 318,048 | 0.04% |
| | | | 318,048 | 0.04% |
| PREFERNCE SHARES | | | 318,048 | 0.04% |
| DEBT INSTRUMENTS LISTED OR AWAITING LISTING | | | | |
| HOUSEHOLD PRODUCTS | | | | |
| | 53 HLL Debentures 2005 | 44,540 | 289,510 | 0.04% |
| | | | 289,510 | 0.04% |
| DEBT INSTRUMENTS | | | 289,510 | 0.04% |
| MONEY MARKET INSTRUMENTS | | | | |
| | | | - | |
| Reverse Repo Investments | | | 42,473,956 | 5.51% |
| Net Receivables / (Payables) | | | 18,326,408 | 2.38% |
| NET ASSETS | | | 770,941,928 | 100.00% |

+ Pending Listing on the Exchange

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH LIQUIDITY FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – LIQUIDITY FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – LIQUIDITY FUND ('the Scheme') as at March 31, 2004 and also the revenue account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet, revenue account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').
 - iv. In our opinion, and on the basis of information and explanations given to us, the methods used to value non traded securities as at March 31, 2004 in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board Of India as applicable and approved by the Board of Directors of DSP Merrill Lynch Trustee Co. Pvt. Ltd., are fair and reasonable.

- v. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004;
 - b) in the case of the revenue account, of the surplus for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**
Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH LIQUIDITY FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|----------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 13,712,788,816 | 1,871,583,860 |
| Reserves & Surplus | 2 | 3,645,520,370 | 826,670,717 |
| Current Liabilities | 3 | 391,073,555 | 10,749,926 |
| | | 17,749,382,741 | 2,709,004,503 |
| ASSETS | | | |
| Investments | 4 | 14,216,480,092 | 2,232,124,150 |
| Deposits | 5 | 2,448,900,000 | 356,500,000 |
| Other Current Assets | 6 | 1,084,002,649 | 120,380,353 |
| | | 17,749,382,741 | 2,709,004,503 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Sujoy Kr. Das
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH LIQUIDITY FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|---|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Interest | 7 | 533,945,141 | 210,117,802 |
| Profit (net) on sale of Investments | | - | 4,495,176 |
| Write back of provision for unrealised loss in the value of investments | | 633,151 | 255,318 |
| | | 534,578,292 | 214,868,296 |
| EXPENSES & LOSSES | | | |
| Management fees | | 41,035,118 | 16,188,910 |
| Transfer agents fees & expenses | | 5,620,177 | 2,473,939 |
| Custodian Fees & Transaction charges | | 2,510,702 | 705,274 |
| Trusteeship fees | | 131,800 | 106,984 |
| Payment to Auditor | | | |
| Audit fees | | 277,500 | 150,000 |
| Other matters including reimbursement of expenses | | 4,300 | 1,200 |
| Other operating expenses | | 456,044 | 409,126 |
| Loss (net) on sale of Investments | | 23,311,088 | - |
| Loss (net) on inter-scheme sale of Investments | | 3,141,174 | 4,232,191 |
| Change in net unrealised loss in the value of investments | | 1,780,600 | 1,518,350 |
| | | 78,268,503 | 25,785,974 |
| Excess of income and gains over expenses and losses | | 456,309,789 | 189,082,322 |
| Add / (Less): Income Equalisation account | | 151,683,035 | (25,830,938) |
| Income available for appropriation | | 607,992,824 | 163,251,384 |
| Appropriation | | | |
| Income distribution during the year | | 192,621,873 | 17,490,174 |
| Tax on income distributed during the year | | 24,679,678 | - |
| | | 390,691,273 | 145,761,210 |
| Retained Surplus carried forward to Balance Sheet | | | |

Notes to Accounts

8

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Sujoy Kr. Das
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH LIQUIDITY FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004**

| | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|---|------------------------------------|------------------------------------|
| A. Cashflow from Operating Activity | | |
| Excess of income and gains over expenses and losses | 456,309,789 | 189,082,322 |
| Add / Less: Unrealised loss provided / Written back | 1,147,449 | 1,263,032 |
| Operating Profit Before Working Capital Changes | 457,457,238 | 190,345,354 |
| Adjustments for:- | | |
| (Increase)/Decrease in Other Current Assets | (184,664,300) | (9,505,609) |
| (Increase)/Decrease in Money Market Lending (Deposits) | 28,600,000 | (30,000,000) |
| (Increase)/Decrease in Investments | (11,985,503,391) | (503,772,059) |
| Increase/(Decrease) in Current Liabilities and Provisions | 303,395,481 | (2,481,167) |
| Net Cash Generated From Operations | (A) (11,380,714,972) | (355,413,481) |
| B. Cashflow from Financing Activities | | |
| Increase/(Decrease) in Unit Corpus | 11,841,204,956 | 405,973,852 |
| Increase/(Decrease) in Unit Premium | 2,579,841,415 | 254,428,759 |
| Outstanding Receivable/Payables for Unit Corpus | 120,988,637 | (107,158,164) |
| Dividend Paid during the year (including dividend tax paid) | (216,941,067) | (17,490,174) |
| Net Cash Used in Financing Activities | (B) 14,325,093,941 | 535,754,273 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (A+B) 2,944,378,969 | 180,340,792 |
| Cash and Cash Equivalents as at the beginning of the year | 335,820,153 | 155,479,361 |
| Cash and Cash Equivalents as at the close of the year | 3,280,199,122 | 335,820,153 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | 2,944,378,969 | 180,340,792 |
| Components of cash and cash equivalents | | |
| With Banks - on current account | 832,699,122 | 9,320,153 |
| Money at Call with Institutions | 397,500,000 | 326,500,000 |
| With Banks - Fixed Deposits | 2,050,000,000 | - |
| | 3,280,199,122 | 335,820,153 |

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Sujoy Kr. Das
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH LIQUIDITY FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

Schedule

| 1 | UNIT CAPITAL | As at 31.03.2004 | | As at 31.03.2003 | |
|---|---|--------------------------|-----------------------|--------------------------|-----------------------|
| | | Units | Rupees | Units | Rupees |
| | Issued and subscribed: | | | | |
| | Units of Rs. 10 each fully paid up | | | | |
| | Opening Balance | 187,158,385.986 | 1,871,583,860 | 146,561,000.838 | 1,465,610,008 |
| | Capital issued during the year | 7,630,387,418.324 | 76,303,874,182 | 2,500,350,128.760 | 25,003,501,288 |
| | | <u>7,817,545,804.310</u> | <u>78,175,458,042</u> | <u>2,646,911,129.598</u> | <u>26,469,111,296</u> |
| | Redemptions during the year | 6,446,266,922.633 | 64,462,669,226 | 2,459,752,743.612 | 24,597,527,436 |
| | Unit Capital at the end of the year | 1,371,278,881.677 | 13,712,788,816 | 187,158,385.986 | 1,871,583,860 |
| | Growth Plan | 506,379,091.724 | 5,063,790,917 | 162,773,237.979 | 1,627,732,380 |
| | Dividend Plan | 362,586,273.140 | 3,625,862,731 | 24,385,148.007 | 243,851,480 |
| | Daily Dividend Plan | 502,313,516.813 | 5,023,135,168 | - | - |
| | Unit Capital at the end of the year | 1,371,278,881.677 | 13,712,788,816 | 187,158,385.986 | 1,871,583,860 |
| | | | | | |
| | 2 RESERVES AND SURPLUS | | | | |
| | Unit Premium Reserve | | | | |
| | Opening Balance | | 610,374,776 | | 330,115,079 |
| | Net Premium on issue /redemption of units during the year | | 2,579,841,415 | | 254,428,759 |
| | Transfer from / (to) Income Equalisation Account | | (151,683,035) | | 25,830,938 |
| | Closing Balance | | 3,038,533,156 | | 610,374,776 |
| | Retained Surplus | | | | |
| | Opening balance | | 216,295,941 | | 70,534,731 |
| | Add: Surplus transferred from Revenue Account | | 390,691,273 | | 145,761,210 |
| | Closing balance | | 606,987,214 | | 216,295,941 |
| | | | 3,645,520,370 | | 826,670,717 |
| | | | | | |
| | 3 CURRENT LIABILITIES | | | | |
| | Sundry Creditors | | 8,737,321 | | 1,362,351 |
| | Contracts for purchase of Investments | | 295,698,300 | | - |
| | Payable for units repurchased | | 85,865,418 | | 9,297,754 |
| | Distributed income payable | | 360,484 | | - |
| | Other Liabilities | | 412,032 | | 89,821 |
| | | | 391,073,555 | | 10,749,926 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH LIQUIDITY FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|------------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Bonds, Debentures & DDB | | | | |
| Private Placement | 2,157,570,381 | 2,156,685,182 | 1,005,682,700 | 1,004,164,350 |
| Listed or awaiting listing | 1,201,635,300 | 1,200,612,450 | 201,643,400 | 200,790,600 |
| Government Securities | 1,169,562,500 | 1,167,951,950 | - | - |
| Certificate of Deposit | 3,819,979,989 | 3,819,979,989 | - | - |
| Commercial Papers | 5,871,250,521 | 5,871,250,521 | 1,027,169,200 | 1,027,169,200 |
| | 14,219,998,691 | 14,216,480,092 | 2,234,495,300 | 2,232,124,150 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with : | | |
| - Institutions | 397,500,000 | 326,500,000.00 |
| Fixed Deposits with Banks | 2,050,000,000 | - |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 1,400,000 | 30,000,000 |
| | 2,448,900,000 | 356,500,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Balances with banks in current accounts | 832,699,122 | 9,320,153 |
| Receivable for Units sold | 620,557 | 45,041,530 |
| Outstanding and accrued income | 250,682,970 | 66,018,670 |
| | 1,084,002,649 | 120,380,353 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|------------------------------------|------------------------------------|
| Call Deposits | 22,580,525 | 16,898,861 |
| Fixed Deposits | - | 323,630 |
| Collateralised Lending (Reverse Repurchase transactions) | 26,006,735 | 19,798,340 |
| Govt. Securities and debentures | 485,118,289 | 171,857,311 |
| CCIL Margin & others | 239,592 | 1,239,660 |
| | 533,945,141 | 210,117,802 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH LIQUIDITY FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Liquidity Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on March 6, 1998 and was open for subscription between March 6, 1998 and March 9, 1998. Thereafter, it was reopened for subscription and redemption on March 16, 1998.

The objective of the Scheme is to primarily generate a reasonable return commensurate with low risk and a high degree of liquidity, from a portfolio of money market securities and high quality debt securities of issuers domiciled in India.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a. Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front-end fee receivable, if any, is reduced from the cost of such investment.

b. Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities

Debt Securities

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation or one day prior to the valuation date.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities

II.I Debt Securities of upto 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the instrument.

II.II Debt Securities of over 182 Days to Maturity

Non traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

V.I Securities with Call option

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

V.II Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put

options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

V.III. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Contingent Deferred Sales Charge

The Contingent Deferred Sales Charge collected is utilised for meeting the selling and distribution expenses.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at the following rates which are a percentage of the Scheme's daily Net Asset Value:

| Period | Rates per annum |
|----------------------|-----------------|
| 01.04.03 to 13.05.03 | 0.30% |
| 14.05.03 to 03.09.03 | 0.45% |
| 04.09.03 to 30.09.03 | 0.30% |
| 01.10.03 to 31.03.04 | 0.45% |

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum

4. Investments

a. Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.

b. Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund.

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11)% | Outstanding as at March 31, 2004 at Market/Fair Value |
|-----------------------------------|------------------------------------|--|---|
| Export Import Bank of India Ltd. | LF,STF | 152.60 | 102.54 |
| Finolex Cables Ltd. | FRF | 15.00 | - |
| Hathway Cable & Datacom Pvt. Ltd. | STF | 4.93 | - |
| HDFC Bank Ltd. | LF,STF | 125.00 | - |
| HDFC Ltd. | LF,BAF,STF,SPF | 272.04 | 170.62 |
| ICICI Bank Ltd. @ | LF,STF | 461.82 | 208.19 |
| IDBI @ | LF,STF,GSF,FRF | 536.89 | 253.04 |
| Kotak Mahindra Bank @ | LF | 290.45 | 130.74 |
| LIC Housing Finance Ltd. | LF | 57.15 | - |
| State Bank of India @ | OF | 80.00 | 80.00 |
| UTI Bank Ltd. | SPF,FRF,LF | 179.23 | 68.08 |

% - Includes the Inter Scheme investments, @ - Including investment in subsidiaries

* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TE – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth. Further, investments in bonds issued by the aforesaid companies would yield attractive returns commensurate with the risks associated with the issuer.

c. The aggregate value of investments purchased and sold (including redeemed) during the year were Rs. 48,644,713,564 (previous year Rs. 10,877,149,122) and Rs. 34,596,575,110 (previous year Rs. 10,425,750,847) respectively being 508.13% (previous year 367.29 %) and 361.39% (previous 352.04 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|----------------------------------|---------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 7,799,955 | 5,103,353 |
| • ING Vysya Financial Services Ltd. | 39,632 | 7,923 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of theseveral lead managers: | | |
| • DSP Merrill Lynch Ltd. | 2,020,000,000 | 1,800,000,000 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|-------------------------------------|------------------------------------|
| Net Income as per Revenue Account | 607,992,824 | 163,251,384 |
| Add: Balance of undistributed income as at the beginning of the year | 216,295,941 | 70,534,731 |
| Less: Unrealised appreciation on investments included in the balance of undistributed income as at the beginning of the year. | - | - |
| Less: Distributed to unitholders & distribution tax | 217,301,551 | 17,490,174 |
| Balance Distributable income | 606,987,214 | 216,295,941 |

7. Segment Information

The Scheme operates only in one segment viz. to primarily generate a reasonable return commensurate with low risk and a high degree of liquidity, from a portfolio of money market securities and high quality debt securities of issuers domiciled in India.

8. Related Party Disclosure pursuant to Accounting Standard 18 issued by The Institute of Chartered Accountants of India

The following are the related parties by control:

- DSP Merrill Lynch Fund Managers Ltd (AMC)
- DSP Merrill Lynch Trustee Company Private Limited (Trustee Company)
- Key Management Personnel :
 - Mr. Alok Vajpeyi – President
 - Mr. Naganath Sundaresan – Chief Investment Officer and Joint President
 - Mr. Dhawal Dalal – Fund Manager (upto June 30, 2003)
 - Mr. Sujoy Kr. Das – Fund Manager (from July 01, 2003)
 - Mr. Pankaj Sharma – Risk Manager
- Associates
 - DSP Merrill Lynch Limited (DSPML)
 - Merrill Lynch Holding (Mauritius)

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2004 and March 31, 2003 and for the years then ended are presented in the following table:-

| | Management Fees | Brokerage on Unit Distribution (Refer Note) | Trustee Fee | Call and Repo lending (Interest received) | Value of Units Purchased (at transaction NAVs) | Value of Units Redeemed (at transaction NAVs) | Year-end outstanding Units (valued at last declared NAV) | Year-end Other Payables |
|---------------------------------|-----------------|---|-------------|--|--|---|--|-------------------------|
| AMC | | | | | | | | |
| 2003-2004 | 41,035,118 | - | - | - | 317,391,726 | 406,315,981 | 68,155,292 | 7,019,689 |
| 2002-2003 | 16,188,910 | - | - | - | 323,000,000 | 293,360,742 | 155,814,592 | 816,325 |
| Trustee Company | | | | | | | | |
| 2003-2004 | - | - | 131,800 | - | - | - | - | 68,878 |
| 2002-2003 | - | - | 106,984 | - | - | - | - | 55,236 |
| Associates | | | | | | | | |
| DSPML | | | | | | | | |
| 2003-2004 | - | 7,799,955 | - | 246,500,000 (interest recd. Rs. 60,207) | 872,324,000 | 904,234,849 | 250,052,293 | 1,228,225 |
| 2002-2003 | - | 5,103,353 | - | 4,284,833,333 (interest recd. Rs. 1,121,056) | 929,969,014 | 972,611,979 | 277,830,360 | 741,735 |
| Key Management Personnel | | | | | | | | |
| Nagnath S | | | | | | | | |
| 2003-2004 | - | - | - | - | - | - | - | - |
| 2002-2003 | - | - | - | - | 302,059 | 302,244 | - | - |

| | Rupees | | | | | | | |
|------------------------------|-------------------|---|----------------|---|--|---|--|-------------------------|
| | Management Fees | Brokerage on Unit Distribution (Refer Note) | Trustee Fee | Call and Repending (Interest received) | Value of Units Purchased (at transaction NAVs) | Value of Units Redeemed (at transaction NAVs) | Year-end outstanding Units (valued at last declared NAV) | Year-end Other Payables |
| Sujoy Kr. Das | | | | | | | | |
| 2003-2004 | - | - | - | - | - | - | - | - |
| 2002-2003 | - | - | - | - | 257,889 | 259,752 | - | - |
| Grand Total 2003-2004 | 41,035,118 | 7,799,955 | 131,800 | 246,500,000 (interest recd. Rs. 60,207) | 1,181,165,726 | 1,406,950,758 | 318,207,585 | 7,088,567 |
| 2002-2003 | 16,188,910 | 5,103,353 | 106,984 | 4,284,833,333 (interest recd. Rs. 1,121,056) | 1,253,528,962 | 1,266,534,717 | 433,644,952 | 1,613,296 |

Note: Payment of Brokerage on unit distribution is made by the AMC and the year end balance is reflected in the books of the AMC.

9. Contingent Liability: Nil

10. Prior Year Comparatives

Prior year figures have been reclassified, wherever necessary, to conform to current years' presentation.

11. Large holdings in the Scheme (over 25% of the NAV of the Scheme): Nil

12. Perspective Historical per Unit Statistics:

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | | Rupees March 31, 2002* | |
|---|--------------------------|--------------------------|--------------------------|-----------------|---------------------------|-----------------|
| a. Net asset value, at the end of the period: | | | | | | |
| Growth Plan (G) | 15.4657 | | 14.7182 | | 13.8027 | |
| Dividend Plan (D) | 12.4071 | | 12.4063 | | 12.4059 | |
| Daily Dividend Plan (DD) | 10.0100 | | - | | - | |
| b. Gross Income | | | | | | |
| (i) Income other than profit on sale of investment | 0.3894 | | 1.1227 | | 1.1200 | |
| (ii) Income from profit (loss) on inter scheme sales/transfer of investment | (0.0023) | | (0.0226) | | - | |
| (iii) Income from profit / (loss) on sale of investment to third party | (0.0170) | | 0.0240 | | (0.0200) | |
| (iv) Transfer to revenue account Income from past year' reserve | 0.0005 | | 0.0014 | | - | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.0365 | | 0.1071 | | 0.1000 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 0.3341 | | 1.0184 | | 1.0000 | |
| e. Unrealised appreciation/(depreciation) in value of investments | (0.0026) | | (0.0127) | | (0.0100) | |
| f. Repurchase and Resale Price | Growth | Dividend | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | | | |
| - Highest Price | 15.4657 | D- 12.4135 DD-10.0131 | 14.7182 | 12.3867 | 13.7927 | 12.4225 |
| - Lowest Price | 14.7228 | D-12.4000 DD-10.0004 | 13.7746 | 12.3992 | 12.8318 | 12.4000 |
| Resale Price | | | | | | |
| - Highest Price | 15.4657 | D- 12.4135 DD-10.0131 | 14.7182 | 12.4177 | 13.7927 | 12.4225 |
| - Lowest Price | 14.7228 | D-12.4000 DD-10.0004 | 13.8091 | 12.3992 | 12.8318 | 12.4000 |
| g. Ratio of expenses to average daily net assets by percentage | 0.52% | | 0.68% | | 0.70% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments) | 5.26% | | 7.02% | | 8.00% | |

*Net Asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes:

- The highest and lowest repurchase price of the units of the Scheme has been determined after deducting from the highest and lowest declared NAV, the maximum CDSC applicable.
- The per unit calculations are based on the number of units outstanding at the end of the financial year.
- P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH LIQUIDITY FUND

Statement of Portfolio Holding as at March 31, 2004

(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE INSTRUMENT | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|--|--------|------------|--------------------------|-----------------|
| CENTRAL GOVERNMENT SECURITIES | | | | | |
| 1 | 12.59% Govt of India 2004 | SOV | 10,000,000 | 1,016,873,000 | 5.86% |
| 2 | 11.50% Govt of India 2004 | SOV | 1,500,000 | 151,078,950 | 0.87% |
| CENTRAL GOVERNMENT SECURITIES | | | | 1,167,951,950 | 6.73% |
| DEBT INSTRUMENTS | | | | | |
| (a) Listed / Awaiting listing on Stock Exchanges | | | | | |
| CONSUMER FINANCE | | | | | |
| 3 | Sundaram Finance FRN 2007 ** | AAA | 100 | 100,000,000 | 0.58% |
| | | | | 100,000,000 | 0.58% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 4 | IDBI (Put / Call 2004,05) 2006 ** | AA | 1,500 | 150,364,950 | 0.87% |
| 5 | IDBI (Put / Call 2004) 2006 ** | AA | 1,000 | 100,247,500 | 0.58% |
| 6 | IDBI FRN Bonds (Put / Call 2004) 2006 ** | AA | 8,500 | 850,000,000 | 4.90% |
| | | | | 1,100,612,450 | 6.34% |
| Total: Listed / Awaiting listing on Stock Exchanges | | | | 1,200,612,450 | 6.92% |
| (b) Unlisted / Privately Placed | | | | | |
| AUTOMOBILE MANUFACTURERS | | | | | |
| 7 | TELCO AUTO POOL PTC TRANCHE A ** | AAA | 25 | 47,811,950 | 0.28% |
| 8 | INDIA AUTO SEC TRUST DEC 2003 A1 ** | P1+ | 20 | 160,908,682 | 0.93% |
| | | | | 208,720,632 | 1.20% |
| CONSUMER FINANCE | | | | | |
| 9 | INDIAN RETAIL ABS TRUST SR X - A1 ** | AAA | 5 | 46,170,300 | 0.27% |
| 10 | Citi Financial Consumer Finance India FRN 2005 ** | AAA | 100 | 100,000,000 | 0.58% |
| 11 | Citi Financial Consumer Finance India DDB 2004 ** | AAA | 1,500 | 148,812,150 | 0.86% |
| 12 | Citi Financial Consumer Finance India 2004 ** | P1+ | 100 | 100,091,500 | 0.58% |
| | | | | 395,073,950 | 2.28% |
| DIVERSIFIED FINANCIAL | | | | | |
| 13 | Mahindra & Mahindra Financial Services FRN 2005 ** | AA | 20 | 200,000,000 | 1.15% |
| 14 | Mahindra & Mahindra Financial Services FRN 2006 ** | AA | 15 | 150,000,000 | 0.86% |
| 15 | Kotak Mahindra Investments 2004 ** | A1+ | 10 | 100,000,000 | 0.58% |
| 16 | Kotak Mahindra Bank 2004 ** | AA+ | 15 | 150,102,300 | 0.86% |
| | | | | 600,102,300 | 3.46% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 17 | GE Capital Services India FRN 2005 ** | AAA | 25 | 250,000,000 | 1.44% |
| 18 | GE Capital Services India 2004 ** | AAA | 20 | 202,615,000 | 1.17% |
| 19 | GE Capital Services India 2004 ** | AAA | 10 | 100,017,300 | 0.58% |
| 20 | GE Capital Services India 2004 ** | AAA | 10 | 100,008,100 | 0.58% |
| 21 | GE Capital Services India 2004 ** | P1+ | 30 | 300,147,900 | 1.73% |
| | | | | 952,788,300 | 5.49% |
| Total: Unlisted / Privately Placed | | | | 2,156,685,182 | 12.42% |
| DEBT INSTRUMENTS | | | | 3,357,297,632 | 19.34% |
| MONEY MARKET INSTRUMENTS | | | | | |

| SR. NO | NAME OF THE INSTRUMENT | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|-----------------------------------|--------|----------|--------------------------|-----------------|
| Commercial Paper | | | | | |
| BANKS | | | | | |
| 22 | EXIM Bank 2004 ** | P1+ | 700 | 340,380,937 | 1.96% |
| 23 | EXIM Bank 2004 ** | P1+ | 1,000 | 488,431,500 | 2.81% |
| 24 | EXIM Bank 2004 ** | P1+ | 200 | 98,696,500 | 0.57% |
| 25 | EXIM Bank 2004 ** | P1+ | 200 | 97,893,500 | 0.56% |
| | | | | 1,025,402,437 | 5.91% |
| CONSUMER FINANCE | | | | | |
| 26 | HDFC 2004 ** | P1+ | 1,500 | 736,198,610 | 4.24% |
| 27 | HDFC 2004 ** | P1+ | 1,000 | 479,178,886 | 2.76% |
| 28 | HDFC 2004 ** | P1+ | 700 | 344,169,694 | 1.98% |
| 29 | HDFC 2004 ** | P1+ | 200 | 98,142,800 | 0.57% |
| 30 | IDBI HOME FINANCE 2004 ** | A1+ | 500 | 237,135,250 | 1.37% |
| 31 | Citicorp Finance India 2004 ** | P1+ | 500 | 244,136,750 | 1.41% |
| 32 | Citicorp Finance India 2004 ** | P1+ | 500 | 244,113,250 | 1.41% |
| 33 | Citicorp Finance India 2004 ** | P1+ | 200 | 97,990,800 | 0.56% |
| 34 | Citicorp Finance India 2004 ** | P1+ | 300 | 146,299,950 | 0.84% |
| | | | | 2,627,365,990 | 15.14% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 35 | IDBI 2004 ** | P1+ | 700 | 334,486,967 | 1.93% |
| 36 | IDBI 2004 ** | P1+ | 500 | 238,170,533 | 1.37% |
| 37 | IDBI 2005 ** | P1+ | 400 | 190,302,515 | 1.10% |
| 38 | IDBI 2005 ** | P1+ | 700 | 333,105,300 | 1.92% |
| 39 | IDBI 2004 ** | P1+ | 200 | 96,582,700 | 0.56% |
| 40 | HDFC 2004 ** | P1+ | 100 | 48,501,750 | 0.28% |
| 41 | Power Finance Corporation 2004 ** | P1+ | 800 | 390,860,438 | 2.25% |
| 42 | Power Finance Corporation 2004 ** | P1+ | 1,200 | 586,471,891 | 3.38% |
| | | | | 2,218,482,094 | 12.78% |
| Total: Commercial Paper | | | | 5,871,250,521 | 33.82% |
| Certificate of Deposit | | | | | |
| BANKS | | | | | |
| 43 | ICICI BANK 2004 ** | P1+ | 2,500 | 236,230,642 | 1.36% |
| 44 | ICICI BANK 2004 ** | P1+ | 4,500 | 439,050,388 | 2.53% |
| 45 | ICICI BANK 2004 ** | P1+ | 4,500 | 430,122,792 | 2.48% |
| 46 | ICICI BANK 2004 ** | P1+ | 2,000 | 192,014,600 | 1.11% |
| 47 | ICICI BANK 2004 ** | P1+ | 8,000 | 784,470,156 | 4.52% |
| 48 | KOTAK MAHINDRA BANK 2005** | P1+ | 2,500 | 238,126,250 | 1.37% |
| 49 | KOTAK MAHINDRA BANK 2004** | P1+ | 4,500 | 434,627,095 | 2.50% |
| 50 | KOTAK MAHINDRA BANK 2004** | P1+ | 2,500 | 238,427,500 | 1.37% |
| 51 | KOTAK MAHINDRA BANK 2004** | P1+ | 1,500 | 146,139,000 | 0.84% |
| 52 | UTI BANK 2004 ** | A1+ | 2,000 | 193,250,142 | 1.11% |
| 53 | UTI BANK 2004 ** | A1+ | 1,000 | 98,869,500 | 0.57% |
| 54 | UTI BANK 2005 ** | A1+ | 1,000 | 95,404,600 | 0.55% |
| 55 | UTI BANK 2004 ** | A1+ | 2,000 | 197,805,200 | 1.14% |
| 56 | UTI BANK 2004 ** | A1+ | 1,000 | 95,442,124 | 0.55% |
| | | | | 3,819,979,989 | 22.01% |
| Total: Certificate of Deposit | | | | 3,819,979,989 | 22.01% |
| Fixed Deposits | | | | | |
| 57 | State Bank of Patiala 2004 | | | 400,000,000 | 2.30% |
| 58 | State Bank of Patiala 2004 | | | 400,000,000 | 2.30% |
| 59 | Federal Bank 2004 | P1+ | | 500,000,000 | 2.88% |
| 60 | Jammu & Kashmir Bank 2004 | | | 500,000,000 | 2.88% |
| 61 | South Indian Bank 2004 | | | 250,000,000 | 1.44% |
| Total: Fixed Deposits | | | | 2,050,000,000 | 11.81% |
| Money at call with Banks and others | | | | 397,500,000 | 2.29% |
| Net Receivables / (Payables) | | | | 694,329,094 | 4.00% |
| Grand Total | | | | 17,358,309,186 | 100.00% |

** Non Traded / Thinly Traded as of March 31, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BALANCED FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – BALANCED FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – BALANCED FUND ('the Scheme') as at March 31, 2004 and also the revenue account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').
 - iv. In our opinion, and on the basis of information and explanations given to us, the methods used to value non traded securities as at March 31, 2004 in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board Of India as applicable and approved by the Board of Directors of DSP Merrill Lynch Trustee Co. Pvt. Ltd., are fair and reasonable.

- v. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BALANCED FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|------------------------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 741,760,166 | 547,076,738 |
| Reserves & Surplus | 2 | 389,389,836 | (45,685,377) |
| Current Liabilities and Provisions | 3 | 6,153,888 | 3,612,579 |
| | | 1,137,303,890 | 505,003,940 |
| ASSETS | | | |
| Investments | 4 | 1,036,109,259 | 344,672,174 |
| Deposits | 5 | 300,000 | 156,000,000 |
| Other Current Assets | 6 | 100,894,631 | 4,331,766 |
| | | 1,137,303,890 | 505,003,940 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BALANCED FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|---|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Dividend | | 12,440,613 | 10,982,822 |
| Interest | 7 | 16,396,667 | 16,682,333 |
| Profit on sale/redemption of investments (net) | | 201,192,176 | 23,322,359 |
| Profit on sale of investments (inter scheme) | | - | 224,213 |
| Write back of provision for unrealised loss in the value of investments | | 3,658,053 | 2,096,936 |
| | | 233,687,509 | 53,308,663 |
| EXPENSES & LOSSES | | | |
| Management fees | | 9,249,111 | 6,765,014 |
| Additional Management fees | | 1,856,963 | 1,353,040 |
| Transfer agents fees & expenses | | 1,405,412 | 976,458 |
| Custodian Fees & Transaction charges | | 802,147 | 353,803 |
| Trusteeship fees | | 18,900 | 26,916 |
| Marketing expenses | | 1,875,708 | 811,826 |
| Payment to Auditor | | | |
| Audit fees | | 56,500 | 50,000 |
| Other matters including reimbursement of expenses | | 800 | 3,000 |
| Other operating expenses | | 102,272 | 176,326 |
| Change in net unrealised loss in the value of investments | | 778,907 | 3,658,053 |
| | | 16,146,720 | 14,174,436 |
| Excess of income and gains over expenses and losses | | 217,540,789 | 39,134,227 |
| Add / (Less): Income equalization account | | 51,643,258 | (2,506,693) |
| Income available for appropriation | | 269,184,047 | 36,627,534 |
| Appropriation | | | |
| Income distribution during the year | | 49,401,335 | - |
| Retained Surplus carried forward to Balance Sheet | | 219,782,712 | 36,627,534 |

Notes to Accounts

8

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BALANCED FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

Schedule

| Schedule | As at 31.03.2004 | | As at 31.03.2003 | |
|---|-----------------------|--------------------|-----------------------|---------------------|
| | Units | Rupees | Units | Rupees |
| 1 UNIT CAPITAL | | | | |
| Issued and subscribed: | | | | |
| Units of Rs. 10 each fully paid up | | | | |
| Opening Balance | 54,707,673.739 | 547,076,738 | 67,668,397.848 | 676,683,979 |
| Capital issued during the year | 66,642,042.369 | 666,420,424 | 1,958,866.858 | 19,588,669 |
| | 121,349,716.108 | 1,213,497,162 | 69,627,264.706 | 696,272,648 |
| Redemptions during the year | 47,173,699.566 | 471,736,996 | 14,919,590.967 | 149,195,910 |
| Unit Capital at the end of the year | 74,176,016.542 | 741,760,166 | 54,707,673.739 | 547,076,738 |
| Growth Plan | 10,310,890.466 | 103,108,905 | 8,100,670.667 | 81,006,707 |
| Dividend Plan | 63,865,126.076 | 638,651,261 | 46,607,003.072 | 466,070,031 |
| Unit Capital at the end of the year | 74,176,016.542 | 741,760,166 | 54,707,673.739 | 547,076,738 |
| 2 RESERVES AND SURPLUS | | | | |
| Unit Premium Reserve | | | | |
| Opening balance | | (2,447,223) | | (19,567,009) |
| Net premium on issue /redemption of units during the year | | 99,456,730 | | 14,613,093 |
| Transfer from / (to) Income Equalisation Account | | (51,643,258) | | 2,506,693 |
| Closing balance | | 45,366,249 | | (2,447,223) |
| Retained Surplus | | | | |
| Opening balance | | (46,399,954) | | (83,027,488) |
| Add: Surplus transferred from Revenue Account | | 219,782,712 | | 36,627,534 |
| Closing balance | | 173,382,758 | | (46,399,954) |
| Unrealised Appreciation on Investments | | | | |
| Opening Balance | | 3,161,800 | | 32,189,812 |
| Less: Reversed during the year | | (3,161,800) | | (32,189,812) |
| Add: Unrealised appreciation as at year end | | 170,640,829 | | 3,161,800 |
| Closing balance | | 170,640,829 | | 3,161,800 |
| | | 389,389,836 | | (45,685,377) |
| 3 CURRENT LIABILITIES & PROVISIONS | | | | |
| Sundry creditors | | 1,838,289 | | 918,340 |
| Payable for units repurchased | | 3,913,255 | | 674,396 |
| Contract for Purchase of Investment | | - | | 1,937,090 |
| Unclaimed redemption / distributed income | | 54,844 | | 44,345 |
| Other liabilities | | 347,500 | | 38,408 |
| | | 6,153,888 | | 3,612,579 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BALANCED FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|-------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Equity Shares | | | | |
| Listed or awaiting listing | 563,508,875 | 734,002,404 | 306,912,125 | 303,254,072 |
| Unlisted | 14,522,501 | 252,101 | 14,522,501 | 756,302 |
| Preference Shares | 59,160 | 56,794 | - | - |
| Government Securities | 220,270,000 | 220,417,300 | - | - |
| Bonds & Debentures | | | | |
| Listed or awaiting listing | 31,653,000 | 31,380,660 | 37,500,000 | 40,661,800 |
| Unlisted | 50,000,000 | 50,000,000 | - | - |
| | 880,013,536 | 1,036,109,259 | 358,934,626 | 344,672,174 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with : | | |
| - Institutions | - | 151,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 300,000 | 5,000,00 |
| | 300,000 | 156,000,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current account | 28,539,841 | 1,061,414 |
| Receivable for Units sold | 586,839 | 3,000 |
| Contracts for sale of investments | 13,582,969 | 1,561,400 |
| Outstanding and accrued income | 9,818,210 | 1,653,304 |
| Tax deducted at source | 52,648 | 52,648 |
| Collateralised Lending (Reverse Repurchase transactions) | 48,314,124 | - |
| | 100,894,631 | 4,331,766 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|------------------------------------|------------------------------------|
| Collateralised Lending (Reverse Repurchase transactions) | 3,161,201 | 1,148,673 |
| Call and term deposits | 389,986 | 2,238,791 |
| Govt. Securities, Bonds and debentures | 12,610,511 | 13,046,615 |
| CCIL Margin & others | 234,969 | 248,254 |
| | 16,396,667 | 16,682,333 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH BALANCED FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8**NOTES TO ACCOUNTS****1. Organisation**

DSP Merrill Lynch Balanced Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on May 03, 1999 and was open for subscription between May 03, 1999 and May 14, 1999. Thereafter, it was reopened for subscription and redemption on May 31, 1999.

The primary investment objective of the Scheme is to seek to generate long term capital appreciation and current income from a portfolio constituted of equity and equity related securities as well as fixed income securities (debt and money market securities)

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies**2.1 Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments**a) Accounting for investment transactions**

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex-bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities**I.I. Equity and Equity related Securities**

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

I.II. Debt Securities

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation or one day prior to the valuation date.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities**II.I Equity & Equity related Securities**

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

II.II. Debt Securities of upto 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the instrument.

II.III. Debt Securities of over 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

V.I. Securities with Call option

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

V.II. Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

V.III. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Dividend is recognised on 'ex-dividend date' for quoted shares and on the date of declaration for unquoted shares.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Contingent Deferred Sales Charge

The Contingent Deferred Sales Charge collected is utilised for meeting the selling and distribution expenses.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at an annual rate of 1.25 per cent of the Scheme's daily net asset value upto Rs. 100 crores and at an annual rate of 1 per cent on daily net assets above Rs. 100 crores.

The Fund has accrued trusteeship fees aggregating Rs. 1,000,000 (previous year 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust

Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

4. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund.

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11)% | Outstanding as at March 31, 2004 at Market/Fair Value |
|---------------------------|------------------------------------|--|---|
| Grasim Industries Ltd. | STF,LF,FRF | 2.83 | 3.20 |
| Gujarat Ambuja Cements | LF | 2.80 | 1.03 |
| Hero Honda Ltd | LF,BF,SPF | 3.82 | 1.82 |
| Hindalco Ltd. | LF,BF | 1.88 | - |
| ITC Ltd. | LF,STF | 3.31 | 2.94 |
| Hindustan Lever Ltd. | GSF,STF,LF | 0.74 | - |
| Maruti Udyog | STF,FRF | 2.36 | - |
| Oriental Bank of Commerce | SPF,TEF | 0.52 | - |
| Punjab National Bank | STF,TEF,LF | 0.57 | - |
| State Bank of India | OF | 1.55 | 3.73 |
| Tata Motors Ltd. | LF,FRF,SPF | 2.03 | 1.17 |
| Union Bank Of India | SPF,LF | 1.07 | - |
| UTI Bank | SPF,FRF,LF | 1.57 | 2.14 |
| Vijaya Bank | BAF,EF,TEF | 0.88 | - |
| Wipro | STF | 5.27 | 2.50 |
| ING Vysya Bank Ltd. | STF | 0.30 | 0.88 |

* BF – Bond Fund, EF – Equity Fund, LF – Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth. Further, investments in bonds issued by the aforesaid companies would yield attractive returns commensurate with the risks associated with the issuer.

- The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 1,832,117,635 (previous year Rs. 941,411,640) and Rs. 1,513,332,092 (previous year Rs. 1,052,496,379) respectively being 245.82 % (previous year 173.94 %) and 203.05% (previous year 194.47 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|-------------------------------------|------------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 4,328,441 | 1,673,537 |
| • ING Vysya Financial Services Ltd. | 71,160 | - |
| Payment of Brokerage on Secondary Market transactions: | | |
| • DSP Merrill Lynch Ltd. | 549,934 | 255,131 |
| Securities transaction in the form of investments in various Public issues /Private placements where the associate was the sole or one of the several lead managers: | | |
| • DSP Merrill Lynch Ltd. | 8,595,000 | 55,830,000 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|-------------------------------------|------------------------------------|
| Net Income as per Revenue Account | 269,184,047 | 36,627,534 |
| Add: Balance of undistributed income as at the beginning of the year | (46,399,954) | (83,027,488) |
| Less: Unrealised appreciation on investments included in the balance of undistributed income as at the beginning of the year. | - | - |
| Less: Distributed to unitholders & distribution tax | 49,401,335 | - |
| Balance Distributable income | 173,382,758 | Nil |

7. Prior Year Comparatives

Prior year figures have been reclassified, wherever necessary, to conform to current years' presentation.

8. Contingent Liability: Nil**9. Large holdings in the Scheme (over 25% of the NAV of the Scheme):** Nil**10. Perspective Historical per Unit Statistics.**

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | | Rupees March 31, 2002* | |
|---|--------------------------|-----------------|--------------------------|-----------------|---------------------------|-----------------|
| a. Net asset value, at the end of the period: | | | | | | |
| Growth Plan (G) | 18.10 | | 10.06 | | 9.82 | |
| Dividend Plan (D) | 14.79 | | 9.01 | | 8.79 | |
| b. Gross Income | | | | | | |
| (i) Income other than profit on sale of investment | 0.39 | | 0.51 | | 0.51 | |
| (ii) Income from profit on inter scheme sales/transfer of investment | - | | - | | - | |
| (iii) Income from profit / (loss) on sale of investment to third party | 2.71 | | 0.43 | | (1.62) | |
| (iv) Transfer to revenue account Income from past year's reserve | 0.05 | | 0.04 | | 1.48 | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.21 | | 0.19 | | 0.18 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 2.94 | | 0.79 | | 0.19 | |
| e. Unrealised appreciation/(depreciation) in value of investments | 2.10 | | (0.26) | | 0.24 | |
| f. Repurchase and Resale Price | Growth | Dividend | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | | | |
| - Highest Price | 18.61 | 15.21 | 10.42 | 9.32 | 9.92 | 8.88 |
| - Lowest Price | 9.97 | 8.93 | 8.85 | 7.92 | 7.64 | 6.84 |
| Resale Price | | | | | | |
| - Highest Price | 18.85 | 15.40 | 10.55 | 9.44 | 10.12 | 9.06 |
| - Lowest Price | 10.10 | 9.04 | 8.96 | 8.02 | 7.79 | 6.98 |
| g. Ratio of expenses to average daily net assets by percentage | 2.06% | | 1.94% | | 1.95% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments) | 51.81% | | 6.83% | | (6.73%) | |

*Net asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes:

- The highest and lowest resale price of the units of the Scheme has been determined after reducing from the highest and lowest declared NAV, the maximum CDSC applicable.
- The per unit calculations are based on the number of units outstanding at the end of the financial year.
- P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH BALANCED FUND
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|-----------------------------|--------|----------|--------------------------|-----------------|
| EQUITY SHARES | | | | | |
| (a) Listed / Awaiting listing on Stock Exchanges | | | | | |
| AGRICULTURAL PRODUCTS | | | | | |
| 1 | Balrampur Chini | | 114,248 | 34,725,680 | 3.07% |
| | | | | 34,725,680 | 3.07% |
| ALUMINUM | | | | | |
| 2 | Nalco | | 158,647 | 29,436,951 | 2.60% |
| | | | | 29,436,951 | 2.60% |
| AUTOMOBILE MANUFACTURERS | | | | | |
| 3 | Mahindra & Mahindra | | 49,500 | 22,997,700 | 2.03% |
| 4 | Tata Motors Equity Warrants | | 31,348 | 11,684,967 | 1.03% |
| | | | | 34,682,667 | 3.07% |
| BANKS | | | | | |
| 5 | Karur Vysya Bank | | 51,270 | 18,334,152 | 1.62% |
| 6 | State Bank of India | | 61,600 | 37,320,360 | 3.30% |
| 7 | UTI Bank | | 144,142 | 21,426,708 | 1.89% |
| 8 | Vysya Bank | | 18,396 | 8,839,278 | 0.78% |
| | | | | 85,920,498 | 7.60% |
| COMMODITY CHEMICALS | | | | | |
| 9 | Reliance Industries | | 75,500 | 40,622,775 | 3.59% |
| | | | | 40,622,775 | 3.59% |
| COMPUTER HARDWARE | | | | | |
| 10 | CMC | | 21,500 | 10,622,075 | 0.94% |
| | | | | 10,622,075 | 0.94% |
| CONSTRUCTION & ENGINEERING | | | | | |
| 11 | L&T | | 25,650 | 14,732,078 | 1.30% |
| | | | | 14,732,078 | 1.30% |
| CONSTRUCTION MATERIALS | | | | | |
| 12 | ACC | | 75,000 | 19,098,750 | 1.69% |
| 13 | Guj Ambuja Cement | | 35,000 | 10,342,500 | 0.91% |
| | | | | 29,441,250 | 2.60% |
| DIVERSIFIED METALS & MINING | | | | | |
| 14 | Neyveli Lignite | | 200,000 | 10,940,000 | 0.97% |
| | | | | 10,940,000 | 0.97% |
| ELECTRIC UTILITIES | | | | | |
| 15 | Power Trading Corporation + | | 277,800 | 4,444,800 | 0.39% |
| 16 | Reliance Energy | | 22,000 | 16,808,000 | 1.49% |
| | | | | 21,252,800 | 1.88% |
| ELECTRICAL COMPONENTS & EQUIPMENT | | | | | |
| 17 | Siemens | | 21,500 | 21,126,975 | 1.87% |
| | | | | 21,126,975 | 1.87% |
| GAS & UTILITIES | | | | | |
| 18 | GAIL | | 39,600 | 8,442,720 | 0.75% |
| | | | | 8,442,720 | 0.75% |
| HEAVY ELECTRICAL EQUIPMENT | | | | | |
| 19 | BHEL | | 45,800 | 27,679,230 | 2.45% |
| 20 | Thermax | | 55,179 | 20,363,810 | 1.80% |
| | | | | 48,043,040 | 4.25% |
| HOUSEHOLD APPLIANCES | | | | | |
| 21 | Voltas | | 69,874 | 8,157,790 | 0.72% |
| | | | | 8,157,790 | 0.72% |
| INDUSTRIAL CONGLOMERATES | | | | | |
| 22 | Grasim Industries | | 30,000 | 32,040,000 | 2.83% |
| | | | | 32,040,000 | 2.83% |

| SR. NO | NAME OF THE COMPANY | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|----------------------------------|---------------|-----------------|------------------------------|------------------------|
| INDUSTRIAL MACHINERY | | | | | |
| 23 | Fag Bearings | | 150,000 | 15,757,500 | 1.39% |
| 24 | Cummins India | | 82,003 | 8,060,895 | 0.71% |
| | | | | 23,818,395 | 2.11% |
| IT CONSULTING & SERVICES | | | | | |
| 25 | Infosys Technologies | | 4,710 | 23,258,922 | 2.06% |
| 26 | Wipro | | 18,350 | 24,978,020 | 2.21% |
| | | | | 48,236,942 | 4.26% |
| MOTORCYCLE MANUFACTURERS | | | | | |
| 27 | Hero Honda | | 37,050 | 18,176,730 | 1.61% |
| | | | | 18,176,730 | 1.61% |
| OIL & GAS EXPLORATION & PRODUCTION | | | | | |
| 28 | ONGC | | 34,495 | 28,999,947 | 2.56% |
| 29 | Dredging Corporation | | 16,887 | 8,614,903 | 0.76% |
| | | | | 37,614,850 | 3.33% |
| OIL & GAS REFINING & MARKETING | | | | | |
| 30 | HPCL | | 48,800 | 24,748,920 | 2.19% |
| | | | | 24,748,920 | 2.19% |
| PAPER PRODUCTS | | | | | |
| 31 | TNPL | | 188,000 | 11,787,600 | 1.04% |
| | | | | 11,787,600 | 1.04% |
| PHARMACEUTICALS | | | | | |
| 32 | Aventis India | | 28,000 | 20,055,000 | 1.77% |
| 33 | Biocon + | | 2,300 | 724,500 | 0.06% |
| 34 | Glaxo Smithkline Pharmaceuticals | | 24,993 | 15,164,503 | 1.34% |
| 35 | Jupiter Biosciences | | 32,427 | 3,690,193 | 0.33% |
| 36 | Matrix Laboratories | | 12,624 | 17,859,804 | 1.58% |
| 37 | Novartis India | | 34,350 | 12,999,758 | 1.15% |
| 38 | Ranbaxy Laboratories | | 20,100 | 18,888,975 | 1.67% |
| 39 | Strides Arcolab | | 53,216 | 7,833,395 | 0.69% |
| | | | | 97,216,128 | 8.59% |
| STEEL | | | | | |
| 40 | Tisco | | 33,500 | 12,852,275 | 1.14% |
| | | | | 12,852,275 | 1.14% |
| TOBACCO | | | | | |
| 41 | ITC | | 28,150 | 29,363,265 | 2.60% |
| | | | | 29,363,265 | 2.60% |
| EQUITY: Listed / Awaiting listing on Stock Exchanges | | | | 734,002,404.00 | 64.89% |
| Unlisted / Privately Placed | | | | | |
| IT CONSULTING & SERVICES | | | | | |
| 42 | SIP Technologies | | 52,521 | 252,101 | 0.02% |
| | | | | 252,101 | 0.02% |
| EQUITY:Unlisted / Privately Placed | | | | 252,101 | 0.02% |
| EQUITY SHARES | | | | 734,254,505 | 64.91% |
| PREFERNCE SHARES | | | | | |
| Listed / Awaiting listing on Stock Exchanges | | | | | |
| HEAVY ELECTRICAL EQUIPMENT | | | | | |
| 43 | Thermax 6 % Preference Shares | | 5,916 | 56,794 | 0.01% |
| | | | | 56,794 | 0.01% |
| PREFERNCE SHARES | | | | 56,794 | 0.01% |
| GOVERNMENT SECURITIES | | | | | |
| 44 | 12.59 % GOI 2004 | | 1,000,000 | 101,687,300 | 8.99% |
| 45 | 07.49 % GOI 2017 | | 1,000,000 | 118,730,000 | 10.50% |
| GOVERNMENT SECURITIES | | | | 220,417,300 | 19.49% |

| SR. NO | NAME OF THE COMPANY | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|---------------------------------|--------|------------|--------------------------|-----------------|
| DEBT INSTRUMENTS | | | | | |
| Listed / Awaiting listing on Stock Exchanges | | | | | |
| CONSUMER FINANCE | | | | | |
| | 46 Sundaram Finance 2005 ** | | 30,000,000 | 31,380,660 | 2.77% |
| | | | | 31,380,660 | 2.77% |
| Debt: Listed / Awaiting listing on Stock Exchanges | | | | 31,380,660 | 2.77% |
| Unlisted / Privately Placed | | | | | |
| CONSUMER FINANCE | | | | | |
| | 47 Citicorp Finance FRN 2007 ** | | 50,000,000 | 50,000,000 | 4.42% |
| | | | | 50,000,000 | 4.42% |
| Debt: Unlisted / Privately Placed | | | | 50,000,000 | 4.42% |
| DEBT INSTRUMENTS | | | | 81,380,660 | 7.19% |
| Reverse Repo Investments | | | | 48,314,124 | 4.27% |
| Net Receivables / (Payables) | | | | 46,726,619 | 4.13% |
| Grand Total | | | | 1,131,150,002 | 100.00% |

** Non Traded / Thinly Traded as of March 31, 2004

+ Pending Listing on the Exchange

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND – PLAN A
AUDITORS' REPORT**

To the Trustee of

**DSP MERRILL LYNCH MUTUAL FUND – GOVERNMENT SECURITIES FUND
– PLAN A:**

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – GOVERNMENT SECURITIES FUND – PLAN A ('the Scheme') as at March 31, 2004 and also the revenue account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').

iv. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A
BALANCE SHEET AS AT MARCH 31, 2004

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|----------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 728,534,456 | 695,839,002 |
| Reserves & Surplus | 2 | 540,261,616 | 525,507,760 |
| Current Liabilities | 3 | 11,942,160 | 119,124,215 |
| | | 1,280,738,232 | 1,340,470,977 |
| ASSETS | | | |
| Investments | 4 | 1,212,561,500 | 1,050,500,000 |
| Deposits | 5 | 3,100,000 | 52,700,000 |
| Other Current Assets | 6 | 65,076,732 | 237,270,977 |
| | | 1,280,738,232 | 1,340,470,977 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Interest | 7 | 104,694,439 | 77,300,858 |
| Profit on sale/redemption of investments (net) | | 87,283,500 | 91,017,809 |
| | | 191,977,939 | 168,318,667 |
| EXPENSES & LOSSES | | | |
| Management fees | | 11,905,933 | 7,261,180 |
| Transfer agents fees & expenses | | 1,893,506 | 1,126,640 |
| Custodian Fees & Transaction charges | | 1,000 | 3,938 |
| Trusteeship fees | | 51,500 | 47,682 |
| Marketing expenses | | 5,953,024 | 3,553,864 |
| Payment to Auditor | | | |
| Audit fees | | 112,000 | 80,000 |
| Other matters including reimbursement of expenses | | 2,000 | 18,849 |
| Other operating expenses | | 434,302 | 411,922 |
| | | 20,353,265 | 12,504,075 |
| Excess of income and gains over expenses and losses | | 171,624,674 | 155,814,592 |
| Add: Income Equalisation Account | | (41,471,166) | 15,748,586 |
| Income available for Appropriation | | 130,153,508 | 171,563,178 |
| Appropriation | | | |
| Income Distribution during the year | | 62,776,347 | 6,112,199 |
| Tax on Income distributed during the year | | 8,043,219 | - |
| Retained Surplus carried forward to Balance Sheet | | 59,333,942 | 165,450,979 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

Schedule

| 1 | UNIT CAPITAL | As at 31.03.2004 | | As at 31.03.2003 | |
|---|--|-----------------------|--------------------|-----------------------|--------------------|
| | | Units | Rupees | Units | Rupees |
| | Issued and subscribed: | | | | |
| | Units of Rs. 10 each fully paid up | | | | |
| | Opening Balance | 69,583,900.121 | 695,839,002 | 74,393,241.459 | 743,932,415 |
| | Capital issued during the year | 138,052,503.415 | 1,380,525,033 | 78,767,897.262 | 787,678,973 |
| | | 207,636,403.536 | 2,076,364,035 | 153,161,138.721 | 1,531,611,388 |
| | Redemptions during the year | 134,782,957.906 | 1,347,829,579 | 83,577,238.600 | 835,772,386 |
| | Unit Capital at the end of the year | 72,853,445.630 | 728,534,456 | 69,583,900.121 | 695,839,002 |
| | Growth Plan | 44,512,093.084 | 445,120,931 | 52,245,573.284 | 522,455,734 |
| | Dividend Plan | 28,336,852.546 | 283,368,525 | 17,338,326.837 | 173,383,268 |
| | Monthly Plan | 4,500.000 | 45,000 | - | - |
| | Unit Capital at the end of the year | 72,853,445.630 | 728,534,456 | 69,583,900.121 | 695,839,002 |
| | | | | | |
| | 2 RESERVES AND SURPLUS | | | | |
| | Unit Premium Reserve | | | | |
| | Opening balance | | 141,248,562 | | 72,984,264 |
| | Net premium on issue / redemption of units during the year | | (75,837,752) | | 84,012,884 |
| | Transfer from / (to) Income Equalisation Account | | 41,471,166 | | (15,748,586) |
| | Closing Balance | | 106,881,976 | | 141,248,562 |
| | Retained Surplus | | | | |
| | Opening balance | | 362,913,365 | | 197,462,386 |
| | Add: Surplus transferred from Revenue Account | | 59,333,942 | | 165,450,979 |
| | Closing Balance | | 422,247,307 | | 362,913,365 |
| | Unrealised Appreciation on Investments | | | | |
| | Opening balance | | 21,345,833 | | 16,110,517 |
| | Less: Reversed during the year | | (21,345,833) | | (16,110,517) |
| | Add: Unrealised appreciation as at year end | | 11,132,333 | | 21,345,833 |
| | Closing Balance | | 11,132,333 | | 21,345,833 |
| | | | 540,261,616 | | 525,507,760 |
| | | | | | |
| | 3 CURRENT LIABILITIES | | | | |
| | Sundry creditors | | 1,562,680 | | 1,620,241 |
| | Payable for units repurchased | | 100,306 | | 1,180,248 |
| | Contracts for purchase of investments | | - | | 116,263,500 |
| | Distributed income payable | | 10,197,692 | | - |
| | Unclaimed distributed income | | 28,939 | | 19,592 |
| | Other Liabilities | | 52,543 | | 40,634 |
| | | | 11,942,160 | | 119,124,215 |

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Government Securities | 1,201,429,167 | 1,212,561,500 | 1,029,154,167 | 1,050,500,000 |
| | 1,201,429,167 | 1,212,561,500 | 1,029,154,167 | 1,050,500,000 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with : | | |
| - Institutions | - | 45,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 3,100,000 | 7,700,000 |
| | 3,100,000 | 52,700,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current accounts | 8,298,902 | 89,157,365 |
| Receivable for Units sold | - | (181,685) |
| Contracts for sale of investments | - | 120,733,444 |
| Outstanding and accrued income | 25,984,212 | 27,561,853 |
| Collateralised Lending (Reverse Repurchase transactions) | 30,793,618 | |
| | 65,076,732 | 237,270,977 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|------------------------------------|------------------------------------|
| Collateralised Lending (Reverse Repurchase transactions) | 4,395,179 | 2,384,291 |
| Call Deposits | 661,932 | 2,714,444 |
| Government Securities | 99,570,750 | 71,882,264 |
| CCIL Margin & others | 66,578 | 319,859 |
| | 104,694,439 | 77,300,858 |

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND PLAN A
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Government Securities Fund Plan A (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on September 20, 1999 and was open for subscription between September 20, 1999 and September 23, 1999. Thereafter, it was reopened for subscription and redemption on October 01, 1999.

The primary objective of the Scheme is to seek to generate income through investment in Central Government Securities of various maturities.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a) Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable. The front-end fee receivable, if any, is reduced from the cost of such investment.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

II. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Contingent Deferred Sales Charge

The Contingent Deferred Sales Charge collected is utilised for meeting the selling and distribution expenses.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at 0.70 percentage of the Scheme's daily Net Asset Value.

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average assets per annum.

4. Investments

a. Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.

- b. The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 13,357,890,000 (previous year Rs. 8,343,233,500) and Rs. 13,272,898,500 (previous year Rs. 8,265,564,666) respectively being 787.44% (previous year 821.67 %) and 782.43 % (previous year 814.02 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|-------------------------------------|------------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 2,005,734 | 1,238,729 |
| • ING Vysya Financial Services Ltd. | 49,925 | 8,057 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|-------------------------------------|------------------------------------|
| Net Income as per Revenue Account | 130,153,508 | 171,563,178 |
| Add: Balance of undistributed income as at the beginning of the year | 362,913,365 | 197,462,386 |
| Less: Unrealised appreciation on investments included in the undistributed income as at the beginning of the year. | - | - |
| Less: Distributed to unitholders & distribution tax | 70,819,566 | 6,112,199 |
| Balance Distributable income | 422,247,307 | 362,913,365 |

7. Prior Year Comparatives

Prior year figures have been reclassified, wherever necessary, to conform to current years' presentation.

8. Contingent Liability: Nil

9. Large holdings in the Scheme (over 25% of the NAV of the Scheme): Nil

10. Perspective Historical per Unit Statistics.

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | | Rupees March 31, 2002* | |
|--|--------------------------|-------------------------|--------------------------|-----------------|---------------------------|-----------------|
| a. Net asset value, at the end of the period: | | | | | | |
| Growth Plan (G) | 21.2930 | | 19.2149 | | 16.2640 | |
| Dividend Plan (D) | 11.3264 | | 12.5411 | | 11.0125 | |
| Monthly Dividend Plan (MD) | 10.1389 | | - | | - | |
| b. Gross Income | | | | | | |
| (i) Income other than profit on sale of investment | 1.4372 | | 1.1109 | | 1.0800 | |
| (ii) Income from profit on inter scheme sales/transfer of investment | - | | - | | - | |
| (iii) Income from profit on sale of investment to third party | 1.1981 | | 1.3080 | | 1.9700 | |
| (iv) Transfer to revenue account Income from past year' reserve | - | | - | | - | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.2794 | | 0.1797 | | 0.1300 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 2.3559 | | 2.2392 | | 2.9200 | |
| e. Unrealised appreciation/(depreciation) in value of investments | 0.1528 | | 0.3068 | | 0.2200 | |
| f. Repurchase and Resale Price | Growth | Dividend | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | | | |
| - Highest Price | 21.4060 | D-12.7311 MD-10.1231 | 19.2871 | 12.5130 | 16.2199 | 12.7546 |
| - Lowest Price | 19.3596 | D-11.2387 MD-9.9172 | 15.5463 | 10.5264 | 12.5028 | 10.6246 |
| Resale Price | | | | | | |
| - Highest Price | 21.5352 | D-12.8079 MD-10.1842 | 19.4035 | 12.5885 | 16.3172 | 12.8311 |
| - Lowest Price | 19.4765 | D-11.3065 MD-9.9771 | 15.6401 | 10.5899 | 12.5341 | 10.6512 |
| g. Ratio of expenses to average daily net assets by percentage | 1.20% | | 1.23% | | 1.10% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 11.97% | | 18.68% | | 27.40% | |

*Net asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes:

- The highest and lowest repurchase price of the units of the Scheme has been determined after reducing from the highest and lowest declared NAV, the maximum CDSC applicable.
- The per unit calculations are based on the number of units outstanding at the end of the financial year.
- P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND PLAN A
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE INSTRUMENT | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--------------------------------------|-------------------------------|---------------|-----------------|----------------------------------|------------------------|
| CENTRAL GOVERNMENT SECURITIES | | | | | |
| 1 | 08.07 % GOI 2017 | SOV | 2,000,000 | 248,740,000 | 19.60% |
| 2 | 07.37 % GOI 2014 | SOV | 2,500,000 | 293,125,000 | 23.10% |
| 3 | 07.49 % GOI 2017 | SOV | 3,000,000 | 356,190,000 | 28.07% |
| 4 | 06.25 % GOI 2018 | SOV | 2,000,000 | 214,500,000 | 16.91% |
| 5 | 05.03 % GOI 2011(FRB) | SOV | 1,000,000 | 100,006,500 | 7.88% |
| CENTRAL GOVERNMENT SECURITIES | | | | 1,212,561,500 | 95.57% |
| MONEY MARKET INSTRUMENTS | | | | | |
| Reverse Repo Investments | | | | 30,793,618 | 2.43% |
| Net Receivables / (Payables) | | | | 25,440,954 | 2.01% |
| Grand Total | | | | 1,268,796,072 | 100.00% |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND – PLAN B
AUDITORS' REPORT**

To the Trustee of

**DSP MERRILL LYNCH MUTUAL FUND – GOVERNMENT SECURITIES FUND
– PLAN B:**

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – GOVERNMENT SECURITIES FUND – PLAN B ('the Scheme') as at March 31, 2004 and also the revenue account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').

iv. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B
BALANCE SHEET AS AT MARCH 31, 2004

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|----------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 124,495,664 | 219,894,266 |
| Reserves & Surplus | 2 | 56,189,001 | 80,883,011 |
| Current Liabilities | 3 | 294,537 | 372,659 |
| | | 180,979,202 | 301,149,936 |
| ASSETS | | | |
| Investments | 4 | 123,785,000 | 228,500,000 |
| Deposits | 5 | 700,000 | 65,500,000 |
| Other Current Assets | 6 | 56,494,202 | 7,149,936 |
| | | 180,979,202 | 301,149,936 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|---|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Interest | 7 | 21,817,444 | 28,642,816 |
| Profit on interscheme sale of investments (net) | | - | 4,115,000 |
| Write back of provision for unrealised loss in the value of investments | | 5,586,718 | - |
| | | 27,404,162 | 32,757,816 |
| EXPENSES & LOSSES | | | |
| Management fees | | 826,553 | 2,083,453 |
| Transfer agents fees & expenses | | 278,633 | 330,997 |
| Custodian fees | | 1,000 | 788 |
| Trusteeship fees | | 8,700 | 14,107 |
| Marketing expenses | | 826,553 | 1,034,608 |
| Payment to Auditor | | | |
| Audit fees | | 28,250 | 25,000 |
| Other matters including reimbursement of expenses | | 500 | 15,517 |
| Other operating expenses | | 40,705 | 154,350 |
| Loss on sale/redemption of investments (net) | | 9,652,218 | 5,951,096 |
| Change in net unrealised loss in the value of investments | | - | 6,330,691 |
| | | 11,663,112 | 15,940,607 |
| Excess of income and gains over expenses and losses | | 15,741,050 | 16,817,209 |
| Add / (Less): Income Equalisation account | | (2,209,291) | 1,937,361 |
| Income available for appropriation | | 13,531,759 | 18,754,570 |
| Appropriation | | | |
| Income Distribution during the year | | 635,024 | 1,154,596 |
| Tax on Income distributed during the year | | 81,362 | - |
| Retained Surplus carried forward to Balance Sheet | | 12,815,373 | 17,599,974 |

Notes to Accounts

8

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
 Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

Schedule

1 UNIT CAPITAL

Issued and subscribed:

Units of Rs. 10 each fully paid up

| | As at 31.03.2004 | | As at 31.03.2003 | |
|--|-----------------------|--------------------|-----------------------|--------------------|
| | Units | Rupees | Units | Rupees |
| Opening Balance | 21,989,426.608 | 219,894,266 | 28,737,855.709 | 287,378,557 |
| Capital issued during the year | 7,149,068.971 | 71,490,690 | 11,830,581.957 | 118,305,820 |
| | 29,138,495.579 | 291,384,956 | 40,568,437.666 | 405,684,377 |
| Redemptions during the year | 16,688,929.166 | 166,889,292 | 18,579,011.058 | 185,790,111 |
| Unit Capital at the end of the year | 12,449,566.413 | 124,495,664 | 21,989,426.608 | 219,894,266 |
| Growth Plan | 11,814,925.932 | 118,149,259 | 20,934,898.622 | 209,348,986 |
| Dividend Plan | 634,640.481 | 6,346,405 | 1,054,527.986 | 10,545,280 |
| Unit Capital at the end of the year | 12,449,566.413 | 124,495,664 | 21,989,426.608 | 219,894,266 |

2 RESERVES AND SURPLUS

Unit Premium Reserve

Opening balance
Net premium on issue /redemption of units during the year
Transfer from / (to) Income Equalisation Account

Closing Balance

Retained Surplus

Opening balance
Add: Surplus transferred from Revenue Account

Closing Balance

| As at 31.03.2004 | As at 31.03.2003 |
|---------------------|---------------------|
| Rupees | Rupees |

| | |
|--------------|-------------|
| 13,763,130 | 12,204,937 |
| (39,718,674) | 3,495,554 |
| 2,209,291 | (1,937,361) |

| | |
|---------------------|-------------------|
| (23,746,253) | 13,763,130 |
|---------------------|-------------------|

| | |
|------------|------------|
| 67,119,881 | 49,519,907 |
| 12,815,373 | 17,599,974 |

| | |
|-------------------|-------------------|
| 79,935,254 | 67,119,881 |
|-------------------|-------------------|

| | |
|-------------------|-------------------|
| 56,189,001 | 80,883,011 |
|-------------------|-------------------|

3 CURRENT LIABILITIES

Sundry creditors
Distributed income payable
Unclaimed Distributed Income
Other liabilities

| As at 31.03.2004 | As at 31.03.2003 |
|---------------------|---------------------|
| Rupees | Rupees |

| | |
|---------|---------|
| 146,818 | 363,015 |
| 143,074 | - |
| 1,202 | 1,202 |
| 3,443 | 8,442 |

| | |
|----------------|----------------|
| 294,537 | 372,659 |
|----------------|----------------|

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Government Securities | 124,991,667 | 123,785,000 | 235,293,385 | 228,500,000 |
| | 124,991,667 | 123,785,000 | 235,293,385 | 228,500,000 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| | Money at call with : | |
| - Institutions | - | 63,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 700,000 | 2,500,000 |
| | 700,000 | 65,500,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|---|-------------------------------|
| | Balances with banks in current accounts | 6,167,557 |
| Outstanding and accrued income | 2,543,445 | 4,377,648 |
| Collateralised Lending (Reverse Repurchase transactions) | 47,783,200 | - |
| | 56,494,202 | 7,149,936 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|------------------------------------|------------------------------------|
| | Call Deposits | 316,420 |
| Government Securities | 20,548,611 | 27,228,528 |
| Collateralised Lending (Reverse Repurchase transactions) | 930,797 | 367,480 |
| CCIL Margin & others | 21,616 | 103,849 |
| | 21,817,444 | 28,642,816 |

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND PLAN B
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Government Securities Fund Plan B (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on September 20, 1999 and was open for subscription between September 20, 1999 and September 23, 1999. Thereafter, it was reopened for subscription and redemption on October 01, 1999.

The primary objective of the Scheme is to seek to generate income through investment in Central Government Securities of various maturities.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a) Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable. The front-end fee receivable, if any, is reduced from the cost of such investment.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

II. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Contingent Deferred Sales Charge

The Contingent Deferred Sales Charge collected is utilised for meeting the selling and distribution expenses.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at 0.35 percentage of the Scheme's daily Net Asset Value.

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

4. Investments

- a. Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- b. The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 175,765,000 (previous year Rs. 298,917,500) and Rs. 276,414,500 (previous year Rs. 396,751,500) respectively being 74.74% (previous year 101.12%) and 117.53% (previous year 134.22%) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|-------------------------------------|------------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 297,603 | 543,827 |
| • ING Vysya Financial Services Ltd. | 8,170 | 66 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|-------------------------------------|------------------------------------|
| Net Income as per Revenue Account | 13,531,759 | 18,754,570 |
| Add: Balance of undistributed income as at the beginning of the year | 67,119,881 | 49,519,907 |
| Less: Unrealised appreciation on investments included in the undistributed income as at the beginning of the year. | - | - |
| Less: Distributed to unitholders & distribution tax | 716,386 | 1,154,596 |
| Balance Distributable income | 79,935,254 | 67,119,881 |

7. Prior Year Comparatives

Prior year figures have been reclassified, wherever necessary, to conform to current years' presentation.

8. Contingent Liability: Nil**9. Large holdings in the Scheme (over 25% of the NAV of the Scheme):**

| No. of Investors | % holding of net assets |
|------------------|-------------------------|
| 1 | 59.00% |

10. Perspective Historical per Unit Statistics

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | | Rupees March 31, 2002* | |
|--|--------------------------|-----------------|--------------------------|-----------------|---------------------------|-----------------|
| a. Net asset value, at the end of the period: | | | | | | |
| Growth Plan | 14.7153 | | 13.8229 | | 12.9994 | |
| Dividend Plan | 10.7540 | | 10.8082 | | 10.4166 | |
| b. Gross Income | | | | | | |
| (i) Income other than profit on sale of investment | 1.7525 | | 1.3026 | | 1.3900 | |
| (ii) Income from profit on inter scheme sales/transfer of investment | - | | 0.1871 | | - | |
| (iii) Income from profit / (loss) on sale of investment to third party | (0.7753) | | (0.2706) | | 0.1900 | |
| (iv) Transfer to revenue account Income from past year' reserve | 0.4487 | | - | | - | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.1615 | | 0.1664 | | 0.1500 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 1.2644 | | 1.0527 | | 1.4300 | |
| e. Unrealised appreciation/(depreciation) in value of investments | (0.0969) | | (0.3089) | | (0.0200) | |
| f. Repurchase and Resale Price | Growth | Dividend | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | | | |
| - Highest Price | 14.7153 | 10.9776 | 13.8401 | 10.8215 | 12.9915 | 10.9126 |
| - Lowest Price | 13.8558 | 10.5253 | 12.8924 | 10.3310 | 11.6403 | 10.2580 |
| Resale Price | | | | | | |
| - Highest Price | 14.7153 | 10.9776 | 13.8401 | 10.8215 | 12.9915 | 10.9285 |
| - Lowest Price | 13.8558 | 10.5253 | 12.8924 | 10.3310 | 11.6694 | 10.2836 |
| g. Ratio of expenses to average daily net assets by percentage | 0.86% | | 1.24% | | 1.09% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 4.66% | | 6.77% | | 11.82% | |

*Net Asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes:

- The highest and lowest repurchase price of the units of the Scheme has been determined after reducing from the highest and lowest declared NAV, the maximum sales CDSC applicable.
- The per unit calculations are based on the number of units outstanding at the end of the financial year.
- P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND PLAN B
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE INSTRUMENT | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--------------------------------------|------------------------------|--------|----------|--------------------------|-----------------|
| CENTRAL GOVERNMENT SECURITIES | | | | | |
| 1 | 11.90 % GOI 2007 | SOV | 500,000 | 60,575,000 | 33.53% |
| 2 | 11.40% GOI 2008 | SOV | 500,000 | 63,210,000 | 34.98% |
| Total | | | | 123,785,000 | 68.51% |
| MONEY MARKET INSTRUMENTS | | | | | |
| | Reverse Repo Investments | | | 47,783,200 | 26.45% |
| | Net Receivables / (Payables) | | | 9,116,465 | 5.05% |
| Grand Total | | | | 180,684,665 | 100.00% |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TECHNOLOGY.COM FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – TECHNOLOGY.COM FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – TECHNOLOGY.COM FUND ('the Scheme') as at March 31, 2004 and also the revenue account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').
 - iv. In our opinion, and on the basis of information and explanations given to us, the methods used to value non traded securities as at March 31, 2004 in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board Of India as applicable and approved by the Board of Directors of DSP Merrill Lynch Trustee Co. Pvt. Ltd., are fair and reasonable.

v. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the year ended on that date.

**For S.R. BATLIBOI & CO.
Chartered Accountants**

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TECHNOLOGY.COM FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|------------------------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 295,251,648 | 387,912,585 |
| Reserves & Surplus | 2 | (77,166,362) | (227,017,313) |
| Current Liabilities and Provisions | 3 | 977,150 | 1,646,065 |
| | | 219,062,436 | 162,541,337 |
| ASSETS | | | |
| Investments | 4 | 217,493,356 | 145,843,800 |
| Deposits | 5 | - | 11,000,000 |
| Other Current Assets | 6 | 1,569,080 | 5,697,537 |
| | | 219,062,436 | 162,541,337 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TECHNOLOGY.COM FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Dividend | | 2,774,740 | 1,702,713 |
| Interest | 7 | 196,538 | 593,933 |
| Profit on sale of investments (net) | | 38,894,769 | 14,105,128 |
| Write back of provision for unrealised loss in the value of investments | | 13,093,409 | - |
| | | 54,959,456 | 16,401,774 |
| EXPENSES & LOSSES | | | |
| Management fees | | 2,445,636 | 2,403,158 |
| Transfer agents fees & expenses | | 436,269 | 401,633 |
| Custodian Fees & Transaction charges | | 323,314 | 186,885 |
| Trusteeship fees | | 5,900 | 9,490 |
| Marketing expenses | | 1,487,947 | 334,203 |
| Payment to Auditor | | | |
| Audit fees | | 27,750 | 15,000 |
| Other matters including reimbursement of expenses | | 300 | 2,400 |
| Other operating expenses | | 24,196 | 234,973 |
| Change in net unrealised loss in the value of investments | | - | 13,093,409 |
| | | 4,751,312 | 16,681,151 |
| Excess of income and gains over expenses and losses / (expenses and losses over income and gains) | | 50,208,144 | (279,377) |
| Add / (Less): Income Equalisation account | | (2,760,746) | (1,480,446) |
| Retained Surplus carried forward to Balance Sheet | | 47,447,398 | (1,759,823) |

Notes to Accounts

8

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TECHNOLOGY.COM FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

Schedule

| Schedule | As at 31.03.2004 | | As at 31.03.2003 | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | Units | Rupees | Units | Rupees |
| 1 UNIT CAPITAL | | | | |
| Issued and subscribed: | | | | |
| Units of Rs. 10 each fully paid up | | | | |
| Opening Balance | 38,791,258.448 | 387,912,585 | 44,002,797.924 | 440,027,980 |
| Capital issued during the year | 6,596,857.764 | 65,968,577 | 2,085,146.115 | 20,851,461 |
| | 45,388,116.212 | 453,881,162 | 46,087,944.039 | 460,879,441 |
| Redemptions during the year | 15,862,951.409 | 158,629,514 | 7,296,685.591 | 72,966,856 |
| Unit Capital at the end of the year | 29,525,164.803 | 295,251,648 | 38,791,258.448 | 387,912,585 |
| Growth Plan | 10,022,066.762 | 100,220,668 | 14,657,115.131 | 146,571,151 |
| Dividend Plan | 19,503,098.041 | 195,030,980 | 24,134,143.317 | 241,341,434 |
| Unit Capital at the end of the year | 29,525,164.803 | 295,251,648 | 38,791,258.448 | 387,912,585 |
| 2 RESERVES AND SURPLUS | | | | |
| Unit Premium Reserve | | | | |
| Opening balance | | 36,789,069 | | 7,066,249 |
| Net premium on issue / redemption of units during the year | | 40,360,054 | | 28,242,374 |
| Transfer from / (to) Income Equalisation Account | | 2,760,746 | | 1,480,446 |
| Closing balance | | 79,909,869 | | 36,789,069 |
| Retained Surplus | | | | |
| Opening balance | | (263,806,382) | | (262,046,559) |
| Add / (Less): Surplus/(Deficit) transferred from Revenue Account | | 47,447,398 | | (1,759,823) |
| Closing balance | | (216,358,984) | | (263,806,382) |
| Unrealised Appreciation on Investments | | | | |
| Opening balance | | - | | 25,417,189 |
| Less: Reversed during the year | | - | | (25,417,189) |
| Add: Unrealised appreciation as at the year end | | 59,282,753 | | - |
| Closing balance | | 59,282,753 | | - |
| | | (77,166,362) | | (227,017,313) |
| 3 CURRENT LIABILITIES & PROVISIONS | | | | |
| Sundry creditors | | 457,755 | | 465,864 |
| Payable for units repurchased | | 329,325 | | 152,809 |
| Contracts for purchase of investments | | - | | 1,016,297 |
| Unclaimed redemptions | | 34,483 | | - |
| Other liabilities | | 155,587 | | 11,095 |
| | | 977,150 | | 1,646,065 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TECHNOLOGY.COM FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|----------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Equity Shares | | | | |
| Listed or awaiting listing | 158,210,603 | 217,493,356 | 158,937,209 | 145,843,800 |
| | 158,210,603 | 217,493,356 | 158,937,209 | 145,843,800 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with : | | |
| - Institutions | - | 10,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | - | 1,000,000 |
| | - | 11,000,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current account | 1,537,949 | 964,488 |
| Receivable for Units sold | - | 1,970 |
| Contracts for sale of investments | - | 4,719,738 |
| Outstanding and accrued income | - | 11,341 |
| Dividend receivable | 31,131 | - |
| | 1,569,080 | 5,697,537 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|------------------------------------|------------------------------------|
| Collateralised Lending (Reverse Repurchase transactions) | 110,794 | 87,938 |
| Call and term deposits | 77,098 | 464,455 |
| CCIL Margin & others | 8,646 | 41,540 |
| | 196,538 | 593,933 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TECHNOLOGY.COM FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Technology.Com Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on March 11, 2000 and was open for subscription between March 11, 2000 and April 18, 2000. Thereafter, it was reopened for subscription and redemption on May 18, 2000.

The objective of the Scheme is to primarily generate long term capital appreciation, and secondary objective is income generation and the distribution of dividend from a portfolio that is substantially constituted of equity securities and equity related securities concentrating on the investment focus of the Scheme.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected

by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a) Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex- bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Equity and Equity related Securities

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

II. Valuation of Thinly Traded / Non-traded and Unlisted Equity & Equity related Securities

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

III. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Dividend is recognised on 'ex-dividend date' for quoted shares and on the date of declaration for unquoted shares.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Entry Load

The Entry Load collected is utilised for meeting the selling and distribution expenses.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at the following rates which are a percentage of the Scheme's daily Net Asset Value:

| Period | Rates per annum |
|----------------------|-----------------|
| 01.04.03 to 13.05.03 | 1.25% |
| 14.05.03 to 31.07.03 | 1.15% |
| 01.08.03 to 31.03.04 | 1.25% |

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

4. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11) | Outstanding as at March 31, 2004 at Market/Fair Value |
|---|------------------------------------|---|---|
| Bharti Televentures Ltd. | FRF | 2.05 | 2.30 |
| HCL Corporation Ltd. (Subsidiary - HCL Infosystems Ltd.) | TEF | 1.64 | 1.38 |
| HCL Technologies Ltd, (HCL Corporation is the holding company, for other subsidiary details shown separately) | LF,STF | 1.38 | 0.82 |
| VSNL | LF,STF,FRF | 1.71 | - |
| Wipro | STF | 2.08 | 1.26 |

* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth.

- The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 291,653,629 (previous year Rs. 396,661,486) and Rs. 331,275,004 (previous year Rs. 427,051,113) respectively being 146.80 % (previous year 206.32 %) and 166.74 % (previous year 222.12 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|----------------------------------|---------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 702,319 | 463,070 |
| • ING Vysya Financial Services Ltd. | 728 | - |
| Payment of Brokerage on Secondary Market transactions: | | |
| • DSP Merrill Lynch Ltd. | 172,102 | 84,401 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers: | | |
| • DSP Merrill Lynch Ltd. | 644,000 | 4,240,000 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|----------------------------------|---------------------------------|
| Net Income as per Revenue Account | 47,447,398 | (1,759,823) |
| Add: Balance of undistributed income as at the beginning of the year | (263,806,382) | (262,046,559) |
| Less: Unrealised appreciation on investments included in the undistributed income as at the beginning of the year. | - | - |
| Less: Distributed to unitholders & distribution tax | - | - |
| Balance Distributable income | Nil | Nil |

7. Prior Year Comparatives

Prior Year figures have been reclassified, wherever necessary, to conform to current years' presentation.

8. Contingent Liability: Nil

9. Large holdings in the Scheme (over 25% of the NAV of the Scheme): Nil

10. Perspective Historical per Unit Statistics.

| | Rupees March 31, 2004 | Rupees March 31, 2003 | Rupees March 31, 2002* |
|--|--------------------------|--------------------------|---------------------------|
| a. Net asset value, at the end of the period: | 7.39 | 4.15 | 4.78 |
| b. Gross Income | | | |
| (i) Income other than profit on sale of investment | 0.10 | 0.06 | 0.16 |
| (ii) Income from profit on inter scheme sales/transfer of investment | - | - | - |
| (iii) Income from profit / (loss) on sale of investment to third party | 1.32 | 0.36 | (2.97) |
| (iv) Transfer to revenue account Income from past year's reserve | 0.44 | - | 3.15 |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.16 | 0.09 | 0.09 |
| d. Net Income (excluding change in unrealised depreciation in investments) | 1.70 | 0.33 | 0.25 |
| e. Unrealised appreciation/(depreciation) in value of investments | 2.01 | (0.34) | 0.58 |
| f. Repurchase & Resale Price | | | |
| Repurchase Price | | | |
| - Highest Price | 8.52 | 5.41 | 5.06 |
| - Lowest Price | 3.85 | 4.03 | 2.54 |
| Resale Price | | | |
| - Highest Price | 8.69 | 5.52 | 5.16 |
| - Lowest Price | 3.93 | 4.11 | 2.59 |
| g. Ratio of expenses to average daily net assets by percentage | 2.39% | 1.87% | 2.14% |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 50.91% | 1.72% | (55.83%) |

*Net Asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes:

1. The highest and the lowest resale price of the units of the Scheme has been determined after adding to the highest and lowest declared NAV, the maximum sales load applicable.
2. The per unit calculations are based on the number of units outstanding at the end of the financial year.
3. P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH TECHNOLOGY.COM FUND
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|--------------------------|----------|-----------------------------|--------------------|
| EQUITY SHARES | | | | |
| Listed / Awaiting listing on Stock Exchanges | | | | |
| BROADCASTING & CABLE TV | | | | |
| 1 | TV TODAY | 11,300 | 1,507,985 | 0.69% |
| 2 | Zee Telefilms | 16,700 | 2,236,965 | 1.03% |
| | | | 3,744,950 | 1.72% |
| COMPUTER HARDWARE | | | | |
| 3 | D-LINK | 65,500 | 11,465,775 | 5.26% |
| 4 | CMC | 16,150 | 7,978,908 | 3.66% |
| 5 | HCL Infosystems | 20,784 | 13,795,380 | 6.33% |
| 6 | Infosys Technologies | 8,229 | 40,636,448 | 18.63% |
| | | | 73,876,511 | 33.88% |
| COMPUTER STORAGE & PERIPHERALS | | | | |
| 7 | Moser Baer | 11,600 | 3,547,860 | 1.63% |
| | | | 3,547,860 | 1.63% |
| ELECTRICAL COMPONENTS & EQUIPMENT | | | | |
| 8 | Bharat Electronics | 9,385 | 4,661,060 | 2.14% |
| | | | 4,661,060 | 2.14% |
| INTEGRATED TELECOMMUNICATION SERVICES | | | | |
| 9 | MTNL | 58,500 | 7,502,625 | 3.44% |
| | | | 7,502,625 | 3.44% |
| ISP | | | | |
| 10 | City Online ** | 200,000 | 560,000 | 0.26% |
| | | | 560,000 | 0.26% |
| IT CONSULTING & SERVICES | | | | |
| 11 | E-serve International | 20,868 | 12,649,138 | 5.80% |
| 12 | Geometric Software | 25,250 | 12,497,488 | 5.73% |
| 13 | HCL Technologies | 32,917 | 8,153,541 | 3.74% |
| 14 | Huges Software | 12,810 | 6,641,345 | 3.05% |
| 15 | I-Flex | 9,200 | 5,273,440 | 2.42% |
| 16 | Mphasis BFL | 11,608 | 6,309,528 | 2.89% |
| 17 | Satyam Computer Services | 38,920 | 11,428,858 | 5.24% |
| 18 | SSI | 31,131 | 4,423,715 | 2.03% |
| 19 | Subex Systems | 21,200 | 5,804,560 | 2.66% |
| 20 | Visual Software | 32,330 | 4,699,166 | 2.15% |
| 21 | Wipro | 9,240 | 12,577,488 | 5.77% |
| | | | 90,458,267 | 41.48% |
| MOVIES & ENTERTAINMENT | | | | |
| 22 | Adlabs Films | 49,400 | 4,905,420 | 2.25% |
| | | | 4,905,420 | 2.25% |
| TELECOMMUNICATIONS EQUIPMENT | | | | |
| 23 | Bharti Televentures | 147,347 | 22,956,663 | 10.53% |
| 24 | Tata Telecom | 25,600 | 5,280,000 | 2.42% |
| | | | 28,236,663 | 12.95% |
| EQUITY SHARES | | | 217,493,356 | 99.73% |
| Net Receivables / (Payables) | | | 591,930 | 0.27% |
| Grand Total | | | 218,085,286 | 100.00% |

** Non Traded / Thinly Traded as of March 31, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH OPPORTUNITIES FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – OPPORTUNITIES FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – OPPORTUNITIES FUND ('the Scheme') as at March 31, 2004 and also the revenue account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet, revenue account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').

- iv. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004;
 - b) in the case of the revenue account, of the surplus for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH OPPORTUNITIES FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|------------------------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 3,646,759,504 | 1,070,274,204 |
| Reserves & Surplus | 2 | 2,279,092,572 | (196,212,484) |
| Current Liabilities and Provisions | 3 | 61,682,114 | 4,001,683 |
| | | 5,987,534,190 | 878,063,403 |
| ASSETS | | | |
| Investments | 4 | 5,745,214,429 | 752,835,989 |
| Deposits | 5 | 200,000 | 91,500,000 |
| Other Current Assets | 6 | 242,119,761 | 33,727,414 |
| | | 5,987,534,190 | 878,063,403 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH OPPORTUNITIES FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Dividend | | 64,937,554 | 13,446,716 |
| Interest | 7 | 5,342,455 | 2,602,700 |
| Profit on sale of investments (net) | | 1,342,673,001 | 31,963,958 |
| Misc. Income | | 284,177 | - |
| | | 1,413,237,187 | 48,013,374 |
| EXPENSES & LOSSES | | | |
| Management fees | | 33,971,314 | 7,566,642 |
| Transfer agents fees & expenses | | 5,622,146 | 1,263,764 |
| Custodian Fees & Transaction charges | | 4,805,521 | 716,945 |
| Trusteeship fees | | 61,500 | 25,010 |
| Marketing expenses | | 23,780,105 | 4,540,047 |
| Payment to Auditor | | | |
| Audit fees | | 164,000 | 40,000 |
| Other matters including reimbursement of expenses | | 1,400 | 2,400 |
| Other operating expenses | | 113,192 | 251,484 |
| | | 68,519,178 | 14,406,292 |
| Excess of income and gains over expenses and losses | | 1,344,718,009 | 33,607,082 |
| Add / (Less): Income Equalisation account | | 589,879,075 | 17,507,824 |
| Income available for appropriation | | 1,934,597,084 | 51,114,906 |
| Appropriation | | | |
| Income distribution during the year | | 969,137,632 | - |
| Retained Surplus carried forward to Balance Sheet | | 965,459,452 | 51,114,906 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH OPPORTUNITIES FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004**

| | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|---|------------------------------------|------------------------------------|
| A. Cashflow from Operating Activity | | |
| Excess of income and gains over expenses and losses | 1,344,718,009 | 33,607,082 |
| Operating Profit Before Working Capital Changes | 1,344,718,009 | 33,607,082 |
| Adjustments for:- | | |
| (Increase)/Decrease in Other Current Assets | (165,899,123) | 7,640,263 |
| (Increase)/Decrease in Money Market Lending (Deposits) | 1,300,000 | (1,500,000) |
| (Increase)/Decrease in Investments | (4,109,110,891) | (304,304,866) |
| Increase/(Decrease) in Current Liabilities and Provisions | 46,791,297 | 1,387,299 |
| Net Cash Generated From Operations | (A) (2,882,200,708) | (263,170,222) |
| B. Cashflow from Financing Activities | | |
| Increase/(Decrease) in Unit Corpus | 2,576,485,300 | 424,679,139 |
| Increase/(Decrease) in Unit Premium | 1,216,457,130 | (75,725,755) |
| Outstanding Receivable/Payables for Unit Corpus | (641,610) | (408,052) |
| Dividend Paid during the year | (969,137,632) | - |
| Net Cash Used in Financing Activities | (B) 2,823,163,188 | 348,545,332 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (A+B) (59,037,520) | 85,375,110 |
| Cash and Cash Equivalents as at the beginning of the year | 111,153,203 | 25,778,093 |
| Cash and Cash Equivalents as at the close of the year | 52,115,683 | 111,153,203 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (59,037,520) | 85,375,110 |
| Components of cash and cash equivalents | | |
| With Banks - on current account | 52,115,683 | 21,153,203 |
| Money at Call with Institutions | - | 90,000,000 |
| | 52,115,683 | 111,153,203 |

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH OPPORTUNITIES FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

Schedule

| 1 | UNIT CAPITAL | As at 31.03.2004 | | As at 31.03.2003 | |
|---|--|------------------------|----------------------|------------------------|----------------------|
| | | Units | Rupees | Units | Rupees |
| | Issued and subscribed: | | | | |
| | Units of Rs. 10 each fully paid up | | | | |
| | Opening Balance | 107,027,420.418 | 1,070,274,204 | 64,559,506.568 | 645,595,066 |
| | Capital issued during the year | 587,465,373.395 | 5,874,653,734 | 53,138,454.063 | 531,384,540 |
| | | 694,492,793.813 | 6,944,927,938 | 117,697,960.631 | 1,176,979,606 |
| | Redemptions during the year | 329,816,843.370 | 3,298,168,434 | 10,670,540.213 | 106,705,402 |
| | Unit Capital at the end of the year | 364,675,950.443 | 3,646,759,504 | 107,027,420.418 | 1,070,274,204 |
| | Growth Plan | 72,799,902.224 | 727,999,022 | 62,306,861.400 | 623,068,614 |
| | Dividend Plan | 291,876,048.219 | 2,918,760,482 | 44,720,559.018 | 447,205,590 |
| | Unit Capital at the end of the year | 364,675,950.443 | 3,646,759,504 | 107,027,420.418 | 1,070,274,204 |
| | | | | | |
| | 2 RESERVES AND SURPLUS | | | | |
| | Unit Premium Reserve | | | | |
| | Opening balance | | (95,862,032) | | (2,628,453) |
| | Net premium on issue / redemption of units during the year | | 1,216,457,130 | | (75,725,755) |
| | Transfer from / (to) Income Equalisation Account | | (589,879,075) | | (17,507,824) |
| | Closing balance | | 530,716,023 | | (95,862,032) |
| | Retained Surplus | | | | |
| | Opening balance | | (116,098,627) | | (167,213,533) |
| | Add: Surplus transferred from Revenue Account | | 965,459,452 | | 51,114,906 |
| | Closing balance | | 849,360,825 | | (116,098,627) |
| | Unrealised Appreciation on Investments | | | | |
| | Opening Balance | | 15,748,175 | | 42,152,826 |
| | Less: Reversed during the year | | (15,748,175) | | (42,152,826) |
| | Add: Unrealised appreciation as at the year end | | 899,015,724 | | 15,748,175 |
| | Closing balance | | 899,015,724 | | 15,748,175 |
| | | | 2,279,092,572 | | (196,212,484) |
| | | | | | |
| | 3 CURRENT LIABILITIES & PROVISIONS | | | | |
| | Sundry creditors | | 13,411,429 | | 2,983,568 |
| | Payable for units repurchased | | 11,216,969 | | 327,835 |
| | Contracts for purchase of Investments | | 29,296,792 | | 634,900 |
| | Unclaimed redemptions | | 12,570 | | - |
| | Other liabilities | | 7,744,354 | | 55,380 |
| | | | 61,682,114 | | 4,001,683 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH OPPORTUNITIES FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|----------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Equity Shares | | | | |
| Listed or awaiting listing | 4,846,198,705 | 5,745,214,429 | 737,087,814 | 752,835,989 |
| | 4,846,198,705 | 5,745,214,429 | 737,087,814 | 752,835,989 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with : | | |
| - Institutions | - | 90,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 200,000 | 1,500,000 |
| | 200,000 | 91,500,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current account | 52,115,683 | 21,153,203 |
| Receivable for Units sold | 12,042,458 | 511,714 |
| Collateralised Lending (Reverse Repurchase transactions) | 92,380,853 | - |
| Contracts for sale of investments | 85,225,399 | 12,034,391 |
| Outstanding and accrued income | 7,593 | 28,106 |
| Other receivable | 347,775 | - |
| | 242,119,761 | 33,727,414 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|--|------------------------------------|------------------------------------|
| Call and term deposits | 588,373 | 1,802,931 |
| Collateralised Lending (Reverse Repurchase transactions) | 4,741,112 | 669,323 |
| CCIL Margin & others | 12,970 | 130,446 |
| | 5,342,455 | 2,602,700 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH OPPORTUNITIES FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Opportunities Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd.(DSPML).The Scheme was launched on March 11, 2000 and was open for subscription between March 11, 2000 and April 18, 2000. Thereafter, it was reopened for subscription and redemption on May 18, 2000.

The objective of the Scheme is to primarily generate long term capital appreciation, and the secondary objective is income generation and the distribution of dividend from a portfolio that is substantially constituted of equity securities and equity related securities concentrating on the investment focus of the Scheme.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting year upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by

movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a. Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex-bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

b. Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Equity and Equity related Securities

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

II. Valuation of Thinly Traded / Non-traded and Unlisted Equity & Equity related Securities

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

III. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Dividend is recognised on 'ex-dividend date' for quoted shares and on the date of declaration for unquoted shares.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Entry Load

The Entry Load collected is utilised for meeting the selling and distribution expenses.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at the following rates which are a percentage of the Scheme's daily Net Asset Value:

| Period | Rates per annum for first 100 crores | Rates per annum for amount exceeding 100 crores |
|----------------------|--------------------------------------|---|
| 01.04.03 to 13.05.03 | 1.25% | 1.00% |
| 14.05.03 to 31.07.03 | 1.15% | 1.00% |
| 01.08.03 to 31.03.04 | 1.25% | 1.00% |

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

4. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund

| Rupees Crores | | | |
|--|------------------------------------|---|---|
| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11) | Outstanding as at March 31, 2004 at Market/Fair Value |
| Bank Of Baroda | LF,STF | 13.01 | - |
| Bharti Televentures Ltd. | FRF | 9.81 | 11.26 |
| Grasim Industries Ltd. | STF,LF,FRF | 34.82 | 31.67 |
| Gujarat Ambuja Cements | LF | 21.79 | 11.62 |
| HCL Corporation Limited (Subsidiary - HCL Infosystems Ltd.) | TEF | 4.41 | - |
| HCL Technologies Ltd., (HCL Corporation is the holding company, for other subsidiary details shown separately) | LF,STF | 22.76 | 13.65 |
| Hero Honda Ltd. | LF,BF,SPF | 24.97 | 18.05 |
| Hindalco Ltd. | LF,BF | 18.53 | 15.52 |
| Hindustan Lever Ltd. | GSF,STF,LF | 3.39 | - |
| IDBI | LF,STF,GSF,FRF | 8.04 | 6.39 |
| Indian Rayon and Industries Ltd. | FRF | 6.31 | 4.05 |
| ITC Ltd. | LF,STF | 21.04 | 5.22 |
| LIC Housing Finance Ltd. | LF | 4.20 | 3.28 |
| Maruti Udyog Ltd. | STF,FRF | 21.43 | 17.64 |
| Oriental Bank of Commerce | SPF,TEF | 23.10 | - |
| Punjab National Bank | STF,TEF,LF | 14.25 | - |
| State Bank of India | OF | 28.45 | 35.71 |
| Tata Motors Ltd. | LF,FRF,SPF | 17.24 | 7.29 |

| | | | |
|---------------------|------------|-------|-------|
| Union Bank Of India | SPF,LF | 1.00 | - |
| Vijaya Bank | BAF,EF,TEF | 22.95 | 20.09 |
| Wipro | STF | 2.56 | - |

* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth.

- The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 9,686,549,467 (previous year Rs. 1,559,724,439) and Rs. 6,920,111,600 (previous year Rs. 1,288,053,135) respectively being 303.58 % (previous year 257.66 %) and 216.88 % (previous year 212.78 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|----------------------------------|---------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 5,982,087 | 2,660,336 |
| • ING Vysya Financial Services Ltd. | 573,063 | - |
| Payment of Brokerage on Secondary Market transactions: | | |
| • DSP Merrill Lynch Ltd. | 5,809,302 | 768,819 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers: | | |
| • DSP Merrill Lynch Ltd. | 47,427,500 | 10,600,000 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|----------------------------------|---------------------------------|
| Net Income as per Revenue Account | 1,934,597,084 | 51,114,906 |
| Add: Balance of undistributed income as at the beginning of the year | (116,098,627) | (167,213,533) |
| Less: Unrealised appreciation on investments included in the balance undistributed income as at the beginning of the year. | - | - |
| Less: Distributed to unitholders & distribution tax | 969,137,632 | - |
| Balance Distributable income | 849,360,825 | Nil |

7. Segment Information

The Scheme operates only in one segment viz. to primarily generate long term capital appreciation, and the secondary objective is income generation and

the distribution of dividend from a portfolio that is substantially constituted of equity securities and equity related securities concentrating on the investment focus of the Scheme.

8. Related Party Disclosure pursuant to Accounting Standard 18 issued by The Institute of Chartered Accountants of India

The following are the related parties by control:

1. DSP Merrill Lynch Fund Managers Ltd (AMC)
2. DSP Merrill Lynch Trustee Company Private Limited (Trustee Company)
3. Key Management Personnel :
 - Mr. Alok Vajpeyi – President
 - Mr. Naganath Sundaresan – Chief Investment Officer and Joint President
 - Mr. Anup Maheshwari – Fund Manager
 - Mr. Pankaj Sharma – Risk Manager
4. Associates
 - DSP Merrill Lynch Limited (DSPML)
 - Merrill Lynch Holding (Mauritius)

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2004 and March 31, 2003 and for the years then ended are presented in the following table:-

Figures in Rupees

| | Management Fees | Brokerage on Unit Distribution (Refer Note) [Secondary market Equity Trades] | Trustee Fee | Call and Repending (Interest received) | Value of Units Purchased (at transaction NAVs) | Value of Units Redeemed (at transaction NAVs) | Year-end outstanding Units (valued at last declared NAV) | Year-end Other Payables |
|---------------------------------|-------------------|--|---------------|---|--|---|--|-------------------------|
| AMC | | | | | | | | |
| 2003-2004 | 33,971,314 | - | - | - | - | - | - | 4,694,942 |
| 2002-2003 | 7,566,642 | - | - | - | - | - | - | 856,471 |
| Trustee Company | | | | | | | | |
| 2003-2004 | - | - | 61,500 | - | - | - | - | 40,132 |
| 2002-2003 | - | - | 25,010 | - | - | - | - | 10,892 |
| Associates | | | | | | | | |
| <u>DSPML</u> | | | | | | | | |
| 2003-2004 | - | 5,982,087 [Equity Trades 5,809,302] | - | - (interest received Rs. -) | - | - | - | 469,390 |
| 2002-2003 | - | 2,660,336 [Equity Trades Rs. 768,819] | - | 369,807,500 (interest received Rs. 121,605) | - | - | - | 466,480 |
| Key Management Personnel | | | | | | | | |
| <u>Alok Vajpeyi</u> | | | | | | | | |
| 2003-2004 | - | - | - | - | 124,258 | - | 540,027 | - |
| 2002-2003 | - | - | - | - | - | - | 221,401 | - |
| <u>Nagnath S</u> | | | | | | | | |
| 2003-2004 | - | - | - | - | 300,000 | - | 2,266,335 | - |
| 2002-2003 | - | - | - | - | 500,000 | - | 852,920 | - |
| <u>Anup Maheshwari</u> | | | | | | | | |
| 2003-2004 | - | - | - | - | - | - | 32,512 | - |
| 2002-2003 | - | - | - | - | - | - | 13,328 | - |
| <u>Pankaj Sharma</u> | | | | | | | | |
| 2003-2004 | - | - | - | - | 1,500,000 | - | 1,736,629 | - |
| 2002-2003 | - | - | - | - | - | - | - | - |
| Grand Total | | | | | | | | |
| 2003-2004 | 33,971,314 | 5,982,087 [Equity Trades Rs. 5,809,302] | 61,500 | - (interest recd. Rs. -) | 1,824,258 | - | 4,575,503 | 5,204,464 |
| 2002-2003 | 7,566,642 | 2,660,336 [Equity Trades Rs. 768,819] | 25,010 | 369,807,500 (interest recd. Rs. 121,605) | 500,000 | - | 1,087,649 | 1,333,843 |

Note: Payment of Brokerage on unit distribution is made by the AMC and the year end balance is reflected in the books of the AMC.

9. Prior Year Comparatives

Prior Year figures have been reclassified, wherever necessary, to conform to current years' presentation.

10. Contingent Liability: Nil**11. Large holdings in the Scheme (over 25% of the NAV of the Scheme):** Nil**12. Perspective Historical per Unit Statistics.**

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | | Rupees March 31, 2002* | |
|--|--------------------------|-----------------|--------------------------|-----------------|---------------------------|-----------------|
| a. Net asset value, at the end of the period: | | | | | | |
| Growth Plan | 19.93 | | 8.17 | | 8.02 | |
| Dividend Plan | 15.33 | | 8.17 | | 8.02 | |
| b. Gross Income | | | | | | |
| (i) Income other than profit on sale of investment | 0.20 | | 0.15 | | 0.23 | |
| (ii) Income from profit on inter scheme sales/transfer of investment | - | | - | | - | |
| (iii) Income from profit / (loss) on sale of investment to third party | 3.68 | | 0.30 | | (1.11) | |
| (iv) Transfer to revenue account Income from past year's reserve | - | | - | | 1.17 | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.20 | | 0.14 | | 0.16 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 3.68 | | 0.31 | | 0.13 | |
| e. Unrealised appreciation/(depreciation) in value of investments | 2.47 | | 0.15 | | 0.65 | |
| f. Repurchase & Resale Price | Growth | Dividend | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | | | |
| - Highest Price | 21.45 | 19.59 | 8.64 | 8.64 | 8.40 | 8.40 |
| - Lowest Price | 8.22 | 14.51 | 7.14 | 7.14 | 5.32 | 5.32 |
| Resale Price | | | | | | |
| - Highest Price | 21.88 | 19.98 | 8.81 | 8.81 | 8.57 | 8.57 |
| - Lowest Price | 8.38 | 14.80 | 7.28 | 7.28 | 5.43 | 5.43 |
| g. Ratio of expenses to average daily net assets by percentage | 2.15% | | 2.38% | | 2.41% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 72.46% | | 10.53% | | (3.35%) | |

*Net asset Value at the end of the period refers to the computed NAV as on the last day of the year and not the declared NAV on the last business day of the year.

Notes:

1. The highest and the lowest resale price of the units of the Scheme has been determined after adding to the highest and lowest declared NAV, the maximum sales load applicable.
2. The per unit calculations are based on the number of units outstanding at the end of the financial year.
3. P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH OPPORTUNITIES FUND
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|-----------------------------|-----------|-----------------------------|--------------------|
| EQUITY SHARES | | | | |
| Listed / Awaiting listing on Stock Exchanges | | | | |
| AGRICULTURAL PRODUCTS | | | | |
| 1 | Balrampur Chini | 305,000 | 92,704,750 | 1.56% |
| | | | 92,704,750 | 1.56% |
| ALUMINUM | | | | |
| 2 | Hindalco | 127,150 | 155,173,860 | 2.62% |
| | | | 155,173,860 | 2.62% |
| AUTO PARTS & EQUIPMENT | | | | |
| 3 | Amtek Auto | 360,000 | 142,668,000 | 2.41% |
| | | | 142,668,000 | 2.41% |
| AUTOMOBILE MANUFACTURERS | | | | |
| 4 | Mahindra & Mahindra | 160,000 | 74,336,000 | 1.25% |
| 5 | Maruti Udyog | 354,600 | 176,395,770 | 2.98% |
| 6 | Tata Motors | 150,000 | 72,877,500 | 1.23% |
| | | | 323,609,270 | 5.46% |
| DIVERSIFIED FINANCIAL SERVICES | | | | |
| 7 | IDBI | 1,100,000 | 63,910,000 | 1.08% |
| | | | 63,910,000 | 1.08% |
| BANKS | | | | |
| 8 | Indian Overseas Bank | 909,000 | 51,040,350 | 0.86% |
| 9 | J&K Bank | 220,000 | 108,493,000 | 1.83% |
| 10 | Karur Vysya Bank | 270,000 | 96,552,000 | 1.63% |
| 11 | Vijaya Bank | 3,270,000 | 200,941,500 | 3.39% |
| 12 | State Bank of India | 589,500 | 357,148,575 | 6.03% |
| | | | 814,175,425 | 13.74% |
| BROADCASTING & CABLE TV | | | | |
| 13 | Zee Telefilms | 614,745 | 82,345,093 | 1.39% |
| | | | 82,345,093 | 1.39% |
| COMMODITY CHEMICALS | | | | |
| 14 | IPCL | 608,500 | 110,747,000 | 1.87% |
| 15 | Reliance Industries | 414,000 | 222,752,700 | 3.76% |
| | | | 333,499,700 | 5.63% |
| COMPUTER HARDWARE | | | | |
| 16 | D-LINK | 205,000 | 35,885,250 | 0.61% |
| | | | 35,885,250 | 0.61% |
| CONSTRUCTION & ENGINEERING | | | | |
| 17 | Jaiprakash Associates | 853,600 | 98,633,480 | 1.66% |
| 18 | ACC | 350,000 | 89,127,500 | 1.50% |
| 19 | Guj Ambuja Cement | 393,300 | 116,220,150 | 1.96% |
| | | | 303,981,130 | 5.13% |
| CONSUMER FINANCE | | | | |
| 20 | LIC Housing Finance | 179,038 | 32,763,954 | 0.55% |
| | | | 32,763,954 | 0.55% |
| ELECTRICAL COMPONENTS & EQUIPMENT | | | | |
| 21 | Crompton Greaves | 544,700 | 83,774,860 | 1.41% |
| 22 | Bharat Electronics | 140,000 | 69,531,000 | 1.17% |
| 23 | Graphite India | 435,904 | 42,500,640 | 0.72% |
| | | | 195,806,500 | 3.30% |
| ELECTRICAL UTILITIES | | | | |
| 24 | Power Trading Corporation + | 249,200 | 3,987,200 | 0.07% |
| 25 | Reliance Energy | 126,466 | 96,620,024 | 1.63% |
| | | | 100,607,224 | 1.70% |

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|--------------------------|----------|--------------------------|-----------------|
| FERTILIZERS & AGRICULTURAL CHEMICALS | | | | |
| 26 | DCM Shriram Consolidated | 363,000 | 78,734,700 | 1.33% |
| 27 | GNFC | 930,000 | 47,662,500 | 0.80% |
| | | | 126,397,200 | 2.13% |
| GAS UTILITIES | | | | |
| 28 | GAIL | 450,900 | 96,131,880 | 1.62% |
| | | | 96,131,880 | 1.62% |
| HEAVY ELECTRICAL EQUIPMENT | | | | |
| 29 | BHEL | 340,000 | 205,479,000 | 3.47% |
| | | | 205,479,000 | 3.47% |
| HOUSEHOLD APPLIANCES | | | | |
| 30 | Voltas | 500,263 | 58,405,705 | 0.99% |
| | | | 58,405,705 | 0.99% |
| INDUSTRIAL CONGLOMERATES | | | | |
| 31 | Century Textiles | 461,500 | 43,957,875 | 0.74% |
| 32 | Grasim Industries | 296,500 | 316,662,000 | 5.34% |
| 33 | Indian Rayon | 214,900 | 40,497,905 | 0.68% |
| | | | 401,117,780 | 6.77% |
| IT CONSULTING & SERVICES | | | | |
| 34 | HCL Technologies | 551,195 | 136,531,002 | 2.30% |
| 35 | Infosys Technologies | 40,650 | 200,737,830 | 3.39% |
| 36 | Mphasis BFL | 116,700 | 63,432,285 | 1.07% |
| 37 | Satyam Computer Services | 364,000 | 106,888,600 | 1.80% |
| 38 | Visual Software | 340,000 | 49,419,000 | 0.83% |
| | | | 557,008,717 | 9.40% |
| MOTORCYCLE MANUFACTURERS | | | | |
| 39 | Hero Honda | 367,974 | 180,528,044 | 3.05% |
| | | | 180,528,044 | 3.05% |
| OIL & GAS EXPLORATION & PRODUCTION | | | | |
| 40 | ONGC | 195,200 | 164,104,640 | 2.77% |
| | | | 164,104,640 | 2.77% |
| OIL & GAS REFINING & MARKETING | | | | |
| 41 | HPCL | 541,050 | 274,393,507 | 4.63% |
| 42 | IOC | 387,200 | 192,089,920 | 3.24% |
| 43 | Kochi Refineries | 225,000 | 46,586,250 | 0.79% |
| | | | 513,069,677 | 8.66% |
| PHARMACEUTICALS | | | | |
| 44 | Burroughs Wellcome | 140,000 | 112,721,000 | 1.90% |
| 45 | Biocon + | 12,500 | 3,937,500 | 0.07% |
| 46 | Lupin Laboratories | 165,000 | 107,241,750 | 1.81% |
| 47 | Matrix Laboratories | 100,000 | 141,475,000 | 2.39% |
| 48 | Ranbaxy Laboratories | 92,500 | 86,926,875 | 1.47% |
| | | | 452,302,125 | 7.63% |
| STEEL | | | | |
| 49 | Tisco | 387,700 | 148,741,105 | 2.51% |
| | | | 148,741,105 | 2.51% |
| TELECOMMUNICATIONS EQUIPMENT | | | | |
| 50 | Bharti Televentures | 723,000 | 112,643,400 | 1.90% |
| | | | 112,643,400 | 1.90% |
| TOBACCO | | | | |
| 51 | ITC | 50,000 | 52,155,000 | 0.88% |
| | | | 52,155,000 | 0.88% |
| EQUITY SHARES | | | 5,745,214,429 | 96.95% |
| MONEY MARKET INSTRUMENTS | | | | |
| Money at call with Banks and others | | | 92,380,853 | 1.56% |
| Net Receivables / (Payables) | | | 88,256,794 | 1.49% |
| Grand Total | | | 5,925,852,076 | 100.00% |

+ Pending Listing on the Exchange

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SHORT TERM FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – SHORT TERM FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – SHORT TERM FUND ('the Scheme') as at March 31, 2004 and also the revenue account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet, revenue account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').
 - iv. In our opinion, and on the basis of information and explanations given to us, the methods used to value non traded securities as at March 31, 2004 in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board Of India as applicable and approved by the Board of Directors of DSP Merrill Lynch Trustee Co. Pvt. Ltd., are fair and reasonable.

- v. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004;
 - b) in the case of the revenue account, of the surplus for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SHORT TERM FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|----------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 4,904,756,759 | 2,324,990,552 |
| Reserves & Surplus | 2 | 241,338,009 | 95,331,579 |
| Current Liabilities | 3 | 9,471,522 | 2,787,104 |
| | | 5,155,566,290 | 2,423,109,235 |
| ASSETS | | | |
| Investments | 4 | 4,716,266,750 | 2,283,542,050 |
| Deposits | 5 | 1,400,000 | 60,300,000 |
| Other Current Assets | 6 | 437,899,540 | 79,267,185 |
| | | 5,155,566,290 | 2,423,109,235 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SHORT TERM FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Year ended 31.03.2003 Rupees |
|---|----------|------------------------------------|------------------------------------|
| INCOME & GAINS | | | |
| Interest | 7 | 477,998,631 | 184,901,268 |
| Profit on sale of investments (net) | | 57,745,976 | 41,894,394 |
| Write back of provision for unrealised loss in the value of investments | | 678,735 | - |
| | | 536,423,342 | 226,795,662 |
| EXPENSES & LOSSES | | | |
| Management fees | | 47,047,951 | 15,100,769 |
| Transfer agents fees & expenses | | 6,107,994 | 2,245,491 |
| Custodian Fees & Transaction charges | | 2,196,802 | 722,032 |
| Trusteeship fees | | 176,800 | 71,700 |
| Payment to Auditor | | | |
| Audit fees | | 270,000 | 105,000 |
| Other matters including reimbursement of expenses | | 3,900 | - |
| Other operating expenses | | 521,833 | 189,850 |
| Loss (net) on inter-scheme sale of Investments | | 13,873,711 | 32,861,346 |
| Net unrealised loss in the value of investments | | 3,081,012 | 8,183,170 |
| | | 73,280,003 | 59,479,358 |
| Excess of income and gains over expenses and losses | | 463,143,339 | 167,316,304 |
| Less: Income Equalisation account | | (160,606,776) | (91,070,316) |
| Income available for appropriation | | 302,536,563 | 76,245,988 |
| Appropriation | | | |
| Income distribution during the year | | 170,078,159 | - |
| Tax on Income distributed during the year | | 21,791,264 | - |
| Retained Surplus carried forward to Balance Sheet | | 110,667,140 | 76,245,988 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SHORT TERM FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004**

| | Year ended 31.03.2004 Rupees | Period ended 31.03.2003 Rupees |
|---|------------------------------------|--------------------------------------|
| A. Cashflow from Operating Activity | | |
| Excess of income and gains over expenses and losses | 463,143,339 | 167,316,304 |
| Add / Less: Unrealised loss provided / Written back | 2,402,277 | 8,183,170 |
| Operating Profit Before Working Capital Changes | 465,545,616 | 175,499,474 |
| Adjustments for:- | | |
| (Increase)/Decrease in Other Current Assets | (201,685,036) | (73,736,626) |
| (Increase)/Decrease in Money Market Lending (Deposits) | 1,900,000 | (3,300,000) |
| (Increase)/Decrease in Investments | (2,431,356,166) | (2,291,725,220) |
| Increase/(Decrease) in Current Liabilities and Provisions | 1,750,246 | 2,070,315 |
| Net Cash Generated From Operations | (A) (2,163,845,340) | (2,191,192,057) |
| B. Cashflow from Financing Activities | | |
| Increase/(Decrease) in Unit Corpus | 2,579,766,207 | 2,324,990,552 |
| Increase/(Decrease) in Unit Premium | (129,038,297) | (71,984,725) |
| Outstanding Receivable/Payables for Unit Corpus | (145,353,162) | (3,035,636) |
| Dividend Paid during the year (including dividend tax paid) | (189,621,450) | - |
| Net Cash Used in Financing Activities | (B) 2,115,753,298 | 2,249,970,191 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (A+B) (48,092,042) | 58,778,134 |
| Cash and Cash Equivalents as at the beginning of the year | 58,778,134 | - |
| Cash and Cash Equivalents as at the close of the year | 10,686,092 | 58,778,134 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (48,092,042) | 58,778,134 |
| Components of cash and cash equivalents | | |
| With Banks - on current account | 10,686,092 | 1,778,134 |
| - on money at call | - | 57,000,000 |
| | 10,686,092 | 58,778,134 |

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SHORT TERM FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

Schedule

| Schedule | As at 31.03.2004 | | As at 31.03.2003 | |
|---|------------------------|----------------------|------------------------|----------------------|
| | Units | Rupees | Units | Rupees |
| 1 UNIT CAPITAL | | | | |
| Issued and subscribed: | | | | |
| Units of Rs. 10 each fully paid up | | | | |
| Opening Balance/Initial Capital issued on Sept. 09, 2002 | 232,499,055.179 | 2,324,990,552 | 344,787,334.300 | 3,447,873,343 |
| Capital issued during the year / period | 3,338,014,927.377 | 33,380,149,273 | 1,423,195,567.857 | 14,231,955,679 |
| | 3,570,513,982.556 | 35,705,139,825 | 1,767,982,902.157 | 17,679,829,022 |
| Redemptions during the year / period | 3,080,038,306.583 | 30,800,383,066 | 1,535,483,846.978 | 15,354,838,470 |
| Unit Capital at the end of the year / period | 490,475,675.973 | 4,904,756,759 | 232,499,055.179 | 2,324,990,552 |
| Growth Plan | 177,755,484.221 | 1,777,554,842 | 213,458,812.887 | 2,134,588,129 |
| Dividend Plan | 84,067,032.696 | 840,670,327 | 19,040,242.292 | 190,402,423 |
| Weekly Dividend Plan | 228,298,099.320 | 2,282,980,993 | - | - |
| Monthly Dividend Plan | 355,059.736 | 3,550,597 | - | - |
| Unit Capital at the end of the year / period | 490,475,675.973 | 4,904,756,759 | 232,499,055.179 | 2,324,990,552 |
| 2 RESERVES AND SURPLUS | | | | |
| Unit Premium Reserve | | | | |
| Opening balance | | 19,085,591 | | - |
| Net Premium on issue / redemption of units during the year / period | | (129,038,297) | | (71,984,725) |
| Transfer from Income Equalisation Account | | 160,606,776 | | 91,070,316 |
| Closing Balance | | 50,654,070 | | 19,085,591 |
| Retained Surplus | | | | |
| Opening balance | | 76,245,988 | | - |
| Surplus transferred from Revenue Account | | 110,667,140 | | 76,245,988 |
| Closing balance | | 186,913,128 | | 76,245,988 |
| Unrealised Appreciation on Investments | | | | |
| Opening balance | | - | | - |
| Less: Reversed during the year | | - | | - |
| Add: Unrealised appreciation as at the year end | | 3,770,811 | | - |
| Closing balance | | 3,770,811 | | - |
| | | 241,338,009 | | 95,331,579 |
| 3 CURRENT LIABILITIES | | | | |
| Sundry creditors | | 3,657,713 | | 1,978,045 |
| Payable for units repurchased | | 3,402,988 | | 716,789 |
| Distributed income payable | | 2,247,973 | | - |
| Other liabilities | | 162,848 | | 92,270 |
| | | 9,471,522 | | 2,787,104 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SHORT TERM FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004**

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|-------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Government Securities | 608,435,000 | 607,602,600 | - | - |
| Bonds & Debentures | | | | |
| Private Placement | 2,163,893,239 | 2,167,664,050 | 1,305,640,285 | 1,304,961,550 |
| Listed or awaiting listing | 1,950,753,147 | 1,941,000,100 | 986,084,935 | 978,580,500 |
| | 4,723,081,386 | 4,716,266,750 | 2,291,725,220 | 2,283,542,050 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with Scheduled Banks | - | 57,000,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 1,400,000 | 3,300,000 |
| | 1,400,000 | 60,300,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current accounts | 10,686,092 | 1,778,134 |
| Receivable for Units sold | 151,791,786 | 3,752,425 |
| Outstanding and accrued income | 91,721,804 | 73,736,626 |
| Collateralised Lending (Reverse Repurchase transactions) | 183,699,858 | - |
| | 437,899,540 | 79,267,185 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Period ended 31.03.2003 Rupees |
|--|------------------------------------|--------------------------------------|
| Call Deposits | 5,245,195 | 7,802,572 |
| Collateralised Lending (Reverse Repurchase transactions) | 27,441,017 | 11,539,667 |
| Govt. Securities and debentures | 445,246,562 | 164,855,312 |
| CCIL Margin & others | 65,857 | 703,717 |
| | 477,998,631 | 184,901,268 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SHORT TERM FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Short Term Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on August 30, 2002 and was open for subscription between August 30, 2002 and September 04, 2002. Thereafter, it was reopened for subscription and redemption on September 10, 2002.

The objective of the Scheme is to primarily generate income commensurate with prudent risk, from a portfolio constituting of money market securities, floating rate debt securities and debt securities.

In the previous year (on December 12, 2002), Merrill Lynch Investment Managers L.P. (MLIM) has transferred its 40% shareholding in the asset management company (AMC) to the other respective shareholders viz., DSPML who now holds just below 100%. It has also transferred its 50% shareholding in the Trustee company to DSPML and Mr. Hemendra M. Kothari, both existing shareholders, who now hold a 49% and 51% interest, respectively. Pursuant to this change, MLIM has ceased to be a sponsor of the Fund and DSPML is the sole sponsor.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting period upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a. Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges and broken period interest. The front-end fee receivable, if any, is reduced from the cost of such investment.

b. Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities

Debt Securities

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation or one day prior to the valuation date.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities

II.I Debt Securities of upto 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the instrument.

II.II Debt Securities of over 182 Days to Maturity

Non traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

V.I Securities with Call option

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

V.II Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

V.III. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Initial Public Offer Expenses

Initial Public Offer Expenses were borne by the AMC.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited, (AMC), computed at 0.60 percentage of the Scheme's daily Net Asset Value.

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs.1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum

4. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11)% | Outstanding as at March 31, 2004 at Market/Fair Value |
|-----------------------------|------------------------------------|--|---|
| Britannia Industries Ltd. | BF | 25.00 | - |
| Export Import Bank of India | LF,STF | 66.43 | 15.21 |
| Finolex Cables Ltd. | FRF | 10.00 | - |
| Gujarat Ambuja Cements Ltd. | LF | 36.40 | - |
| ICICI Bank Ltd. @ | LF,STF | 82.35 | - |
| IDBI @ | LF,STF,GSF,FRF | 232.51 | 35.50 |
| Kotak Mahindra Bank Ltd. @ | LF | 95.00 | - |
| LIC Housing Finance Ltd. | LF | 25.00 | 45.00 |
| Punjab National Bank | STF,TEF,LF | 34.55 | 33.82 |
| Tata Motors Ltd. | LF,FRF,SPF | 15.30 | - |
| Union Bank of India | SPF,LF | 11.19 | 11.06 |
| UTI Bank | SPF,FRF,LF | 28.31 | - |

% - Includes the Inter Scheme investments, @ - Including investment in subsidiaries

* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth.

- The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 22,397,902,128 (previous year Rs. 13,042,724,085) and Rs. 19,822,079,030 (previous year Rs. 10,761,712,892) respectively being 285.01 % (previous year 265.02 %) and 252.23 % (previous year 218.67 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|----------------------------------|---------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 7,528,929 | 4,469,112 |
| • ING Vysya Financial Services Ltd. | 5,651 | 53 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers: | | |
| • DSP Merrill Lynch Ltd. | 749,778,600 | 1,400,000,000 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|--|-------------------------------------|------------------------------------|
| Net Income as per Revenue Account | 302,536,563 | 76,245,988 |
| Add: Balance of undistributed income as at the beginning of the year | 76,245,988 | - |
| Less: Unrealised appreciation on investments included in the undistributed income as at the beginning of the year. | - | - |
| Less: Distributed to unitholders & distribution tax | 191,869,423 | - |
| Balance Distributable income | 186,913,128 | 76,245,988 |

7. Segment Information

The Scheme operates only in one segment viz. to primarily generate income commensurate with prudent risk, from a portfolio constituting of money market securities, floating rate debt securities and debt securities.

8. Related Party Disclosure pursuant to Accounting Standard 18 issued by The Institute of Chartered Accountants of India

The following are the related parties by control:

- DSP Merrill Lynch Fund Managers Ltd. (AMC)
- DSP Merrill Lynch Trustee Company Private Limited (Trustee Company)
- Key Management Personnel :
 - Mr. Alok Vajpeyi – President
 - Mr. Naganath Sundaresan – Chief Investment Officer and Joint President
 - Mr. Dhawal Dalal – Fund Manager
 - Mr. Pankaj Sharma – Risk Manager
- Associates
 - DSP Merrill Lynch Limited (DSPML)
 - Merrill Lynch Holding (Mauritius)

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2004 and March 31, 2003 and for the years then ended are presented in the following table:-

| Figures in Rupees | | | | | | | | |
|---------------------------------|-------------------|---|----------------|---|--|---|--|-------------------------|
| | Management Fees | Brokerage on Unit Distribution (Refer Note) | Trustee Fee | Call and Repo lending (Interest received) | Value of Units Purchased (at transaction NAVs) | Value of Units Redeemed (at transaction NAVs) | Year-end outstanding Units (valued at last declared NAV) | Year-end Other Payables |
| AMC | | | | | | | | |
| 2003-2004 | 47,047,951 | - | - | - | 25,546,753 | 25,694,193 | 16,368,502 | 2,620,254 |
| 2002-2003 | 15,100,769 | - | - | - | 15,000,000 | - | 15,305,072 | 1,406,253 |
| Trustee Company | | | | | | | | |
| 2003-2004 | - | - | 176,800 | - | - | - | - | 117,360 |
| 2002-2003 | - | - | 71,700 | - | - | - | - | 67,933 |
| Associates | | | | | | | | |
| DSPML | | | | | | | | |
| 2003-2004 | - | 7,528,929 | - | 185,000,000 (interest received Rs. 45,068) | 102,470,516 | 373,214,493 | - | 340,374 |
| 2002-2003 | - | 4,469,112 | - | 4,525,113,875 (interest received Rs. 1,207,528) | 495,000,000 | 250,000,000 | 254,992,084 | 1,110,764 |
| Key Management Personnel | | | | | | | | |
| Nagnath S | | | | | | | | |
| 2003-2004 | - | - | - | - | - | 612,079 | - | - |
| 2002-2003 | - | - | - | - | 602,244 | - | 617,339 | - |
| Grand Total | | | | | | | | |
| 2003-2004 | 47,047,951 | 7,528,929 | 176,800 | 185,000,000 (interest recd. Rs. 45,068) | 128,017,269 | 399,520,765 | 16,368,502 | 3,077,988 |
| 2002-2003 | 15,100,769 | 4,469,112 | 71,700 | 4,525,113,875 (interest recd. Rs. 1,207,528) | 510,602,244 | 250,000,000 | 270,914,495 | 2,584,950 |

Note: Payment of Brokerage on unit distribution is made by the AMC and the year end balance is reflected in the books of the AMC.

9. Prior Period Comparatives

Prior Year figures have been reclassified, wherever necessary, to conform to current years' presentation.

10. Contingent Liability: Nil**11. Large holdings in the Scheme (over 25% of the NAV of the Scheme):** Nil**12. Perspective Historical per Unit Statistics**

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | |
|--|--------------------------|---------------------------------------|--------------------------|-----------------|
| a. Net asset value, at the end of the period: | | | | |
| Growth | 11.0971 | | 10.4100 | |
| Dividend (D) | 10.1757 | | 10.4100 | |
| Weekly Dividend (WD) | 10.1381 | | - | |
| Monthly Dividend (MD) | 10.0197 | | - | |
| b. Gross Income | | | | |
| (i) Income other than profit on sale of investment | 0.9746 | | 0.7953 | |
| (ii) Income from profit / (loss) on inter scheme sales/transfer of investment | (0.0283) | | (0.1413) | |
| (iii) Income from profit / (loss) on sale of investment to third party | 0.1177 | | 0.1802 | |
| (iv) Transfer to revenue account Income from past year' reserve | 0.0014 | | - | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.1148 | | 0.0793 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 0.9506 | | 0.7549 | |
| e. Unrealised appreciation/(depreciation) in value of investments | (0.0139) | | (0.0352) | |
| f. Repurchase & Resale Price | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | |
| - Highest Price | 11.0971 | D-10.4733 WD-10.1381 MD-10.0197 | 10.4100 | 10.4100 |
| - Lowest Price | 10.4133 | D-10.1521 WD-10.0019 MD-10.0011 | 10.0122 | 10.0122 |
| Resale Price | | | | |
| - Highest Price | 11.0971 | D-10.4733 WD-10.1381 MD-10.0197 | 10.4100 | 10.4100 |
| - Lowest Price | 10.4133 | D-10.1521 WD-10.0019 MD-10.0011 | 10.0122 | 10.0122 |
| g. Ratio of expenses to average daily net assets by percentage | 0.72% | | 0.64% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 6.55% | | 3.77% | |

Notes:

- The per unit calculations are based on the number of units outstanding at the end of the financial year.
- P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH SHORT TERM FUND

Statement of Portfolio Holding as at March 31, 2004

(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|---|--------|-----------|--------------------------|-----------------|
| CENTRAL GOVERNMENT SECURITIES | | | | | |
| 1 | 12.59 % GOI 2004 | SOV | 4,500,000 | 457,592,850 | 8.89% |
| 2 | 05.03 % GOI FRB 2011 | SOV | 1,500,000 | 150,009,750 | 2.92% |
| | | | | 607,602,600 | 11.81% |
| DEBT INSTUMENTS | | | | | |
| (a) Listed / awaiting listing on Stock Exchanges | | | | | |
| BANKS | | | | | |
| 3 | EXIM Bank (Put / Call 2005) 2007 ** | AAA | 5 | 50,698,950 | 0.99% |
| 4 | EXIM Bank (Put / Call 2005) 2007 ** | AAA | 10 | 101,428,500 | 1.97% |
| 5 | CANARA BANK 2007 ** | AA+ | 200 | 110,968,300 | 2.16% |
| 6 | PNB 2006 ** | AAA | 3,000 | 338,158,500 | 6.57% |
| 7 | Union Bank of India 2007 ** | AA+ | 1,000 | 110,600,400 | 2.15% |
| | | | | 711,854,650 | 13.83% |
| CONSUMER FINANCE | | | | | |
| 8 | LIC Housing FRN 2010 ** | AAA | 25 | 250,000,000 | 4.86% |
| 9 | LIC Housing Finance FRN 2012 ** | AAA | 20 | 200,000,000 | 3.89% |
| | | | | 450,000,000 | 8.74% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 10 | Power Finance Corporation - B 2007 ** | AAA | 1,500 | 164,950,950 | 3.21% |
| 11 | IRFC 2006 ** | AAA | 100 | 101,688,100 | 1.98% |
| 12 | IRFC 2006 ** | AAA | 50 | 53,107,950 | 1.03% |
| 13 | IDBI OMNI Bonds 2008 ** | AA | 1,500 | 150,781,350 | 2.93% |
| 14 | IDBI BONDS 2006 ** | AA | 2,000 | 204,229,600 | 3.97% |
| | | | | 674,757,950 | 13.11% |
| ELECTRIC UTILITIES | | | | | |
| 15 | Power Grid Corporation 2006 ** | AAA | 40 | 53,485,750 | 1.04% |
| 16 | Power Grid Corporation 2007 ** | AAA | 40 | 50,901,750 | 0.99% |
| | | | | 104,387,500 | 2.03% |
| Total: Listed / awaiting listing on Stock Exchanges | | | | 1,941,000,100 | 37.72% |
| (b) Unlisted / Privately Placed ** | | | | | |
| AUTOMOBILE MANUFACTURERS | | | | | |
| 17 | BHPC AUTO TRUST (SERIES II) PTC A2 2006 ** | AAA | 20 | 188,447,620 | 3.66% |
| 18 | BHPC AUTO SEC TRUST DEC II 2003 SR A3 ** | AAA | 15 | 151,126,590 | 2.94% |
| | | | | 339,574,210 | 6.60% |
| BANKS | | | | | |
| 19 | RETAIL 2003 SR1 HDFC ** | AAA | 15 | 106,455,030 | 2.07% |
| 20 | INDIAN RETAIL ABS TRUST SR.VII(A2) ** | AAA | 20 | 198,309,400 | 3.85% |
| | | | | 304,764,430 | 5.92% |
| CONSTRUCTION & ENGINEERING | | | | | |
| 21 | Gujarat Ambuja- Loan Securitisation Trust 2007 ** | AA+ | 5 | 54,426,700 | 1.06% |
| | | | | 54,426,700 | 1.06% |
| CONSUMER FINANCE | | | | | |
| 22 | Citicorp Finance FRN 2006 ** | AAA | 1,500 | 150,000,000 | 2.91% |
| 23 | Citicorp Finance FRN 2007 ** | AAA | 100 | 100,000,000 | 1.94% |
| 24 | Citicorp Maruti Finance India 2004 ** | AAA | 1,500,000 | 152,631,450 | 2.97% |
| 25 | Citi Financial Consumer Finance India 2004 ** | AAA | 1,000 | 101,215,800 | 1.97% |
| 26 | Citicorp Maruti Finance India FRN 2006 ** | AAA | 5 | 50,000,000 | 0.97% |
| 27 | Fleet Trust A1 PTC April 2003 ** | AAA | 20 | 116,904,380 | 2.27% |
| 28 | PFSL SUNDARAM Sr. PTC 2005 ** | AAA | 10 | 45,670,280 | 0.89% |
| 29 | Sundaram Finance 2005 ** | AAA | 1,000 | 100,701,100 | 1.96% |
| 30 | Sundaram Finance 2005 ** | AAA | 2,000 | 208,388,400 | 4.05% |

| SR. NO | NAME OF THE COMPANY | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|--|--------|----------|--------------------------|-----------------|
| 31 | GECSI Loan Trust Series I Sr. PTC 2007 ** | AAA | 25 | 261,153,675 | 5.07% |
| 32 | Fleet Trust A3 PTC September 2003 ** | AAA | 15 | 132,233,625 | 2.57% |
| | | | | 1,418,898,710 | 27.57% |
| | DIVERSIFIED FINANCIAL SERVICES | | | | |
| 33 | Mahindra & Mahindra Financial Services FRN 2007 ** | AA | 5 | 50,000,000 | 0.97% |
| | | | | 50,000,000 | 0.97% |
| Total: Unlisted / Privately Placed | | | | 2,167,664,050 | 42.12% |
| MONEY MARKET INSTRUMENTS | | | | | |
| Reverse Repo Investments | | | | 183,699,858 | 3.57% |
| Net Receivables / (Payables) | | | | 246,128,160 | 4.78% |
| Grand Total | | | | 5,146,094,768 | 100.00% |

** Non Traded / Thinly Traded as of March 31, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TOP100 EQUITY FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – TOP100 EQUITY FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – TOP100 EQUITY FUND ('the Scheme') as at March 31, 2004 and also the revenue account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').

iv. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TOP100 EQUITY FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|------------------------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 862,525,713 | 226,663,702 |
| Reserves & Surplus | 2 | 439,734,506 | (10,255,969) |
| Current Liabilities and Provisions | 3 | 15,016,701 | 21,116,335 |
| | | 1,317,276,920 | 237,524,068 |
| ASSETS | | | |
| Investments | 4 | 1,275,436,549 | 149,235,026 |
| Deposits | 5 | - | 78,000,000 |
| Other Current Assets | 6 | 41,840,371 | 10,289,042 |
| | | 1,317,276,920 | 237,524,068 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TOP100 EQUITY FUND
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004**

| | Schedule | Year ended 31.03.2004 Rupees | Period ended 31.03.2003 Rupees |
|--|----------|------------------------------------|--------------------------------------|
| INCOME & GAINS | | | |
| Profit on sale of Investments (net) | | 452,419,260 | - |
| Interest | 7 | 1,513,247 | 619,473 |
| Dividend | | 20,855,416 | - |
| Misc. receipts | | 20,474 | - |
| Write back of provision for unrealised loss in the value of investments | | 5,649,258 | - |
| | | 480,457,655 | 619,473.00 |
| EXPENSES & LOSSES | | | |
| Initial Public Offer expenses | | - | 4,435,515 |
| Management fees | | 10,193,027 | 146,853 |
| Marketing Fee | | 6,394,520 | 88,113 |
| Transfer agents fees & expenses | | 1,907,138 | 23,497 |
| Custodian Fees & Transaction charges | | 1,457,730 | 91,043 |
| Trusteeship fees | | 13,400 | - |
| Payment to Auditor | | | |
| Audit fees | | 54,000 | 10,500 |
| Other matters including reimbursement of expenses | | 300 | - |
| Other operating expenses | | 29,190 | 2,247 |
| Loss (net) on sale of Investments | | - | 212,789 |
| Net unrealised loss in the value of investments | | - | 5,649,257 |
| | | 20,049,305 | 10,659,814 |
| Excess of income and gains over expenses and losses / (expenses and losses over income and gains) | | 460,408,350 | (10,040,341) |
| Less: Income Equalisation account | | 153,155,878 | (93,521) |
| Income available for appropriation | | 613,564,228 | (10,133,862) |
| Appropriation | | | |
| Income distribution during the year / period | | 454,200,166 | - |
| Retained Surplus carried forward to Balance Sheet | | 159,364,062 | (10,133,862) |

Notes to Accounts

8

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Anup Maheshwari
Fund Manager

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TOP100 EQUITY FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

Schedule

| 1 | UNIT CAPITAL | As at 31.03.2004 | | As at 31.03.2003 | |
|---|---|-----------------------|--------------------|-----------------------|---------------------|
| | | Units | Rupees | Units | Rupees |
| | Issued and subscribed: | | | | |
| | Units of Rs. 10 each fully paid up | | | | |
| | Opening balance / Initial Capital issued on March 10, 2003 | 22,666,370.231 | 226,663,702 | 22,177,578.800 | 221,775,788 |
| | Capital issued during the year / period | 138,765,328.621 | 1,387,653,286 | 1,239,616.587 | 12,396,166 |
| | | 161,431,698.852 | 1,614,316,988 | 23,417,195.387 | 234,171,954 |
| | Redemptions during the year / period | 75,179,127.530 | 751,791,275 | 750,825.156 | 7,508,252 |
| | Unit Capital at the end of the year / period | 86,252,571.322 | 862,525,713 | 22,666,370.231 | 226,663,702 |
| | Growth Plan | 11,064,093.673 | 110,640,937 | 15,707,127.941 | 157,071,279 |
| | Dividend Plan | 75,188,477.649 | 751,884,776 | 6,959,242.290 | 69,592,423 |
| | Unit Capital at the end of the year / period | 86,252,571.322 | 862,525,713 | 22,666,370.231 | 226,663,702 |
| | | | | | |
| | 2 RESERVES AND SURPLUS | | | | |
| | Unit Premium Reserve | | | | |
| | Opening balance | | (122,107) | | - |
| | Net Premium on issue / redemption of units during the year / period | | 290,648,907 | | (215,628) |
| | Transfer from Income Equalisation Account | | (153,155,878) | | 93,521 |
| | Closing balance | | 137,370,922 | | (122,107) |
| | Retained Surplus | | | | |
| | Opening balance | | (10,133,862) | | - |
| | Surplus/(Deficit) transferred from Revenue Account | | 159,364,062 | | (10,133,862) |
| | Closing balance | | 149,230,200 | | (10,133,862) |
| | Unrealised Appreciation on Investments | | | | |
| | Opening balance | | - | | - |
| | Less: Reversed during the year / period | | - | | - |
| | Add: Unrealised appreciation as at the year end | | 153,133,384 | | - |
| | Closing balance | | 153,133,384 | | - |
| | | | 439,734,506 | | (10,255,969) |
| | | | | | |
| | 3 CURRENT LIABILITIES | | | | |
| | Sundry creditors | | 2,561,934 | | 5,021,603 |
| | Payable for units repurchased | | 10,951,097 | | 601,895 |
| | Contract for purchase of Investment | | - | | 15,483,345 |
| | Unclaimed distributed income | | 2,200 | | - |
| | Other liabilities | | 1,501,470 | | 9,492 |
| | | | 15,016,701 | | 21,116,335 |

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TOP100 EQUITY FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|---|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Equity Shares Listed or awaiting listing | 1,122,303,165 | 1,275,436,549 | 154,884,283 | 149,235,026 |
| | 1,122,303,165 | 1,275,436,549 | 154,884,283 | 149,235,026 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with Scheduled Banks | - | 75,500,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | - | 2,500,000 |
| | - | 78,000,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current accounts | 5,167,105 | 826,847 |
| Receivable for Units sold | 24,228 | 319,357 |
| Outstanding Contracts for settlement | - | 9,131,157 |
| Outstanding and accrued income | 4,349 | 11,681 |
| Collateralised Lending (Reverse Repurchase transactions) | 36,633,787 | - |
| Other receivable | 10,902 | - |
| | 41,840,371 | 10,289,042 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Period ended 31.03.2003 Rupees |
|--|------------------------------------|--------------------------------------|
| Call Deposits | 273,929 | 342,410 |
| Collateralised Lending (Reverse Repurchase transactions) | 1,219,843 | 276,241 |
| CCIL Margin & others | 19,475 | 822 |
| | 1,513,247 | 619,473 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH TOP100 EQUITY FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004.**

Schedule 8**NOTES TO ACCOUNTS****1. Organisation**

DSP Merrill Lynch TOP 100 Equity Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on February 10, 2003 and was open for subscription between February 10, 2003 and February 21, 2003. Thereafter, it was reopened for subscription and redemption on March 11, 2003.

The objective of the Scheme is to primarily generate capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of the 100 largest corporates by market capitalisation, listed in India.

2. Significant Accounting Policies**2.1 Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting period upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders' share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments**a. Accounting for investment transactions**

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front-end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the

'ex- bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

b. Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Equity and Equity related Securities

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

II. Valuation of Thinly Traded / Non-traded and Unlisted Equity & Equity related Securities

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

III. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income over the period of holding.

Dividend is recognised on 'ex-dividend date' for quoted shares and on the date of declaration for unquoted shares.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Initial Public Offer Expenses

Initial Public Offer expenses of upto 2% of the amount collected was met from the Entry Load debited to the Fund.

2.8 Entry Load

The Entry Load collected is utilised for meeting the selling and distribution expenses.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed

at the following rates which are a percentage of the Scheme's daily Net Asset Value:

| Period | Rates per annum for first 100 crores | Rates per annum for amount exceeding 100 crores |
|----------------------|--------------------------------------|---|
| 01.04.03 to 13.05.03 | 1.25% | 1.00% |
| 14.05.03 to 31.07.03 | 1.15% | 1.00% |
| 01.08.03 to 31.03.04 | 1.25% | 1.00% |

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs.1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

4. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11) | Outstanding as at March 31, 2004 at Market/Fair Value |
|-----------------------------|------------------------------------|---|---|
| Andhra Bank | LF | 0.84 | - |
| Bank of Baroda | LF,STF | 4.20 | - |
| Bharti Televentures Ltd. | FRF | 4.18 | 2.51 |
| Grasim Industries Ltd. | STF,LF,FRF | 11.93 | 9.20 |
| Gujarat Ambuja Cements Ltd. | LF | 3.43 | - |
| HCL Technologies Ltd. | LF,STF | 6.48 | 3.87 |
| Hero Honda Ltd. | LF,BF,SPF | 11.69 | 3.53 |
| Hindalco Ltd. | LF,BF | 7.52 | 3.94 |
| Hindustan Zinc Ltd. | STF | 0.72 | - |
| ICICI Bank Ltd. | LF,STF | 4.27 | - |
| IDBI | LF,STF,GSF,FRF | 10.28 | 3.53 |
| ITC Ltd. | LF,STF | 11.05 | 5.67 |
| Kotak Mahindra Bank Ltd. | LF | 0.09 | 0.09 |
| Maruti Udyog Ltd. | STF,FRF | 8.33 | 2.95 |
| Oriental Bank of Commerce | SPF,TEF | 5.78 | - |
| Punjab National Bank | STF,TEF,LF | 6.88 | - |
| State Bank of India | OF | 13.93 | 8.87 |
| Tata Chemicals Ltd. | LF,GSF,STF | 1.30 | - |
| Tata Motors Ltd. | LF,FRF,SPF | 3.51 | - |
| Union Bank of India | SPF,LF | 0.88 | - |
| Vijaya Bank | BAF,EF,TEF | 4.07 | 4.40 |
| VSNL | LF,STF,FRF | 1.61 | - |
| Wipro | STF | 4.69 | - |

* BF – Bond Fund, EF – Equity Fund, LF – Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth.

- The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 3,446,164,091 (previous year Rs. 181,456,185) and Rs. 2,931,164,468 (previous year Rs. 26,359,114) respectively being 402.07 % (previous year 83.84%) and 341.99 % (previous year 12.18 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Year ended March 31 2003 Rupees |
|---|----------------------------------|---------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 3,883,373 | 1,974,275 |
| • ING Vysya Financial Services Ltd. | 103,734 | 19 |
| Payment of Brokerage on Secondary Market transactions: | | |
| • DSP Merrill Lynch Ltd. | 1,251,669 | 147,704 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers: | | |
| • DSP Merrill Lynch Ltd. | 9,726,000 | - |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Period ended March 31 2003 Rupees |
|--|----------------------------------|-----------------------------------|
| Net Income as per Revenue Account | 613,564,228 | (10,133,862) |
| Add: Balance of undistributed income as at the beginning of the year | (10,133,862) | - |
| Less: Unrealised appreciation on investments included in the balance of undistributed income as at the beginning of the year | - | - |
| Less: Distributed to unitholders & distribution tax | 454,200,166 | - |
| Balance Distributable income | 149,230,200 | NIL |

7. Prior Period Comparatives

Prior Year figures have been reclassified, wherever necessary, to conform to current years' presentation.

8. **Contingent Liability:** Nil

9. **Large holdings in the Scheme (over 25% of the NAV of the Scheme):** Nil

10. **Perspective Historical per Unit Statistics.**

| | Rupees March 31, 2004 | | Rupees March 31, 2003* | |
|--|--------------------------|----------|---------------------------|----------|
| a. Net asset value, at the end of the period: | | | | |
| Growth | 21.96 | | 9.55 | |
| Dividend | 14.09 | | 9.55 | |
| b. Gross Income | | | | |
| (i) Income other than profit on sale of investment. | 0.26 | | 0.03 | |
| (ii) Income from profit on inter scheme sales/transfer of investment. | - | | - | |
| (iii) Income from profit / (loss) on sale of investment to third party | 5.24 | | (0.01) | |
| (iv) Transfer to revenue account Income from past year's reserve. | 0.07 | | 0.00 | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.23 | | 0.21 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 5.34 | | (0.19) | |
| e. Unrealised appreciation / (depreciation) in value of investments | 1.78 | | (0.25) | |
| f. Repurchase & Resale Prices | Growth | Dividend | Growth | Dividend |
| Repurchase Price | | | | |
| - Highest Price | 23.81 | 18.42 | 9.70 | 9.70 |
| - Lowest Price | 9.60 | 9.60 | 9.49 | 9.49 |
| Resale Price: | | | | |
| - Highest Price | 24.29 | 18.79 | 9.89 | 9.89 |
| - Lowest Price | 9.79 | 9.79 | 9.68 | 9.68 |
| g. Ratio of expenses to average daily net assets by percentage | 2.34% | | 1.61% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 70.83% | | (2.42%) | |

Notes:

- 1) The highest and the lowest resale price of the units of the Scheme has been determined after adding to the highest and lowest declared NAV, the maximum sales load applicable.
- 2) The per unit calculations are based on the number of units outstanding at the end of the financial year.
- 3) P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH TOP100 EQUITY FUND
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|---------------------|----------|-----------------------------|--------------------|
| EQUITY SHARES | | | | |
| Listed / Awaiting listing on Stock Exchanges | | | | |
| ALUMINUM | | | | |
| 1 | Hindalco | 32,300 | 39,418,920 | 3.03% |
| 2 | Nalco | 78,000 | 14,472,900 | 1.11% |
| | | | 53,891,820 | 4.14% |
| AUTO PARTS & EQUIPMENT | | | | |
| 3 | Motor Industries | 1,126 | 15,129,386 | 1.16% |
| | | | 15,129,386 | 1.16% |
| AUTOMOBILE MANUFACTURERS | | | | |
| 4 | Mahindra & Mahindra | 98,800 | 45,902,480 | 3.52% |
| 5 | Maruti Udyog | 59,370 | 29,533,607 | 2.27% |
| | | | 75,436,087 | 5.79% |
| BANK | | | | |
| 6 | Kotak Mahindra Bank | 2,150 | 866,988 | 0.07% |
| 7 | State Bank of India | 146,400 | 88,696,440 | 6.81% |
| 8 | Vijaya Bank | 716,000 | 43,998,200 | 3.38% |
| | | | 133,561,628 | 10.26% |
| COMMODITY CHEMICALS | | | | |
| 9 | IPCL | 146,340 | 26,633,880 | 2.05% |
| 10 | Reliance Industries | 128,600 | 69,193,230 | 5.31% |
| | | | 95,827,110 | 7.36% |
| COMPUTER STORAGE & PERIPHERALS | | | | |
| 11 | Moser Baer | 47,600 | 14,558,460 | 1.12% |
| | | | 14,558,460 | 1.12% |
| CONSTRUCTION MATERIALS | | | | |
| 12 | ACC | 91,100 | 23,198,615 | 1.78% |
| | | | 23,198,615 | 1.78% |
| DIVERSIFIED FINANCIAL SERVICES | | | | |
| 13 | IDBI | 606,900 | 35,260,890 | 2.71% |
| | | | 35,260,890 | 2.71% |
| DIVERSIFIED METALS & MINING | | | | |
| 14 | Neyveli Lignite | 295,400 | 16,158,380 | 1.24% |
| | | | 16,158,380 | 1.24% |
| ELECTRICAL COMPONENTS & EQUIPMENT | | | | |
| 15 | Siemens | 23,873 | 23,458,803 | 1.80% |
| 16 | Bharat Electronics | 39,800 | 19,766,670 | 1.52% |
| 17 | Sterlite Industries | 46,500 | 23,719,650 | 1.82% |
| | | | 66,945,123 | 5.14% |
| GAS UTILITIES | | | | |
| 18 | GAIL | 163,600 | 34,879,520 | 2.68% |
| | | | 34,879,520 | 2.68% |
| HEAVY ELECTRICAL EQUIPMENT | | | | |
| 19 | BHEL | 67,000 | 40,491,450 | 3.11% |
| | | | 40,491,450 | 3.11% |
| INDUSTRIAL CONGLOMERATES | | | | |
| 20 | Grasim Industries | 86,100 | 91,954,800 | 7.06% |
| | | | 91,954,800 | 7.06% |
| INDUSTRIAL MACHINERY | | | | |
| 21 | Bharat Forge | 21,360 | 15,670,764 | 1.20% |
| 22 | Cummins India | 99,237 | 9,754,997 | 0.75% |
| | | | 25,425,761 | 1.95% |

| SR. NO | NAME OF THE COMPANY | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|----------------------------------|----------|--------------------------|-----------------|
| IT CONSULTING & SERVICES | | | | |
| 23 | HCL Technologies | 156,350 | 38,727,895 | 2.97% |
| 24 | Infosys Technologies | 16,156 | 79,781,559 | 6.13% |
| | | | 118,509,454 | 9.10% |
| MARINE | | | | |
| 25 | Shipping Corporation | 207,949 | 26,451,113 | 2.03% |
| | | | 26,451,113 | 2.03% |
| MOTORCYCLE MANUFACTURERS | | | | |
| 26 | Hero Honda | 72,000 | 35,323,200 | 2.71% |
| | | | 35,323,200 | 2.71% |
| OIL & GAS EXPLORATION & PRODUCTION | | | | |
| 27 | ONGC | 78,000 | 65,574,600 | 5.04% |
| | | | 65,574,600 | 5.04% |
| OIL & GAS REFINING & MARKETING | | | | |
| 28 | BPCL | 78,900 | 37,812,825 | 2.90% |
| 29 | HPCL | 87,450 | 44,350,268 | 3.41% |
| 30 | IOC | 88,150 | 43,731,215 | 3.36% |
| | | | 125,894,308 | 9.67% |
| PHARMACEUTICALS | | | | |
| 31 | Biocon + | 3,000 | 945,000 | 0.07% |
| 32 | Glaxo Smithkline Pharmaceuticals | 33,900 | 20,568,825 | 1.58% |
| 33 | Sun Pharmaceuticals Industries | 49,868 | 32,489,002 | 2.49% |
| 34 | Wockhardt | 26,975 | 21,327,784 | 1.64% |
| | | | 75,330,611 | 5.78% |
| STEEL | | | | |
| 35 | Tisco | 62,200 | 23,863,030 | 1.83% |
| | | | 23,863,030 | 1.83% |
| TELECOMMUNICATIONS EQUIPMENT | | | | |
| 36 | Bharti Televentures | 160,800 | 25,052,640 | 1.92% |
| | | | 25,052,640 | 1.92% |
| TOBACCO | | | | |
| 37 | ITC | 54,375 | 56,718,563 | 4.36% |
| | | | 56,718,563 | 4.36% |
| EQUITY SHARES | | | 1,275,436,549 | 97.94% |
| MONEY MARKET INSTRUMENTS | | | | |
| Reverse Repo Investments | | | 36,633,787 | 2.81% |
| Net Receivables / (Payables) | | | (9,810,117) | (0.75%) |
| Grand Total | | | 1,302,260,219 | 100.00% |

+ Pending Listing on the Exchange

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND - MODERATE ('the Scheme') as at March 31, 2004 and also the revenue account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').
 - iv. In our opinion, and on the basis of information and explanations given to us, the methods used to value non traded securities as at March 31, 2004 in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board Of India as applicable and approved by the Board of Directors of DSP Merrill Lynch Trustee Co. Pvt. Ltd., are fair and reasonable.

v. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per **Hemal Shah**
Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|------------------------------------|----------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Unit Capital | 1 | 5,713,802,962 | 237,281,823 |
| Reserves & Surplus | 2 | 576,276,105 | (54,424) |
| Current Liabilities and Provisions | 3 | 44,299,637 | 408,957 |
| | | 6,334,378,704 | 237,636,356 |
| ASSETS | | | |
| Investments | 4 | 5,590,285,678 | 114,506,113 |
| Deposits | 5 | 123,400,000 | 114,500,000 |
| Other Current Assets | 6 | 620,693,026 | 8,630,243 |
| | | 6,334,378,704 | 237,636,356 |
| Notes to Accounts | 8 | | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
*Chief Investment Officer /
Fund Manager*

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

| | Schedule | Year ended 31.03.2004 Rupees | Period ended 31.03.2003 Rupees |
|--|----------|------------------------------------|--------------------------------------|
| INCOME & GAINS | | | |
| Interest | 7 | 115,433,011 | 1,893,669 |
| Dividend | | 3,069,376 | - |
| Profit (net) on sale of Investments | | 124,445,469 | - |
| Write back of provision for unrealised loss in the value of investments | | 934,692 | - |
| | | 243,882,548 | 1,893,669 |
| EXPENSES & LOSSES | | | |
| Management fees | | 21,949,700 | 231,171 |
| Marketing Fee | | 14,770,561 | 92,470 |
| Transfer agents fees & expenses | | 3,322,445 | 29,591 |
| Custodian Fees & Transaction charges | | 638,662 | 40,392 |
| Trusteeship fees | | 21,800 | - |
| Audit fees | | 54,000 | 10,500 |
| Other operating expenses | | 198,702 | 5,329 |
| Loss (net) on sale of Investments | | - | 847,993 |
| Net unrealised loss in the value of investments | | 2,251,107 | 934,692 |
| | | 43,206,977 | 2,192,138 |
| Excess of income and gains over expenses and losses / (expenses and losses over income and gains) | | 200,675,571 | (298,469) |
| Add / (Less) Income Equalisation account | | 281,703,180 | (345,455) |
| Income available for appropriation | | 482,378,751 | (643,924) |
| Appropriation | | | |
| Income distribution during the year / period | | 123,150,279 | - |
| Tax on Income distributed during the year / period | | 15,778,630 | - |
| Retained Surplus carried forward to Balance Sheet | | 343,449,842 | (643,924) |

Notes to Accounts

8

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
*Chief Investment Officer /
Fund Manager*

Mumbai, June 29, 2004

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

Schedule

1 UNIT CAPITAL**Issued and subscribed:**

Units of Rs. 10 each fully paid up

Opening balance / Initial Capital issued on March 10, 2003

Capital issued during the year / period

Redemptions during the year / period

Unit Capital at the end of the year / period

Growth Plan

Monthly Dividend Plan

Quarterly Dividend Plan

Unit Capital at the end of the year / period

| | As at 31.03.2004 | | As at 31.03.2003 | |
|--|------------------------|----------------------|-----------------------|--------------------|
| | Units | Rupees | Units | Rupees |
| Opening balance / Initial Capital issued on March 10, 2003 | 23,728,182.343 | 237,281,823 | 38,154,374.400 | 381,543,744 |
| Capital issued during the year / period | 751,214,913.625 | 7,512,149,136 | 678,907.943 | 6,789,079 |
| | 774,943,095.968 | 7,749,430,959 | 38,833,282.343 | 388,332,823 |
| Redemptions during the year / period | 203,562,799.685 | 2,035,627,997 | 15,105,100.000 | 151,051,000 |
| Unit Capital at the end of the year / period | 571,380,296.283 | 5,713,802,962 | 23,728,182.343 | 237,281,823 |
| Growth Plan | 254,025,225.964 | 2,540,252,259 | 17,801,434.866 | 178,014,348 |
| Monthly Dividend Plan | 176,258,970.747 | 1,762,589,707 | 5,195,371.285 | 51,953,713 |
| Quarterly Dividend Plan | 141,096,099.572 | 1,410,960,996 | 731,376.192 | 7,313,762 |
| Unit Capital at the end of the year / period | 571,380,296.283 | 5,713,802,962 | 23,728,182.343 | 237,281,823 |

2 RESERVES AND SURPLUS**Unit Premium Reserve**

Opening balance

Net Premium on issue /redemption of units during the year / period

Transfer from Income Equalisation Account

Closing balance**Retained Surplus**

Opening balance

Surplus/(Deficit) transferred from Revenue Account

Closing balance**Unrealised Appreciation on Investments**

Opening balance

Less: Reversed during the year

Add: Unrealised appreciation as at the year / period end

Closing balance

| | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Opening balance | 438,750 | - |
| Net Premium on issue /redemption of units during the year / period | 496,074,537 | 93,295 |
| Transfer from Income Equalisation Account | (281,703,180) | 345,455 |
| Closing balance | 214,810,107 | 438,750 |
| Opening balance | (643,924) | - |
| Surplus/(Deficit) transferred from Revenue Account | 343,449,842 | (643,924) |
| Closing balance | 342,805,918 | (643,924) |
| Opening balance | 150,750 | - |
| Less: Reversed during the year | (150,750) | - |
| Add: Unrealised appreciation as at the year / period end | 18,660,080 | 150,750 |
| Closing balance | 18,660,080 | 150,750 |
| | 576,276,105 | (54,424) |

3 CURRENT LIABILITIES

Sundry Creditors

Payables for units repurchased / Switch out

Distributed income payable

Unclaimed distributed income

Other Liabilities

| | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Sundry Creditors | 9,288,854 | 394,720 |
| Payables for units repurchased / Switch out | 7,845,414 | - |
| Distributed income payable | 26,806,359 | - |
| Unclaimed distributed income | 672 | - |
| Other Liabilities | 358,338 | 14,237 |
| | 44,299,637 | 408,957 |

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

| 4 INVESTMENTS | As at 31.03.2004 Rupees | | As at 31.03.2003 Rupees | |
|--------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Cost | Market/ Fair value | Cost | Market/ Fair value |
| Equity Shares | | | | |
| Listed or awaiting listing | 947,469,863 | 965,208,203 | 15,171,305 | 14,236,613 |
| Government Securities | 2,221,182,857 | 2,219,433,000 | - | - |
| Bonds & Debentures | | | | |
| Private Placement | 850,257,350 | 849,756,100 | 50,000,000 | 50,000,000 |
| Listed or awaiting listing | 1,074,361,900 | 1,075,283,640 | 50,118,750 | 50,269,500 |
| Commercial Papers | 95,536,565 | 95,536,565 | - | - |
| Certificate of Deposits | 385,068,170 | 385,068,170 | - | - |
| | 5,573,876,705 | 5,590,285,678 | 115,290,055 | 114,506,113 |

Note: Refer to the attached Statement of Portfolio as at March 31, 2004

| 5 DEPOSITS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|---|-------------------------------|-------------------------------|
| Money at call with Scheduled Banks | 23,000,000 | 112,000,000 |
| Fixed Deposits with Banks | 100,000,000 | - |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | 400,000 | 2,500,000 |
| | 123,400,000 | 114,500,000 |

| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | As at 31.03.2003 Rupees |
|--|-------------------------------|-------------------------------|
| Balances with banks in current accounts | 92,932,226 | 1,157,448 |
| Receivable for Units sold | 1,072,319 | - |
| Outstanding Contracts for settlement | - | 5,415,564 |
| Outstanding and accrued income | 107,664,094 | 1,961,962 |
| Collateralised Lending (Reverse Repurchase transactions) | 418,899,387 | - |
| Others | 125,000 | - |
| | 620,693,026 | 8,630,243 |

| 7 INTEREST | Year ended 31.03.2004 Rupees | Period ended 31.03.2003 Rupees |
|--|------------------------------------|--------------------------------------|
| Call Deposits | 1,075,065 | 581,891 |
| Collateralised Lending (Reverse Repurchase transactions) | 9,349,089 | 804,244 |
| Govt. Securities and Debentures | 104,987,584 | 489,178 |
| CCIL Margin & others | 21,273 | 18,356 |
| | 115,433,011 | 1,893,669 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the year ended March 31, 2004**

Schedule 8**NOTES TO ACCOUNTS****1. Organisation**

DSP Merrill Lynch Savings Plus Fund - Moderate (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on February 10, 2003 and was open for subscription between February 10, 2003 and February 21, 2003. Thereafter, it was reopened for subscription and redemption on March 11, 2003.

The objective of the Scheme is to generate attractive returns with prudent risk from a portfolio which is substantially constituted of quality debt securities. The Scheme will also seek to generate capital appreciation by investing a smaller portfolio of its corpus in equity and equity related securities of the 100 largest corporates, by market capitalization listed in India.

2. Significant Accounting Policies**2.1 Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting period upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments**a) Accounting for investment transactions**

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex-bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities**I.I. Equity and Equity related Securities**

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

I.II. Debt Securities

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation or one day prior to the valuation date.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities**II.I Equity & Equity related Securities**

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

II.II. Debt Securities of upto 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the instrument.

II.III. Debt Securities of over 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

V.I. Securities with Call option

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

V.II. Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

V.III. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Dividend is recognised on 'ex-dividend date' for quoted shares and on the date of declaration for unquoted shares.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Contingent Deferred Sales Charge

The Contingent Deferred Sales Charge collected is utilised for meeting the selling and distribution expenses.

1.7 Initial Public Offer Expenses

Initial Public Offer Expenses were borne by the AMC.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at the following rates which are a percentage of the Scheme's daily Net Asset Value:

| Period | Rates per annum for first 100 crores | Rates per annum for amount exceeding 100 crores |
|----------------------|--------------------------------------|---|
| 01.04.03 to 13.05.03 | 1.25% | 1.00% |
| 14.05.03 to 31.07.03 | 1.15% | 1.00% |
| 01.08.03 to 31.03.04 | 1.25% | 1.00% |

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

4. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11)% | Outstanding as at March 31, 2004 at Market/Fair Value |
|-----------------------------|------------------------------------|--|---|
| Bank of India | LF | 10.00 | 10.00 |
| Bharti Televentures Ltd. | FRF | 5.35 | - |
| Export Import Bank of India | LF,STF | 30.34 | 30.43 |
| Grasim Industries Ltd. | STF,LF,FRF | 12.17 | 5.61 |
| Gujarat Ambuja Cements Ltd. | LF | 1.22 | - |
| HDFC Bank Ltd. | LF,STF | 6.47 | 6.72 |
| HDFC Ltd. | LF,BAF,STF,SPF | 11.59 | 9.55 |
| Hero Honda Ltd | LF,BF,SPF | 9.68 | 6.03 |
| Hindalco Ltd. | LF,BF | 7.67 | 3.08 |
| Hindustan Lever Ltd. | GSF,STF,LF | 6.67 | - |
| Hindustan Zinc Ltd. | STF | 2.46 | 2.03 |
| ICICI Bank Ltd. | LF,STF | 30.97 | 28.72 |
| IDBI @ | LF,STF,GSF,FRF | 46.20 | 25.98 |
| ITC Ltd. | LF,STF | 10.00 | 6.20 |
| Maruti Udyog Ltd. | STF,FRF | 8.65 | 3.33 |
| Punjab National Bank | STF,TEF,LF | 0.37 | - |
| State Bank of India | OF | 8.48 | 5.21 |
| Tata Motors Ltd. | LF,FRF,SPF | 3.02 | - |
| Union Bank Of India | SPF,LF | 0.44 | - |
| UTI Bank | SPF,FRF,LF | 9.78 | 9.78 |
| VSNL Ltd. | LF,STF,FRF | 2.03 | - |
| Wipro Ltd. | STF | 6.05 | - |

@ Includes investment in subsidiaries, % - Includes interscheme purchases

* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth.

- c. The aggregate value of investments purchased and sold (including redeemed) during the financial year are Rs. 11,225,147,497 (previous year Rs. 150,342,477) and Rs. 5,800,257,092 (previous year Rs. 34,204,430) respectively being 549.31 % (previous year 41.99 %) and 283.84 % (previous year 9.55 %) respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Year ended March 31, 2004 Rupees | Period ended March 31, 2003 Rupees |
|---|-------------------------------------|---------------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: | | |
| • DSP Merrill Lynch Ltd. | 7,851,621 | 143,766 |
| • ING Vysya Financial Services Ltd. | 13,315 | - |
| Payment of Brokerage on Secondary Market transactions: | | |
| • DSP Merrill Lynch Ltd. | 671,340 | 147,704 |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers: | | |
| • DSP Merrill Lynch Ltd. | 576,219,000 | 50,000,000 |

6. Distributable Income

| | Year ended March 31, 2004 Rupees | Period ended March 31, 2003 Rupees |
|--|-------------------------------------|---------------------------------------|
| Net Income as per Revenue Account | 482,378,751 | (643,924) |
| Add: Balance of undistributed income as at the beginning of the year | (643,924) | - |
| Less: Unrealised appreciation on investments included in the balance of undistributed income as at the beginning of the year | - | - |
| Less: Distributed to unitholders & distribution tax | 138,928,909 | - |
| Balance Distributable income | 342,805,918 | NIL |

7. Prior Period Comparatives

Prior year figures have been reclassified, wherever necessary, to conform to current years' presentation.

8. Contingent Liability: Nil

9. Large holdings in the Scheme (over 25% of the NAV of the Scheme): Nil

10. Perspective Historical per Unit Statistics.

| | Rupees March 31, 2004 | | Rupees March 31, 2003 | |
|--|--------------------------|--------------------------|--------------------------|----------|
| a. Net asset value, at the end of the period: | | | | |
| Growth (G) | 11.7466 | | 9.9977 | |
| Quarterly Dividend (QD) | 10.4269 | | 9.9977 | |
| Monthly Dividend (MD) | 10.4106 | | 9.9977 | |
| b. Gross Income | | | | |
| (i) Income other than profit on sale of investment. | 0.2074 | | 0.0798 | |
| (ii) Income from profit on inter scheme sales/transfer of investment. | - | | - | |
| (iii) Income from profit / (loss) on sale of investment to third party | 0.2178 | | (0.0357) | |
| (iv) Transfer to revenue account Income from past year's reserve. | 0.0017 | | - | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.0717 | | 0.0173 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 0.3552 | | (0.0126) | |
| e. Unrealised appreciation / (depreciation) in value of investments | 0.0287 | | (0.033) | |
| f. Repurchase & Resale Prices | | | | |
| Repurchase Price | Growth | Dividend | Growth | Dividend |
| - Highest Price | 11.7385 | QD-10.6736 MD-10.6357 | 10.0078 | 10.0078 |
| - Lowest Price | 9.8820 | QD-9.8820 MD-9.8820 | 9.9498 | 9.9498 |
| Resale Price: | | | | |
| - Highest Price | 11.8094 | QD-10.7380 MD-10.6999 | 10.0078 | 10.0078 |
| - Lowest Price | 9.9416 | QD-9.9416 MD-9.9416 | 9.9498 | 9.9498 |
| g. Ratio of expenses to average daily net assets by percentage | 2.00% | | 1.10% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 12.69% | | 0.07% | |

Notes:

- The lowest repurchase price of the units of the Scheme has been determined after deducting to the lowest declared NAV, the maximum CDS applicable.
- The per unit calculations are based on the number of units outstanding at the end of the financial year.
- P/E ratio is not applicable since the units are not listed on any stock exchange.

**DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)**

Statement of Portfolio Holding as at March 31, 2004

(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|---|----------------------|--------|----------|--------------------------|-----------------|
| EQUITY SHARES | | | | | |
| Listed / Awaiting listing on Stock Exchanges | | | | | |
| ALUMINUM | | | | | |
| 1 | Hindalco | | 25,199 | 30,752,860 | 0.49% |
| 2 | Nalco | | 346,000 | 64,200,300 | 1.02% |
| | | | | 94,953,160 | 1.51% |
| AUTOMOBILE MANUFACTURERS | | | | | |
| 3 | Mahindra & Mahindra | | 70,000 | 32,522,000 | 0.52% |
| 4 | Maruti Udyog | | 67,000 | 33,329,150 | 0.53% |
| | | | | 65,851,150 | 1.05% |
| BANKS | | | | | |
| 5 | HDFC BANK | | 45,000 | 17,043,750 | 0.27% |
| 6 | State Bank of India | | 86,000 | 52,103,100 | 0.83% |
| | | | | 69,146,850 | 1.10% |
| BROADCASTING & CABLE TV | | | | | |
| 7 | Zee Telefilms | | 65,000 | 8,706,750 | 0.14% |
| | | | | 8,706,750 | 0.14% |
| COMMODITY CHEMICALS | | | | | |
| 8 | IPCL | | 141,000 | 25,662,000 | 0.41% |
| 9 | Reliance Industries | | 220,000 | 118,371,000 | 1.88% |
| | | | | 144,033,000 | 2.29% |
| CONSTRUCTION MATERIALS | | | | | |
| 10 | ACC | | 186,000 | 47,364,900 | 0.75% |
| | | | | 47,364,900 | 0.75% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 11 | IDBI | | 170,000 | 9,877,000 | 0.16% |
| | | | | 9,877,000 | 0.16% |
| DIVERSIFIED METALS & MINING | | | | | |
| 12 | Hindustan Zinc | | 200,000 | 20,320,000 | 0.32% |
| | | | | 20,320,000 | 0.32% |
| ELECTRICAL COMPONENTS & EQUIPMENT | | | | | |
| 13 | Siemens | | 28,768 | 28,268,875 | 0.45% |
| | | | | 28,268,875 | 0.45% |
| GAS UTILITIES | | | | | |
| 14 | GAIL | | 122,000 | 26,010,400 | 0.41% |
| | | | | 26,010,400 | 0.41% |
| HEAVY ELECTRICAL EQUIPMENT | | | | | |
| 15 | BHEL | | 69,500 | 42,002,325 | 0.67% |
| | | | | 42,002,325 | 0.67% |
| INDUSTRIAL CONGLOMERATES | | | | | |
| 16 | Grasim Industries | | 52,500 | 56,070,000 | 0.89% |
| | | | | 56,070,000 | 0.89% |
| INDUSTRIAL MACHINERY | | | | | |
| 17 | Cummins India | | 30,627 | 3,010,634 | 0.05% |
| | | | | 3,010,634 | 0.05% |
| IT CONSULTING & SERVICES | | | | | |
| 18 | Infosys Technologies | | 9,000 | 44,443,800 | 0.71% |
| | | | | 44,443,800 | 0.71% |
| MOTOR CYCLE MANUFACTURERS | | | | | |
| 19 | Hero Honda | | 123,000 | 60,343,800 | 0.96% |
| | | | | 60,343,800 | 0.96% |
| OIL & GAS EXPLORATION & PRODUCTION | | | | | |
| 20 | ONGC | | 49,670 | 41,757,569 | 0.66% |
| | | | | 41,757,569 | 0.66% |

| Sr. No | Name of the Company | Rating | Quantity | Market Value (Rupees) | % to Net Assets |
|--|---|--------|-------------|-----------------------|-----------------|
| OIL & GAS REFINING & MARKETING | | | | | |
| 21 | Kochi Refineries | | 144,000 | 29,815,200 | 0.47% |
| 22 | IOC | | 107,000 | 53,082,700 | 0.84% |
| | | | | 82,897,900 | 1.32% |
| PHARMACEUTICALS | | | | | |
| 23 | Biocon + | | 11,100 | 3,496,500 | 0.06% |
| 24 | Ranbaxy Laboratories | | 58,200 | 54,693,450 | 0.87% |
| | | | | 58,189,950 | 0.93% |
| TOBACCO | | | | | |
| 25 | ITC | | 59,400 | 61,960,140 | 0.99% |
| | | | | 61,960,140 | 0.99% |
| EQUITY SHARES | | | | 965,208,203 | 15.34% |
| GOVERNMENT SECURITIES | | | | | |
| 26 | 11.40% GOI 2008 | sov | 2,500,000 | 316,050,000 | 5.02% |
| 27 | 07.40 % GOI 2012 | sov | 3,500,000 | 403,130,000 | 6.41% |
| 28 | 07.49 % GOI 2017 | sov | 2,500,000 | 296,825,000 | 4.72% |
| 29 | 08.07 % GOI 2017 | sov | 1,500,000 | 186,555,000 | 2.97% |
| 30 | 12.59 % GOI 2004 | sov | 10,000,000 | 1,016,873,000 | 16.17% |
| GOVERNMENT SECURITIES | | | | 2,219,433,000 | 35.28% |
| DEBT INSTRUMENTS | | | | | |
| (a) Listed / awaiting listing on Stock Exchanges | | | | | |
| BANKS | | | | | |
| 31 | Exim 2005 | AAA | 300,000,000 | 304,285,500 | 4.84% |
| 32 | HDFC Bank 2014 ** | AAA | 50,000,000 | 50,202,700 | 0.80% |
| | | | | 354,488,200 | 5.64% |
| CONSUMER FINANCE | | | | | |
| 33 | Sundaram Finance 2007** | AAA | 250,000,000 | 250,000,000 | 3.97% |
| 34 | Sundaram Home Finance 2007** | AAA | 200,000,000 | 200,000,000 | 3.18% |
| 35 | Sundaram Finance 2005** | AAA | 20,000,000 | 20,920,440 | 0.33% |
| | | | | 470,920,440 | 7.49% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 36 | IDBI FRB 2009 ** | AA | 250,000,000 | 249,875,000 | 3.97% |
| | | | | 249,875,000 | 3.97% |
| Total: Listed / awaiting listing on Stock Exchanges | | | | 1,075,283,640 | 17.09% |
| (b) Unlisted / Privately Placed ** | | | | | |
| CONSUMER FINANCE | | | | | |
| 37 | Citi Financial Consumer Finance India FRN 2005 ** | AAA | 100,000,000 | 100,000,000 | 1.59% |
| 38 | Citi Financial Consumer Finance India FRN 2004 ** | P1+ | 150,000,000 | 148,445,350 | 2.36% |
| 39 | Citicorp Finance FRN 2006 ** | AAA | 50,000,000 | 50,000,000 | 0.79% |
| 40 | Citicorp Finance 2004 ** | AAA | 250,000,000 | 251,310,750 | 4.00% |
| 41 | Citicorp Finance FRN 2007 ** | AAA | 150,000,000 | 150,000,000 | 2.38% |
| | | | | 699,756,100 | 11.12% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 42 | M & M Financial Services FRN 2007 ** | AA | 50,000,000 | 50,000,000 | 0.79% |
| 43 | M & M Financial Services FRN 2006 ** | AA | 100,000,000 | 100,000,000 | 1.59% |
| | | | | 150,000,000 | 2.38% |
| Total: Unlisted / Privately Placed | | | | 849,756,100 | 13.51% |
| DEBT INSTRUMENTS | | | | 1,925,039,740 | 30.60% |

| SR. NO | NAME OF THE COMPANY | RATING | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--------------------------------------|-----------------------|--------|-------------|---------------------------------|-----------------------|
| MONEY MARKET INSTRUMENTS | | | | | |
| Commercial Paper | | | | | |
| BANKS | | | | | |
| | 44 HDFC CP 2004 | P1+ | 100,000,000 | 95,536,565 95,536,565 | 1.52% 1.52% |
| Total: Commercial Paper | | | | 95,536,565 | 1.52% |
| Certificate of Deposit | | | | | |
| BANKS | | | | | |
| | 45 UTI BANK 2004 | A1+ | 100,000,000 | 97,822,200 | 1.56% |
| | 46 ICICI BANK 2004 | P1+ | 200,000,000 | 191,656,370 | 3.05% |
| | 47 ICICI BANK 2004 | P1+ | 100,000,000 | 95,589,600 | 1.52% |
| | | | | 385,068,170 | 6.12% |
| Total: Certificate of Deposit | | | | 385,068,170 | 6.12% |
| Fixed Deposits | | | | | |
| | 48 Bank of India 2004 | | | 100,000,000 | 1.59% |
| Reverse Repo Investments | | | | | |
| | | | | 441,899,387 | 7.03% |
| Net Receivables / (Payables) | | | | | |
| | | | | 157,894,002 | 2.51% |
| Grand Total | | | | 6,290,079,067 | 100.00% |

* Pending Listing on the Exchange

** Non Traded / Thinly Traded as of March 31, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH FLOATING RATE FUND
AUDITORS' REPORT**

To the Trustee of

DSP MERRILL LYNCH MUTUAL FUND – FLOATING RATE FUND:

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – FLOATING RATE FUND ('the Scheme') as at March 31, 2004 and also the revenue account for the period ended on that date annexed thereto. These financial statements are the responsibility of the management of DSP Merrill Lynch Fund Managers Ltd., the Scheme's asset managers. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that:
 - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - ii. The balance sheet and revenue account dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the balance sheet and revenue account dealt with by this report have been prepared in conformity with the accounting policies and standards specified in the Eighth, Ninth and Tenth Schedules to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('the Regulations').
 - iv. In our opinion, and on the basis of information and explanations given to us, the methods used to value non traded securities as at March 31, 2004 in accordance with the Regulations and other guidelines issued by the Securities and Exchange Board Of India as applicable and approved by the Board of Directors of DSP Merrill Lynch Trustee Co. Pvt. Ltd., are fair and reasonable.

v. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Regulations as applicable, 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, 2004; and
- b) in the case of the revenue account, of the surplus for the period ended on that date.

For S.R. BATLIBOI & CO.

Chartered Accountants

per **Hemal Shah**

Partner

Membership No.: 42650

Mumbai, July 5, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH FLOATING RATE FUND
BALANCE SHEET AS AT MARCH 31, 2004**

| | Schedule | As at 31.03.2004 Rupees |
|------------------------------------|----------|-------------------------------|
| LIABILITIES | | |
| Unit Capital | 1 | 3,119,476,356 |
| Reserves & Surplus | 2 | 64,346,884 |
| Current Liabilities and Provisions | 3 | 60,741,950 |
| | | 3,244,565,190 |
| ASSETS | | |
| Investments | 4 | 3,101,734,850 |
| Deposits | 5 | 29,700,000 |
| Other Current Assets | 6 | 113,130,340 |
| | | 3,244,565,190 |
| Notes to Accounts | 8 | |

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

As per our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

For DSP Merrill Lynch
Fund Managers Ltd.

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH FLOATING RATE FUND
REVENUE ACCOUNT FOR THE PERIOD MAY 12, 2003 TO MARCH 31, 2004**

| | Schedule | Period ended 31.03.2004 Rupees |
|--|----------|--------------------------------------|
| INCOME & GAINS | | |
| Interest | 7 | 51,213,238 |
| | | 51,213,238 |
| EXPENSES & LOSSES | | |
| Management fees | | 5,168,926 |
| Transfer agents fees & expenses | | 750,954 |
| Custodian Fees & Transaction charges | | 238,232 |
| Trusteeship fees | | 3,000 |
| Audit fees | | 27,000 |
| Other operating expenses | | 64,161 |
| Loss (net) on sale of Investments | | 2,664,489 |
| Loss (net) on inter-scheme sale of Investments | | 1,075,600 |
| Net unrealised loss in the value of investments | | 362,400 |
| | | 10,354,762 |
| Excess of income and gains over expenses and losses | | 40,858,476 |
| Less: Income Equalisation account | | 49,580,710 |
| Income available for appropriation | | 90,439,186 |
| Appropriation | | |
| Income distribution during the period | | 21,713,612 |
| Tax on Income distributed during the period | | 2,782,057 |
| Retained Surplus carried forward to Balance Sheet | | 65,943,517 |
| Notes to Accounts | 8 | |

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

As per our attached report of even date

**For S.R. Batliboi & Co.
Chartered Accountants**

per Hemal Shah
Partner
Membership no. 42650

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Trustee Co. Pvt. Ltd.**

Shitin D Desai
Chairman

S. S. Thakur
Director

Mumbai, July 05, 2004

**For DSP Merrill Lynch
Fund Managers Ltd.**

Hemendra M Kothari
Chairman

K R V Subrahmanian
Director

Naganath Sundaresan
Chief Investment Officer

Dhawal Dalal
Fund Manager

Mumbai, June 29, 2004

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH FLOATING RATE FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2004**

Schedule

1 UNIT CAPITAL

Issued and subscribed:

Units of Rs. 10 each fully paid up

Initial Capital issued on May 13, 2003

Capital issued during the period

Redemptions during the period

Unit Capital at the end of the period

Growth Plan

Dividend Plan

Weekly Dividend Plan

Unit Capital at the end of the period

| | As at 31.03.2004 | |
|--|-----------------------------|----------------------|
| | Units | Rupees |
| | 14,150,000.000 | 141,500,000 |
| | 767,514,741.137 | 7,675,147,412 |
| | 781,664,741.137 | 7,816,647,412 |
| | 469,717,105.576 | 4,697,171,056 |
| | 311,947,635.561 | 3,119,476,356 |
| | 141,532,271.858 | 1,415,322,719 |
| | 69,464,225.408 | 694,642,254 |
| | 100,951,138.295 | 1,009,511,383 |
| | 311,947,635.561 | 3,119,476,356 |

2 RESERVES AND SURPLUS

Unit Premium Reserve

Net Premium on issue / redemption of units during the period

Transfer from Income Equalisation Account

Closing balance

Retained Surplus

Surplus/(Deficit) transferred from Revenue Account

Closing balance

| | As at 31.03.2004 Rupees |
|--|--|
| | 47,984,077 |
| | (49,580,710) |
| | (1,596,633) |
| | 65,943,517 |
| | 65,943,517 |
| | 64,346,884 |

3 CURRENT LIABILITIES

Sundry creditors

Payables for units repurchased / Switch out

Contract for purchase of Investment

Distributed income payable

Other liabilities

| | As at 31.03.2004 Rupees |
|--|--|
| | 2,188,482 |
| | 55,517,692 |
| | - |
| | 2,925,820 |
| | 109,956 |
| | 60,741,950 |

DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH FLOATING RATE FUND
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2004

| 4 INVESTMENTS | As at 31.03.2004 Rupees | |
|---|--------------------------------------|-----------------------|
| | Cost | Market/ Fair value |
| Bonds & Debentures | | |
| Private Placement | 1,550,837,000 | 1,550,750,000 |
| Listed or awaiting listing | 1,199,750,000 | 1,199,750,000 |
| Government Securities | 203,650,000 | 203,374,600 |
| Certificate of Deposit | 147,860,250 | 147,860,250 |
| | 3,102,097,250 | 3,101,734,850 |
| Note: Refer to the attached Statement of Portfolio as at March 31, 2004 | | |
| 5 DEPOSITS | As at 31.03.2004 Rupees | |
| Money at call with Scheduled Banks | | 29,500,000 |
| Margin Money with The Clearing Corporation of India Ltd. (CCIL) | | 200,000 |
| | | 29,700,000 |
| 6 OTHER CURRENT ASSETS | As at 31.03.2004 Rupees | |
| Balances with banks in current accounts | | 85,047,936 |
| Outstanding and accrued income | | 27,832,404 |
| Others | | 250,000 |
| | | 113,130,340 |
| 7 INTEREST | Period ended 31.03.2004 Rupees | |
| Call Deposits | | 1,405,560 |
| Collateralised Lending (Reverse Repurchase transactions) | | 4,787,985 |
| Govt. Securities and Debentures | | 45,019,693 |
| | | 51,213,238 |

**DSP MERRILL LYNCH MUTUAL FUND
DSP MERRILL LYNCH FLOATING RATE FUND
Schedules forming part of the Balance Sheet as
at March 31, 2004 and the Revenue Account for
the Period May 12, 2003 to March 31, 2004**

Schedule 8

NOTES TO ACCOUNTS

1. Organisation

DSP Merrill Lynch Floating Rate Fund (the Scheme) is an open ended scheme of DSP Merrill Lynch Mutual Fund (the Fund). The Fund has been sponsored by DSP Merrill Lynch Ltd. (DSPML). The Scheme was launched on May 12, 2003 and was open for subscription on May 12, 2003. Thereafter, it was reopened for subscription and redemption on May 13, 2003.

The objective of the Scheme is to generate income commensurate with prudent risk from a portfolio comprised substantially of floating rate debt securities and fixed rate debt securities swapped for floating rate returns.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996 as amended from time to time.

2.2 Unit Capital

Unit Capital represents the net outstanding units as at the Balance Sheet date.

Upon issue and redemption of units, the net premium or discount to the face value of units is credited or debited respectively to the Unit Premium Reserve account, after adjusting an appropriate portion of the sale / repurchase price to the Income Equalisation account.

2.3 Income Equalisation account

When units are issued or redeemed, the net distributable income or loss for transacted units (excluding unrealised appreciation/depreciation in the value of investments) from the beginning of the accounting period upto the date of issue or redemption of such units is transferred to / from the Income Equalisation account.

The purpose is to ensure that the per unit amount of the continuing unitholders share of the undistributed income / loss remains unaffected by movement in unit capital. At the year end, the balance in the Equalisation account is transferred to the Revenue account.

2.4 Investments

a) Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities

Debt Securities

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation or one day prior to the valuation date.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities

II.I Debt Securities of upto 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the instrument.

II.II Debt Securities of over 182 Days to Maturity

Non traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

V.I Securities with Call option

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

V.II Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instrument.

V.III. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

2.5 Revenue recognition

Income on investments is recognised on accrual basis except where there is uncertainty about ultimate recovery / realisation. Such income is recognised when the uncertainty is resolved.

Interest on fixed income securities is recognised as income on a daily basis over the period of holding. In respect of discounted securities, the discount to redemption value is amortised and recognised as interest income equally over the period to redemption.

Profit or loss on sale of investments is recognised on the trade date and is determined on the basis of the weighted average cost method.

2.6 Expenses

All expenses are accounted for on accrual basis.

2.7 Initial Public Offer Expenses

Initial Public Offer Expenses are borne by the AMC.

3. Investment Management and Trusteeship fees

Investment management fees have been paid by the Scheme pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC), computed at an annual rate of 0.60 per cent of the Scheme's daily net assets.

The Fund has accrued trusteeship fees aggregating Rs.1,000,000 (previous year Rs. 1,000,000) for the year ended March 31, 2004 in accordance with the original Trust Deed dated December 16, 1996 as amended by supplementary Trust Deed dated December 23, 1999. The trusteeship fees have been allocated between the schemes in proportion to the net assets of the schemes. The Trusteeship fees are subject to a maximum of 0.02% of the average net assets per annum.

4. Investments

- Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's unitholders.
- Investments made in companies who have invested more than five percent of the net asset value of the schemes of DSP Merrill Lynch Mutual Fund

Rupees Crores

| Company Name | Scheme invested in by the Company* | Aggregate cost of acquisition during the period under Regulation 25(11) | Outstanding as at March 31, 2004 at Market/Fair Value |
|-----------------------|------------------------------------|---|---|
| IDBI @ | LF,STF,GSF,FRF | 122.02 | 49.98 |
| Kotak Mahindra Bank @ | LF | 75.00 | 25.00 |
| LIC Housing Finance | LF | 30.00 | 30.00 |
| Tata Motors Ltd. | LF,FRF,SPF | 5.10 | - |
| UTI Bank | SPF,FRF,LF | 14.79 | 14.79 |

@ Includes investment in subsidiaries

* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSF – Government Securities Fund, STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF – Savings Plus Fund – Moderate, FRF – Floating Rate Fund

The Investment Manager is of the opinion that the investments are made by the Scheme in such companies since they are perceived as fundamentally strong and possess a high potential for growth.

- The aggregate value of investments purchased and sold (including redeemed) during the period May 12, 2003 to March 31, 2004 are Rs. 5,258,468,472 and Rs. 2,154,744,586 respectively being 528.15% and 216.42% respectively of the average daily net assets.

5. Details of transactions with Associates in terms of Regulation 25(8)

Name of the Associate: DSP Merrill Lynch Ltd. & ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Limited)

| Particulars of Transactions | Period ended March 2004 Rupees |
|---|--------------------------------|
| Payment of Brokerage for Distribution and Sale of Units: <ul style="list-style-type: none"> DSP Merrill Lynch Ltd. 1,365,770 ING Vysya Financial Services Ltd. 10 | |
| Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers: <ul style="list-style-type: none"> DSP Merrill Lynch Ltd. 30,000,000 | |
| Securities transaction in the form of investments in Private placements in debt securities where the associate was the one of the several arrangers (these investments were made through arrangers other than DSP Merrill Lynch Ltd.) | 500,000,000 |

6. Distributable Income

| | Period ended March 2004 Rupees |
|-------------------------------------|--------------------------------|
| Net Income as per Revenue Account | 90,439,186 |
| Less: Distributed to unitholders | 24,495,669 |
| Balance Distributable income | 65,943,517 |

7. Prior Period Comparatives

As these are the first Financial Statements of the Scheme since the date of its launch, there are no comparatives for the prior period.

8. Contingent Liability: Nil

9. Large holdings in the Scheme (over 25% of the NAV of the Scheme): Nil

10. Perspective Historical per Unit Statistics.

| | Rupees March 31, 2004 | |
|--|----------------------------------|--------------------------|
| a. Net asset value, at the end of the period: | | |
| Growth (G) | 10.4406 | |
| Dividend (D) | 10.0048 | |
| Weekly Dividend (WD) | 10.0163 | |
| b. Gross Income | | |
| (i) Income other than profit on sale of investment. | 0.1642 | |
| (ii) Income from profit / (loss) on inter scheme sales/transfer of investment. | (0.0035) | |
| (iii) Income from profit / (loss) on sale of investment to third party | (0.0085) | |
| (iv) Transfer to revenue account Income from past year's reserve. | - | |
| c. Aggregate of expenses, write off, Amortisation and charges (excluding change in unrealised depreciation in investments) | 0.0200 | |
| d. Net Income (excluding change in unrealised depreciation in investments) | 0.1322 | |
| e. Unrealised appreciation / (depreciation) in value of investments | (0.0012) | |
| f. Repurchase & Resale Prices | | |
| Repurchase Price | Growth | Dividend |
| -Highest Price | 10.4406 | D-10.0150, WD-10.1264 |
| -Lowest Price | 10.0209 | D-10.0047, WD-10.0018 |
| Resale Price: | | |
| -Highest Price | 10.4406 | D-10.0150, WD-10.1264 |
| -Lowest Price | 10.0209 | D-10.0047, WD-10.0018 |
| g. Ratio of expenses to average daily net assets by percentage | 0.71% | |
| h. Ratio of gross income to average daily net assets by percentage (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments). | 5.11% | |

Notes:

1. The per unit calculations are based on the number of units outstanding at the end of the financial year.
2. P/E ratio is not applicable since the units are not listed on any stock exchange.

DSP MERRILL LYNCH FLOATING RATE FUND
Statement of Portfolio Holding as at March 31, 2004
(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2004)

| SR. NO | NAME OF THE COMPANY | | QUANTITY | MARKET VALUE (RUPEES) | % to NET ASSETS |
|--|--|----------|-----------|-----------------------------|--------------------|
| CENTRAL GOVERNMENT SECURITIES | | | | | |
| 1 | 12.59 % GOI 2004 | SOV | 2,000,000 | 203,374,600 | 6.39% |
| | | | | 203,374,600 | 6.39% |
| DEBT INSTRUMENTS | | | | | |
| (a) Listed / Awaiting listing on Stock Exchanges | | | | | |
| CONSUMER FINANCE | | | | | |
| 2 | LIC Housing Finance FRN 2012 ** | AAA | 30 | 300,000,000 | 9.42% |
| 3 | Sundaram Finance FRN 2004 ** | P1+ | 100 | 100,000,000 | 3.14% |
| 4 | Sundaram Home Finance FRN 2007 ** | MAAA(SO) | 300 | 300,000,000 | 9.42% |
| | | | | 700,000,000 | 21.99% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 5 | IDBI FRB (Sr. 2004/D) 2009 ** | AA | 500 | 499,750,000 | 15.70% |
| | | | | 499,750,000 | 15.70% |
| Total: Listed / Awaiting listing on Stock Exchanges | | | | 1,199,750,000 | 37.68% |
| (b) Unlisted / Privately Placed | | | | | |
| COMMODITY CHEMICALS | | | | | |
| 6 | Reliance Industries FRN 2007 ** | AAA | 300 | 300,000,000 | 9.42% |
| | | | | 300,000,000 | 9.42% |
| CONSUMER FINANCE | | | | | |
| 7 | Citicorp Finance India FRN 2006 ** | AAA | 500 | 50,000,000 | 1.57% |
| 8 | Citicorp Finance India FRN 2007 ** | AAA | 200 | 200,000,000 | 6.28% |
| 9 | Citicorp Maruti Finance India FRN 2006 ** | AAA | 5 | 50,000,000 | 1.57% |
| | | | | 300,000,000 | 9.42% |
| DIVERSIFIED FINANCIAL SERVICES | | | | | |
| 10 | Rabo India FRN 2005 ** | AAA | 25 | 250,000,000 | 7.85% |
| 11 | Kotak Mahindra Primus FRN 2006 ** | AA | 250 | 250,000,000 | 7.85% |
| 12 | G.E.Capital Services FRN 2006 ** | AAA | 30 | 300,750,000 | 9.45% |
| 13 | Mahindra & Mahindra Financial Services FRN 2006 ** | AA | 5 | 50,000,000 | 1.57% |
| 14 | Mahindra & Mahindra Financial Services FRN 2007 ** | AA | 10 | 100,000,000 | 3.14% |
| | | | | 950,750,000 | 29.86% |
| Total: Unlisted / Privately Placed | | | | 1,550,750,000 | 48.71% |
| DEBT INSTRUMENTS | | | | 2,750,500,000 | 86.39% |
| Certificate of Deposit | | | | | |
| BANKS | | | | | |
| 15 | UTI BANK 2004 ** | A1+ | 1,500 | 147,860,250 | 4.64% |
| | | | | 147,860,250 | 4.64% |
| MONEY MARKET INSTRUMENTS | | | | | |
| Money at call with Banks and others | | | | 29,500,000 | 0.93% |
| Net Receivables / (Payables) | | | | 52,588,390 | 1.65% |
| Grand Total | | | | 3,183,823,240 | 100.00% |

** Non Traded / Thinly Traded as of March 31, 2004



BULLISH ON LIFE

NOTES

NOTES

DSP Merrill Lynch Fund Managers Limited - Investor Service Centres / Transactions Points

Cams - Investor Service Centres

| | |
|--------------|--|
| AHMEDABAD | : 402 - 406, 4th floor, Devpath Building, Off. C.G. Road, Behind Lal Bunglow, Ellis Bridge, Ahmedabad - 380006. |
| BANGALORE | : No. 8, II Floor, K. G. Road, Mahaveer Shopping Complex, above Kids Kempe, Bangalore - 560 009. |
| BHUBANESWAR | : 101/7, Janpath, Unit - III, Bhubaneswar - 751 001. |
| KOCHI | : 41/1617 Rock Hill 1st Floor Kacheripady, Banerji Road (North), Kochi - 682 018. |
| CHANDIGARH | : SCO No. 39-40 Basement, Navroop Building, Cabin No. 5 Sector - 17 C, Chandigarh - 160 017. |
| COIMBATORE | : Laxmi Enterprises, 462 - A, Venkataswamy Road, New Siddapudur Road, Coimbatore - 641044. |
| CHENNAI | : A & B Lakshmi Bhawan 609, Anna Salai, Chennai - 600 006. |
| JAIPUR | : G-III, Park Saroj, Behind Ashok Nagar, Police Station, R-7, Yudhisthir Marg, C-Scheme, Jaipur - 302 001. |
| KOLKATA | : No. 53/A, First Floor, Rafi Ahmed Kidwai Road, Kolkata - 700 016. |
| KANPUR | : G-27 & 28, Ground Floor, City Centre, 63/2, The Mall, Kanpur - 208 001. |
| LUCKNOW | : No. 3, 1st floor, Saran Chambers - 1, 5 Park Road, Lucknow - 226 001. |
| LUDHIANA | : Shop No. 20-21, Ground Floor, Prince Market, Near Traffic Lights, Sarabha Nagar Pulli, Pakhowal Road, P.O. Model Town, Ludhiana - 141 002. |
| MUMBAI | : Rajabahdur Compound, Ground Floor, Opp. Allahabad Bank, Behind ICICI Bank 30, Mumbai Samachar Marg, Fort, Mumbai - 400 023. |
| NEW DELHI | : "14 & 15", Arunachal, Upper Ground Floor, 19 Barakhamba Road, New Delhi - 110 001. |
| NAGPUR | : 145 Lendra Park, Behind Shabari, New Ramdaspath, Nagpur - 440 010. |
| PUNE | : Kalpataru Plaza, No. B- 314, 3rd Floor, 224 Bhawani Peth, Pune - 411 042. |
| PANAJI | : M/s.Inchalmath Associates, No.15, 1st Floor, Diamond Chambers, 18th June Road, Panaji - 403 001, Goa. |
| SECUNDERABAD | : 1-7-293/2/1 to 5/A, M.G. Road, Behind Bank of India Building, Near Paradise Bus stop, Secunderabad - 500 003. |
| SURAT | : 111, Orion House, 1st Floor, Behind Resham Bhawan, Lal Darwaja, Surat - 395 003. |
| VADODARA | : G-10 Paradise Complex, Sayaji Gunj, Vadodara - 390 005. |
| Vizag | : 47/9/17, 1st Floor, 3rd Lane, Dr. Chetti Pantulu Hospital Lane, Dwaraka Nagar, Vizag - 530 016. |
| INDORE | : Dalal Chambers, 101, Sagarmatha Apartments, 1st Floor, 18 / 7 MG Road, Indore - 452 003. |
| MANGALORE | : 6, I Floor, West Gate Terminus, Falnir Road, Opp. Unity Health Complex, Highlands, Mangalore - 575 002. |
| PATNA | : Kamlaye Shobna Plaza, 1st Floor, Behind RBI, Near Ashiana Tower, Exhibition Road, Patna - 800 001. |

Cams - Transactions Points

| | |
|------------|--|
| AGRA | : F-39/203, Sky Tower, Sanjay Place, Agra - 282 002. |
| ALLAHABAD | : 1st Floor, Chandra Shekhar Azad Complex, (Near Indira Bhawan), 5, S.P. Marg, Civil Lines, Allahabad - 211 001. |
| AMRITSAR | : 378-Majithia Complex, 1st Floor, M. M. Malviya Road, Amritsar - 143 001. |
| BELGAUM | : No. 21, Ground Floor, Arvind Complex, 1552, Maruti Galli, Belgaum - 590 002. |
| BHILAI | : 209, Khichariya Complex, Opp. IDBI Bank, Nehru Nagar Square, Bhilai - 490 020. |
| BHOPAL | : C-12, 1st Floor, Above Life Line Hospital, Zone-I, M.P.Nagar, Bhopal - 462011 (M.P.). |
| DEHRADUN | : 81, Chakrata Road, Dehradun - 248 001. |
| DURGAPUR | : Address: 4/4, Central Park, City Centre, Doctor's Colony, Durgapur - 713 216. |
| GUWAHATI | : A.K. Azad Road, Rehabari, Guwahati - 781 008. |
| HUBLI | : B -1, Laxmi Complex, Club Road, Hubli - 580 029. |
| JALANDHAR | : 367/8, Central Town, Opp. Gurudwara Diwan Asthan, Jalandhar - 144 001. |
| JAMNAGAR | : 207/209, K.P. Shah House I, K.V. Road, Jamnagar - 361 001. |
| JAMSHEDPUR | : Panch Bhawan, 'R' Road, Bistupur, Gr. Floor, (Near Rajasthan Bhawan), Jamshedpur - 831 001. |
| MADURAI | : No.56, Naicker New Street, Madurai - 625 001. |
| MANIPAL | : Academy Annex, First Floor, Opposite Corporation Bank, Upendra Nagar, Manipal - 576 104. |
| MYSORE | : No.3, 1st Floor, CH.26 7th Main, 5th Cross, (Above Trishakthi Medicals), Saraswati Puram, Mysore - 570 009. |
| NASIK | : Rahakar Chambers, 2nd floor, 431 Vakil Wadi, Ashok Stambh, Nasik - 422 001. |
| PATIALA | : 3, Ajit Nagar, Patiala - 147 001. |
| RAIPUR | : C-23, Sector 1, Devendra Nagar, Raipur - 492 004. |
| RAJKOT | : 111, Pooja Complex, Harihar Chowk, Near GPO, Rajkot - 360 001. |
| SALEM | : 28, I Floor, Advytha Ashram Road, Salem - 636 004. |
| TRICHUR | : VIII/350/15, O K John Memorial Building, Ekkanda Warriar Road, Trichur - 686 001. |
| TRICHY | : No. 8, I Floor, 8th Cross West Extn. Thillainagar, Trichy - 620 018. |
| TRIVANDRUM | : 15/181, Chennakara Buildings, Althara Junction, Vellayambalam, Trivandrum - 695 015. |
| VALSAD | : C/O, CAD House, 1st Floor, Opp. LIC Office, Halar Road, Valsad - 396 001. |
| VARANASI | : C 27/249 - 22A, Vivekanand Nagar Colony, Maldhaiya, Varanasi - 221 002. |
| VIJAYAWADA | : 40-1-48/2, Bandar Road, Adj. To HDFC Bank, Vijayawada - 520 010. |
| JODHPUR | : 1/5, Nirmal Tower, Ist Chopasani Road, Jodhpur - 342 003. |
| PONDICHERY | : 25, First Floor, Jawaharlal Nehru Street, Pondicherry - 605 001. |