

# CONTENTS

<b>UNIT HOLDER INFORMATION REPORT</b>	<b>03</b>	<b>DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B</b>	
<b>DSP MERRILL LYNCH BOND FUND</b>		Auditors' Report	61
Auditors' Report	08	Balance Sheet	62
Balance Sheet	09	Revenue Account	63
Revenue Account	10	Schedules	64
Cash Flow Statement	11	Notes to Accounts	66
Schedules	12	Statement of Portfolio Holding	68
Notes to Accounts	14	<b>DSP MERRILL LYNCH TECHNOLOGY.COM FUND</b>	
Statement of Portfolio Holding	18	Auditors' Report	69
<b>DSP MERRILL LYNCH EQUITY FUND</b>		Balance Sheet	70
Auditors' Report	19	Revenue Account	71
Balance Sheet	20	Schedules	72
Revenue Account	21	Notes to Accounts	74
Schedules	22	Statement of Portfolio Holding	77
Notes to Accounts	24	<b>DSP MERRILL LYNCH OPPORTUNITIES FUND</b>	
Statement of Portfolio Holding	27	Auditors' Report	78
<b>DSP MERRILL LYNCH LIQUIDITY FUND</b>		Balance Sheet	79
Auditors' Report	30	Revenue Account	80
Balance Sheet	31	Cash Flow Statement	81
Revenue Account	32	Schedules	82
Cash Flow Statement	33	Notes to Accounts	84
Schedules	34	Statement of Portfolio Holding	88
Notes to Accounts	36	<b>DSP MERRILL LYNCH SHORT TERM FUND</b>	
Statement of Portfolio Holding	40	Auditors' Report	90
<b>DSP MERRILL LYNCH BALANCED FUND</b>		Balance Sheet	91
Auditors' Report	42	Revenue Account	92
Balance Sheet	43	Cash Flow Statement	93
Revenue Account	44	Schedules	94
Schedules	45	Notes to Accounts	96
Notes to Accounts	47	Statement of Portfolio Holding	100
Statement of Portfolio Holding	50	<b>DSP MERRILL LYNCH TOP 100 EQUITY FUND</b>	
<b>DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A</b>		Auditors' Report	101
Auditors' Report	53	Balance Sheet	102
Balance Sheet	54	Revenue Account	103
Revenue Account	55	Schedules	104
Schedules	56	Notes to Accounts	106
Notes to Accounts	58	Statement of Portfolio Holding	109
Statement of Portfolio Holding	60		

**DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE**

Auditors' Report	111
Balance Sheet	112
Revenue Account	113
Schedules	114
Notes to Accounts	116
Statement of Portfolio Holding	119

**DSP MERRILL LYNCH FLOATING RATE FUND**

Auditors' Report	121
Balance Sheet	122
Revenue Account	123
Cash Flow Statement	124
Schedules	125
Notes to Accounts	127
Statement of Portfolio Holding	131

**DSP MERRILL LYNCH - INDIA T.I.G.E.R. FUND**

Auditors' Report	133
Balance Sheet	134
Revenue Account	135
Schedules	136
Notes to Accounts	138
Statement of Portfolio Holding	141

**DSP MERRILL LYNCH SAVINGS PLUS FUND - AGGRESSIVE**

Auditors' Report	143
Balance Sheet	144
Revenue Account	145
Schedules	146
Notes to Accounts	148
Statement of Portfolio Holding	151

**DSP MERRILL LYNCH SAVINGS PLUS FUND - CONSERVATIVE**

Auditors' Report	153
Balance Sheet	154
Revenue Account	155
Schedules	156
Notes to Accounts	158
Statement of Portfolio Holding	161

**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 L.P (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 (Ceased to be a Director w.e.f. April 26, 2005).

**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 is the Founder and Chairman of CERG Advisory Private Limited. CERG primarily provides corporate advisory services, consulting services and research for companies and industries in India and abroad.

- 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. Piyush Mankad - Mr. Mankad is a retired civil servant with a distinguished career of over forty years in the prestigious Indian Administrative Service.

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 Top100 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 Preview**

Bond prices were sharply on the decline from April until August 2004 reflecting heightened concerns about the surge in oil prices from the low 30's to well over \$50 per barrel. Thereafter, there was some respite till early September before bond prices began another round of decline until November 2004. A smart rally in early December and subsequent consolidation in prices until March marked the remainder of the financial year.

**Equity Market Preview**

Equities suffered a significant correction in May 2004 due to a combination of global factors such as rising interest rates, higher oil prices as also domestic factors. However the stock market resumed its uptrend smartly in the following months on the back of strong interest from foreign investors and good corporate fundamentals. Post Budget 2005, the Sensex hit an all time high of 6954.86 before witnessing some weakness on account of profit booking.

**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 preference 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 fund outperformed its benchmark (the S&P CNX Nifty Index) over the last financial year. The outperformance was largely due to its stock selection and overweight position in information technology, banking, retailing and sugar sectors. The underweight position in sectors like Automobiles and Oil & Gas also helped the fund to outperform the benchmark.

As of April 15, 2005 the net assets of the Fund were Rs. 132.76 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 Scheme. However, there can be no assurance that the investment objectives of the Schemes will be realized.

The fund did reasonably well by focusing on IT and Telecom sectors, although it did underperform its benchmark (the BSE Teck Index) marginally. The underperformance may be attributed to the benchmark's larger weightage in the top tier IT companies as compared to mid-cap IT Companies. The DSP ML Technology.com Fund has a diversified portfolio across the IT Services, Hardware, Telecom & Media Sectors.

As of April 15, 2005 the net assets of the Fund were Rs. 24.22 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 Scheme will be realized.

The fund outperformed its benchmark (the S&P CNX Nifty Index) over the last financial year. The outperformance was largely due to its stock selection and overweight position in cement, engineering, information technology, banking and sugar sectors. The underweight position in sectors like Automobiles and Oil & Gas also helped the fund to outperform the benchmark.

As of April 15, 2005 the net assets of the Fund were Rs. 591.47 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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The fund outperformed its benchmark (the BSE 100 Index) over the last financial year. The outperformance was largely due to its stock selection and overweight position in cement, engineering, information technology and banking sectors.

As of April 15, 2005 the net assets of the Fund were Rs. 80.62 crores.

#### **DSP MERRILL LYNCH INDIA T.I.G.E.R. FUND (THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND)**

The scheme was launched on April 27, 2004 and was open for subscription between April 27, 2004 and May 25, 2004. Thereafter, the scheme was reopened for subscription and redemption on June 14, 2004. Investment Objective of the Scheme 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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The fund outperformed its benchmark (the BSE 100 Index) over the last financial year. The outperformance was largely due to its stock selection and overweight position in engineering, banking and cement sectors.

As of April 15, 2005 the net assets of the Fund were Rs. 284.26 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 performed well relative to its benchmark (the CRISIL Balanced Fund Index) in the past year, not only because of its overweight positions in engineering, banking and technology sectors, but also because of the dynamic allocation between the debt and equity components of its portfolio.

As of April 15, 2005 the net assets of the Fund were Rs. 232.27 crores.

##### **DSP MERRILL LYNCH SAVINGS PLUS FUND - MODERATE**

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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The Fund has been actively managing the equity component of the portfolio, in keeping with its prevailing outlook on the equity market. This enabled the Fund to perform well relative to its benchmark (CRISIL MIP Blended Index). The debt component of the portfolio was largely invested in floating rate debt securities and shorter-tenor fixed rate corporate securities as also government securities, in order to minimize the price risk that may arise from likely volatility in interest rates.

As of April 15, 2005 the net assets of the Fund was Rs. 309.91 crores.

##### **DSP MERRILL LYNCH SAVINGS PLUS FUND - AGGRESSIVE**

The scheme was launched on April 27, 2004 and was open for subscription between April 27, 2004 and May 25, 2004. Thereafter, the scheme was reopened for subscription and redemption on June 14, 2004. 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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The fund has been actively managing the equity component of the portfolio, in keeping with its prevailing outlook on the equity market. This enabled the Fund to perform well relative to its benchmark (CRISIL MIP Blended Index).

The debt component of the portfolio was largely invested in floating rate debt securities and shorter-tenor fixed rate corporate securities as also government securities, in order to minimise the price risk that may arise from likely volatility in interest rates.

As of April 15, 2005 the net assets of the Fund was Rs. 36.89 crore

#### **DSP MERRILL LYNCH SAVINGS PLUS FUND - CONSERVATIVE**

The scheme was launched on April 27, 2004 and was open for subscription between April 27, 2004 and May 25, 2004. Thereafter, the scheme was reopened for subscription and redemption on June 14, 2004. 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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The fund has been actively managing the equity component of the portfolio, in keeping with its prevailing outlook on the equity market. This enabled the Fund to perform well relative to its benchmark (CRISIL MIP Blended Index). The debt component of the portfolio as largely invested in floating rate debt securities and shorter-tenor fixed rate corporate securities as also government securities, in order to minimise the price risk that may arise from likely volatility in interest rates.

As of April 15, 2005 the net assets of the Fund was Rs. 22.36 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 witnessed significant outflows last year as interest rates hardened by more than 200 basis points in less than six months. The assets under management of the fund shrunk considerably during the last year. Despite this outflow, the fund was able to generate liquidity due to its exposure to liquid corporate assets and government securities. The fund has delivered 0.53% return against 0.18% return generated by its benchmark in the last one year.

As of April 15, 2005 the net assets of the Fund were Rs. 111.33 crores.

##### **DSP MERRILL LYNCH LIQUIDITY FUND**

The primary investment objective of the Scheme is to generate reasonable returns 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 continues to invest in quality money market assets and short-term liquid corporate assets. The fund has delivered 4.81% return in last year against 4.17% return by the benchmark index.

As of April 15, 2005 the net assets of the Fund were Rs. 1,366.4 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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The government securities market remained highly volatile last year. The benchmark 10Y yield moved up by more than 200 basis points in the first half of the year due to high inflation. 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 April 15, 2005 the net assets of the Fund (including Plan A and Plan B) were Rs. 62.73 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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The fund witnessed significant outflows last year as interest rates hardened by more than 200 basis points in less than six months. The assets under management of the fund shrunk considerably during the last year. Despite this outflow, the fund was able to generate liquidity due to its exposure to liquid corporate assets and government bonds. The fund has delivered 4.19% return against 4.17% return generated by its benchmark in last one year.

As of April 15, 2005 the net assets of the Fund were Rs. 74.56 crores.

#### **DSP MERRILL LYNCH FLOATING RATE FUND**

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. However, there can be no assurance that the investment objectives of the Scheme will be realized.

The fund witnessed a significant growth in assets under management last year as investors took shelter amidst a floating rate assets in volatile interest rate scenario. 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. The fund has performed well last year. It has generated 5.15% return over the last one year against 4.17% return generated by its index.

As of April 15, 2005 the net assets of the Fund were Rs. 2,473.43 crores.

#### **FUTURE OUTLOOK**

##### **Debt Market**

Interest rates have been hardening lately on the back of a surge in oil prices as also the prospects of a higher borrowing program by the government. With global interest rates continuing to edge upwards, domestic interest rates will remain under pressure during the first half of the year. Thereafter it is likely that interest rates remain rangebound and benign against a backdrop of moderating inflation and better liquidity conditions.

### Equity Market

Recent market volatility can be attributed to higher oil prices and a hardening of interest rates globally. However the domestic environment for equities remain positive, corporate earnings are expected to grow at around 15% during FY2006 while the sensx P/E ratio is still at around 12 times forward earnings. A significant increase in infrastructure spending by the government as also capex spending by the corporate sector together with continued growth in domestic consumption should contribute to GDP growth of around 7% during FY2006.

### Investor Services

During the year, the AMC continued to provide innovative services and facilities for investors. The AMC Offices in New Delhi and Coimbatore were shifted to new premises. The AMC recently opened branch office in Chandigarh. Registrars & Transfer Agents (CAMS) have also increased their reach to cater to investors of various cities and now have Investor Service Centres (ISCs) in 24 cities and Transaction Points (TPs) in 35 locations. CAMS have also shifted some of their ISCs to larger premises.

The AMC introduced a new facility, the SIP auto debit facility, which the investors can use to make regular investments directly through their bank account. This facility makes it much more convenient for investors to save systematically, and also does away with submitting several post dated cheques. This facility is currently available in 20 major cities around the country. The AMC has also started SIP auto debit facility with three banks simultaneously viz. ICICI Bank, IDBI Bank and UTI Bank. With this facility an investor having a bank account with any of these banks, irrespective of the location, can register for SIP auto debit. The investor's bank account will be debited at periodic intervals and funds moved to DSP Merrill Lynch Mutual Fund Collection account. The AMC recently launched an on-demand SMS-based service, called "Go Mobile!", through which investors can request information and receive updates on their mobile phone.

We encourage the investors to provide with their valuable feedback via email on [dspmlmf@ml.com](mailto:dspmlmf@ml.com) or by calling the AMC 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 2004-2005. 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
DSP Merrill Lynch Bond Fund	2,415,503	720
DSP Merrill Lynch Equity Fund	317,896	95
DSP Merrill Lynch Balanced Fund	169,231	41
DSP Merrill Lynch Government Securities Fund Plan A	1,379	2
DSP Merrill Lynch Opportunities Fund	2,016,197	242
DSP Merrill Lynch Short Term Fund	1,231	1
DSP Merrill Lynch Top 100 Equity Fund	72,328	17

DSP Merrill Lynch Savings Plus Fund - Moderate	89,392	145
DSP Merrill Lynch Floating Rate Fund	2,115	1
DSP Merrill Lynch Savings Plus Fund - Aggressive	1,517	19
DSP Merrill Lynch Savings Plus Fund - Conservative	4,287	9
<b>Grand Total</b>	<b>5,091,076</b>	<b>1,292</b>

### Unclaimed Redemptions

The amount of redemptions remaining unclaimed are as under:

Scheme	Amount (Rs.)	No. of Unclaimed Drafts/Warrants
DSP Merrill Lynch Bond Fund	214,569	10
DSP Merrill Lynch Equity Fund	12,560	3
DSP Merrill Lynch Balanced Fund	69,314	4
DSP Merrill Lynch Opportunities Fund	202,407	12
DSP Merrill Lynch Technology.com Fund	82,543	15
DSP Merrill Lynch Top 100 Equity Fund	6,926	2
DSP Merrill Lynch Savings Plus Fund - Moderate	3,110	3
DSP Merrill Lynch India T.I.G.E.R. Fund	10,725	1
<b>Grand Total</b>	<b>602,154</b>	<b>50</b>

### Large Holding in the schemes (i.e. in excess of 25% of the net assets)

As on 31st March, 2005, no schemes of DSP Merrill Lynch Mutual Fund had a single investor with large holdings.

### 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: April 26, 2005

**DIVIDEND DECLARED IN 2004-2005:**

Record date	Dividend Rs. / unit	
<b>EQUITY FUNDS</b>		
<b>DSPML TOP100 EQUITY FUND *</b>		
30-Nov-04		2.25
<b>Total</b>		<b>2.25</b>
<b>DSPML OPPORTUNITIES FUND *</b>		
23-Mar-05		2.50
<b>Total</b>		<b>2.50</b>
<b>HYBRID FUNDS</b>		
<b>DSPML BALANCED FUND *</b>		
15-Dec-04		2.50
<b>Total</b>		<b>2.50</b>
<b>DSPML SAVINGS PLUS FUND - MODERATE: Quarterly **</b>		
	Individual & HUF	Others
28-Sep-04	0.114974	0.107518
28-Dec-04	0.168039	0.157142
28-Mar-05	0.132663	0.124059
<b>Total</b>	<b>0.415676</b>	<b>0.388719</b>
<b>DSPML SAVINGS PLUS FUND - MODERATE: Monthly **</b>		
	Individual & HUF	Others
28-Apr-04	0.07750	0.07750
28-Sep-04	0.046432	0.043421
28-Oct-04	0.053065	0.049624
25-Nov-04	0.053065	0.049624
28-Dec-04	0.061909	0.057894
28-Jan-05	0.061909	0.057894
28-Feb-05	0.035377	0.033082
28-Mar-05	0.035377	0.033082
<b>Total</b>	<b>0.424634</b>	<b>0.402121</b>
<b>DSPML SAVINGS PLUS FUND - CONSERVATIVE: Monthly **</b>		
	Individual & HUF	Others
28-Jul-04	0.044221	0.041353
27-Aug-04	0.033166	0.031015
28-Sep-04	0.035377	0.033082
28-Oct-04	0.053065	0.049624
25-Nov-04	0.035377	0.033082
28-Dec-04	0.044221	0.041353
28-Jan-05	0.044221	0.041353
28-Feb-05	0.026533	0.024812
28-Mar-05	0.026533	0.024812
<b>Total</b>	<b>0.342714</b>	<b>0.320486</b>
<b>DSPML SAVINGS PLUS FUND - CONSERVATIVE: Quarterly **</b>		
	Individual & HUF	Others
28-Sep-04	0.112763	0.105450
28-Dec-04	0.132663	0.124059
28-Mar-05	0.097286	0.090977
<b>Total</b>	<b>0.342712</b>	<b>0.320486</b>
<b>DSPML SAVINGS PLUS FUND - AGGRESSIVE: Monthly **</b>		
	Individual & HUF	Others
28-Jul-04	0.050854	0.047556
27-Aug-04	0.053065	0.049624
28-Sep-04	0.072964	0.068233
28-Oct-04	0.088442	0.082706
25-Nov-04	0.070753	0.066165
28-Dec-04	0.088442	0.082706
28-Jan-05	0.088442	0.082706
28-Feb-05	0.044221	0.041353
28-Mar-05	0.044221	0.041353
<b>Total</b>	<b>0.601404</b>	<b>0.562402</b>
<b>DSPML SAVINGS PLUS FUND - AGGRESSIVE: Quarterly **</b>		
	Individual & HUF	Others
28-Sep-04	0.176884	0.165412
28-Dec-04	0.247637	0.231577
28-Mar-05	0.176884	0.165412
<b>Total</b>	<b>0.601405</b>	<b>0.562401</b>

<b>FIXED INCOME FUNDS</b>		
<b>DSPML LIQUIDITY FUND: Weekly **</b>		
	Individual & HUF	Others
During F.Y. 2004-2005	<b>0.515709</b>	<b>0.490314</b>
<b>DSPML LIQUIDITY FUND: Daily **</b>		
	Individual & HUF	Others
During F.Y. 2004-2005	<b>0.414163</b>	<b>0.394255</b>
<b>DSPML GOVERNMENT SECURITIES FUND PLAN A: Monthly **</b>		
	Individual & HUF	Others
28-Apr-04	0.06	0.06
<b>Total</b>	<b>0.06</b>	<b>0.06</b>
<b>DSPML GOVERNMENT SECURITIES FUND PLAN B: Dividend **</b>		
	Individual & HUF	Others
28-Sep-04	0.044221	0.041353
28-Mar-05	0.203416	0.190224
<b>Total</b>	<b>0.247637</b>	<b>0.231577</b>
<b>DSPML SHORT TERM FUND: Weekly **</b>		
	Individual & HUF	Others
During F.Y. 2004-2005	<b>0.345865</b>	<b>0.328001</b>
<b>DSPML SHORT TERM FUND: Monthly **</b>		
	Individual & HUF	Others
28-Apr-04	0.02750	0.02750
27-Aug-04	0.035377	0.033082
28-Sep-04	0.02211	0.020677
28-Jan-05	0.044221	0.041353
28-Feb-05	0.044221	0.041353
28-Mar-05	0.044221	0.041353
<b>Total</b>	<b>0.21765</b>	<b>0.205318</b>
<b>DSPML SHORT TERM FUND: Dividend option **</b>		
	Individual & HUF	Others
28-Sep-04	0.081809	0.076503
28-Mar-05	0.176884	0.165412
<b>Total</b>	<b>0.258693</b>	<b>0.241915</b>
<b>DSPML FLOATING RATE FUND: Weekly **</b>		
	Individual & HUF	Others
During F.Y. 2004-2005	<b>0.43061</b>	<b>0.409095</b>
<b>DSPML FLOATING RATE FUND: Daily **</b>		
	Individual & HUF	Others
During F.Y. 2004-2005	<b>0.340627</b>	<b>0.319694</b>
<b>DSPML FLOATING RATE FUND: Dividend **</b>		
	Individual & HUF	Others
28-Jun-04	0.09500	0.09500
28-Sep-04	0.088442	0.082706
28-Dec-04	0.119396	0.111653
28-Mar-05	0.114974	0.107518
<b>Total</b>	<b>0.417812</b>	<b>0.396877</b>

**Note:**

- EQUITY SCHEMES \***  
Post declaration of the dividend, the NAV of the Scheme will fall to the extent of the dividend payout.
- 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.
- All dividends are calculated on a face value of Rs. 10 per unit. Past performance may or may not sustain in future.  
In case of Weekly Dividend and Daily Dividend Options, consolidated amount of dividend declared during the Financial Year 2004-2005 is reported.

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005 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, 2005;
  - 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BOND FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	863,521,284	4,945,626,101
Reserves & Surplus	2	565,027,107	3,497,091,276
Current Liabilities and Provisions	3	8,654,709	97,645,460
		<b>1,437,203,100</b>	<b>8,540,362,837</b>
<b>ASSETS</b>			
Investments	4	1,007,365,686	7,840,592,361
Deposits	5	16,800,000	14,800,000
Other Current Assets	6	413,037,414	684,970,476
		<b>1,437,203,100</b>	<b>8,540,362,837</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief  
Investment Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BOND FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	246,587,615	962,543,365
Profit on sale/redemption of investments (net)		-	498,311,225
Profit on inter-scheme sale of Investments		369,201	40,178,973
		<b>246,956,816</b>	<b>1,501,033,563</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		31,058,312	129,801,193
Transfer agents fees & expenses		5,689,799	18,908,569
Custodian Fees & Transaction charges		597,809	2,219,490
Trusteeship fees		102,624	498,600
Marketing expenses		20,233,048	64,971,764
Payment to Auditor			
Audit fees		540,000	1,028,000
Other matters including reimbursement of expenses		20,007	22,700
Other operating expenses		986,638	1,485,302
Loss on sale/redemption of investments (net)		125,916,693	-
Change in net unrealised loss in the value of investments		6,488,995	-
		<b>191,633,925</b>	<b>218,935,618</b>
<b>Excess of income and gains over expenses and losses</b>		55,322,891	1,282,097,945
Add/ (Less): Income Equalisation Account		(56,468,527)	(347,111,104)
<b>Income available for appropriation</b>		<b>(1,145,636)</b>	<b>934,986,841</b>
<b>Appropriation</b>			
Income Distributed during the year		-	326,000,717
Tax on income distributed during the year		-	41,768,842
<b>Retained Surplus carried forward to Balance sheet</b>		<b>(1,145,636)</b>	<b>567,217,282</b>
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, April 27, 2005

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

**Shitin D Desai**  
Chairman

**S. S. Thakur**  
Director

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
Director  
Mumbai, April 27, 2005

**Ranjan Pant**  
Director

**Naganath Sundaresan**  
President & Chief  
Investment Officer

**Dhawal Dalal**  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BOND FUND  
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>A. Cashflow from Operating Activity</b>		
Excess of income and gains over expenses and losses	55,322,891	1,282,097,945
Add / (Less): Unrealised loss provided / Written back	6,488,995	-
Excess dividend written back	3,221	-
<b>Operating Profit Before Working Capital Changes</b>	<b>61,815,107</b>	<b>1,282,097,945</b>
Adjustments for:-		
(Increase)/Decrease in Other Current Assets	463,464,767	(88,984,913)
(Increase)/Decrease in Money Market Lending (Deposits)	-	118,700,000
(Increase)/Decrease in Investments	6,695,682,523	5,360,658,311
Increase/(Decrease) in Current Liabilities and Provisions	(7,295,189)	(67,195,889)
<b>Net Cash Generated From Operations</b>	<b>(A) 7,213,667,208</b>	<b>6,605,275,454</b>
<b>B. Cashflow from Financing Activities</b>		
Increase/(Decrease) in Unit Corpus	(4,082,104,817)	(2,631,678,562)
Increase/(Decrease) in Unit Premium	(2,856,335,124)	(3,705,163,063)
Outstanding Receivable/Payables for Unit Corpus	(55,114,906)	(104,549,448)
Dividend Paid during the year (including dividend tax paid)	(18,953,328)	(348,825,501)
<b>Net Cash Used in Financing Activities</b>	<b>(B) (7,012,508,175)</b>	<b>(6,790,216,574)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(A+B) (201,159,033)</b>	<b>(184,941,120)</b>
Cash and Cash Equivalents as at the beginning of the year	55,273,194	240,214,314
Cash and Cash Equivalents as at the close of the year	256,432,227	55,273,194
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(201,159,033)</b>	<b>(184,941,120)</b>
<b>Components of cash and cash equivalents</b>		
With Banks - on current account	254,432,227	55,273,194
Money at Call with Institutions	2,000,000	-
	<b>256,432,227</b>	<b>55,273,194</b>

As per our attached report of even date

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

**per Hemal Shah**  
Partner  
Membership no. 42650

Mumbai, April 27, 2005

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

**Shitin D Desai**  
Chairman

**S. S. Thakur**  
Director

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
Director  
Mumbai, April 27, 2005

**Ranjan Pant**  
Director

**Naganath Sundaresan**  
President & Chief  
Investment Officer

**Dhawal Dalal**  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BOND FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule**

1 UNIT CAPITAL	As at 31.03.2005		As at 31.03.2004	
	Units	Rupees	Units	Rupees
<b>Issued and subscribed:</b>				
Units of Rs. 10 each fully paid up				
Opening Balance	494,562,609.980	4,945,626,101	757,730,466.287	7,577,304,663
Capital issued during the year	62,697,346.242	626,973,462	903,950,912.809	9,039,509,129
	557,259,956.222	5,572,599,563	1,661,681,379.096	16,616,813,792
Redemptions during the year	470,907,827.815	4,709,078,279	1,167,118,769.116	11,671,187,691
<b>Unit Capital at the end of the year</b>	<b>86,352,128.407</b>	<b>863,521,284</b>	<b>494,562,609.980</b>	<b>4,945,626,101</b>
Retail: Growth Plan	41,659,696.518	416,596,965	255,659,138.360	2,556,591,384
Retail: Dividend Plan	20,276,577.482	202,765,775	88,730,384.860	887,303,849
Retail: M. Dividend Plan	24,415,854.407	244,158,544	-	-
Institution: Growth (refer note 3 of Schedule 8 notes to accounts)	-	-	125,639,653.381	1,256,396,534
Institution: Dividend (refer note 3 of Schedule 8 notes to accounts)	-	-	24,533,433.379	245,334,334
<b>Unit Capital at the end of the year</b>	<b>86,352,128.407</b>	<b>863,521,284</b>	<b>494,562,609.980</b>	<b>4,945,626,101</b>
<b>2 RESERVES AND SURPLUS</b>			<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
<b>Unit Premium Reserve</b>				
Opening balance		(1,763,386,154)	1,594,665,805	
Net premium on issue/redemption of units during the year		(2,856,335,124)	(3,705,163,063)	
Transfer from / (to) Income Equalisation Account		56,468,527	347,111,104	
<b>Closing balance</b>		<b>(4,563,252,751)</b>	<b>(1,763,386,154)</b>	
<b>Retained Surplus</b>				
Opening balance		5,128,203,665	4,560,986,383	
Add: Surplus transferred from Revenue Account		(1,145,636)	567,217,282	
Excess Dividend written back (including distribution tax)		3,221	-	
<b>Closing balance</b>		<b>5,127,061,250</b>	<b>5,128,203,665</b>	
<b>Unrealised Appreciation on Investments</b>				
Opening balance		132,273,765	216,845,844	
Less: Reversed during the year		(132,273,765)	(216,845,844)	
Add: Unrealised appreciation as at year end		1,218,608	132,273,765	
<b>Closing balance</b>		<b>1,218,608</b>	<b>132,273,765</b>	
		<b>565,027,107</b>	<b>3,497,091,276</b>	
<b>3 CURRENT LIABILITIES &amp; PROVISIONS</b>			<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
Sundry creditors		4,588,389	12,540,575	
Payable for units repurchased/switch out		1,234,102	63,976,336	
Distributed income payable		-	18,953,328	
Unclaimed redemptions/distributed income		2,630,073	1,653,636	
Other liabilities		202,145	521,585	
		<b>8,654,709</b>	<b>97,645,460</b>	

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BOND FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Government Securities</b>	274,680,521	273,520,150	2,621,105,269	2,648,140,000
<b>Bonds &amp; Debentures</b>				
Listed or awaiting listing	552,824,365	547,495,741	3,653,186,155	3,721,455,044
Private placement/Unlisted	185,131,187	186,349,795	1,434,027,172	1,470,997,317
	<b>1,012,636,073</b>	<b>1,007,365,686</b>	<b>7,708,318,596</b>	<b>7,840,592,361</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	2,000,000	-
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	14,800,000	14,800,000
	<b>16,800,000</b>	<b>14,800,000</b>

  

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current account	254,432,227	55,273,194
Receivable for units switch in	-	7,627,328
Collateralised lending (reverse repurchase transactions)	136,976,733	352,002,907
Outstanding and accrued income	20,535,084	268,974,656
Tax deducted at source	1,092,391	1,092,391
Other receivable	979	-
	<b>413,037,414</b>	<b>684,970,476</b>

  

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Call and term deposits	186,522	2,290,654
Collateralised Lending (reverse repurchase transactions)	15,363,468	26,485,075
Govt. securities, bonds and debentures	231,037,625	932,625,088
CCIL margin & others	-	1,142,548
	<b>246,587,615</b>	<b>962,543,365</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BOND FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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.

**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, 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.

**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. Institution Plan:**

Effective from January 01, 2005 Institution Plan of the Scheme was wound up based on the regulations

**4. Settlement Guarantee Fund (SGF)**

Following Central Government dated Securities are pledged towards SGF with the Clearing Corporation of India Limited as of March 31, 2005:

Security	Face Value (rupees)
09.39% CGL 2011	50,000,000

**5. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 0.95% and 0.37% in retail plan and institutional plan respectively of their average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC),.

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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.

**6. 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF, FRF	-	3.87
Hindalco Ltd.	BF, FRF, LF	-	5.21
ICICI Bank Ltd.	LF, SPF - C	-	10.61
IDBI	OF, FRF, LF, SPF - C, STF, GSFA	15.40	15.40
Punjab National Bank	ITF	10.71	-
State Bank of India	OF, EF, ITF	35.25	11.38
Tata Iron And Steel Company Ltd	LF	20.16	-

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund Plan A (Longer Duration Plan), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF - India T.I.G.E.R Fund, SPF-A - Savings Plus Fund - Aggressive, SPF-C - Savings Plus Fund - Conservative.

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. 9,671,290,568 (previous year Rs. 39,340,909,602) and Rs. 16,225,369,029 (previous year Rs. 45,229,997,880) respectively being 260.52 % (previous year 285.23 %) and 437.07 % (previous year 327.93 %) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units:	5,600,540	25,066,528
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:	-	300,000,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**8. Distributable Income**

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	(1,145,636)	934,986,841
Add: Balance of undistributed income as at the beginning of the year	5,128,203,665	4,560,986,383
Less: Distributed to unitholders & distribution tax	(3,221)	367,769,559
<b>Balance Distributable income</b>	<b>5,127,061,250</b>	<b>5,128,203,665</b>

**9. 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.

**10. 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 (upto January 31, 2005)
  - Mr. Naganath Sundaresan – Chief Investment Officer and Joint President
  - Mr. Dhawal Dalal – Fund Manager
  - Mr. Pankaj Sharma – Risk Manager
4. Associates
  - DSP Merrill Lynch Limited (DSPML)
5. Schemes of DSP Merrill Lynch Mutual Fund managed by DSP Merrill Lynch Fund Managers Limited

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2005 and March 31, 2004 and for the years then ended are presented in the following tables:-

Nature of Transaction	Year	Rupees			
		AMC	Trustee Company	Associates: DSPML	Total
Management Fees	2004-2005	31,058,312	—	—	31,058,312
	2003-2004	129,801,193	—	—	129,801,193
Brokerage on Unit Distribution (refer note)	2004-2005	—	—	5,600,540	5,600,540
	2003-2004	—	—	25,066,528	25,066,528
Trustee Fee	2004-2005	—	102,624	—	102,624
	2003-2004	—	498,600	—	498,600
Call and Repo lending (Interest received)	2004-2005	—	—	—	—
	2003-2004	—	—	-(interest received Rs. -) 159,500,000 (interest received Rs. 38,595)	-(interest received Rs. -) 159,500,000 (interest received Rs. 38,595)
Value of Units Purchased (at transaction NAVs)	2004-2005	—	—	—	—
	2003-2004	72,500,000	—	—	72,500,000
Value of Units Redeemed (at transaction NAVs)	2004-2005	69,365,148	—	—	69,365,148
	2003-2004	—	—	—	—
Year-end Outstanding Units (valued at last declared NAV)	2004-2005	—	—	—	—
	2003-2004	70,243,787	—	—	70,243,787
Year-end Other Payables	2004-2005	966,351	1,255	1,89,956	1,157,562
	2003-2004	6,432,358	182,728	1,050,118	7,665,204

Note: Brokerage on distribution of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account. Further, the year end balance is reflected in the books of the AMC.

**INTERSCHEME TRANSACTIONS:**

Scheme	Transaction	Rupees	
		2004-2005	2003-2004
STF	Sell	491,507,100	3,191,779,850
FRF	Sell	45,179,700	750,000,000
LF	Sell	451,169,600	1,101,666,120
BaF	Sell	50,217,250	31,653,000
SPF-M	Sell	-	41,636,540
FRF	Purchase	154,032,450	251,621,600
LF	Purchase	448,558,483	-
STF	Purchase	210,570,385	1,447,358,152

**11. Prior Year Comparatives**

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

**12. Contingent Liability:** Nil

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

**14. Perspective Historical per Unit Statistics**

	Rupees					
	March 31, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, At the end of the period:</b>						
Retail Growth Plan	22.9778		22.8567		21.0507	
Retail Dividend Plan	10.8986		10.8407		11.6447	
Retail Monthly	10.2522		-		-	
Institution Growth Plan	-		11.0671		10.1092	
Institution Dividend Plan	-		10.0605		10.1092	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment.	2.8556		1.9463		1.5868	
(ii) Income from profit on inter scheme sales/transfer of investment.	0.0043		0.0812		0.0611	
(iii) Income from profit/(loss) on sale of investment to third party	(1.4582)		1.0076		0.7513	
(iv) Transfer to revenue account Income from past year' reserve.	-		-		-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.6859		0.4428		0.3289	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	0.7158		2.5923		2.0703	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	(0.0610)		0.2675		0.2862	
<b>f. Repurchase and Resale Price</b>	<b>Growth</b>	<b>Dividend</b>	<b>Growth</b>	<b>Dividend</b>	<b>Growth</b>	<b>Dividend</b>
<b>Repurchase Price</b>						
	<b>Retail</b>		<b>Retail</b>		<b>Retail</b>	
-Highest Price	22.8656	D-10.8448 MD-10.1907	22.7196	11.7429	21.1670	11.7025
-Lowest Price	21.8712	D-10.3736 MD-9.7590	20.9486	10.7716	18.5100	10.6100
	<b>Institutional</b>		<b>Institutional</b>		<b>Institutional</b>	
-Highest Price	11.1424	10.1290	11.0671	10.4983	10.1092	10.1092
-Lowest Price	10.6832	9.7111	10.1261	10.0572	10.0124	10.0124
<b>Resale Price</b>						
	<b>Retail</b>		<b>Retail</b>		<b>Retail</b>	
-Highest Price	23.0036	D-10.9103 MD-10.2522	22.8567	11.8138	21.2948	11.7731
-Lowest Price	22.0032	D-10.4362 MD-9.8179	21.0750	10.8366	18.6200	10.6700
	<b>Institutional</b>		<b>Institutional</b>		<b>Institutional</b>	
-Highest Price	11.1424	10.1290	11.0671	10.4983	10.1092	10.1092
-Lowest Price	10.6832	9.7111	10.1261	10.0572	10.0124	10.0124
g. Ratio of expenses to average daily net assets by percentage	Retail: 1.81%	Institutional 1.00%	Retail: 1.69%	Institutional 0.98%	Retail: 1.68%	Institutional 0.91%
h. Ratio of gross income to average daily <b>Net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	3.12%		11.84%		13.74%	

**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, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

<b>SR.NO</b>	<b>NAME OF THE INSTRUMENT</b>	<b>RATING</b>	<b>QUANTITY</b>	<b>MARKET VALUE (RUPEES)</b>	<b>% To NET ASSETS</b>
<b>CENTRAL GOVERNMENT SECURITIES</b>				<b>273,520,150</b>	<b>19.15%</b>
1	07.55 % GOI 2010	SOV	500,000	52,525,000	3.68%
2	09.39 % GOI 2011	SOV	1,500,000	171,495,000	12.00%
3	04.49 % GOI FRB 2016	SOV	500,000	49,500,150	3.47%
<b>TOTAL</b>				<b>273,520,150</b>	<b>19.15%</b>
<b>DEBT INSTRUMENTS</b>					
<b>(a) Listed / awaiting listing on Stock Exchanges</b>					
<b>BANKS</b>				<b>373,927,650</b>	<b>26.18%</b>
4	State Bank of India 2008 **	AAA	100	113,819,700	7.97%
5	ICICI Bank 2007 **	AAA	100	106,078,200	7.43%
6	IDBI FRB (Sr. 2004 / D) 2009 **	LAA+	150	154,029,750	10.78%
<b>FINANCE</b>				<b>121,418,641</b>	<b>8.50%</b>
7	LIC Housing Finance - India MBS 2002 Series 1-D **	AAA	7	21,071,841	1.48%
8	Mahindra & Mahindra Financial Services 2009 **	AA+	100	100,346,800	7.02%
<b>NON - FERROUS METALS</b>				<b>52,149,450</b>	<b>3.65%</b>
9	Hindalco 2008 **	AAA	5	52,149,450	3.65%
<b>TOTAL</b>				<b>547,495,741</b>	<b>38.33%</b>
<b>(b) Unlisted / Privately Placed</b>					
<b>FINANCE</b>				<b>147,656,595</b>	<b>10.34%</b>
10	Oscar Investments 2006 **	LAA	5	50,166,900	3.51%
11	Fleet Trust A3 PTC September 2003 **	AAA	15	97,489,695	6.82%
<b>TELECOM - SERVICES</b>				<b>38,693,200</b>	<b>2.71%</b>
12	Bharti Cellular 2006 **	LAAA	5	38,693,200	2.71%
<b>TOTAL</b>				<b>186,349,795</b>	<b>13.04%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
<b>Cash &amp; Cash Equivalents</b>					
Money at call with Banks and Others				2,000,000	0.14%
Reverse Repo Investments / CBLO				136,976,733	9.59%
<b>TOTAL</b>				<b>138,976,733</b>	<b>9.73%</b>
Net receivables / (Payables)				282,205,972	19.75%
<b>TOTAL NET ASSETS</b>				<b>1,428,548,391</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH EQUITY FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	456,816,581	370,680,905
Reserves & Surplus	2	863,506,234	400,261,023
Current Liabilities and Provisions	3	27,720,007	28,990,763
		<b>1,348,042,822</b>	<b>799,932,691</b>
<b>ASSETS</b>			
Investments	4	1,229,737,585	710,141,564
Deposits	5	2,000,000	-
Other Current Assets	6	116,305,237	89,791,127
		<b>1,348,042,822</b>	<b>799,932,691</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief  
Investment Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH EQUITY FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Dividend		17,488,593	7,509,723
Interest	7	1,445,605	576,886
Profit on sale of investments (net)		131,871,198	107,174,268
Write back of provision for unrealised loss in the value of investments		1,752,451	12,547
		<b>152,557,847</b>	<b>115,273,424</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		10,136,171	4,241,756
Transfer agents fees & expenses		2,158,107	901,953
Custodian Fees & Transaction charges		681,050	447,248
Trusteeship fees		14,524	8,100
Marketing expenses		6,130,520	2,546,943
Payment to Auditor			
Audit fees		54,000	28,000
Other matters including reimbursement of expenses		8,889	500
Other operating expenses		198,233	37,105
Change in net unrealised loss in the value of investments		11,595	1,239,723
		<b>19,393,089</b>	<b>9,451,328</b>
<b>Excess of income and gains over expenses and losses / (Excess of expenses and losses over income and gains)</b>		<b>133,164,758</b>	<b>105,822,096</b>
Add/(Less): Income Equalisation Account		56,292,962	87,928,673
<b>Income available for appropriation</b>		<b>189,457,720</b>	<b>193,750,769</b>
<b>Appropriation</b>			
Income distribution during the year (refer note 3 of Schedule 8)		-	249,369,801
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>189,457,720</b>	<b>(55,619,032)</b>

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, April 27, 2005

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

Shitin D Desai

Chairman

S. S. Thakur

Director

Mumbai, April 26, 2005

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

K R V Subrahmanian

Director

Mumbai, April 27, 2005

Ranjan Pant

Director

Naganath Sundaresan

President & Chief  
Investment Officer

Anup Maheshwari

Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH EQUITY FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule**

<b>1 UNIT CAPITAL</b>	<b>As at 31.03.2005</b>		<b>As at 31.03.2004</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
<b>Issued and subscribed:</b>				
Units of Rs. 10 each fully paid up				
Opening Balance	37,068,090.491	370,680,905	16,466,306.410	164,663,065
Capital issued during the year	45,345,428.409	453,454,284	45,021,669.170	450,216,692
	82,413,518.900	824,135,189	61,487,975.580	614,879,757
Redemptions during the year	36,731,860.790	367,318,608	24,419,885.089	244,198,851
<b>Unit Capital at the end of the year</b>	<b>45,681,658.110</b>	<b>456,816,581</b>	<b>37,068,090.491</b>	<b>370,680,905</b>
<b>2 RESERVES AND SURPLUS</b>				
		<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>	
<b>Unit Premium Reserve</b>				
Opening Balance		244,260,282	(20,362,726)	
Net premium on issue /redemption of units during the year		212,580,626	352,551,681	
Transfer from / (to) Income Equalisation Account		(56,292,962)	(87,928,673)	
<b>Closing Balance</b>		<b>400,547,946</b>	<b>244,260,282</b>	
<b>Retained Surplus</b>				
Opening balance		13,749,994	69,369,026	
Add / (Less): Surplus/(Deficit) transferred from Revenue Account		189,457,720	(55,619,032)	
Excess Dividend written back		92,604	-	
<b>Closing balance</b>		<b>203,300,318</b>	<b>13,749,994</b>	
<b>Unrealised Appreciation on Investments</b>				
Opening Balance		142,250,747	-	
Less: Reversed during the year		(142,250,747)	-	
Add: Unrealised gain as at year end		259,657,970	142,250,747	
<b>Closing balance</b>		<b>259,657,970</b>	<b>142,250,747</b>	
		<b>863,506,234</b>	<b>400,261,023</b>	
<b>3 CURRENT LIABILITIES &amp; PROVISIONS</b>				
		<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>	
Sundry creditors		2,317,441	1,257,911	
Payable for units repurchased / switch out		4,746,516	12,579,478	
Contracts for purchase of investments		15,412,602	7,568,750	
Distributed income payable		-	3,508,967	
Unclaimed redemptions / distributed income		330,456	116,850	
Other liabilities		4,912,992	3,958,807	
		<b>27,720,007</b>	<b>28,990,763</b>	

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH EQUITY FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Equity Shares</b>				
Listed or awaiting listing	967,432,476	1,227,090,446	566,717,294	708,945,771
Unlisted Shares	35,119,490	2,340,686	35,119,490	588,235
<b>Preference Shares</b>				
Listed or awaiting listing	331,300	306,453	331,300	318,048
<b>Debentures</b>				
Listed or awaiting listing	-	-	267,240	289,510
	<b>1,002,883,266</b>	<b>1,229,737,585</b>	<b>602,435,324</b>	<b>710,141,564</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	2,000,000	-
	<b>2,000,000</b>	<b>-</b>

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Rupees	Rupees	Rupees	Rupees
Balances with banks in current accounts		14,994,172		42,072,668
Receivable for Units sold		182,750		5,190,744
Outstanding and accrued income	110,456		24,049	
Less : Provision for outstanding and accrued income considered doubtful	(1,425)	109,031	(1,425)	22,624
Tax deducted at source		31,135		31,135
Collateralised lending (reverse repurchase transactions)		100,988,149		42,473,956
		<b>116,305,237</b>		<b>89,791,127</b>

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Collateralised lending (reverse repurchase transactions)	1,402,757	433,043
Call deposits	25,057	121,464
CCIL margin & others	-	4,324
Debentures	17,791	18,055
	<b>1,445,605</b>	<b>576,886</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH EQUITY FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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.

**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 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 previous financial year was made from the distributable surplus of previous year's earnings and accumulated reserves of earlier years.

**4. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 1.24 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF,FRF	0.81	2.33
Dr Reddys Laboratories Ltd.	FRF	0.52	-
FDC Ltd.	SPF-M	1.47	0.46
Finolex Industries Ltd.	SPF-A	1.95	1.25
Grasim Industries Ltd.	FRF,STF	1.84	6.00
Gujarat Ambuja Cements Ltd.	LF	0.05	1.79
HCL Corporation Ltd.	TEF	1.33	2.91
HDFC Bank Ltd.	FRF	1.58	1.71
Hero Honda Ltd.	SPF-M,FRF, LF,SPF-C	0.03	-
Hindustan Lever Ltd.	LF,STF	0.34	-
ICICI Bank Ltd.	LF,SPF-C	4.03	3.00
Indian Rayon and Industries Ltd.	FRF	-	1.41
Infosys Technologies Ltd.	LF	2.87	5.37
ITC Ltd.	FRF,LF,STF	3.73	4.74
Jet Airways Ltd.	LF	0.30	-
Kotak Mahindra Bank	LF	0.06	1.59
Maruti Udyog Ltd.	FRF,STF	0.08	-
Punjab National Bank	ITF	1.35	1.36
State Bank of India	OF,EF,ITF	2.70	5.72
Tata Consultancy Services Ltd.	STF	3.76	4.33
Tata Iron And Steel Company Ltd.	LF	5.09	3.40
Tata Motors Ltd.	SPF-M,FRF, LF,STF	0.38	1.58
Tata Power Limited	LF	2.65	-
Union Bank of India	SPF-M,SPF-A, FRF	0.85	1.17
Vijaya Bank	BaF,EF,TEF	0.07	-
Wipro Ltd.	LF,STF	0.06	-

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

\* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSFA– Government Securities Fund - Plan A (Longer Duration Plan),

STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF - M – Savings Plus Fund - Moderate, FRF – Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 942,995,182(previous year Rs. 723,077,914) and Rs. 676,871,080 (previous year Rs. 447,922,916) respectively being 115.36% (previous year 211.75 %) and 82.81% (previous year 131.17 %) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units:	2,216,982	1,465,703
Payment of Brokerage on Secondary Market transactions:	173,891	554,007
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	38,431,500	5,176,500

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

### 7. Distributable Income

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	189,457,720	193,750,769
Add: Balance of undistributed income as at the beginning of the year	13,749,994	69,369,026
Less: Distributed to unitholders & distribution Tax	(92,604)	249,369,801
<b>Balance Distributable income</b>	<b>203,300,318</b>	<b>13,749,994</b>

### 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.**

	March 31, 2005	March 31, 2004	March 31, 2003
<b>a. Net asset value, At the end of the period:</b>	28.90	20.80	12.98
<b>b. Gross Income</b>			
(i) Income other than profit on sale of investment.	0.41	0.22	0.40
(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	2.89	(0.78)
(iv) Transfer to revenue account Income from past year's reserve.	0.04	-	0.29
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.42	0.23	0.38
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	2.92	2.88	(0.47)
<b>e. Unrealised appreciation/ (depreciation) in value of investments</b>	4.97	2.91	(2.02)
<b>f. Repurchase and Resale Price</b>			
Repurchase Price			
- Highest Price	30.68	28.28	14.21
- Lowest Price	17.09	13.03	11.65
Resale Price			
- Highest Price	31.37	28.85	14.49
- Lowest Price	17.43	13.29	11.88
<b>g. Ratio of expenses to average daily net assets by percentage</b>	2.37%	2.40%	2.35%
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	46.20%	65.29%	(15.12%)

**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. Repurchase price for Systematic Investment Plan investors may differ depending on duration by which units are redeemed.
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, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

<b>SR.NO</b>	<b>NAME OF THE COMPANY</b>	<b>QUANTITY</b>	<b>MARKET VALUE (RUPEES)</b>	<b>% TO NET ASSETS</b>
<b>EQUITY &amp; EQUITY RELATED</b>				
<b>(a) Listed / awaiting listing on the stock exchanges</b>				
<b>AUTO</b>				
1	Tata Motors	38,215	15,809,546	1.20%
<b>AUTO ANCILLARIES</b>				
2	Amtek India	89,900	25,500,135	1.93%
<b>BANKS</b>				
3	State Bank of India	87,408	57,234,758	4.33%
4	ICICI Bank	76,289	29,966,319	2.27%
5	Jammu & Kashmir Bank	64,143	23,287,116	1.76%
6	HDFC Bank	31,405	17,111,014	1.30%
7	Kotak Mahindra Bank	46,864	15,907,985	1.20%
8	PNB	34,530	13,582,376	1.03%
9	Union Bank	103,295	11,677,500	0.88%
10	Karur Vysya Bank	24,950	10,233,243	0.78%
11	ING Vysya Bank	21,840	3,340,428	0.25%
<b>CEMENT</b>				
12	Grasim Industries	49,435	60,036,336	4.55%
13	Gujarat Ambuja Cements	44,810	17,946,405	1.36%
<b>CONSUMER NON DURABLES</b>				
14	Finolex Industries	176,783	12,498,558	0.95%
15	Balrampur Chini Mills	715,580	49,589,694	3.76%
16	ITC	35,309	47,386,443	3.59%
17	Eveready Industries India **	331,764	27,254,413	2.06%
18	Mcleod Rusell ***	331,764	3	0.00%
<b>DREDGING</b>				
19	Dredging Corporation	15,042	7,610,500	0.58%
<b>FERROUS METALS</b>				
20	Tisco	84,843	34,026,285	2.58%
21	Sesa Goa	45,418	33,232,351	2.52%
<b>FINANCE</b>				
22	Indiabulls Financial Services	48,100	5,074,550	0.38%
<b>GAS</b>				
23	GAIL	22,875	4,854,075	0.37%
<b>HARDWARE</b>				
24	HCL Infosystems	36,145	29,134,677	2.21%
<b>INDUSTRIAL CAPITAL GOODS</b>				
25	BHEL	40,895	31,341,928	2.37%
26	Thermax	40,400	23,922,860	1.81%
27	Siemens	11,841	20,163,447	1.53%
28	Bharti Shipyard	100,000	13,600,000	1.03%
29	L&T	7,690	7,686,155	0.58%
30	Crompton Greaves	7,961	3,444,725	0.26%

SR.NO	NAME OF THE COMPANY	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>INDUSTRIAL PRODUCTS</b>			<b>34,994,597</b>	<b>2.65%</b>
31	Bharat Forge	25,351	34,890,581	2.64%
32	Bharat Forge-Warrants	394	104,016	0.01%
<b>MEDIA &amp; ENTERTAINMENT</b>			<b>44,548,767</b>	<b>3.37%</b>
33	Adlabs Films	134,188	17,491,406	1.32%
34	Deccan Chronicle Holdings	98,753	13,929,111	1.05%
35	NDTV	37,302	6,908,330	0.52%
36	T V Today	81,200	6,219,920	0.47%
<b>NON - FERROUS METALS</b>			<b>29,593,600</b>	<b>2.24%</b>
37	Hindustan Zinc	174,080	29,593,600	2.24%
<b>OIL</b>			<b>42,885,703</b>	<b>3.25%</b>
38	ONGC	48,442	42,885,703	3.25%
<b>PETROLEUM PRODUCTS</b>			<b>76,497,563</b>	<b>5.79%</b>
39	Reliance Industries	96,500	52,693,825	3.99%
40	BPCL	40,407	14,283,875	1.08%
41	Bongaigaon Refinery	105,250	9,519,863	0.72%
<b>PHARMACEUTICALS</b>			<b>104,297,737</b>	<b>7.90%</b>
42	Indoco Remedies	71,776	21,529,211	1.63%
43	Aventis Pharma	16,931	20,935,182	1.59%
44	Glenmark Pharmaceuticals	54,510	15,434,507	1.17%
45	Dishman	21,846	13,784,826	1.04%
46	Ranbaxy Laboratories	12,900	13,013,520	0.99%
47	Dabur Pharma	210,513	10,525,650	0.80%
48	FDC	101,165	4,597,949	0.35%
49	Jupiter Bioscience	39,340	4,476,892	0.34%
<b>POWER</b>			<b>4,876,686</b>	<b>0.37%</b>
50	NTPC	57,171	4,876,686	0.37%
<b>Retailing</b>			<b>19,498,517</b>	<b>1.48%</b>
51	Pantaloon Retail	25,231	19,498,517	1.48%
<b>SOFTWARE</b>			<b>134,858,560</b>	<b>10.21%</b>
52	Infosys Technologies	23,785	53,687,502	4.07%
53	Tata Consultancy Services	30,227	43,286,575	3.28%
54	KPIT Infosystem	65,227	20,875,901	1.58%
55	Patni Computer	45,514	17,008,582	1.29%
<b>TELECOM - SERVICES</b>			<b>23,260,947</b>	<b>1.76%</b>
56	Bharti Televentures	112,155	23,260,947	1.76%
<b>TEXTILE PRODUCTS</b>			<b>36,956,737</b>	<b>2.80%</b>
57	Indian Rayon	35,080	14,110,930	1.07%
58	Welspun India	93,131	11,478,396	0.87%
59	Raymond	34,784	11,367,411	0.86%
<b>TEXTILES - SYNTHETIC</b>			<b>16,919,534</b>	<b>1.28%</b>
60	Rajasthan Spinning	151,582	12,785,942	0.97%
61	Indo Rama Synthetic	63,790	4,133,592	0.31%
<b>TRANSPORTATION</b>			<b>5,447,673</b>	<b>0.41%</b>
62	Gateway Distriparks	48,510	5,447,673	0.41%
<b>TOTAL</b>			<b>1,227,090,446</b>	<b>92.94%</b>

SR.NO	NAME OF THE COMPANY	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>(b) Unlisted</b>				
<b>MEDIA</b>				
63	Magnasound	25,000	-	0.00%
<b>SOFTWARE</b>				
64	SIP Technologies & Exports	122,549	2,340,686	0.18%
<b>TOTAL</b>			<b>2,340,686</b>	<b>0.18%</b>
<b>PREFERENCE SHARES</b>				
<b>Listed / awaiting listing on the stock exchanges</b>				
<b>INDUSTRIAL CAPITAL GOODS</b>				
65	Thermax 6 % Preference shares	33,130	306,453	0.02%
<b>TOTAL</b>			<b>306,453</b>	<b>0.02%</b>
<b>MONEY MARKET INSTRUMENTS</b>				
Money at call with Banks and Others			2,000,000	0.15%
Reverse Repo Investments / CBLO			100,988,149	7.65%
<b>TOTAL</b>			<b>102,988,149</b>	<b>7.80%</b>
Net Receivables / (Payables)			(12,402,919)	-0.94%
<b>TOTAL NET ASSETS</b>			<b>1,320,322,815</b>	<b>100.00%</b>

\*\* pending listing on the stock exchange pursuant to demerger of tea business (Mcleod Rusell)

\*\*\* Issued pursuant to demerger of Eveready Industries India and pending listing on the stock exchange

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005 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, 2005;
  - 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH LIQUIDITY FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	9,052,591,265	13,712,788,816
Reserves & Surplus	2	3,080,476,823	3,645,520,370
Current Liabilities	3	7,208,336	391,073,555
		<b>12,140,276,424</b>	<b>17,749,382,741</b>
<b>ASSETS</b>			
Investments	4	9,502,927,506	14,216,480,092
Deposits	5	2,252,950,000	2,448,900,000
Other Current Assets	6	384,398,918	1,084,002,649
		<b>12,140,276,424</b>	<b>17,749,382,741</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
Officer*

**Sujoy Kr. Das**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH LIQUIDITY FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	896,021,020	533,945,141
Profit (net) on Interscheme sale of Investments		2,840,522	-
Write back of provision for unrealised loss in the value of investments		3,518,599	633,151
		<b>902,380,141</b>	<b>534,578,292</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		45,761,904	41,035,118
Marketing Expenses		30,532,226	-
Transfer agents fees & expenses		8,206,121	5,620,177
Custodian Fees & Transaction charges		3,405,805	2,510,702
Trusteeship fees		352,146	131,800
Payment to Auditor			
Audit fees		474,000	277,500
Other matters including reimbursement of expenses		12,483	4,300
Other operating expenses		1,294,479	456,044
Loss (net) on sale of Investments		3,853,034	23,311,088
Loss (net) on inter-scheme sale of Investments		-	3,141,174
Change in net unrealised loss in the value of investments		-	1,780,600
		<b>93,892,198</b>	<b>78,268,503</b>
<b>Excess of income and gains over expenses and losses</b>		<b>808,487,943</b>	<b>456,309,789</b>
Add/(Less): Income Equalisation Account		(49,467,451)	151,683,035
<b>Income available for appropriation</b>		<b>759,020,492</b>	<b>607,992,824</b>
<b>Appropriation</b>			
Income distribution during the year		429,672,829	192,621,873
Tax on income distributed during the year		49,535,908	24,679,678
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>279,811,755</b>	<b>390,691,273</b>

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, April 27, 2005

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

Shitin D Desai

Chairman

S. S. Thakur

Director

Mumbai, April 26, 2005

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

K R V Subrahmanian

Director

Mumbai, April 27, 2005

Ranjan Pant

Director

Naganath Sundaresan

President & Chief Investment  
Officer

Sujoy Kr. Das

Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH LIQUIDITY FUND  
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>A. Cashflow from Operating Activity</b>		
Excess of income and gains over expenses and losses	808,487,943	456,309,789
Add / Less: Unrealised loss provided / Written back	(3,518,599)	1,147,449
<b>Operating Profit Before Working Capital Changes</b>	<b>804,969,344</b>	<b>457,457,238</b>
Adjustments for:-		
(Increase)/Decrease in Other Current Assets	(128,283,785)	(184,664,300)
(Increase)/Decrease in Money Market Lending (Deposits)	(50,000)	28,600,000
(Increase)/Decrease in Investments	4,722,767,137	(11,985,503,391)
Increase/(Decrease) in Current Liabilities and Provisions	(300,492,811)	303,395,481
<b>Net Cash Generated From Operations</b>	<b>(A) 5,098,909,885</b>	<b>(11,380,714,972)</b>
<b>B. Cashflow from Financing Activities</b>		
Increase/(Decrease) in Unit Corpus	(4,660,197,551)	11,841,204,956
Increase/(Decrease) in Unit Premium	(900,018,705)	2,579,841,415
Outstanding Receivable/Payables for Unit Corpus	(82,608,500)	120,988,637
Dividend Paid during the year (including dividend tax paid)	(479,352,088)	(216,941,067)
<b>Net Cash Used in Financing Activities</b>	<b>(B) (6,122,176,844)</b>	<b>14,325,093,941</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(A+B) (1,023,266,959)</b>	<b>2,944,378,969</b>
Cash and Cash Equivalents as at the beginning of the year	3,280,199,122	335,820,153
Cash and Cash Equivalents as at the close of the year	2,256,932,163	3,280,199,122
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(1,023,266,959)</b>	<b>2,944,378,969</b>
<b>Components of cash and cash equivalents</b>		
With Banks - on current account	5,432,163	832,699,122
Money at Call with Institutions	1,500,000	397,500,000
With Banks - Fixed Deposits	2,250,000,000	2,050,000,000
	<b>2,256,932,163</b>	<b>3,280,199,122</b>

As per our attached report of even date

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

**per Hemal Shah**  
*Partner*  
Membership no. 42650

Mumbai, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Sujoy Kr. Das**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH LIQUIDITY FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule**

<b>1 UNIT CAPITAL</b>	<b>As at 31.03.2005</b>		<b>As at 31.03.2004</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
<b>Issued and subscribed:</b>				
Units of Rs. 10 each fully paid up				
Opening Balance	1,371,278,881.677	13,712,788,816	187,158,385.986	1,871,583,860
Capital issued during the year	10,366,183,968.071	103,661,839,681	7,630,387,418.324	76,303,874,182
	11,737,462,849.748	117,374,628,497	7,817,545,804.310	78,175,458,042
Redemptions during the year	10,832,203,723.191	108,322,037,232	6,446,266,922.633	64,462,669,226
<b>Unit Capital at the end of the year</b>	<b>905,259,126.557</b>	<b>9,052,591,265</b>	<b>1,371,278,881.677</b>	<b>13,712,788,816</b>
Growth Plan	376,308,141.539	3,763,081,415	506,379,091.724	5,063,790,917
Dividend Plan	307,642,492.001	3,076,424,920	362,586,273.140	3,625,862,731
Daily Dividend Plan	221,308,493.017	2,213,084,930	502,313,516.813	5,023,135,168
<b>Unit Capital at the end of the year</b>	<b>905,259,126.557</b>	<b>9,052,591,265</b>	<b>1,371,278,881.677</b>	<b>13,712,788,816</b>
<b>2 RESERVES AND SURPLUS</b>				
<b>Unit Premium Reserve</b>				
Opening Balance		3,038,533,156		610,374,776
Net Premium on issue /redemption of units during the year		(900,018,705)		2,579,841,415
Transfer from / (to) Income Equalisation Account		49,467,451		(151,683,035)
<b>Closing Balance</b>		<b>2,187,981,902</b>		<b>3,038,533,156</b>
<b>Retained Surplus</b>				
Opening balance		606,987,214		216,295,941
Add: Surplus transferred from Revenue Account		279,811,755		390,691,273
<b>Closing balance</b>		<b>886,798,969</b>		<b>606,987,214</b>
<b>Unrealised Appreciation on Investments</b>				
Opening balance		-		-
Less: Reversed during the year		-		-
Add: Unrealised appreciation as at year end		5,695,952		-
<b>Closing balance</b>		<b>5,695,952</b>		<b>-</b>
		<b>3,080,476,823</b>		<b>3,645,520,370</b>
<b>3 CURRENT LIABILITIES</b>				
Sundry Creditors		4,034,093		8,737,321
Contracts for purchase of Investments		-		295,698,300
Payable for units switch out		2,636,361		85,865,418
Distributed income payable		217,133		360,484
Other Liabilities		320,749		412,032
		<b>7,208,336</b>		<b>391,073,555</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH LIQUIDITY FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Government Securities</b>	-	-	1,169,562,500	1,167,951,950
<b>Bonds, Debentures &amp; Deep Discount Bond</b>				
Listed or awaiting listing	2,650,697,600	2,655,629,450	1,201,635,300	1,200,612,450
Private Placement / Unlisted	653,861,074	654,625,176	2,157,570,381	2,156,685,182
<b>Certificate of Deposit</b>	4,354,611,580	4,354,611,580	3,819,979,989	3,819,979,989
<b>Commercial Papers</b>	1,838,061,300	1,838,061,300	5,871,250,521	5,871,250,521
	<b>9,497,231,554</b>	<b>9,502,927,506</b>	<b>14,219,998,691</b>	<b>14,216,480,092</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	1,500,000	397,500,000
Fixed Deposits with Scheduled Banks	2,250,000,000	2,050,000,000
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	1,450,000	1,400,000
	<b>2,252,950,000</b>	<b>2,448,900,000</b>

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current accounts	5,432,163	832,699,122
Receivable for units switch in	-	620,557
Collateralised lending (reverse repurchase transactions)	207,446,621	-
Outstanding and accrued income	171,520,134	250,682,970
	<b>384,398,918</b>	<b>1,084,002,649</b>

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Call Deposits	10,958,698	22,580,525
Collateralised Lending (reverse repurchase transactions)	32,866,388	26,006,735
Government securities and debentures	852,195,934	485,118,289
CCIL Margin & others	-	239,592
	<b>896,021,020</b>	<b>533,945,141</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH LIQUIDITY FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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.

**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 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.

**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 charged to the Scheme at approximately 0.26 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Allahabad Bank	EF	194.28	99.28
Finolex Cables Ltd.	FRF	20.00	-
HDFC Bank Ltd.	FRF	54.57	-
ICICI Bank Ltd.	LF,SPF-C	544.45	155.77
IDBI	OF,FRF,LF,SPF-C STF,GSFA	421.36	33.24
Kotak Mahindra Bank	LF	173.73	111.86
Punjab National Bank	ITF	175.00	50.00
State Bank of India	OF,EF,ITF	78.95	5.06
Tata Iron And Steel Company Ltd.	LF	20.12	-
UCO Bank	LF,STF	140.00	125.00
UTI Bank Ltd.	SPF-M,FRF,LF	212.69	89.99

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

\* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSFA – Government Securities Fund - Plan A (Longer Duration Plan), STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF - M – Savings Plus Fund - Moderate, FRF – Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 63,191,249,714 (previous year Rs. 48,644,713,564) and Rs. 67,543,497,243 (previous year Rs. 34,596,575,110) respectively being 359.11% (previous year 508.13%) and 383.84% (previous 361.39%) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units:	8,926,688	7,799,955
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	2,150,000,000	2,020,000,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**6. Distributable Income**

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	759,020,492	607,992,824
Add: Balance of undistributed income as at the beginning of the year	606,987,214	216,295,941
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	479,208,737	217,301,551
<b>Balance Distributable income</b>	<b>886,798,969</b>	<b>606,987,214</b>

**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 (upto January 31, 2005)
  - Mr. Naganath Sundaresan - President & Chief Investment Officer
  - 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)
- Schemes of DSP Merrill Lynch Mutual Fund managed by DSP Merrill Lynch Fund Managers Limited

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2005 and March 31, 2004 and for the years then ended are presented in the following tables:-

Nature of Transaction	Year	Rupees			
		AMC	Trustee Company	Associates: DSPML	Total
Management Fees	2004-2005	45,761,904	—	—	45,761,904
	2003-2004	41,035,118	—	—	41,035,118
Brokerage on Unit Distribution (refer note)	2004-2005	—	—	8,926,688	8,926,688
	2003-2004	—	—	7,799,955	7,799,955
Trustee Fee	2004-2005	—	352,146	—	352,146
	2003-2004	—	131,800	—	131,800
Call and Repo lending (Interest received)	2004-2005	—	—	454,537,050 (interest received 51,058)	454,537,050 (interest received 51,058)
	2003-2004	—	—	246,500,000 (interest received 60,207)	246,500,000 (interest received 60,207)
Value of Units Purchased (at transaction NAVs)	2004-2005	220,198,834	—	288,724,112	508,922,946
	2003-2004	317,391,726	—	872,324,000	1,189,715,726
Value of Units Redeemed (at transaction NAVs)	2004-2005	265,573,970	—	540,370,849	805,944,819
	2003-2004	406,315,981	—	904,234,849	1,310,550,830
Year-end Outstanding Units (valued at last declared NAV)	2004-2005	22,885,021	—	—	22,885,021
	2003-2004	68,155,292	—	250,052,293	318,207,585
Dividend declared by the Scheme	2004-2005	2,698,834	—	7,474,113	10,172,947
	2003-2004	2,042,262	—	—	2,042,262
Year-end Other Payables	2004-2005	488,323	10,658	400,285	899,266
	2003-2004	7,019,689	68,878	1,228,225	8,316,792

Note: Brokerage on distribution of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account. Further, the year end balance is reflected in the books of the AMC

**INTERSCHEME TRANSACTIONS****Rupees**

Scheme	Transaction	2004-2005	2003-2004
BF	Sell	448,558,483	-
STF	Sell	250,700,000	894,308,783
SPF-M	Sell	890,627,649	150,690,300
BaF	Sell	250,185,750	-
FRF	Sell	8,250,284,669	-
SPF-A	Sell	99,209,640	-
SPF-C	Sell	99,211,690	-
BF	Purchase	451,169,600	1,101,666,120
FRF	Purchase	1,546,204,030	400,000,000
SPF-M	Purchase	445,445,073	-
STF	Purchase	201,785,500	1,598,288,352

**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:**

	March 31, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan (G)	16.2093		15.4657		14.7182	
Dividend Plan (D)	12.4108		12.4071		12.4063	
Daily Dividend Plan (DD)	10.0100		10.0100		-	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	0.9898		0.3894		1.1227	
(ii) Income from profit / (loss) on inter scheme sales/transfer of investment	0.0031		(0.0023)		(0.0226)	
(iii) Income from profit / (loss) on sale of investment to third party	(0.0043)		(0.0170)		0.0240	
(iv) Transfer to revenue account Income from past year's reserve	0.0039		0.0005		0.0014	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.0995		0.0365		0.1071	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	0.8930		0.3341		1.0184	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	0.0063		(0.0026)		(0.0127)	
<b>f. Repurchase and Resale Price</b>	<b>Growth</b>	<b>Dividend</b>	<b>Growth</b>	<b>Dividend</b>	<b>Growth</b>	<b>Dividend</b>
<b>Repurchase Price</b>						
- Highest Price	16.2093	WD- 12.4308 DD-10.0261	15.4657	D- 12.4135 DD-10.0131	14.7182	12.3867
- Lowest Price	15.4676	WD-12.4000 DD-10.0100	14.7228	D-12.4000 DD-10.0004	13.7746	12.3992
<b>Resale Price</b>						
- Highest Price	16.2093	WD- 12.4308 DD-10.0261	15.4657	D- 12.4135 DD-10.0131	14.7182	12.4177
- Lowest Price	15.4676	WD-12.4000 DD-10.0100	14.7228	D-12.4000 DD-10.0004	13.8091	12.3992
<b>g. Ratio of expenses to average daily net assets by percentage</b>	0.51%		0.52%		0.68%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments)	5.12%		5.26%		7.02%	

**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, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

<b>SR.NO</b>	<b>NAME OF THE INSTRUMENT</b>	<b>RATING</b>	<b>QUANTITY</b>	<b>MARKET VALUE (RUPEES)</b>	<b>% TO NET ASSETS</b>
<b>DEBT INSTRUMENTS</b>					
<b>(a) Listed / Awaiting listing on Stock Exchanges</b>					
<b>BANKS</b>					
1	State Bank of India 2005 **	AAA	500	50,621,550	0.42%
				<b>50,621,550</b>	<b>0.42%</b>
<b>FINANCE</b>					
2	Mahindra & Mahindra Financial Services FRN 2007 **	AA+	200	200,000,000	1.65%
3	Mahindra & Mahindra Financial Services FRN 2007 **	AA+	200	201,719,000	1.66%
4	Citicorp Finance India FRN 2007 **	AAA	400	400,000,000	3.30%
5	Citi Financial Consumer Finance India FRN 2007 **	AAA	500	500,000,000	4.12%
6	Citi Financial Consumer Finance India FRN 2007 **	AAA	100	100,000,000	0.82%
7	Citi Financial Consumer Finance India FRN 2007 **	AAA	150	150,000,000	1.24%
8	HDFC Step up Putable 2010 **	AAA	500	499,499,000	4.12%
9	Kotak Mahindra Primus FRN 2007 **	AA	450	453,789,900	3.74%
10	Sundaram Finance FRN 2007 **	AAA	100	100,000,000	0.82%
<b>TOTAL</b>				<b>2,655,629,450</b>	<b>21.89%</b>
<b>(b) Unlisted / Privately Placed</b>					
<b>BANKS</b>					
11	Retail Trust February 2005 Series A6 **	LAAA	20	203,861,076	1.68%
				<b>203,861,076</b>	<b>1.68%</b>
<b>FINANCE</b>					
12	GE Capital Services India FRN 2005 **	AAA	15	150,764,100	1.24%
13	Lakshmi General Finance FRN 2007 **	MAAA	30	300,000,000	2.47%
<b>TOTAL</b>				<b>654,625,176</b>	<b>5.40%</b>
<b>FIXED DEPOSIT</b>					
<b>BANKS</b>					
14	UCO Bank 2005	Unrated		750,000,000	6.18%
15	Punjab National Bank 2005	Unrated		500,000,000	4.12%
16	Allahabad Bank 2005	Unrated		500,000,000	4.12%
17	UCO Bank 2005	Unrated		500,000,000	4.12%
<b>TOTAL</b>				<b>2,250,000,000</b>	<b>18.54%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
<b>Certificate of Deposit</b>					
<b>BANKS</b>					
18	Allahabad Bank 2005 **	P1+	5,000	492,788,000	4.06%
19	ICICI Bank 2005 **	P1+	2,000	189,357,084	1.56%
20	ICICI Bank 2005 **	P1+	1,000	94,932,206	0.78%
21	ICICI Bank 2005 **	P1+	9,500	926,999,745	7.64%
22	ICICI Bank 2005 **	P1+	1,500	147,696,850	1.22%
23	ICICI Bank 2005 **	P1+	2,000	198,738,512	1.64%
24	Federal Bank 2005 **	P1+	5,000	493,022,000	4.06%
25	Kotak Mahindra Bank 2005 **	P1+	5,000	475,349,500	3.92%
26	Kotak Mahindra Bank 2005 **	P1+	2,000	189,421,400	1.56%
27	Karnataka Bank 2005 **	A1+	2,500	246,409,250	2.03%
28	UTI Bank 2005 **	A1+	9,500	899,897,033	7.42%
<b>TOTAL</b>				<b>4,354,611,580</b>	<b>35.89%</b>

SR.NO	NAME OF THE INSTRUMENT	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>Commercial Paper</b>					
<b>BANKS</b>					
29	IDBI 2005 **	P1+	700	332,381,000	2.74%
				<b>332,381,000</b>	<b>2.74%</b>
<b>FINANCE</b>					
30	Citicorp Finance India 2005 **	P1+	100	48,716,950	0.40%
31	GE Capital Services 2005 **	P1+	500	245,503,750	2.02%
32	Power Finance 2005 **	P1+	1,300	638,088,300	5.26%
33	Standard Chartered Inv. & Loans (India) 2005 **	P1+	200	97,957,300	0.81%
34	Standard Chartered Inv. & Loans (India) 2005 **	P1+	1,000	475,414,000	3.92%
<b>TOTAL</b>				<b>1,838,061,300</b>	<b>15.15%</b>
<b>Cash &amp; Cash Equivalents</b>					
Money at call with Banks and Others				1,500,000	0.01%
Reverse Repo Investments / CBLO				207,446,621	1.71%
<b>TOTAL</b>				<b>208,946,621</b>	<b>1.72%</b>
Net Receivables / (Payables)				171,193,961	1.41%
<b>TOTAL NET ASSETS</b>				<b>12,133,068,088</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BALANCED FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	1,419,332,894	741,760,166
Reserves & Surplus	2	915,345,934	389,389,836
Current Liabilities and Provisions	3	12,815,402	6,153,888
		<b>2,347,494,230</b>	<b>1,137,303,890</b>
<b>ASSETS</b>			
Investments	4	2,297,127,583	1,036,109,259
Deposits	5	4,790,752	300,000
Other Current Assets	6	45,575,895	100,894,631
		<b>2,347,494,230</b>	<b>1,137,303,890</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BALANCED FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Dividend		20,578,515	12,440,613
Interest	7	36,703,630	16,396,667
Profit on sale/redemption of investments (net)		179,085,404	201,192,176
Write back of provision for unrealised loss in the value of investments		1,023,390	3,658,053
		<b>237,390,939</b>	<b>233,687,509</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		19,181,619	9,249,111
Additional Management fees		4,170,529	1,856,963
Transfer agents fees & expenses		3,136,219	1,405,412
Custodian Fees & Transaction charges		955,458	802,147
Trusteeship fees		25,064	18,900
Marketing expenses		5,004,628	1,875,708
Payment to Auditor			
Audit fees		81,000	56,500
Other matters including reimbursement of expenses		786	800
Other operating expenses		274,175	102,272
Change in net unrealised loss in the value of investments		524,271	778,907
		<b>33,353,749</b>	<b>16,146,720</b>
<b>Excess of income and gains over expenses and losses</b>		<b>204,037,190</b>	<b>217,540,789</b>
Add / (Less): Income Equalization Account		43,129,516	51,643,258
<b>Income available for appropriation</b>		<b>247,166,706</b>	<b>269,184,047</b>
<b>Appropriation</b>			
Income distribution during the year (refer to note 3 of schedule 8)		267,849,243	49,401,335
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>(20,682,537)</b>	<b>219,782,712</b>

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, April 27, 2005

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

Shitin D Desai

Chairman

S. S. Thakur

Director

Mumbai, April 26, 2005

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

K R V Subrahmanian

Director

Mumbai, April 27, 2005

Ranjan Pant

Director

**Naganath Sundaresan**  
President & Chief Investment  
Officer

**Anup Maheshwari**  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BALANCED FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

Schedule

1 UNIT CAPITAL	As at 31.03.2005		As at 31.03.2004	
	Units	Rupees	Units	Rupees
Issued and subscribed: Units of Rs. 10 each fully paid up				
Opening Balance	74,176,016.542	741,760,166	54,707,673.739	547,076,738
Capital issued during the year	158,186,949.142	1,581,869,491	66,642,042.369	666,420,424
	232,362,965.684	2,323,629,657	121,349,716.108	1,213,497,162
Redemptions during the year	90,429,676.323	904,296,763	47,173,699.566	471,736,996
<b>Unit Capital at the end of the year</b>	<b>141,933,289.361</b>	<b>1,419,332,894</b>	<b>74,176,016.542</b>	<b>741,760,166</b>
Growth Plan	19,372,371.398	193,723,714	10,310,890.466	103,108,905
Dividend Plan	122,560,917.963	1,225,609,180	63,865,126.076	638,651,261
<b>Unit Capital at the end of the year</b>	<b>141,933,289.361</b>	<b>1,419,332,894</b>	<b>74,176,016.542</b>	<b>741,760,166</b>
<b>2 RESERVES AND SURPLUS</b>				
<b>Unit Premium Reserve</b>				
Opening balance		45,366,249		(2,447,223)
Net premium on issue / redemption of units during the year		465,897,580		99,456,730
Transfer from / (to) Income Equalisation Account		(43,129,516)		(51,643,258)
<b>Closing balance</b>		<b>468,134,313</b>		<b>45,366,249</b>
<b>Retained Surplus</b>				
Opening balance		173,382,758		(46,399,954)
Add: Surplus transferred from Revenue Account		(20,682,537)		219,782,712
<b>Closing balance</b>		<b>152,700,221</b>		<b>173,382,758</b>
<b>Unrealised Appreciation on Investments</b>				
Opening Balance		170,640,829		3,161,800
Less: Reversed during the year		(170,640,829)		(3,161,800)
Add: Unrealised appreciation as at year end		294,511,400		170,640,829
<b>Closing balance</b>		<b>294,511,400</b>		<b>170,640,829</b>
		<b>915,345,934</b>		<b>389,389,836</b>
<b>3 CURRENT LIABILITIES &amp; PROVISIONS</b>				
Sundry creditors		5,316,926		1,838,289
Payable for units repurchased / switch out		6,761,257		3,913,255
Unclaimed redemption / distributed income		238,538		54,844
Other liabilities		498,681		347,500
		<b>12,815,402</b>		<b>6,153,888</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BALANCED FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Equity Shares</b>				
Listed or awaiting listing	1,117,576,209	1,412,054,799	563,508,875	734,002,404
Unlisted	14,522,501	1,003,151	14,522,501	252,101
<b>Preference Shares</b>	59,160	54,723	59,160	56,794
<b>Government Securities</b>	99,522,500	99,000,300	220,270,000	220,417,300
<b>Bonds &amp; Debentures</b>				
Listed or awaiting listing	634,971,800	635,004,610	31,653,000	31,380,660
Unlisted / Private Placement	150,010,000	150,010,000	50,000,000	50,000,000
	<b>2,016,662,170</b>	<b>2,297,127,583</b>	<b>880,013,536</b>	<b>1,036,109,259</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	3,500,000	-
Margin money for derivatives	990,752	-
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	300,000	300,000
	<b>4,790,752</b>	<b>300,000</b>

  

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current account	8,992,703	28,539,841
Receivable for units switch in	2,197,581	586,839
Contracts for sale of investments	9,411,438	13,582,969
Outstanding and accrued income	16,916,987	9,818,210
Tax deducted at source	58,063	52,648
Collateralised Lending (reverse repurchase transactions)	7,999,123	48,314,124
	<b>45,575,895</b>	<b>100,894,631</b>

  

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Collateralised lending (reverse repurchase transactions)	7,808,400	3,161,201
Call and term deposits	125,931	389,986
Government securities, bonds and debentures	28,769,299	12,610,511
CCIL margin & others	-	234,969
	<b>36,703,630</b>	<b>16,396,667</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH BALANCED FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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)

**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 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.

**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. 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 (including additional management fees) charged to the Scheme at approximately 1.40 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year 1,000,000) for the year ended March 31, 2005 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**

- 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF,FRF	3.11	1.87
Dabur India Ltd.	FRF	3.14	4.39
Dr. Reddys Laboratories Ltd.	FRF	4.36	-
FDC Ltd.	SPF-M	2.28	0.43
Grasim Industries Ltd.	FRF,STF	4.16	4.50
Gujarat Ambuja Cements Ltd.	LF	2.39	2.62
HCL Corporation Ltd.	TEF	0.96	2.14
HDFC Bank Ltd.	FRF	0.99	1.04
Hero Honda Ltd.	SPF-M,FRF,LF,SPF-C	1.98	-
ICICI Bank Ltd.	LF,SPF-C	3.53	1.76
IDBI	OF,FRF,LF,SPF-C,STF,GSFA	20.27	20.28
Infosys Technologies Ltd.	LF	8.50	9.15
ITC Ltd.	FRF,LF,STF	1.11	1.08
Jet Airways Ltd.	LF	0.62	-
Maruti Udyog Ltd.	FRF,STF	1.04	-
Punjab National Bank	ITF	3.35	2.60
State Bank of India	OF,EF,ITF	5.03	5.74
Tata Consultancy Services Ltd.	STF	6.26	4.93
Tata Iron And Steel Company Ltd.	LF	4.20	2.84
Tata Motors Ltd.	SPF-M,FRF,LF,STF	1.42	-
Union Bank of India	SPF-M,SPF-A,FRF	2.85	0.95
UTI Bank	SPF-M,FRF,LF	0.86	3.94
Wipro Ltd.	LF,STF	5.84	3.97

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (Longer Duration Plan), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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 financial year are Rs. 2,499,455,239 (previous year Rs. 1,832,117,635) and Rs. 1,544,441,135 (previous year Rs. 1,513,332,092) respectively being 149.83% (previous year 245.82 %) and 92.58% (previous year 203.05 %) respectively of the average daily net assets.

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

Name of the Associate: DSPML

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	7,065,033	4,328,441
Payment of Brokerage on Secondary Market transactions	490,024	549,934
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	62,667,850	8,595,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**7. Distributable Income**

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	247,166,706	269,184,047
Add: Balance of undistributed income as at the beginning of the year	173,382,758	(46,399,954)
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	267,849,243	49,401,335
<b>Balance Distributable income</b>	<b>152,700,221</b>	<b>173,382,758</b>

**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, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan (G)	22.19		18.10		10.06	
Dividend Plan (D)	15.54		14.79		9.01	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	0.40		0.39		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	1.26		2.71		0.43	
(iv) Transfer to revenue account Income from past year's reserve	0.01		0.05		0.04	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.23		0.21		0.19	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	1.44		2.94		0.79	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	1.98		2.10		(0.26)	
<b>f. Repurchase and Resale Price</b>						
Repurchase Price						
- Highest Price	22.72	17.29	18.61	15.21	10.42	9.32
- Lowest Price	16.35	13.36	9.97	8.93	8.85	7.92
Resale Price						
- Highest Price	23.01	17.51	18.85	15.40	10.55	9.44
- Lowest Price	16.56	13.53	10.10	9.04	8.96	8.02
<b>g.</b> Ratio of expenses to average daily net assets by percentage	1.97%		2.06%		1.94%	
<b>h.</b> 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)	30.98%		51.81%		6.83%	

**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, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>EQUITY &amp; EQUITY RELATED</b>					
<b>(a) Listed / Awaiting listing on stock exchanges</b>					
<b>AUTO</b>					
1	Mahindra & Mahindra		65,500	32,546,950	1.39%
<b>BANKS</b>					
2	State Bank of India		87,719	57,438,401	2.46%
3	UTI BANK		165,992	39,439,699	1.69%
4	PNB		66,135	26,014,202	1.11%
5	Karur Vysya Bank		51,000	20,917,650	0.90%
6	ICICI BANK		44,813	17,602,546	0.75%
7	HDFC BANK		19,161	10,439,871	0.45%
8	Union Bank		83,828	9,476,755	0.41%
<b>CEMENT</b>					
9	Grasim Industries		37,057	45,003,874	1.93%
10	Gujarat Ambuja Cement		65,500	26,232,750	1.12%
11	Ultra Tech		29,016	10,293,426	0.44%
<b>CONSUMER NON DURABLES</b>					
12	Dabur India		395,279	43,895,733	1.88%
13	Balrampur Chini Mills		554,140	38,401,902	1.64%
14	ITC		8,059	10,815,581	0.46%
15	Emami		22,000	1,711,600	0.07%
<b>DREDGING</b>					
16	Dredging		26,387	13,350,503	0.57%
<b>FERROUS METALS</b>					
17	Tisco		70,770	28,382,309	1.22%
18	Sesa Goa		18,413	13,472,792	0.58%
<b>HARDWARE</b>					
19	HCL Infosystems		26,506	21,365,161	0.92%
<b>INDUSTRIAL CAPITAL GOODS</b>					
20	Siemens		31,100	52,958,635	2.27%
21	BHEL		63,647	48,779,061	2.09%
22	Thermax		76,000	45,003,400	1.93%
23	L&T		21,198	21,187,401	0.91%
<b>INDUSTRIAL PRODUCTS</b>					
24	Fag Bearings		160,000	30,264,000	1.30%
<b>MEDIA &amp; ENTERTAINMENT</b>					
25	NDTV		112,799	20,890,375	0.89%
26	Zee Telefilms		150,000	20,835,000	0.89%
27	T V Today		251,136	19,237,018	0.82%
28	Deccan Chronicle Holdings		118,965	16,780,013	0.72%
<b>NON - FERROUS METALS</b>					
29	National Aluminium		118,915	20,774,451	0.89%

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>OIL</b>					
30	ONGC		80,913	71,632,279	3.07%
<b>PESTICIDES</b>					
31	United Phosphorus		42,512	31,114,533	1.33%
<b>PETROLEUM PRODUCTS</b>					
32	IOC		112,097	49,098,486	2.10%
33	Reliance Industries		73,670	40,227,504	1.72%
34	HPCL		101,929	31,022,091	1.33%
<b>PHARMACEUTICALS</b>					
35	Aventis Pharma		28,000	34,622,000	1.48%
36	Glaxo Smithkline Pharmaceuticals		37,032	26,624,156	1.14%
37	Ranbaxy Laboratories		19,168	19,336,678	0.83%
38	Ind-Swift Laboratories		78,000	15,408,900	0.66%
39	Novartis India		24,750	12,284,663	0.53%
40	Dishman		18,833	11,883,623	0.51%
41	Divis Lab		8,358	8,329,165	0.36%
42	FDC		93,656	4,256,665	0.18%
<b>POWER</b>					
43	NTPC		631,260	53,846,478	2.31%
44	Neyveli Lignite		100,000	6,600,000	0.28%
<b>SOFTWARE</b>					
45	Infosys Technologies		40,555	91,540,746	3.92%
46	Tata Consultancy Services		34,450	49,334,123	2.11%
47	Wipro		59,103	39,655,158	1.70%
48	Patni Computer		88,468	33,060,492	1.42%
<b>TELECOM - SERVICES</b>					
49	Bharti Televentures		90,000	18,666,000	0.80%
<b>TOTAL</b>				<b>1,412,054,799</b>	<b>60.48%</b>
<b>(b) Unlisted SOFTWARE</b>					
50	SIP Technologies & Exports		52,521	1,003,151	0.04%
<b>TOTAL</b>				<b>1,003,151</b>	<b>0.04%</b>
<b>PREFERENCE SHARES Listed / awaiting listing on the stock exchanges INDUSTRIAL CAPITAL GOODS</b>					
51	Thermax 6 % Preference shares		5,916	54,723	0.00%
<b>TOTAL</b>				<b>54,723</b>	<b>0.00%</b>
<b>CENTRAL GOVERNMENT SECURITIES</b>					
52	4.49% GOI FRB 2016	SOV	1,000,000	99,000,300	4.24%
<b>TOTAL</b>				<b>99,000,300</b>	<b>4.24%</b>
<b>DEBT INSTRUMENTS (a) Listed / awaiting listing on the stock exchanges BANKS</b>					
53	IDBI FRB (Sr. 2004 / D) 2009 **	AA+	100	102,686,500	4.40%
54	IDBI FRB (2004 Series I) 2007 **	AA+	100	100,071,200	4.29%
55	NHB FRB 2009 **	AAA	50	50,415,350	2.16%

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>FINANCE</b>				<b>381,831,560</b>	<b>16.35%</b>
56	HDFC FRN 2007 **	AAA	150	151,065,000	6.47%
57	IRFC 2006	AAA	50	50,015,250	2.14%
58	Citi Financial Consumer Finance India FRN 2007 **	AAA	100	100,000,000	4.28%
59	Citicorp Finance FRN 2007 **	AAA	50	50,501,050	2.16%
60	Sundaram Finance 2005 **	AAA	300	30,250,260	1.30%
<b>TOTAL</b>				<b>635,004,610</b>	<b>27.20%</b>
<b>(b) Unlisted FINANCE</b>				<b>150,010,000</b>	<b>6.43%</b>
61	G.E.Capital Services FRN 2005 **	AAA	15	150,010,000	6.43%
<b>TOTAL</b>				<b>150,010,000</b>	<b>6.43%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
Money at call with Banks and Others				3,500,000	0.15%
Reverse Repo Investments / CBLO				7,999,123	0.34%
<b>TOTAL</b>				<b>11,499,123</b>	<b>0.49%</b>
Net Receivables / (Payables)				26,052,122	1.12%
<b>TOTAL NET ASSETS</b>				<b>2,334,678,828</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005; and
    - b) in the case of the revenue account, of the deficit for the year ended on that date.

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

per **Hemal Shah**

*Partner*

Membership No.: 42650

Mumbai, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A**  
**BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	304,856,209	728,534,456
Reserves & Surplus	2	176,693,624	540,261,616
Current Liabilities	3	629,609	11,942,160
		<b>482,179,442</b>	<b>1,280,738,232</b>
<b>ASSETS</b>			
Investments	4	277,310,911	1,212,561,500
Deposits	5	4,600,000	3,100,000
Other Current Assets	6	200,268,531	65,076,732
		<b>482,179,442</b>	<b>1,280,738,232</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN A**  
**REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	40,732,019	104,694,439
Profit on sale/redemption of investments (net)		-	87,283,500
		<b>40,732,019</b>	<b>191,977,939</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		4,487,255	11,905,933
Transfer agents fees & expenses		779,778	1,893,506
Custodian Fees & Transaction charges		500	1,000
Trusteeship fees		17,746	51,500
Marketing expenses		3,276,344	5,953,024
Payment to Auditor			
Audit fees		54,000	112,000
Other matters including reimbursement of expenses		9,789	2,000
Other operating expenses		358,795	434,302
Loss (net) on sale of Investments		35,756,005	-
Change in net unrealised loss/(gain) in value of investments		525,625	-
		<b>45,265,837</b>	<b>20,353,265</b>
<b>Excess of income and gains over expenses and losses / (Excess of expenses and losses over income and gains)</b>		<b>(4,533,818)</b>	<b>171,624,674</b>
Add: Income Equalisation Account		8,411,451	(41,471,166)
<b>Income available for Appropriation</b>		<b>3,877,633</b>	<b>130,153,508</b>
<b>Appropriation</b>			
Income Distribution during the year		270	62,776,347
Tax on Income distributed during the year		35	8,043,219
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>3,877,328</b>	<b>59,333,942</b>

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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
 Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**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, 2005**

**Schedule**

1 <b>UNIT CAPITAL</b>	<b>As at</b>		<b>As at</b>	
	<b>31.03.2005</b>		<b>31.03.2004</b>	
<b>Issued and subscribed:</b>	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
Units of Rs. 10 each fully paid up				
Opening Balance	72,853,445.630	728,534,456	69,583,900.121	695,839,002
Capital issued during the year	3,085,298.111	30,852,981	138,052,503.415	1,380,525,033
	<b>75,938,743.741</b>	<b>759,387,437</b>	<b>207,636,403.536</b>	<b>2,076,364,035</b>
Redemptions during the year	45,453,122.787	454,531,228	134,782,957.906	1,347,829,579
<b>Unit Capital at the end of the year</b>	<b>30,485,620.954</b>	<b>304,856,209</b>	<b>72,853,445.630</b>	<b>728,534,456</b>
Growth Plan	13,728,115.784	137,281,158	44,512,093.084	445,120,931
Dividend Plan	16,750,269.432	167,502,694	28,336,852.546	283,368,525
Monthly Plan	7,235.738	72,357	4,500.000	45,000
<b>Unit Capital at the end of the year</b>	<b>30,485,620.954</b>	<b>304,856,209</b>	<b>72,853,445.630</b>	<b>728,534,456</b>
<b>2 RESERVES AND SURPLUS</b>			<b>As at</b>	<b>As at</b>
			<b>31.03.2005</b>	<b>31.03.2004</b>
			<b>Rupees</b>	<b>Rupees</b>
<b>Unit Premium Reserve</b>				
Opening balance			106,881,976	141,248,562
Net premium on issue / redemption of units during the year			(347,901,536)	(75,837,752)
Transfer from / (to) Income Equalisation Account			(8,411,451)	41,471,166
<b>Closing Balance</b>			<b>(249,431,011)</b>	<b>106,881,976</b>
<b>Retained Surplus</b>				
Opening balance			422,247,307	362,913,365
Add: Surplus transferred from Revenue Account			3,877,328	59,333,942
<b>Closing Balance</b>			<b>426,124,635</b>	<b>422,247,307</b>
<b>Unrealised Appreciation on Investments</b>				
Opening balance			11,132,333	21,345,833
Less: Reversed during the year			(11,132,333)	(21,345,833)
Add: Unrealised appreciation as at year end			-	11,132,333
<b>Closing Balance</b>			<b>-</b>	<b>11,132,333</b>
			<b>176,693,624</b>	<b>540,261,616</b>
<b>3 CURRENT LIABILITIES</b>			<b>As at</b>	<b>As at</b>
			<b>31.03.2005</b>	<b>31.03.2004</b>
			<b>Rupees</b>	<b>Rupees</b>
Sundry creditors			519,825	1,562,680
Payable for units repurchased			78,444	100,306
Distributed income payable			-	10,197,692
Unclaimed distributed income			1,407	28,939
Other liabilities			29,933	52,543
			<b>629,609</b>	<b>11,942,160</b>

**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, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
Government Securities	267,890,625	267,365,000	1,201,429,167	1,212,561,500
Treasury Bills	9,945,911	9,945,911	-	-
	<b>277,836,536</b>	<b>277,310,911</b>	<b>1,201,429,167</b>	<b>1,212,561,500</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	1,500,000	-
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	3,100,000	3,100,000
	<b>4,600,000</b>	<b>3,100,000</b>

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current accounts	1,510,770	8,298,902
Outstanding and accrued income	5,778,909	25,984,212
Collateralised lending (reverse repurchase transactions)	192,978,852	30,793,618
	<b>200,268,531</b>	<b>65,076,732</b>

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Collateralised lending (reverse repurchase transactions)	9,337,716	4,395,179
Call deposits	337,751	661,932
Government securities	31,056,552	99,570,750
CCIL margin & others	-	66,578
	<b>40,732,019</b>	<b>104,694,439</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH GOVERNMENT SECURITIES  
FUND - PLAN A**  
**Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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.

**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. Settlement Guarantee Fund (SGF)**

Following Central Government dated Securities are pledged towards SGF with the Clearing Corporation of India Limited as of March 31, 2005:

Security	Face Value (rupees)
07.55% GS 2010	50,000,000

**4. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 0.61 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs 1,000,000) for the year ended March 31, 2005 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.

**5. 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. 6,308,143,370 (previous year Rs. 13,357,890,000) and Rs. 7,196,111,700 (previous year Rs. 13,272,898,500) respectively being 853.14% (previous year 787.44 %) and 973.24% (previous year 782.43 %) respectively of the average daily net assets.

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

Name of the Associate: DSPML

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	339,777	2,005,734

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**7. Distributable Income**

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	3,877,633	130,153,508
Add: Balance of undistributed income as at the beginning of the year	422,247,307	362,913,365
Less: Distributed to unitholders & distribution tax	305	70,819,566
<b>Balance Distributable income</b>	<b>426,124,635</b>	<b>422,247,307</b>

**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, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan (G)	21.2689		21.2930		19.2149	
Dividend Plan (D)	11.3130		11.3264		12.5411	
Monthly Dividend Plan (MD)	10.0596		10.1389		-	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	1.3362		1.4372		1.1109	
(ii) Income from profit on inter scheme sales/transfer of investment	-		-		-	
(iii) Income from profit on sale of investment to third party	(1.1729)		1.1981		1.3080	
(iv) Transfer to revenue account Income from past year's reserve	-		-		-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.2947		0.2794		0.1797	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	(0.1314)		2.3559		2.2392	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	(0.0172)		0.1528		0.3068	
<b>f. Repurchase and Resale Price</b>						
<b>Repurchase Price</b>	<b>Growth</b>	<b>Dividend</b>	<b>Growth</b>	<b>Dividend</b>	<b>Growth</b>	<b>Dividend</b>
- Highest Price						
	21.3922	D-11.3791 MD-10.1861	21.4060	D-12.7311 MD-10.1231	19.2871	12.5130
- Lowest Price						
	20.2834	D-10.789 MD-9.5938	19.3596	D-11.2387 MD-9.9172	15.5463	10.5264
<b>Resale Price</b>						
- Highest Price						
	21.5213	D-11.4478 MD-10.2476	21.5352	D-12.8079 MD-10.1842	19.4035	12.5885
- Lowest Price						
	20.4058	D-10.8541 MD-9.6517	19.4765	D-11.3065 MD-9.9771	15.6401	10.5899
<b>g. Ratio of expenses to average daily net assets by percentage</b>	1.22%		1.20%		1.23%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	0.60%		11.97%		18.68%	

**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, 2005**  
**(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE INSTRUMENT	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>CENTRAL GOVERNMENT SECURITIES</b>				<b>267,365,000</b>	<b>55.52%</b>
1	07.55 % GOI 2010	SOV	1,500,000	157,575,000	32.72%
2	07.38 % GOI 2015	SOV	500,000	52,625,000	10.93%
3	09.39 % GOI 2011	SOV	500,000	57,165,000	11.87%
<b>TOTAL</b>				<b>267,365,000</b>	<b>55.52%</b>
<b>MONEY MARKET INSTRUMENTS</b>				<b>9,945,911</b>	<b>2.07%</b>
4	91D TBL 2005	SOV	100,000	9,945,911	2.07%
<b>TOTAL</b>				<b>9,945,911</b>	<b>2.07%</b>
<b>CASH &amp; CASH EQUIVALENTS</b>					
Money at call with Banks and Others				1,500,000	0.31%
Reverse Repo Investments / CBLO				192,978,852	40.07%
<b>TOTAL</b>				<b>194,478,852</b>	<b>40.39%</b>
Net Receivables / (Payables)				9,760,070	2.03%
<b>TOTAL NET ASSETS</b>				<b>481,549,833</b>	<b>100.00%</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B**  
**BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	122,206,429	124,495,664
Reserves & Surplus	2	34,862,002	56,189,001
Current Liabilities	3	647,611	294,537
		<b>157,716,042</b>	<b>180,979,202</b>
<b>ASSETS</b>			
Investments	4	140,146,898	123,785,000
Deposits	5	1,700,000	700,000
Other Current Assets	6	15,869,144	56,494,202
		<b>157,716,042</b>	<b>180,979,202</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH GOVERNMENT SECURITIES FUND - PLAN B**  
**REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	7,951,193	21,817,444
Write back of provision for unrealised loss in the value of investments		499,117	5,586,718
		<b>8,450,310</b>	<b>27,404,162</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		304,021	826,553
Transfer agents fees & expenses		167,136	278,633
Custodian fees		500	1,000
Trusteeship fees		2,646	8,700
Marketing expenses		290,674	826,553
Payment to Auditor			
Audit fees		27,000	28,250
Other matters including reimbursement of expenses		8,827	500
Other operating expenses		53,716	40,705
Loss on sale/redemption of investments (net)		3,776,622	9,652,218
		<b>4,631,142</b>	<b>11,663,112</b>
<b>Excess of income and gains over expenses and losses</b>		<b>3,829,168</b>	<b>15,741,050</b>
Add / (Less): Income Equalisation account		1,424,351	(2,209,291)
<b>Income available for appropriation</b>		<b>5,243,519</b>	<b>13,531,759</b>
<b>Appropriation</b>			
Income Distribution during the year		1,348,707	635,024
Tax on Income distributed during the year		176,259	81,362
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>3,718,553</b>	<b>12,815,373</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**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, 2005**

**Schedule**

<b>1 UNIT CAPITAL</b>	<b>As at 31.03.2005</b>		<b>As at 31.03.2004</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
<b>Issued and subscribed:</b> Units of Rs. 10 each fully paid up				
Opening Balance	12,449,566.413	124,495,664	21,989,426.608	219,894,266
Capital issued during the year	9,605,031.739	96,050,317	7,149,068.971	71,490,690
	22,054,598.152	220,545,981	29,138,495.579	291,384,956
Redemptions during the year	9,833,955.181	98,339,552	16,688,929.166	166,889,292
<b>Unit Capital at the end of the year</b>	<b>12,220,642.971</b>	<b>122,206,429</b>	<b>12,449,566.413</b>	<b>124,495,664</b>
Growth Plan	5,628,270.239	56,282,702	11,814,925.932	118,149,259
Dividend Plan	6,592,372.732	65,923,727	634,640.481	6,346,405
<b>Unit Capital at the end of the year</b>	<b>12,220,642.971</b>	<b>122,206,429</b>	<b>12,449,566.413</b>	<b>124,495,664</b>
<b>2 RESERVES AND SURPLUS</b>				
		<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>	
<b>Unit Premium Reserve</b>				
Opening balance		(23,746,253)	13,763,130	
Net premium on issue /redemption of units during the year		(23,621,201)	(39,718,674)	
Transfer from / (to) Income Equalisation Account		(1,424,351)	2,209,291	
<b>Closing Balance</b>		<b>(48,791,805)</b>	<b>(23,746,253)</b>	
<b>Retained Surplus</b>				
Opening balance		79,935,254	67,119,881	
Add: Surplus transferred from Revenue Account		3,718,553	12,815,373	
<b>Closing Balance</b>		<b>83,653,807</b>	<b>79,935,254</b>	
		<b>34,862,002</b>	<b>56,189,001</b>	
<b>3 CURRENT LIABILITIES</b>				
		<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>	
Sundry creditors		52,162	146,818	
Distributed income payable		593,642	143,074	
Unclaimed Distributed Income		-	1,202	
Other liabilities		1,807	3,443	
		<b>647,611</b>	<b>294,537</b>	

**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, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
Government Securities	51,341,250	50,633,700	124,991,667	123,785,000
Treasury Bills	89,513,198	89,513,198	-	-
	<b>140,854,448</b>	<b>140,146,898</b>	<b>124,991,667</b>	<b>123,785,000</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	1,000,000	-
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	700,000	700,000
	<b>1,700,000</b>	<b>700,000</b>

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Receivables for units Switch in	9,400,000	-
Balances with banks in current accounts	1,211,214	6,167,557
Outstanding and accrued income	1,258,368	2,543,445
Collateralised lending (reverse repurchase transactions)	3,999,562	47,783,200
	<b>15,869,144</b>	<b>56,494,202</b>

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Call deposits	132,845	316,420
Government securities	5,804,474	20,548,611
Collateralised lending (reverse repurchase transactions)	2,013,874	930,797
CCIL margin & others	-	21,616
	<b>7,951,193</b>	<b>21,817,444</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH GOVERNMENT SECURITIES**  
**FUND - PLAN B**  
**Schedules forming part of the Balance Sheet as**  
**at March 31, 2005 and the Revenue Account for**  
**the year ended March 31, 2005.**

**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.

**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.

**3. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 0.24 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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. 513,817,800 (previous year Rs. 175,765,000) and Rs. 494,909,018 (previous year Rs. 276,414,500) respectively being 406.31% (previous year 74.74%) and 391.36% (previous year 117.53%) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	178,330	297,603

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**6. Distributable Income**

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	5,243,519	13,531,759
Add: Balance of undistributed income as at the beginning of the year	79,935,254	67,119,881
Less: Distributed to unitholders & distribution tax	1,524,966	716,386
<b>Balance Distributable income</b>	<b>83,653,807</b>	<b>79,935,254</b>

**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):****10. Perspective Historical per Unit Statistics**

	Rupees					
	March 31, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan	15.2128		14.7153		13.8229	
Dividend Plan	10.8379		10.7540		10.8082	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	0.6506		1.7525		1.3026	
(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	(0.3090)		(0.7753)		(0.2706)	
(iv) Transfer to revenue account Income from past year's reserve	0.0408		0.4487		-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.0699		0.1615		0.1664	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	0.3125		1.2644		1.0527	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	(0.0579)		(0.0969)		(0.3089)	
<b>f. Repurchase and Resale Price</b>						
<b>Repurchase Price</b>						
- Highest Price	15.2128	11.0661	14.7153	10.9776	13.8401	10.8215
- Lowest Price	14.7214	10.7585	13.8558	10.5253	12.8924	10.3310
<b>Resale Price</b>						
- Highest Price	15.2128	11.0661	14.7153	10.9776	13.8401	10.8215
- Lowest Price	14.7214	10.7585	13.8558	10.5253	12.8924	10.3310
<b>g. Ratio of expenses to average daily net assets by percentage</b>	0.68%		0.86%		1.24%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	2.74%		4.66%		6.77%	

**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, 2005**  
**(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE INSTRUMENT	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>CENTRAL GOVERNMENT SECURITIES</b>					
1	10.20 % GOI 2005	SOV	500,000	50,633,700	32.24%
<b>TOTAL</b>				<b>50,633,700</b>	<b>32.24%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
<b>TREASURY BILLS</b>					
2	91D TBL 2005	SOV	900,000	89,513,198	56.99%
<b>TOTAL</b>				<b>89,513,198</b>	<b>56.99%</b>
<b>CASH &amp; CASH EQUIVALENTS</b>					
Money at call with Banks and Others				1,000,000	0.64%
Reverse Repo Investments				3,999,562	2.55%
<b>TOTAL</b>				<b>4,999,562</b>	<b>3.18%</b>
Net Receivables / (Payables)				11,921,971	7.59%
<b>TOTAL NET ASSETS</b>				<b>157,068,431</b>	<b>100.00%</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH TECHNOLOGY.COM FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	<b>Schedule</b>	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
<b>LIABILITIES</b>			
Unit Capital	1	237,135,368	295,251,648
Reserves & Surplus	2	20,959,606	(77,166,362)
Current Liabilities and Provisions	3	1,004,301	977,150
		<b>259,099,275</b>	<b>219,062,436</b>
<b>ASSETS</b>			
Investments	4	251,878,252	217,493,356
Deposits	5	1,000,000	-
Other Current Assets	6	6,221,023	1,569,080
		<b>259,099,275</b>	<b>219,062,436</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH TECHNOLOGY.COM FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Dividend		3,879,411	2,774,740
Interest	7	195,310	196,538
Profit on sale of investments (net)		69,154,872	38,894,769
Write back of provision for unrealised loss in the value of investments		-	13,093,409
		<b>73,229,593</b>	<b>54,959,456</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		2,700,796	2,445,636
Transfer agents fees & expenses		1,240,194	436,269
Custodian Fees & Transaction charges		222,718	323,314
Trusteeship fees		4,839	5,900
Marketing expenses		1,970,131	1,487,947
Payment to Auditor			
Audit fees		27,000	27,750
Other matters including reimbursement of expenses		362	300
Other operating expenses		386,904	24,196
		<b>6,552,944</b>	<b>4,751,312</b>
<b>Excess of income and gains over expenses and losses / (expenses and losses over income and gains)</b>		<b>66,676,649</b>	<b>50,208,144</b>
Add / (Less): Income Equalisation account		(11,644,760)	(2,760,746)
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>55,031,889</b>	<b>47,447,398</b>

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, April 27, 2005

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

**Shitin D Desai**  
Chairman

**S. S. Thakur**  
Director

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
Director  
Mumbai, April 27, 2005

**Ranjan Pant**  
Director

**Naganath Sundaresan**  
President & Chief Investment  
Officer

**Anup Maheshwari**  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH TECHNOLOGY.COM FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule**

1 UNIT CAPITAL	As at 31.03.2005		As at 31.03.2004	
	Units	Rupees	Units	Rupees
<b>Issued and subscribed:</b>				
Units of Rs. 10 each fully paid up				
Opening Balance	29,525,164.803	295,251,648	38,791,258.448	387,912,585
Capital issued during the year	14,232,627.904	142,326,279	6,596,857.764	65,968,577
	43,757,792.707	437,577,927	45,388,116.212	453,881,162
Redemptions during the year	20,044,255.903	200,442,559	15,862,951.409	158,629,514
<b>Unit Capital at the end of the year</b>	<b>23,713,536.804</b>	<b>237,135,368</b>	<b>29,525,164.803</b>	<b>295,251,648</b>
Growth Plan	8,796,184.918	87,961,849	10,022,066.762	100,220,668
Dividend Plan	14,917,351.886	149,173,519	19,503,098.041	195,030,980
<b>Unit Capital at the end of the year</b>	<b>23,713,536.804</b>	<b>237,135,368</b>	<b>29,525,164.803</b>	<b>295,251,648</b>
<b>2 RESERVES AND SURPLUS</b>				
<b>Unit Premium Reserve</b>				
Opening balance		79,909,869		36,789,069
Net premium on issue / redemption of units during the year		(7,914,027)		40,360,054
Transfer from / (to) Income Equalisation Account		11,644,760		2,760,746
<b>Closing balance</b>		<b>83,640,602</b>		<b>79,909,869</b>
<b>Retained Surplus</b>				
Opening balance		(216,358,984)		(263,806,382)
Add / (Less): Surplus/(Deficit) transferred from Revenue Account		55,031,889		47,447,398
<b>Closing balance</b>		<b>(161,327,095)</b>		<b>(216,358,984)</b>
<b>Unrealised Appreciation on Investments</b>				
Opening balance		59,282,753		-
Less: Reversed during the year		(59,282,753)		-
Add: Unrealised appreciation as at the year end		98,646,099		59,282,753
<b>Closing balance</b>		<b>98,646,099</b>		<b>59,282,753</b>
		<b>20,959,606</b>		<b>(77,166,362)</b>
<b>3 CURRENT LIABILITIES &amp; PROVISIONS</b>				
Sundry creditors		432,174		457,755
Payable for units repurchased		314,884		329,325
Unclaimed redemptions		82,543		34,483
Other liabilities		174,700		155,587
		<b>1,004,301</b>		<b>977,150</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH TECHNOLOGY.COM FUND  
SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

<b>4 INVESTMENTS</b>	<b>As at 31.03.2005 Rupees</b>		<b>As at 31.03.2004 Rupees</b>	
	<b>Cost</b>	<b>Market/ Fair value</b>	<b>Cost</b>	<b>Market/ Fair value</b>
<b>Equity Shares</b>				
Listed or awaiting listing	153,232,153	251,878,252	158,210,603	217,493,356
	<b>153,232,153</b>	<b>251,878,252</b>	<b>158,210,603</b>	<b>217,493,356</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

<b>5 DEPOSITS</b>	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
Money at call with :		
- Institutions	1,000,000	-
	<b>1,000,000</b>	<b>-</b>

<b>6 OTHER CURRENT ASSETS</b>	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
Balances with banks in current account	1,589,544	1,537,949
Receivable for units switchin	76,121	-
Outstanding and accrued income	235	-
Dividend receivable	55,625	31,131
Collateralised lending (reverse repurchase transactions)	4,499,498	-
	<b>6,221,023</b>	<b>1,569,080</b>

<b>7 INTEREST</b>	<b>Year ended 31.03.2005 Rupees</b>	<b>Year ended 31.03.2004 Rupees</b>
Collateralised lending (reverse repurchase transactions)	189,076	110,794
Call and term deposits	6,234	77,098
CCIL margin & others	-	8,646
	<b>195,310</b>	<b>196,538</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH TECHNOLOGY.COM FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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.

**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 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 charged to the Scheme at approximately 1.03 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF,FRF	0.12	1.49
HCL Corporation Ltd.	TEF	0.87	1.54
HCL Technologies Ltd. (HCL Corporation is the holding company)	STF,BF	0.28	0.73
Infosys Technologies Ltd.	LF	0.68	6.17
Tata Consultancy Services Ltd.	STF	1.98	2.66
Wipro Ltd.	LF,STF	0.68	2.33

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (Longer Duration Plan), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 214,455,191 (previous year Rs. 291,653,629) and Rs. 288,588,512 (previous year Rs. 331,275,004) respectively being 81.64% (previous year 146.8%) and 109.86% (previous year 166.74%) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	677,660	702,319
Payment of Brokerage on Secondary Market transactions:	57,402	172,102
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	3,831,800	644,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

#### 6. Distributable Income

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	55,031,889	47,447,398
Add: Balance of undistributed income as at the beginning of the year	(216,358,984)	(263,806,382)
Less: Distributed to unitholders & distribution tax	-	-
<b>Balance Distributable income</b>	<b>Nil</b>	<b>Nil</b>

#### 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, 2005	March 31, 2004	March 31, 2003
<b>a. Net asset value, at the end of the period:</b>	10.88	7.39	4.15
<b>b. Gross Income</b>			
(i) Income other than profit on sale of investment	0.17	0.10	0.06
(ii) Income from profit on inter scheme sales/transfer of investment	-	-	-
(iii) Income from profit / (loss) on sale of investment to third party	2.92	1.32	0.36
(iv) Transfer to revenue account Income from past year's reserve	-	0.44	-
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.28	0.16	0.09
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	2.81	1.70	0.33
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	4.16	2.01	(0.34)
<b>f. Repurchase &amp; Resale Price</b>			
<b>Repurchase Price</b>			
- Highest Price	11.08	8.52	5.41
- Lowest Price	6.66	3.85	4.03
<b>Resale Price</b>			
- Highest Price	11.33	8.69	5.52
- Lowest Price	6.79	3.93	4.11
<b>g. Ratio of expenses to average daily net assets by percentage</b>	2.49%	2.39%	1.87%
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	65.43%	50.91%	1.72%

**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 TECHNOLOGY.COM FUND****Statement of Portfolio Holding as at March 31, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

<b>SR.NO</b>	<b>NAME OF THE INSTRUMENT</b>	<b>QUANTITY</b>	<b>MARKET VALUE (RUPEES)</b>	<b>% TO NET ASSETS</b>
<b>EQUITY &amp; EQUITY RELATED</b>				
<b>(a) Listed / awaiting listing on the stock exchanges</b>				
<b>BROADCASTING &amp; CABLE TV</b>				
1	T V Today	55,300	4,235,980	1.64%
<b>HARDWARE</b>			<b>22,755,389</b>	<b>8.82%</b>
2	HCL Infosystems	19,085	15,383,464	5.96%
3	Spanco Tele	69,000	4,788,600	1.86%
4	CMC	3,147	1,956,647	0.76%
5	D-Link India	2,991	369,239	0.14%
6	Moser Baer	1,230	257,439	0.10%
<b>INDUSTRIAL CAPITAL GOODS</b>			<b>6,271,057</b>	<b>2.43%</b>
7	Bharat Electronics	9,385	6,271,057	2.43%
<b>ISP</b>			<b>956,000</b>	<b>0.37%</b>
8	City Online Services **	200,000	956,000	0.37%
<b>MEDIA &amp; ENTERTAINMENT</b>			<b>3,754,268</b>	<b>1.45%</b>
9	Adlabs Films	26,000	3,389,100	1.31%
10	Zee Telefilms	2,629	365,168	0.14%
<b>SOFTWARE</b>			<b>188,892,043</b>	<b>73.19%</b>
11	Geometric Software	21,650	10,608,500	4.11%
12	HCL Technologies	19,730	7,349,425	2.85%
13	Hexaware Technologies	11,125	8,231,944	3.19%
14	Hinduja TMT	13,386	4,093,439	1.59%
15	Hughes Software	4,760	2,238,628	0.87%
16	I-Flex Solutions	7,810	4,587,594	1.78%
15	Infosys Technologies	27,329	61,687,019	23.90%
16	Infotech Enterprises	22,036	6,107,277	2.37%
17	KPIT Infosystem	20,840	6,669,842	2.58%
18	Mphasis BFL	586	130,795	0.05%
19	Patni Computer	22,856	8,541,287	3.31%
20	Satyam Computer Services	37,075	15,165,529	5.88%
21	Scandent Solutions	9,131	1,635,362	0.63%
22	Subex Systems	3,352	1,323,034	0.51%
23	Tata Consultancy Services	18,574	26,598,897	10.31%
24	Wipro	34,685	23,271,901	9.02%
25	Zensar Technologies	3,224	651,570	0.25%
<b>TELECOM - EQUIPMENT &amp; ACCESSORIES</b>			<b>8,652,939</b>	<b>3.35%</b>
26	Avaya Global Connect	21,692	8,652,939	3.35%
<b>TELECOM - SERVICES</b>			<b>16,360,576</b>	<b>6.34%</b>
27	Bharti Televentures	71,827	14,896,920	5.77%
28	MTNL	12,856	1,463,656	0.57%
<b>TOTAL</b>			<b>251,878,252</b>	<b>97.59%</b>
<b>MONEY MARKET INSTRUMENTS</b>				
Money at call with Banks and Others			1,000,000	0.39%
Reverse Repo Investments / CBLO			4,499,498	1.74%
<b>TOTAL</b>			<b>5,499,498</b>	<b>2.13%</b>
Net Receivables / (Payables)			717,224	0.28%
<b>TOTAL NET ASSETS</b>			<b>258,094,974</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005;
    - 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH OPPORTUNITIES FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	3,138,815,802	3,646,759,504
Reserves & Surplus	2	2,826,593,614	2,279,092,572
Current Liabilities and Provisions	3	95,481,717	61,682,114
		<b>6,060,891,133</b>	<b>5,987,534,190</b>
<b>ASSETS</b>			
Investments	4	5,750,898,719	5,745,214,429
Deposits	5	6,200,000	200,000
Other Current Assets	6	303,792,414	242,119,761
		<b>6,060,891,133</b>	<b>5,987,534,190</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH OPPORTUNITIES FUND**  
**REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Dividend		138,693,715	64,937,554
Interest	7	8,635,599	5,342,455
Profit on sale of investments (net)		821,945,630	1,342,673,001
Misc. Income		-	284,177
		<b>969,274,944</b>	<b>1,413,237,187</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		64,330,262	33,971,314
Transfer agents fees & expenses		10,533,105	5,622,146
Custodian Fees & Transaction charges		5,169,119	4,805,521
Trusteeship fees		114,829	61,500
Marketing expenses		46,373,130	23,780,105
Payment to Auditor			
Audit fees		270,000	164,000
Other matters including reimbursement of expenses		10,786	1,400
Other operating expenses		1,369,565	113,192
		<b>128,190,796</b>	<b>68,519,178</b>
<b>Excess of income and gains over expenses and losses</b>		<b>841,084,148</b>	<b>1,344,718,009</b>
Add / (Less): Income Equalisation account		(75,184,266)	589,879,075
<b>Income available for appropriation</b>		<b>765,899,882</b>	<b>1,934,597,084</b>
<b>Appropriation</b>			
Income distribution during the year		632,806,734	969,137,632
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>133,093,148</b>	<b>965,459,452</b>

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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH OPPORTUNITIES FUND  
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>A. Cashflow from Operating Activity</b>		
Excess of income and gains over expenses and losses	841,084,148	1,344,718,009
<b>Operating Profit Before Working Capital Changes</b>	<b>841,084,148</b>	<b>1,344,718,009</b>
Adjustments for:-		
(Increase)/Decrease in Other Current Assets	(89,883,088)	(165,899,123)
(Increase)/Decrease in Money Market Lending (Deposits)	-	1,300,000
(Increase)/Decrease in Investments	750,011,742	(4,109,110,891)
Increase/(Decrease) in Current Liabilities and Provisions	38,518,813	46,791,297
<b>Net Cash Generated From Operations</b>	<b>(A) 1,539,731,615</b>	<b>(2,882,200,708)</b>
<b>B. Cashflow from Financing Activities</b>		
Increase/(Decrease) in Unit Corpus	(507,943,702)	2,576,485,300
Increase/(Decrease) in Unit Premium	(416,472,404)	1,216,457,130
Outstanding Receivable/Payables for Unit Corpus	3,730,609	(641,610)
Dividend Paid during the year	(632,806,734)	(969,137,632)
<b>Net Cash Used in Financing Activities</b>	<b>(B) (1,553,492,231)</b>	<b>2,823,163,188</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(A+B) (13,760,616)</b>	<b>(59,037,520)</b>
Cash and Cash Equivalents as at the beginning of the year	52,115,683	111,153,203
Cash and Cash Equivalents as at the close of the year	38,355,067	52,115,683
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(13,760,616)</b>	<b>(59,037,520)</b>
<b>Components of cash and cash equivalents</b>		
With Banks - on current account	32,355,067	52,115,683
Money at Call with Institutions	6,000,000	-
	<b>38,355,067</b>	<b>52,115,683</b>

As per our attached report of even date

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

**per Hemal Shah**  
Partner  
Membership no. 42650

Mumbai, April 27, 2005

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

**Shitin D Desai**  
Chairman

**S. S. Thakur**  
Director

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
Director  
Mumbai, April 27, 2005

**Ranjan Pant**  
Director

**Naganath Sundaresan**  
President & Chief Investment  
Officer

**Anup Maheshwari**  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH OPPORTUNITIES FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule****1 UNIT CAPITAL****Issued and subscribed:**

Units of Rs. 10 each fully paid up

	<b>As at 31.03.2005</b>		<b>As at 31.03.2004</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
Opening Balance	364,675,950.443	3,646,759,504	107,027,420.418	1,070,274,204
Capital issued during the year	386,505,472.578	3,865,054,726	587,465,373.395	5,874,653,734
	751,181,423.021	7,511,814,230	694,492,793.813	6,944,927,938
Redemptions during the year	437,299,842.871	4,372,998,428	329,816,843.370	3,298,168,434
<b>Unit Capital at the end of the year</b>	<b>313,881,580.150</b>	<b>3,138,815,802</b>	<b>364,675,950.443</b>	<b>3,646,759,504</b>
Growth Plan	47,965,952.696	479,659,527	72,799,902.224	727,999,022
Dividend Plan	265,915,627.454	2,659,156,275	291,876,048.219	2,918,760,482
<b>Unit Capital at the end of the year</b>	<b>313,881,580.150</b>	<b>3,138,815,802</b>	<b>364,675,950.443</b>	<b>3,646,759,504</b>

**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****Unrealised Appreciation on Investments**

Opening Balance  
 Less: Reversed during the year  
 Add: Unrealised appreciation as at the year end

**Closing balance**

	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
Opening balance	530,716,023	(95,862,032)
Net premium on issue / redemption of units during the year	(416,472,404)	1,216,457,130
Transfer from / (to) Income Equalisation Account	75,184,266	(589,879,075)
<b>Closing balance</b>	<b>189,427,885</b>	<b>530,716,023</b>
Opening balance	849,360,825	(116,098,627)
Add: Surplus transferred from Revenue Account	133,093,148	965,459,452
<b>Closing balance</b>	<b>982,453,973</b>	<b>849,360,825</b>
Opening Balance	899,015,724	15,748,175
Less: Reversed during the year	(899,015,724)	(15,748,175)
Add: Unrealised appreciation as at the year end	1,654,711,756	899,015,724
<b>Closing balance</b>	<b>1,654,711,756</b>	<b>899,015,724</b>
	<b>2,826,593,614</b>	<b>2,279,092,572</b>

**3 CURRENT LIABILITIES & PROVISIONS**

Sundry creditors  
 Payable for units repurchased  
 Contracts for purchase of Investments  
 Unclaimed dividends / redemptions  
 Other liabilities

	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
Sundry creditors	10,531,162	13,411,429
Payable for units repurchased	6,497,759	11,216,969
Contracts for purchase of Investments	62,861,511	29,296,792
Unclaimed dividends / redemptions	2,218,604	12,570
Other liabilities	13,372,681	7,744,354
<b>Closing balance</b>	<b>95,481,717</b>	<b>61,682,114</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH OPPORTUNITIES FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

<b>4 INVESTMENTS</b>	<b>As at 31.03.2005 Rupees</b>		<b>As at 31.03.2004 Rupees</b>	
	<b>Cost</b>	<b>Market/ Fair value</b>	<b>Cost</b>	<b>Market/ Fair value</b>
Equity Shares Listed or awaiting listing	4,096,186,963	5,750,898,719	4,846,198,705	5,745,214,429
	<b>4,096,186,963</b>	<b>5,750,898,719</b>	<b>4,846,198,705</b>	<b>5,745,214,429</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

<b>5 DEPOSITS</b>	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
	Money at call with : - Institutions	6,000,000
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	200,000	200,000
	<b>6,200,000</b>	<b>200,000</b>

<b>6 OTHER CURRENT ASSETS</b>	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
	Balances with banks in current account	32,355,067
Receivable for Units sold	3,592,639	12,042,458
Collateralised Lending (Reverse Repurchase transactions)	152,483,289	92,380,853
Contracts for sale of investments	108,719,161	85,225,399
Outstanding and accrued income	4,836	7,593
Other receivable	6,637,422	347,775
	<b>303,792,414</b>	<b>242,119,761</b>

<b>7 INTEREST</b>	<b>Year ended 31.03.2005 Rupees</b>	<b>Year ended 31.03.2004 Rupees</b>
	Call and term deposits	183,664
Collateralised Lending (Reverse Repurchase transactions)	8,451,935	4,741,112
CCIL Margin & others	-	12,970
	<b>8,635,599</b>	<b>5,342,455</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH OPPORTUNITIES FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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.

**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 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 charged to the Scheme at approximately 1.04 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF,FRF	8.08	13.25
Dr Reddys Laboratories Ltd.	FRF	2.66	-
Grasim Industries Ltd.	FRF,STF	12.58	25.75
Gujarat Ambuja Cements Ltd.	LF	6.99	8.51
HCL Technologies Ltd.	STF,BF	3.98	6.07
Hero Honda Ltd.	SPF-M,FRF,LF,SPF-C	7.88	0.02
Hindalco Ltd	BF,FRF,LF	4.36	16.39
ICICI Bank Ltd	LF,SPF-C	8.13	-
IDBI	OF,FRF,LF,SPF-C,STF,GSFA	7.76	1.84
Indian Overseas Bank	ITF	4.39	-
Indian Rayon and Industries Ltd.	FRF	1.77	10.04
Infosys Technologies Ltd.	LF	15.25	26.52
ITC Ltd.	FRF,LF,STF	15.17	15.52
Jet Airways Ltd.	LF	1.70	-
Maruti Udyog Ltd.	FRF,STF	21.07	5.24
Punjab National Bank	ITF	12.88	5.62
State Bank of India	OF,EF,ITF	14.60	31.66
Tata Consultancy Services Ltd.	STF	22.31	18.22
Tata Iron And Steel Company Ltd.	LF	36.01	17.40
Tata Motors Ltd.	SPF-M,FRF,LF,STF	10.01	7.87
Vijaya Bank	BaF,EF,TEF	6.05	15.83

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (Longer Duration Plan A), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 5,107,053,961 (previous year Rs. 9,686,549,467) and Rs. 6,687,574,346 (previous year Rs. 6,920,111,600) respectively being 82.06% (previous year 303.58%) and 108.16% (previous year 216.88%) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	7,541,991	5,982,087
Payment of Brokerage on Secondary Market transactions	2,301,492	5,809,302
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	203,998,450	47,427,500

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

#### 6. Distributable Income

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	765,899,882	1,934,597,084
Add: Balance of undistributed income as at the beginning of the year	849,360,825	(116,098,627)
Less: Unrealised appreciation on investments included in the balance undistributed income as at the beginning of the year.	-	-
Less: Distributed to unitholders & distribution tax	632,806,734	969,137,632
<b>Balance Distributable income</b>	<b>982,453,973</b>	<b>849,360,825</b>

#### 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 (upto January 31, 2005)
  - Mr. Naganath Sundaresan – President & Chief Investment Officer
  - Mr. Anup Maheshwari – Fund Manager
  - Mr. Pankaj Sharma – Risk Manager
4. Associates
  - DSP Merrill Lynch Limited (DSPML)
5. Schemes of DSP Merrill Lynch Mutual Fund managed by DSP Merrill Lynch Fund Managers Limited

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2005 and March 31, 2004 and for the years then ended are presented in the following table:-

<b>Rupees</b>									
<b>Nature of Transaction</b>	<b>Year</b>	<b>AMC</b>	<b>Trustee Company</b>	<b>Associates: DSPML</b>	<b>Alok Vajpeyi</b>	<b>Naganath S</b>	<b>Anup Maheshwari</b>	<b>Pankaj Sharma</b>	<b>Total</b>
Management Fees	2004-2005 2003-2004	64,330,262 33,971,314	— —	— —	— —	— —	— —	— —	64,330,262 33,971,314
Brokerage on Unit Distribution (refer note) {(secondary market Equity Trades)}	2004-2005  2003-2004	—  —	—  —	7,541,991 (Equity Trades 2,301,492)  5,982,087 (Equity Trades 5,809,302)	—  —	—  —	—  —	—  —	7,541,991 (Equity Trades 2,301,492)  5,982,087 (Equity Trades 5,809,302)
Trustee Fee	2004-2005 2003-2004	— —	114,829 61,500	— —	— —	— —	— —	— —	114,829 61,500
Value of Units Purchased (at transaction NAVs)	2004-2005 2003-2004	— —	— —	— —	2,000,000 124,258	1,200,000 300,000	— —	200,000 1,500,000	3,400,000 1,924,258
Value of Units Redeemed (at transaction NAVs)	2004-2005 2003-2004	— —	— —	— —	2,700,331 —	2,569,846 —	— —	— —	5,270,177 —
Dividend declared by the Scheme	2004-2005 2003-2004	— —	— —	— —	— —	203,252 310,303	— —	— —	203,252 310,303
Year-end Outstanding Units (valued at last declared NAV)	2004-2005 2003-2004	— —	— —	— —	— 540,027	1,438,211 2,266,335	42,887 32,512	2,561,874 1,736,629	4,042,972 4,575,503
Year-end Other Payables	2004-2005 2003-2004	5,271,255 4,694,942	5,240 40,132	595,959 469,390	— —	— —	— —	— —	5,872,454 5,204,464

Note: Brokerage on distribution of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account. Further, 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, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan	26.29		19.93		8.17	
Dividend Plan	17.69		15.33		8.17	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	0.48		0.20		0.15	
(ii) Income from profit on inter scheme sales/transfer of investment	-		-		-	
(iii) Income from profit / (loss) on sale of investment to third party	2.62		3.68		0.30	
(iv) Transfer to revenue account Income from past year's reserve	-		-		-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.42		0.20		0.14	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	2.68		3.68		0.31	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	5.27		2.47		0.15	
<b>f. Repurchase &amp; Resale Price</b>						
<b>Repurchase Price</b>						
- Highest Price	28.02	21.56	21.45	19.59	8.64	8.64
- Lowest Price	16.88	12.98	8.22	8.22	7.14	7.14
<b>Resale Price</b>						
- Highest Price	28.65	22.05	21.88	19.98	8.81	8.81
- Lowest Price	17.22	13.24	8.38	8.38	7.28	7.28
<b>g. Ratio of expenses to average daily net assets by percentage</b>	2.07%		2.15%		2.38%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	42.44%		72.46%		10.53%	

**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 OPPORTUNITIES FUND****Statement of Portfolio Holding as at March 31, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

<b>SR.NO</b>	<b>NAME OF THE COMPANY</b>	<b>QUANTITY</b>	<b>MARKET VALUE (RUPEES)</b>	<b>% TO NET ASSETS</b>
<b>EQUITY SHARES</b>				
<b>Listed / Awaiting listing on Stock Exchanges</b>				
<b>AUTO</b>			<b>286,979,739</b>	<b>4.81%</b>
1	Mahindra & Mahindra	313,222	155,640,012	2.61%
2	Tata Motors	190,332	78,740,348	1.32%
3	Maruti Udyog	124,365	52,394,975	0.88%
4	Hero Honda Motors	373	204,404	0.00%
<b>AUTO PARTS &amp; EQUIPMENT</b>			<b>119,094,473</b>	<b>2.00%</b>
5	Amtek Auto	734,471	119,094,473	2.00%
<b>BANKS</b>			<b>633,369,402</b>	<b>10.62%</b>
6	State Bank of India	483,524	316,611,515	5.31%
7	Vijaya Bank	2,467,860	158,313,219	2.65%
8	Karur Vysya Bank	204,542	83,892,901	1.41%
9	PNB	142,790	56,166,447	0.94%
10	IDBI	201,704	18,385,320	0.31%
<b>CEMENT</b>			<b>549,294,484</b>	<b>9.21%</b>
11	Grasim Industries	212,044	257,516,836	4.32%
12	ACC	503,100	181,392,705	3.04%
13	Gujarat Ambuja Cements	212,595	85,144,298	1.43%
14	Century Textiles	113,060	25,240,645	0.42%
<b>CONSTRUCTION</b>			<b>3,715,659</b>	<b>0.06%</b>
15	Jaiprakash Industries	18,866	3,715,659	0.06%
<b>CONSUMER DURABLES</b>			<b>165,723,142</b>	<b>2.78%</b>
16	Voltas	723,998	165,723,142	2.78%
<b>CONSUMER NON DURABLES</b>			<b>462,071,585</b>	<b>7.75%</b>
17	Balrampur Chini Mills	3,020,189	209,299,098	3.51%
18	ITC	115,635	155,187,952	2.60%
19	Bajaj Hindustan	606,869	97,584,535	1.64%
<b>FERROUS METALS</b>			<b>324,061,310</b>	<b>5.43%</b>
20	Tisco	433,961	174,040,059	2.92%
21	Jindal Vijaynagar Steel	150,000	54,375,000	0.91%
22	Sesa Goa	67,706	49,540,480	0.83%
23	SAIL	728,945	46,105,771	0.77%
<b>FERTILISERS</b>			<b>265,486,191</b>	<b>4.45%</b>
24	DCM Shriram Consolidated	439,700	209,670,945	3.51%
25	GNFC	812,449	55,815,246	0.94%
<b>INDUSTRIAL CAPITAL GOODS</b>			<b>439,715,870</b>	<b>7.37%</b>
26	BHEL	210,600	161,403,840	2.71%
27	Crompton Greaves	329,016	142,365,223	2.39%
28	Bharat Electronics	168,923	112,874,349	1.89%
29	L&T	23,084	23,072,458	0.39%
<b>INDUSTRIAL PRODUCTS</b>			<b>86,491,836</b>	<b>1.45%</b>
30	Graphite India	447,333	86,491,836	1.45%

SR.NO	NAME OF THE COMPANY	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>MEDIA &amp; ENTERTAINMENT</b>			<b>128,017,754</b>	<b>2.15%</b>
31	Deccan Chronicle Holdings	524,036	73,915,278	1.24%
32	NDTV	292,130	54,102,476	0.91%
<b>NON - FERROUS METALS</b>			<b>163,902,622</b>	<b>2.75%</b>
33	Hindalco	126,512	163,902,622	2.75%
<b>OIL</b>			<b>180,878,299</b>	<b>3.03%</b>
34	ONGC	204,313	180,878,299	3.03%
<b>PETROLEUM PRODUCTS</b>			<b>480,478,195</b>	<b>8.05%</b>
35	Reliance Industries	322,725	176,223,986	2.95%
36	IOC	292,797	128,245,086	2.15%
37	HPCL	314,911	95,843,163	1.61%
38	BPCL	142,386	50,333,451	0.84%
39	Chennai Petroleum Corporation	129,313	29,832,509	0.50%
<b>PHARMACEUTICALS</b>			<b>404,005,087</b>	<b>6.77%</b>
40	Glaxo Smithkline Pharmaceuticals	189,878	136,512,788	2.29%
41	Strides Arcolab	457,696	96,619,626	1.62%
42	Ranbaxy Laboratories	61,282	61,821,282	1.04%
43	Tasc Pharma	190,000	60,268,000	1.01%
44	Matrix Laboratories	187,352	29,358,058	0.49%
45	Lupin Laboratories	35,506	19,425,333	0.33%
<b>POWER</b>			<b>50,919,409</b>	<b>0.85%</b>
46	NTPC	596,945	50,919,409	0.85%
<b>SOFTWARE</b>			<b>700,687,926</b>	<b>11.75%</b>
47	Infosys Technologies	117,472	265,157,798	4.44%
48	Tata Consultancy Services	127,222	182,188,265	3.05%
49	Patni Computer	294,625	110,101,363	1.85%
50	Satyam Computer Services	201,866	82,573,287	1.38%
51	HCL Technologies	162,865	60,667,213	1.02%
<b>TELECOM - SERVICES</b>			<b>132,526,733</b>	<b>2.22%</b>
52	Bharti Televentures	638,991	132,526,733	2.22%
<b>TEXTILE PRODUCTS</b>			<b>100,364,191</b>	<b>1.68%</b>
53	Indian Rayon	249,507	100,364,191	1.68%
<b>TRANSPORTATION</b>			<b>73,114,812</b>	<b>1.23%</b>
54	Great Eastern Shipping	475,080	73,114,812	1.23%
<b>TOTAL</b>			<b>5,750,898,719</b>	<b>96.40%</b>
<b>MONEY MARKET INSTRUMENTS</b>				
	Money at call with Banks and Others		6,000,000	0.10%
	Reverse Repo Investments / CBLO		152,483,290	2.56%
<b>TOTAL</b>			<b>158,483,290</b>	<b>2.66%</b>
	Net Receivables / (Payables)		56,027,407	0.94%
<b>TOTAL NET ASSETS</b>			<b>5,965,409,416</b>	<b>100.00%</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005 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, 2005;
  - 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH SHORT TERM FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	<b>Schedule</b>	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
<b>LIABILITIES</b>			
Unit Capital	1	1,014,677,691	4,904,756,759
Reserves & Surplus	2	72,247,734	241,338,009
Current Liabilities	3	5,405,000	9,471,522
		<b>1,092,330,425</b>	<b>5,155,566,290</b>
<b>ASSETS</b>			
Investments	4	812,043,533	4,716,266,750
Deposits	5	2,900,000	1,400,000
Other Current Assets	6	277,386,892	437,899,540
		<b>1,092,330,425</b>	<b>5,155,566,290</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH SHORT TERM FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	155,498,330	477,998,631
Profit on sale of investments (net)		-	57,745,976
Write back of provision for unrealised loss in the value of investments		2,492,447	678,735
		<b>157,990,777</b>	<b>536,423,342</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		15,194,000	47,047,951
Marketing Expenses		4,252,363	-
Transfer agents fees & expenses		2,396,165	6,107,994
Custodian Fees & Transaction charges		714,689	2,196,802
Trusteeship fees		72,707	176,800
Payment to Auditor			
Audit fees		270,000	270,000
Other matters including reimbursement of expenses		11,986	3,900
Other operating expenses		355,597	521,833
Loss (net) on sale of Investments		6,013,254	-
Loss (net) on inter-scheme sale of Investments		12,957,355	13,873,711
Net unrealised loss in the value of investments		-	3,081,012
		<b>42,238,116</b>	<b>73,280,003</b>
<b>Excess of income and gains over expenses and losses</b>		<b>115,752,661</b>	<b>463,143,339</b>
Less: Income Equalisation account		(52,128,153)	(160,606,776)
<b>Income available for appropriation</b>		<b>63,624,508</b>	<b>302,536,563</b>
<b>Appropriation</b>			
Income distribution during the year		44,541,490	170,078,159
Tax on Income distributed during the year		5,821,016	21,791,264
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>13,262,002</b>	<b>110,667,140</b>

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, April 27, 2005

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

**Shitin D Desai**  
Chairman

**S. S. Thakur**  
Director

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
Director  
Mumbai, April 27, 2005

**Ranjan Pant**  
Director

**Naganath Sundaresan**  
President & Chief Investment  
Officer

**Dhawal Dalal**  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH SHORT TERM FUND**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	Year ended 31.03.2005 Rupees	Period ended 31.03.2004 Rupees
<b>A. Cashflow from Operating Activity</b>		
Excess of income and gains over expenses and losses	115,752,661	463,143,339
Add / Less: Unrealised loss provided / Written back	(2,492,447)	2,402,277
<b>Operating Profit Before Working Capital Changes</b>	<b>113,260,214</b>	<b>465,545,616</b>
Adjustments for:-		
(Increase)/Decrease in Other Current Assets	257,222,544	(201,685,036)
(Increase)/Decrease in Money Market Lending (Deposits)	-	1,900,000
(Increase)/Decrease in Investments	3,905,610,115	(2,431,356,166)
Increase/(Decrease) in Current Liabilities and Provisions	(3,005,993)	1,750,246
<b>Net Cash Generated From Operations</b>	<b>(A) 4,273,086,880</b>	<b>(2,163,845,340)</b>
<b>B. Cashflow from Financing Activities</b>		
Increase/(Decrease) in Unit Corpus	(3,890,079,068)	2,579,766,207
Increase/(Decrease) in Unit Premium	(233,374,881)	(129,038,297)
Outstanding Receivable/Payables for Unit Corpus	151,335,773	(145,353,162)
Dividend Paid during the year (including dividend tax paid)	(50,967,022)	(189,621,450)
<b>Net Cash Used in Financing Activities</b>	<b>(B) (4,023,085,198)</b>	<b>2,115,753,298</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(A+B) 250,001,682</b>	<b>(48,092,042)</b>
Cash and Cash Equivalents as at the beginning of the year	10,686,092	58,778,134
Cash and Cash Equivalents as at the close of the year	260,687,774	10,686,092
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>250,001,682</b>	<b>(48,092,042)</b>
<b>Components of cash and cash equivalents</b>		
With Banks - on current account	259,187,774	10,686,092
- on money at call	1,500,000	-
	<b>260,687,774</b>	<b>10,686,092</b>

As per our attached report of even date

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

**per Hemal Shah**  
*Partner*  
 Membership no. 42650

Mumbai, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH SHORT TERM FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule**

<b>1 UNIT CAPITAL</b>	<b>As at</b>		<b>As at</b>	
	<b>31.03.2005</b>		<b>31.03.2004</b>	
<b>Issued and subscribed:</b>	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
Units of Rs. 10 each fully paid up				
Opening Balance	490,475,675.973	4,904,756,759	232,499,055.179	2,324,990,552
Capital issued during the year	426,186,562.950	4,261,865,630	3,338,014,927.377	33,380,149,273
	<b>916,662,238.923</b>	<b>9,166,622,389</b>	<b>3,570,513,982.556</b>	<b>35,705,139,825</b>
Redemptions during the year	815,194,469.831	8,151,944,698	3,080,038,306.583	30,800,383,066
<b>Unit Capital at the end of the year</b>	<b>101,467,769.092</b>	<b>1,014,677,691</b>	<b>490,475,675.973</b>	<b>4,904,756,759</b>
Growth Plan	36,998,225.566	369,982,256	177,755,484.221	1,777,554,842
Dividend Plan	27,018,253.716	270,182,537	84,067,032.696	840,670,327
Weekly Dividend Plan	36,291,810.242	362,918,102	228,298,099.320	2,282,980,993
Monthly Dividend Plan	1,159,479.568	11,594,796	355,059.736	3,550,597
<b>Unit Capital at the end of the year</b>	<b>101,467,769.092</b>	<b>1,014,677,691</b>	<b>490,475,675.973</b>	<b>4,904,756,759</b>
<b>2 RESERVES AND SURPLUS</b>				
<b>Unit Premium Reserve</b>				
Opening balance		50,654,070		19,085,591
Net Premium on issue / redemption of units during the year		(233,374,881)		(129,038,297)
Transfer from Income Equalisation Account		52,128,153		160,606,776
<b>Closing Balance</b>		<b>(130,592,658)</b>		<b>50,654,070</b>
<b>Retained Surplus</b>				
Opening balance		186,913,128		76,245,988
Surplus transferred from Revenue Account		13,262,002		110,667,140
<b>Closing balance</b>		<b>200,175,130</b>		<b>186,913,128</b>
<b>Unrealised Appreciation on Investments</b>				
Opening balance		3,770,811		-
Less: Reversed during the year		(3,770,811)		-
Add: Unrealised appreciation as at the year end		2,665,262		3,770,811
<b>Closing balance</b>		<b>2,665,262</b>		<b>3,770,811</b>
		<b>72,247,734</b>		<b>241,338,009</b>
<b>3 CURRENT LIABILITIES</b>				
Sundry creditors		574,496		3,657,713
Payable for units repurchased / switch out		2,946,975		3,402,988
Distributed income payable		1,643,457		2,247,973
Unclaimed dividends / redemptions		1,231		-
Other liabilities		238,841		162,848
		<b>5,405,000</b>		<b>9,471,522</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH SHORT TERM FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Government Securities</b>	101,255,000	100,935,200	608,435,000	607,602,600
<b>Bonds &amp; Debentures</b>				
Listed or awaiting listing	133,652,440	125,879,240	1,950,753,147	1,941,000,100
Private Placement / Unlisted	582,563,831	585,229,093	2,163,893,239	2,167,664,050
	<b>817,471,271</b>	<b>812,043,533</b>	<b>4,723,081,386</b>	<b>4,716,266,750</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with Institutions	1,500,000	-
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	1,400,000	1,400,000
	<b>2,900,000</b>	<b>1,400,000</b>

  

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current accounts	259,187,774	10,686,092
Receivable for units switch in	-	151,791,786
Outstanding and accrued income	6,700,378	91,721,804
Collateralised lending (reverse repurchase transactions)	11,498,740	183,699,858
	<b>277,386,892</b>	<b>437,899,540</b>

  

7 INTEREST	Year ended 31.03.2005 Rupees	Period ended 31.03.2004 Rupees
Call deposits	209,106	5,245,195
Collateralised lending (reverse repurchase transactions)	11,772,452	27,441,017
Government securities and debentures	143,516,772	445,246,562
CCIL margin & others	-	65,857
	<b>155,498,330</b>	<b>477,998,631</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH SHORT TERM FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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.

**1. 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 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.

**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.

**VI. 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 charged to the Scheme at approximately 0.47 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
IDBI	OF,FRF,LF,SPF-C,STF,GSFA	25.10	-
Kotak Mahindra Bank Ltd.	LF	20.00	-
State Bank of India	OF,EF,ITF	21.76	-

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

\* BF – Bond Fund, EF – Equity Fund, LF - Liquidity Fund, BAF – Balanced Fund, GSFA – Government Securities Fund - Plan A (Longer Duration Plan), STF – Short Term Fund, OF – Opportunities Fund, TEF – TOP100 Equity Fund, SPF - M – Savings Plus Fund - Moderate, FRF – Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 4,378,261,637 (previous year Rs. 22,397,902,128) and Rs.7,784,002,405 (previous year Rs. 19,822,079,030) respectively being 135.50% (previous year 285.01 %) and 240.90 % (previous year 252.23 %) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	2,215,373	7,528,929
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	-	749,778,600

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**6. Distributable Income**

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	63,624,508	302,536,563
Add: Balance of undistributed income as at the beginning of the year	186,913,128	76,245,988
Less: Distributed to unitholders & distribution tax	50,362,506	191,869,423
<b>Balance Distributable income</b>	<b>200,175,130</b>	<b>186,913,128</b>

**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:

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 (upto January 31, 2005)
  - Mr. Naganath Sundaresan – President & Chief Investment Officer
  - Mr. Dhawal Dalal – Fund Manager
  - Mr. Pankaj Sharma – Risk Manager
4. Associates
  - DSP Merrill Lynch Limited (DSPML)
5. Schemes of DSP Merrill Lynch Mutual Fund managed by DSP Merrill Lynch Fund Managers Limited

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2005 and March 31, 2004 and for the years then ended are presented in the following table:-

**Rupees**

Nature of Transaction	Year	AMC	Trustee Company	Associates: DSPML	Naganath S	Total
Management Fees	2004-2005 2003-2004	15,194,000 47,047,951	— —	— —	— —	15,194,000 47,047,951
Brokerage on Unit Distribution (refer note)	2004-2005 2003-2004	— —	— —	2,215,373 7,528,929	— —	2,215,373 7,528,929
Trustee Fee	2004-2005 2003-2004	— —	72,707 176,800	— —	— —	72,707 176,800
Call and Repo lending (Interest received)	2004-2005 2003-2004	— —	— —	-(interest received -) 185,000,000 (interest received 45,068)	— —	-(interest received -) 185,000,000 (interest received 45,068)
Value of Units Purchased (at transaction NAVs)	2004-2005 2003-2004	53,944 25,546,753	— —	— 102,470,516	— —	53,944 128,017,269
Value of Units Redeemed (at transaction NAVs)	2004-2005 2003-2004	16,537,993 25,694,193	— —	— 373,214,493	— 612,079	16,537,993 399,520,765
Year-end Outstanding Units (valued at last declared NAV)	2004-2005 2003-2004	— 16,368,502	— —	— —	— —	— 16,368,502
Dividend declared by the Scheme	2004-2005 2003-2004	382 546,753	— —	— 2,470,516	— —	382 3,017,269
Year-end Other Payables	2004-2005 2003-2004	271,774 2,620,254	953 117,360	71,050 340,374	— —	343,777 3,077,988

Note: Brokerage on distribution of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account. Further, the year end balance is reflected in the books of the AMC

**INTERSCHEME TRANSACTIONS****Rupees**

Scheme	Transaction	2004-2005	2003-2004
BF	Sell	210,570,385	1,447,358,152
FRF	Sell	2,368,662,541	1,522,540,490
SPF-M	Sell	-	303,384,900
LF	Sell	201,785,500	1,598,288,352
BF	Purchase	491,507,100	3,191,779,850
LF	Purchase	250,700,000	894,308,783
SPF-M	Purchase	20,358,140	-
FRF	Purchase	-	100,965,400

**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, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan	11.5625		11.0971		10.4100	
Dividend Plan (D)	10.3078		10.1757		10.4100	
Weekly Dividend (WD)	10.1627		10.1381		-	
Monthly Dividend (MD)	10.1902		10.0197		-	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	1.5325		0.9746		0.7953	
(ii) Income from profit on inter scheme sales/transfer of investment	(0.1277)		(0.0283)		(0.1413)	
(iii) Income from profit / (loss) on sale of investment to third party	(0.0593)		0.1177		0.1802	
(iv) Transfer to revenue account Income from past year's reserve	0.0246		0.0014		-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.2293		0.1148		0.0793	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	1.1408		0.9506		0.7549	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	(0.0535)		(0.0139)		(0.0352)	
<b>f. Repurchase and Resale Price</b>						
<b>Repurchase Price</b>						
- Highest Price	11.5625	D-10.5049 WD-10.1709 MD-10.2441	11.0971	D-10.4733 WD-10.1381 MD-10.0197	10.4100	10.4100
- Lowest Price	11.1018	D-10.1800 WD-10.1150 MD-10.0239	10.4133	D-10.1521 WD-10.0019 MD-10.0011	10.0122	10.0122
<b>Resale Price</b>						
- Highest Price	11.5625	D-10.5049 WD-10.1709 MD-10.2441	11.0971	D-10.4733 WD-10.1381 MD-10.0197	10.4100	10.4100
- Lowest Price	11.1018	D-10.1800 WD-10.1150 MD-10.0239	10.4133	D-10.1521 WD-10.0019 MD-10.0011	10.0122	10.0122
<b>g. Ratio of expenses to average daily net assets by percentage</b>		0.72%		0.72%		0.64%
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).		4.06%		6.55%		3.77%

**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 SHORT TERM FUND**  
**Statement of Portfolio Holding as at March 31, 2005**  
**(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>CENTRAL GOVERNMENT SECURITIES</b>					
1	06.96 % GOI 2009	SOV	1,000,000	100,935,200	9.29%
<b>TOTAL</b>				<b>100,935,200</b>	<b>9.29%</b>
<b>DEBT INSTRUMENTS</b>					
<b>(a) Listed / Awaiting listing on Stock Exchanges</b>					
<b>BANKS</b>					
2	Canara Bank 2007 **	AAA	200	105,712,400	9.73%
<b>FINANCE</b>					
3	Sundaram Finance 2005 **	LAAA	200	20,166,840	1.86%
<b>TOTAL</b>				<b>125,879,240</b>	<b>11.58%</b>
<b>(b) Unlisted / Privately Placed</b>					
<b>AUTO</b>					
4	BHPC Auto Trust Dec. II 2003 SR A3 **	AAA	15	85,400,835	7.86%
<b>BANKS</b>					
5	Royal Trust Floating Rate PTC SR. May 2004 Class A2 **	AAA	24	217,332,648	20.00%
6	Retail 2003 Series I HDFC **	AAA	15	26,192,685	2.41%
<b>FINANCE</b>					
7	GECSI Loan Trust Series I Sr. PTC 2007 **	AAA	25	256,302,925	23.58%
<b>TOTAL</b>				<b>585,229,093</b>	<b>53.84%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
<b>CASH &amp; CASH EQUIVALENTS</b>					
Money at call with Banks and others				1,500,000	0.14%
Reverse Repo Investments / CBLO				11,498,740	1.06%
<b>TOTAL</b>				<b>12,998,740</b>	<b>1.20%</b>
Net Receivables / (Payables)				261,883,152	24.09%
<b>TOTAL NET ASSETS</b>				<b>1,086,925,425</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH TOP100 EQUITY FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	530,824,064	862,525,713
Reserves & Surplus	2	303,942,427	439,734,506
Current Liabilities and Provisions	3	26,326,961	15,016,701
		<b>861,093,452</b>	<b>1,317,276,920</b>
<b>ASSETS</b>			
Investments	4	827,293,713	1,275,436,549
Deposits	5	2,000,000	-
Other Current Assets	6	31,799,739	41,840,371
		<b>861,093,452</b>	<b>1,317,276,920</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH TOP100 EQUITY FUND**  
**REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Period ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	1,429,274	1,513,247
Dividend		22,706,144	20,855,416
Profit on sale of Investments (net)		186,133,711	452,419,260
Misc. receipts		-	20,474
Write back of provision for unrealised loss in the value of investments		-	5,649,258
		<b>210,269,129</b>	<b>480,457,655</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		13,164,040	10,193,027
Marketing Fee		8,018,833	6,394,520
Transfer agents fees & expenses		2,793,712	1,907,138
Custodian Fees & Transaction charges		906,855	1,457,730
Trusteeship fees		22,174	13,400
Payment to Auditor			
Audit fees		81,000	54,000
Other matters including reimbursement of expenses		9,251	300
Other operating expenses		292,406	29,190
		<b>25,288,271</b>	<b>20,049,305</b>
<b>Excess of income and gains over expenses and losses / (expenses and losses over income and gains)</b>		<b>184,980,858</b>	<b>460,408,350</b>
Add/Less: Income Equalisation account		8,617,056	153,155,878
<b>Income available for appropriation</b>		<b>193,597,914</b>	<b>613,564,228</b>
<b>Appropriation</b>			
Income distribution during the year		157,462,114	454,200,166
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>36,135,800</b>	<b>159,364,062</b>

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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment  
 Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH TOP100 EQUITY FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule****1 UNIT CAPITAL****Issued and subscribed:**

Units of Rs. 10 each fully paid up

	<b>As at 31.03.2005</b>		<b>As at 31.03.2004</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
Opening balance	86,252,571.322	862,525,713	22,666,370.231	226,663,702
Capital issued during the year	48,415,705.193	484,157,052	138,765,328.621	1,387,653,286
	<b>134,668,276.515</b>	<b>1,346,682,765</b>	<b>161,431,698.852</b>	<b>1,614,316,988</b>
Redemptions during the year	81,585,870.110	815,858,701	75,179,127.530	751,791,275
<b>Unit Capital at the end of the year</b>	<b>53,082,406.405</b>	<b>530,824,064</b>	<b>86,252,571.322</b>	<b>862,525,713</b>
Growth Plan	4,446,594.106	44,465,941	11,064,093.673	110,640,937
Dividend Plan	48,635,812.299	486,358,123	75,188,477.649	751,884,776
<b>Unit Capital at the end of the year</b>	<b>53,082,406.405</b>	<b>530,824,064</b>	<b>86,252,571.322</b>	<b>862,525,713</b>

**2 RESERVES AND SURPLUS****Unit Premium Reserve**

Opening balance  
 Net Premium on issue / redemption of units during the year  
 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 end

**Closing balance**

	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
Opening balance	137,370,922	(122,107)
Net Premium on issue / redemption of units during the year	(170,757,375)	290,648,907
Transfer from Income Equalisation Account	(8,617,056)	(153,155,878)
<b>Closing balance</b>	<b>(42,003,509)</b>	<b>137,370,922</b>
Opening balance	149,230,200	(10,133,862)
Surplus/(Deficit) transferred from Revenue Account	36,135,800	159,364,062
<b>Closing balance</b>	<b>185,366,000</b>	<b>149,230,200</b>
Opening balance	153,133,384	-
Less: Reversed during the year	(153,133,384)	-
Add: Unrealised appreciation as at the year end	160,579,936	153,133,384
<b>Closing balance</b>	<b>160,579,936</b>	<b>153,133,384</b>
	<b>303,942,427</b>	<b>439,734,506</b>

**3 CURRENT LIABILITIES**

Sundry creditors  
 Payable for units repurchased / Switch out  
 Contract for purchase of Investment  
 Unclaimed distributeds / redemptions  
 Other liabilities

	<b>As at 31.03.2005 Rupees</b>	<b>As at 31.03.2004 Rupees</b>
Sundry creditors	2,756,048	2,561,934
Payable for units repurchased / Switch out	13,521,841	10,951,097
Contract for purchase of Investment	9,513,247	-
Unclaimed distributeds / redemptions	79,254	2,200
Other liabilities	456,571	1,501,470
	<b>26,326,961</b>	<b>15,016,701</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH TOP100 EQUITY FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Equity Shares</b>				
Listed or awaiting listing	666,713,777	827,293,713	1,122,303,165	1,275,436,549
	<b>666,713,777</b>	<b>827,293,713</b>	<b>1,122,303,165</b>	<b>1,275,436,549</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	2,000,000	-
	<b>2,000,000</b>	<b>-</b>

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current accounts	3,293,412	5,167,105
Receivable for units switch in	28,771	24,228
Outstanding Contracts for settlement	13,625,916	-
Outstanding and accrued income	672	4,349
Collateralised lending (reverse repurchase transactions)	14,498,411	36,633,787
Other receivable	352,557	10,902
	<b>31,799,739</b>	<b>41,840,371</b>

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Call deposits	22,873	273,929
Collateralised lending (reverse repurchase transactions)	1,406,401	1,219,843
CCIL margin & others	-	19,475
	<b>1,429,274</b>	<b>1,513,247</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH TOP100 EQUITY FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the year ended March 31, 2005.**

**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 (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 Entry Load**

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

**3. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 1.24 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF, FRF	1.40	2.17
Dabur India Ltd.	FRF	0.32	-
Grasim Industries Ltd.	FRF, STF	0.55	5.16
Gujarat Ambuja Cements Ltd.	LF	1.53	-
HCL Technologies Ltd.	STF, BF	4.36	3.31
Hero Honda Ltd.	SPF - M, FRF, LF, SPF - C	3.98	0.72
Hindalco Ltd.	BF, FRF, LF	0.56	3.11
ICICI Bank Ltd.	LF, SPF - C	8.09	4.43
IDBI	OF, FRF, LF, SPF - C, STF, GSFA	1.96	0.02
Indian Overseas Bank	ITF	1.35	-
Infosys Technologies Ltd.	LF	4.60	6.71
ITC Ltd.	FRF, LF, STF	2.19	4.24
Jet Airways Ltd.	LF	0.26	-
Kotak Mahindra Bank Ltd.	LF	1.61	-
Maruti Udyog Ltd.	FRF, STF	1.22	-
Punjab National Bank	ITF	1.01	1.02
State Bank of India	OF, EF, ITF	3.13	5.08
Tata Consultancy Services Ltd.	STF	4.33	3.48
Tata Iron And Steel Company Ltd.	LF	6.93	3.79
Tata Motors Ltd.	SPF - M, FRF, LF, STF	1.99	0.04
Union Bank of India	SPF - M, SPF - A, FRF	2.24	1.34
Vijaya Bank	BalF, EF, TEF	0.50	-

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (longer Duration Plan), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF - India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 1,027,096,513 (previous year Rs. 3,446,164,091) and Rs. 1,668,768,126 (previous year Rs. 2,931,164,468) respectively being 96.38% (previous year 402.07%) and 156.50% (previous year 341.99%) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	1,817,571	3,883,373
Payment of Brokerage on Secondary Market transactions	424,770	1,251,669
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	33,478,950	9,726,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

#### 6. Distributable Income

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	193,597,914	613,564,228
Add: Balance of undistributed income as at the beginning of the year	149,230,200	(10,133,862)
Less: Unrealised appreciation on investments included in the balance undistributed income as at the beginning of the year.	-	-
Less: Distributed to unitholders & distribution tax	157,462,114	454,200,166
<b>Balance Distributable income</b>	<b>185,366,000</b>	<b>149,230,200</b>

#### 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

	<b>March 31, 2005</b>		<b>March 31, 2004</b>		<b>March 31, 2003</b>	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan	26.68		21.96		9.55	
Dividend Plan	14.72		14.09		9.55	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	0.45		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	3.51		5.24		(0.01)	
(iv) Transfer to revenue account Income from past year's reserve	-		0.07		0.00	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.48		0.23		0.21	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	3.48		5.34		(0.19)	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	3.03		1.78		(0.25)	
<b>f. Repurchase &amp; Resale Price</b>						
<b>Repurchase Price</b>						
- Highest Price	28.40	15.98	23.81	18.42	9.70	9.70
- Lowest Price	18.07	11.59	9.60	9.60	9.49	9.49
<b>Resale Price</b>						
- Highest Price	29.04	16.34	24.29	18.79	9.89	9.89
- Lowest Price	18.43	11.82	9.79	9.79	9.68	9.68
<b>g. Ratio of expenses to average daily net assets by percentage</b>	2.37%		2.34%		1.61%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	34.80%		70.83%		(2.42%)	

**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. Repurchase price for Systematic Investment Plan investors may differ to the extent of applicable CDSC depending on duration for which units are held prior to redemption.
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, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

<b>SR.NO</b>	<b>NAME OF THE COMPANY</b>	<b>QUANTITY</b>	<b>MARKET VALUE (RUPEES)</b>	<b>% TO NET ASSETS</b>
<b>EQUITY &amp; EQUITY RELATED</b>				
<b>Listed / awaiting listing on the Stock Exchanges</b>				
<b>AUTO</b>				
1	Mahindra & Mahindra	60,246	37,559,779	4.50%
2	Hero Honda Motors	13,211	29,936,237	3.59%
3	Tata Motors	928	7,239,628	0.87%
			383,914	0.05%
<b>BANKS</b>				
4	State Bank of India	77,589	123,727,140	14.82%
5	ICICI Bank	112,810	50,805,277	6.09%
6	Union Bank	118,670	44,311,768	5.31%
7	PNB	25,890	13,415,644	1.61%
8	Canara Bank	25,890	10,183,832	1.22%
9	IDBI	24,019	4,803,800	0.58%
		2,269	206,819	0.02%
<b>CEMENT</b>				
10	Grasim Industries	42,465	77,875,544	9.33%
11	ACC	72,955	51,571,619	6.18%
			26,303,925	3.15%
<b>CONSUMER NON DURABLES</b>				
12	ITC	31,626	42,443,673	5.08%
<b>FERROUS METALS</b>				
13	Tisco	94,552	37,920,080	4.54%
<b>INDUSTRIAL CAPITAL GOODS</b>				
14	Siemens	16,932	74,833,104	8.96%
15	Bharat Electronics	23,305	28,832,656	3.45%
16	L&T	15,320	15,572,401	1.87%
17	BHEL	19,723	15,312,340	1.83%
			15,115,707	1.81%
<b>INDUSTRIAL PRODUCTS</b>				
18	Bharat Forge	6,396	8,802,815	1.05%
<b>NON - FERROUS METALS</b>				
19	Hindalco	24,043	31,148,909	3.73%
			31,148,909	3.73%
<b>OIL</b>				
20	ONGC	50,955	45,110,462	5.40%
<b>PETROLEUM PRODUCTS</b>				
21	Reliance Industries	100,943	115,662,392	13.86%
22	HPCL	83,431	55,119,925	6.60%
23	IOC	46,670	25,392,225	3.04%
24	BPCL	41,609	20,441,460	2.45%
			14,708,782	1.76%
<b>PHARMACEUTICALS</b>				
25	Sun Pharmaceutical Industries	23,850	25,582,800	3.06%
26	Glaxo Smithkline Pharmaceuticals	14,200	11,126,025	1.33%
27	Nicholas Piramal	17,325	10,209,090	1.22%
28	Ranbaxy Laboratories	380	3,864,341	0.46%
			383,344	0.05%

SR.NO	NAME OF THE COMPANY	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>POWER</b>				
29	NTPC	134,598	11,481,209	1.38%
<b>SOFTWARE</b>				
30	Infosys Technologies	29,741	67,131,385	8.04%
31	Tata Consultancy Services	24,329	34,840,344	4.17%
32	HCL Technologies	88,814	33,083,215	3.96%
33	Satyam Computer Services	66,795	27,322,495	3.27%
<b>TELECOM - SERVICES</b>				
34	Bharti Televentures	104,479	21,668,945	2.60%
<b>TRANSPORTATION</b>				
35	Great Eastern Shipping	72,121	11,099,422	1.33%
<b>TOTAL</b>			<b>827,293,713</b>	<b>99.10%</b>
<b>MONEY MARKET INSTRUMENTS</b>				
Money at call with Banks and Others			2,000,000	0.24%
Reverse Repo Investments / CBLO			14,498,411	1.74%
<b>TOTAL</b>			<b>16,498,411</b>	<b>1.98%</b>
Net Receivables / (Payables)			(9,025,633)	-1.08%
<b>TOTAL NET ASSETS</b>			<b>834,766,491</b>	<b>100%</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH MUTUAL FUND – 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 (FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND) ('the Scheme') as at March 31, 2005 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, 2005 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, 2005; 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, April 27, 2005

**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, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	2,723,769,467	5,713,802,962
Reserves & Surplus	2	514,708,752	576,276,105
Current Liabilities	3	31,954,795	44,299,637
		<b>3,270,433,014</b>	<b>6,334,378,704</b>
<b>ASSETS</b>			
Investments	4	3,107,041,819	5,590,285,678
Deposits	5	3,900,000	123,400,000
Other Current Assets	6	159,491,195	620,693,026
		<b>3,270,433,014</b>	<b>6,334,378,704</b>
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, April 27, 2005

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

**Shitin D Desai**

*Chairman*

**S. S. Thakur**

*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**

*Director*

Mumbai, April 27, 2005

**Ranjan Pant**

*Director*

**Naganath Sundaresan**  
*President, Chief Investment  
Officer & Fund Manager*

Mumbai, April 26, 2005

**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, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	258,872,398	115,433,011
Dividend		12,506,169	3,069,376
Profit (net) on sale of Investments		75,162,509	124,445,469
Profit (net) on inter-scheme sale of Investments		2,224,469	-
Write back of provision for unrealised loss in the value of investments		701,355	934,692
		<b>349,466,900</b>	<b>243,882,548</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		49,942,717	21,949,700
Marketing Fee		40,394,317	14,770,561
Transfer agents fees & expenses		9,069,472	3,322,445
Custodian Fees & Transaction charges		1,456,593	638,662
Trusteeship fees		104,202	21,800
Audit fees		270,000	54,000
Other operating expenses		754,821	198,702
Net unrealised loss in the value of investments		-	2,251,107
		<b>101,992,122</b>	<b>43,206,977</b>
<b>Excess of income and gains over expenses and losses / (expenses and losses over income and gains)</b>		<b>247,474,778</b>	<b>200,675,571</b>
Add / (Less): Income Equalisation Account		(40,640,623)	281,703,180
<b>Income available for appropriation</b>		<b>206,834,155</b>	<b>482,378,751</b>
<b>Appropriation</b>			
Income distribution during the year		70,165,544	123,150,279
Tax on Income distributed during the year		9,169,760	15,778,630
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>127,498,851</b>	<b>343,449,842</b>

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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President, Chief Investment  
 Officer & Fund Manager*

Mumbai, April 26, 2005

**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, 2005**

**Schedule****1 UNIT CAPITAL****Issued and subscribed:**

Units of Rs. 10 each fully paid up

	As at 31.03.2005		As at 31.03.2004	
	Units	Rupees	Units	Rupees
Opening balance	571,380,296.283	5,713,802,962	23,728,182.343	237,281,823
Capital issued during the year	364,219,329.566	3,642,193,296	751,214,913.625	7,512,149,136
	<b>935,599,625.849</b>	<b>9,355,996,258</b>	<b>774,943,095.968</b>	<b>7,749,430,959</b>
Redemptions during the year	663,222,679.094	6,632,226,791	203,562,799.685	2,035,627,997
<b>Unit Capital at the end of the year</b>	<b>272,376,946.755</b>	<b>2,723,769,467</b>	<b>571,380,296.283</b>	<b>5,713,802,962</b>
Growth Plan	176,913,548.743	1,769,135,487	254,025,225.964	2,540,252,259
Monthly Dividend Plan	34,792,221.414	347,922,214	176,258,970.747	1,762,589,707
Quarterly Dividend Plan	60,671,176.598	606,711,766	141,096,099.572	1,410,960,996
<b>Unit Capital at the end of the year</b>	<b>272,376,946.755</b>	<b>2,723,769,467</b>	<b>571,380,296.283</b>	<b>5,713,802,962</b>

**2 RESERVES AND SURPLUS****Unit Premium Reserve**

Opening balance 214,810,107 438,750  
Net Premium on issue /redemption of units during the year (279,834,907) 496,074,537  
Transfer from Income Equalisation Account 40,640,623 (281,703,180)

**Closing balance****(24,384,177) 214,810,107****Retained Surplus**

Opening balance 342,805,918 (643,924)  
Surplus/(Deficit) transferred from Revenue Account 127,498,851 343,449,842

**Closing balance****470,304,769 342,805,918****Unrealised Appreciation on Investments**

Opening balance 18,660,080 150,750  
Less: Reversed during the year (18,660,080) (150,750)  
Add: Unrealised appreciation as at the year / period end 68,788,160 18,660,080

**Closing balance****68,788,160 18,660,080****514,708,752 576,276,105****3 CURRENT LIABILITIES**

Sundry Creditors 5,341,939 9,288,854  
Payables for units repurchased / switch out 605,011 7,845,414  
Contract for purchase of Investment 16,688,994 -  
Distributed income payable 8,128,218 26,806,359  
Unclaimed dividends /redemptions 92,502 672  
Other Liabilities 1,098,131 358,338

**As at  
31.03.2005  
Rupees**

**As at  
31.03.2004  
Rupees**

**31,954,795 44,299,637**

**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, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Equity Shares</b>				
Listed or awaiting listing	405,411,443	459,438,430	947,469,863	965,208,203
<b>Government Securities</b>	189,914,417	188,364,665	2,221,182,857	2,219,433,000
<b>Bonds &amp; Debentures</b>				
Listed or awaiting listing	1,605,593,000	1,620,084,400	1,074,361,900	1,075,283,640
Private Placement / Unlisted	838,884,551	839,154,324	850,257,350	849,756,100
<b>Commercial Papers</b>	-	-	95,536,565	95,536,565
<b>Certificate of Deposits</b>	-	-	385,068,170	385,068,170
	<b>3,039,803,411</b>	<b>3,107,041,819</b>	<b>5,573,876,705</b>	<b>5,590,285,678</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Money at call with :		
- Institutions	3,500,000	23,000,000
Fixed Deposits with Scheduled Banks	-	100,000,000
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	400,000	400,000
	<b>3,900,000</b>	<b>123,400,000</b>

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current accounts	8,437,928	92,932,226
Receivable for Units switch in	5,050,000	1,072,319
Outstanding and accrued income	23,857,846	107,664,094
Collateralised lending (reverse repurchase transactions)	120,965,599	418,899,387
Others	1,179,822	125,000
	<b>159,491,195</b>	<b>620,693,026</b>

7 INTEREST	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
Call deposits	157,564	1,075,065
Collateralised lending (reverse repurchase transactions)	11,253,066	9,349,089
Government securities and debentures	247,461,768	104,987,584
CCIL margin & others	-	21,273
	<b>258,872,398</b>	<b>115,433,011</b>

**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, 2005 and the Revenue Account for**  
**the year ended March 31, 2005**

**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 (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.

**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.

**2.8 Initial Public Offer Expenses**

Initial Public Offer Expenses were borne by the AMC.

**3. Collateralised Borrowing and Lending Obligations (CBLO)**

Following Central Government dated Securities are pledged towards Margin for CBLO with the Clearing Corporation of India Limited as of March 31, 2005

Security	Face Value (rupees)
6.18% CGL 2005	30,000,000
4.49% CGL FRB 2016	10,000,000

**4. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 0.93 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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**

- 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF,FRF	7.10	-
Dr Reddys Laboratories Ltd.	FRF	6.49	-
Grasim Industries Ltd.	FRF,STF	7.93	2.89
Gujarat Ambuja Cements Ltd.	LF	5.64	2.61
HDFC Bank Ltd.	FRF	7.38	2.81
Hero Honda Ltd.	SPF-M,FRF,LF,SPF-C	3.15	-
ICICI Bank Ltd.	LF,SPF-C	7.63	-
IDBI	OF,FRF,LF,SPF-C,STF,GSFA	34.78	46.47
Infosys Technologies Ltd.	LF	13.24	1.68
Jet Airways Ltd.	LF	1.05	-
Maruti Udyog Ltd.	FRF,STF	6.13	-
Punjab National Bank	ITF	4.66	3.84
State Bank of India	OF,EF,ITF	8.89	1.92
Tata Consultancy Services Ltd.	STF	12.54	4.16
Tata Iron And Steel Company Ltd.	LF	4.40	-
Tata Motors Ltd.	SPF-M,FRF,LF,STF	6.20	-
UTI Bank	SPF-M,FRF,LF	-	-
Vijaya Bank	BaF,EF,TEF	1.96	-

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (Longer Duration Plan), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 7,669,399,980 (previous year Rs. 11,225,147,497) and Rs. 10,327,828,059 (previous year Rs. 5,800,257,092) respectively being 142.39 % (previous year 549.31 %) and 191.75% (previous year 283.84 %) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units	13,411,613	7,851,621
Payment of Brokerage on Secondary Market transactions:	677,365	671,340
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	125,764,150	576,219,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**7. Distributable Income**

	Year ended March 31, 2005 Rupees	Year ended March 31, 2004 Rupees
Net Income as per Revenue Account	206,834,155	482,378,751
Add: Balance of undistributed income as at the beginning of the year	342,805,918	(643,924)
Less: Distributed to unitholders & distribution tax	79,335,304	138,928,909
<b>Balance Distributable income</b>	<b>470,304,769</b>	<b>342,805,918</b>

**8. Prior Period 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, 2005		March 31, 2004		March 31, 2003	
<b>a. Net asset value, at the end of the period:</b>						
Growth Plan (G)	12.5556		11.7466		9.9977	
Quarterly Dividend (QD)	10.6672		10.4269		9.9977	
Monthly Dividend (MD)	10.6352		10.4106		9.9977	
<b>b. Gross Income</b>						
(i) Income other than profit on sale of investment	0.9963		0.2074		0.0798	
(ii) Income from profit on inter scheme sales/transfer of investment	0.0082		-		-	
(iii) Income from profit / (loss) on sale of investment to third party	0.2760		0.2178		(0.0357)	
(iv) Transfer to revenue account Income from past year' reserve	0.0026		0.0017		-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.3745		0.0717		0.0173	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	0.9086		0.3552		(0.0126)	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	0.2469		0.0287		(0.033)	
<b>f. Repurchase and Resale Price</b>						
<b>Repurchase Price</b>						
- Highest Price						
	QD-10.873		QD-10.6736		10.0078	10.0078
	12.5733	MD-10.722	11.7385	MD-10.6357		
- Lowest Price						
	QD-10.2015		QD-9.8820		9.9498	9.9498
	11.4927	MD-10.1006	9.8820	MD-9.8820		
<b>Resale Price</b>						
- Highest Price						
	QD-10.9386		QD-10.7380		10.0078	10.0078
	12.6492	MD-10.7867	11.8094	MD-10.6999		
- Lowest Price						
	QD-10.2631		QD-9.9416		9.9498	9.9498
	11.5621	MD-10.1616	9.9416	MD-9.9416		
<b>g. Ratio of expenses to average daily net assets by percentage</b>	1.89%		2.00%		1.10%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	7.72%		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 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 SAVINGS PLUS FUND - MODERATE  
(FORMERLY DSP MERRILL LYNCH SAVINGS PLUS FUND)**

**Statement of Portfolio Holding as at March 31, 2005**

**(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>EQUITY &amp; EQUITY RELATED</b>					
<b>Listed / awaiting listing on the stock exchanges</b>					
<b>BANKS</b>					
				<b>85,712,909</b>	<b>2.65%</b>
1	PNB		97,740	38,446,029	1.19%
2	HDFC Bank		51,543	28,083,204	0.87%
3	State Bank of India		29,297	19,183,676	0.59%
<b>CEMENT</b>					
				<b>56,800,925</b>	<b>1.75%</b>
4	Grasim Industries		23,760	28,855,332	0.89%
5	Gujarat Ambuja Cements		65,200	26,112,600	0.81%
6	Ultra Tech		5,167	1,832,993	0.06%
<b>INDUSTRIAL CAPITAL GOODS</b>					
				<b>54,608,839</b>	<b>1.69%</b>
7	Siemens		25,003	42,576,359	1.31%
8	BHEL		15,700	12,032,480	0.37%
<b>OIL</b>					
				<b>39,338,306</b>	<b>1.21%</b>
9	ONGC		44,435	39,338,306	1.21%
<b>PETROLEUM PRODUCTS</b>					
				<b>33,968,199</b>	<b>1.05%</b>
10	HPCL		111,609	33,968,199	1.05%
<b>PHARMACEUTICALS</b>					
				<b>80,699,673</b>	<b>2.49%</b>
11	Glaxo Smithkline Pharmaceuticals		48,869	35,134,368	1.08%
12	Nicholas Piramal		113,656	25,350,971	0.78%
13	Ranbaxy Laboratories		20,038	20,214,334	0.62%
<b>POWER</b>					
				<b>49,937,094</b>	<b>1.54%</b>
14	NTPC		585,429	49,937,094	1.54%
<b>SOFTWARE</b>					
				<b>58,372,485</b>	<b>1.80%</b>
15	Tata Consultancy Services		29,044	41,592,460	1.28%
16	Infosys Technologies		7,434	16,780,025	0.52%
<b>TOTAL</b>				<b>459,438,430</b>	<b>14.19%</b>
<b>CENTRAL GOVERNMENT SECURITIES</b>					
				<b>188,364,665</b>	<b>5.82%</b>
17	4.49 % GOI FRB 2016	SOV	1,500,000	148,500,450	4.59%
18	6.18 % GOI 2005	SOV	397,700	39,864,215	1.23%
<b>TOTAL</b>				<b>188,364,665</b>	<b>5.82%</b>
<b>DEBT INSTRUMENTS</b>					
<b>(a) Listed / awaiting listing on the stock exchanges</b>					
<b>BANKS</b>					
				<b>464,676,250</b>	<b>14.35%</b>
19	IDBI FRB 2009 **	AA+	250	256,716,250	7.93%
20	IDBI FRB 2009 **	AA+	200	207,960,000	6.42%
<b>FINANCE</b>					
				<b>1,155,408,150</b>	<b>35.68%</b>
21	HDFC FRN 2007 **	AAA	550	553,905,000	17.10%
22	Sundaram Home Finance FRN 2007 **	AAA	200	200,000,000	6.18%
23	Citicorp Finance FRN 2007 **	AAA	150	151,503,150	4.68%
24	Citi Financial Consumer Finance India FRN 2007 **	AAA	150	150,000,000	4.63%
25	Sundaram Finance FRN 2007 **	AAA	100	100,000,000	3.09%

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>TOTAL</b>				<b>1,620,084,400</b>	<b>50.03%</b>
<b>(b) Unlisted / Privately Placed BANKS</b>					
				<b>839,154,324</b>	<b>25.91%</b>
26	India Retail ABS Trust(SR.XIII) FRN 2006	AAA	40	392,573,520	12.12%
27	India Retail ABS Trust 2006 **	AAA	25	245,045,104	7.57%
28	Royal Trust PTC (SR May 04) **	AAA	25	201,535,700	6.22%
<b>TOTAL</b>				<b>839,154,324</b>	<b>25.91%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
Money at call with Banks and Others				3,500,000	0.11%
Reverse Repo Investments / CBLO				120,965,600	3.74%
<b>TOTAL</b>				<b>124,465,600</b>	<b>3.84%</b>
Net Receivables / (Payables)				6,970,800	0.22%
<b>TOTAL NET ASSETS</b>				<b>3,238,478,219</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – 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, 2005 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, 2005 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, 2005;
  - 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH FLOATING RATE FUND  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
<b>LIABILITIES</b>			
Unit Capital	1	21,669,976,650	3,119,476,356
Reserves & Surplus	2	764,107,465	64,346,884
Current Liabilities	3	54,946,668	60,741,950
		<b>22,489,030,783</b>	<b>3,244,565,190</b>
<b>ASSETS</b>			
Investments	4	21,348,231,585	3,101,734,850
Deposits	5	505,750,000	29,700,000
Other Current Assets	6	635,049,198	113,130,340
		<b>22,489,030,783</b>	<b>3,244,565,190</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Dhawal Dalal**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH FLOATING RATE FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	Year ended 31.03.2005 Rupees	Period ended 31.03.2004 Rupees
<b>INCOME &amp; GAINS</b>			
Interest	7	974,524,023	51,213,238
Profit (net) on inter-scheme sale of Investments		7,497,250	-
Write back of provision for unrealised loss in the value of investments		87,000	-
		<b>982,108,273</b>	<b>51,213,238</b>
<b>EXPENSES &amp; LOSSES</b>			
Management fees		64,838,690	5,168,926
Marketing Fee		40,702,092	-
Transfer agents fees & expenses		10,064,745	750,954
Custodian Fees & Transaction charges		3,193,134	238,232
Trusteeship fees		195,095	3,000
Audit fees		304,000	27,000
Other operating expenses		1,348,175	64,161
Loss (net) on sale of Investments		55,977	2,664,489
Loss (net) inter-scheme sale of Investments		-	1,075,600
Net unrealised loss in the value of investments		2,223,100	362,400
		<b>122,925,008</b>	<b>10,354,762</b>
<b>Excess of income and gains over expenses and losses</b>		<b>859,183,265</b>	<b>40,858,476</b>
Add / (Less): Income Equalisation Account		62,833,220	49,580,710
<b>Income available for appropriation</b>		<b>922,016,485</b>	<b>90,439,186</b>
<b>Appropriation</b>			
Income distribution during the year / period		488,029,975	21,713,612
Tax on Income distributed during the year / period		63,779,433	2,782,057
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>370,207,077</b>	<b>65,943,517</b>

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, April 27, 2005

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

Shitin D Desai

Chairman

S. S. Thakur

Director

Mumbai, April 26, 2005

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

K R V Subrahmanian

Director

Mumbai, April 27, 2005

Ranjan Pant

Director

**Naganath Sundaresan**  
President & Chief Investment  
Officer

**Dhawal Dalal**  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH FLOATING RATE FUND**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	Year ended 31.03.2005 Rupees	Period ended 31.03.2004 Rupees
<b>A. Cashflow from Operating Activity</b>		
Excess of income and gains over expenses and losses	859,183,265	40,858,476
Add / Less: Unrealised loss provided / Written back	2,136,100	362,400
<b>Operating Profit Before Working Capital Changes</b>	<b>861,319,365</b>	<b>41,220,876</b>
Adjustments for:-		
(Increase)/Decrease in Other Current Assets	(591,362,829)	(28,082,404)
(Increase)/Decrease in Money Market Lending (Deposits)	(50,000)	(200,000)
(Increase)/Decrease in Investments	(18,196,430,922)	(3,102,097,250)
Increase/(Decrease) in Current Liabilities and Provisions	16,867,471	5,224,258
<b>Net Cash Generated From Operations</b>	<b>(A) (17,909,656,915)</b>	<b>(3,083,934,520)</b>
<b>B. Cashflow from Financing Activities</b>		
Increase/(Decrease) in Unit Corpus	18,550,500,294	3,119,476,356
Increase/(Decrease) in Unit Premium	340,184,811	47,984,077
Outstanding Receivable/Payables for Unit Corpus	(47,381,056)	55,517,692
Dividend Paid during the year (including dividend tax paid)	(534,626,710)	(24,495,669)
<b>Net Cash Used in Financing Activities</b>	<b>(B) (18,308,677,339)</b>	<b>3,198,482,456</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(A+B) 399,020,424</b>	<b>114,547,936</b>
Cash and Cash Equivalents as at the beginning of the year / period	114,547,936	-
Cash and Cash Equivalents as at the close of the year	513,568,360	114,547,936
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>399,020,424</b>	<b>114,547,936</b>
<b>Components of cash and cash equivalents</b>		
With Banks - on current account	8,068,360	85,047,936
- on money at call	5,500,000	29,500,000
With Banks - on Fixed Deposits	500,000,000	-
	<b>513,568,360</b>	<b>114,547,936</b>

As per our attached report of even date

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

per Hemal Shah  
Partner  
Membership no. 42650

Mumbai, April 27, 2005

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

Shitin D Desai  
Chairman

S. S. Thakur  
Director

Mumbai, April 26, 2005

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

K R V Subrahmanian  
Director  
Mumbai, April 27, 2005

Ranjan Pant  
Director

Naganath Sundaresan  
President & Chief Investment  
Officer

Dhawal Dalal  
Fund Manager

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH FLOATING RATE FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

**Schedule**

1 <b>UNIT CAPITAL</b>	<b>As at</b>		<b>As at</b>	
	<b>Units</b>	<b>Rupees</b>	<b>Units</b>	<b>Rupees</b>
<b>Issued and subscribed:</b>				
Units of Rs. 10 each fully paid up				
Opening Balance/Initial Capital issued on May 13, 2003	311,947,635.561	3,119,476,356	14,150,000.000	141,500,000
Capital issued during the year / period	9,089,119,712.409	90,891,197,124	767,514,741.137	7,675,147,412
	<b>9,401,067,347.970</b>	<b>94,010,673,480</b>	<b>781,664,741.137</b>	<b>7,816,647,412</b>
Redemptions during the year / period	7,234,069,682.962	72,340,696,830	469,717,105.576	4,697,171,056
<b>Unit Capital at the end of the year / period</b>	<b>2,166,997,665.008</b>	<b>21,669,976,650</b>	<b>311,947,635.561</b>	<b>3,119,476,356</b>
Growth Plan	733,726,793.280	7,337,267,933	141,532,271.858	1,415,322,719
Dividend Plan	270,862,219.733	2,708,622,197	69,464,225.408	694,642,254
Weekly Dividend Plan	736,935,219.298	7,369,352,193	100,951,138.295	1,009,511,383
Daily Dividend Plan (refer note no. 4 of Schedule 8 notes to accounts)	425,473,432.697	4,254,734,327	-	-
<b>Unit Capital at the end of the year / period</b>	<b>2,166,997,665.008</b>	<b>21,669,976,650</b>	<b>311,947,635.561</b>	<b>3,119,476,356</b>
<b>2 RESERVES AND SURPLUS</b>			<b>As at</b>	<b>As at</b>
			<b>31.03.2005</b>	<b>31.03.2004</b>
			<b>Rupees</b>	<b>Rupees</b>
<b>Unit Premium Reserve</b>				
<b>Opening balance</b>			(1,596,633)	-
Net Premium on issue /redemption of units during the year / period			340,184,811	47,984,077
Transfer from Income Equalisation Account			(62,833,220)	(49,580,710)
<b>Closing balance</b>			<b>275,754,958</b>	<b>(1,596,633)</b>
<b>Retained Surplus</b>				
<b>Opening balance</b>			65,943,517	-
Surplus/(Deficit) transferred from Revenue Account			370,207,077	65,943,517
<b>Closing balance</b>			<b>436,150,594</b>	<b>65,943,517</b>
<b>Unrealised Appreciation on Investments</b>				
Opening balance			-	-
Less: Reversed during the year / period			-	-
Add: Unrealised appreciation as at the year / period end			52,201,913	-
<b>Closing balance</b>			<b>52,201,913</b>	<b>-</b>
			<b>764,107,465</b>	<b>64,346,884</b>
<b>3 CURRENT LIABILITIES</b>			<b>As at</b>	<b>As at</b>
			<b>31.03.2005</b>	<b>31.03.2004</b>
			<b>Rupees</b>	<b>Rupees</b>
Sundry creditors			16,219,003	2,188,482
Payables for units repurchased / Switch out			15,672,241	55,517,692
Distributed income payable			20,108,518	2,925,820
Unclaimed dividends/redemptions			2,115	-
Other Liabilities			2,944,791	109,956
			<b>54,946,668</b>	<b>60,741,950</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH FLOATING RATE FUND**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

4 INVESTMENTS	As at 31.03.2005 Rupees		As at 31.03.2004 Rupees	
	Cost	Market/ Fair value	Cost	Market/ Fair value
<b>Government Securities</b>	497,500,000	495,001,500	203,650,000	203,374,600
<b>Bonds &amp; Debentures</b>				
Listed or awaiting listing	14,094,025,089	14,140,674,900	1,199,750,000	1,199,750,000
Private Placement / Unlisted	4,618,226,078	4,623,778,180	1,550,837,000	1,550,750,000
<b>Certificate of Deposit</b>	1,312,561,260	1,312,561,260	147,860,250	147,860,250
<b>Commercial Paper</b>	776,215,745	776,215,745	-	-
	<b>21,298,528,172</b>	<b>21,348,231,585</b>	<b>3,102,097,250</b>	<b>3,101,734,850</b>

Note: Refer to the attached Statement of Portfolio as at March 31, 2005

5 DEPOSITS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Fixed deposit with Scheduled banks	500,000,000	-
Money at call with:		
- Institutions	5,500,000	29,500,000
Margin Money with The Clearing Corporation of India Ltd. (CCIL)	250,000	200,000
	<b>505,750,000</b>	<b>29,700,000</b>

6 OTHER CURRENT ASSETS	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
Balances with banks in current accounts	8,068,360	85,047,936
Outstanding and accrued income	277,883,097	27,832,404
Others	-	250,000
Receivable for Units switch in	7,535,605	-
Collateralised lending (reverse repurchase transactions)	341,562,136	-
	<b>635,049,198</b>	<b>113,130,340</b>

7 INTEREST	Year ended 31.03.2005 Rupees	Period ended 31.03.2004 Rupees
Call deposits	7,195,319	1,405,560
Collateralised lending (reverse repurchase transactions)	76,896,240	4,787,985
Government securities and debentures	890,432,464	45,019,693
	<b>974,524,023</b>	<b>51,213,238</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH FLOATING RATE FUND  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the Year Ended March 31, 2005**

**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, 2004.

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 (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.

**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.

3. Daily Dividend Option (compulsory reinvestment) was started effective from June 16, 2004

### 4. Investment Management and Trusteeship fees

Investment management fees charged to the Scheme at approximately 0.37 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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

- 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, 2005 at Market/Fair Value
Allahabad Bank	EF	75.00	-
HDFC Bank Ltd	FRF	296.90	-
ICICI Bank Ltd	LF,SPF-C	509.70	146.26
IDBI	OF,FRF,LF,SPF-C,STF,GSFA	532.14	300.25

Kotak Mahindra Bank	LF	-	80.04
Punjab National Bank	ITF	75.00	50.00
State Bank of India	OF,EF,ITF	24.23	24.23
Tata Iron And Steel Company Ltd.	LF	20.27	-
UTI Bank	SPF-M,FRF,LF	19.55	50.21

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (Longer Duration Plan), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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 current year and for the corresponding previous year (period May 12, 2003 to March 31, 2004) are 68,547,746,350 (Rs. 5,258,468,472) and 49,243,278,181 (Rs. 2,154,744,586) respectively being 388.53% (528.15%) and 279.11% ( 216.42%) respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Year ended March 31, 2005 Rupees	Period ended March 31, 2004 Rupees
Payment of Brokerage for Distribution and Sale of Units:	9,388,414	1,365,770
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	2,000,000,000	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 DSPML)	-	500,000,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

### 7. 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)

3. Key Management Personnel :
  - Mr. Alok Vajpeyi - President (upto January 31, 2005)
  - Mr. Naganath Sundaresan - President & Chief Investment Officer
  - Mr. Dhawal Dalal - Fund Manager
  - Mr. Pankaj Sharma - Risk Manager
4. Associates:
  - DSP Merrill Lynch Limited (DSPML)
5. Schemes of DSP Merrill Lynch Mutual Fund managed by DSP Merrill Lynch Fund Managers Limited

During the year, the fund has entered into transactions with the following related parties. Those transactions along with related balances as at March 31, 2005 and March 31, 2004 and for the years then ended are presented in the following table:-

					Rupees
Nature of Transaction	Year	AMC	Trustee Company	Associates: DSPML	Total
Management Fees	2004-2005	64,838,690	—	—	64,838,690
	2003-2004	5,168,926	—	—	5,168,926
Brokerage on Unit Distribution (refer note)	2004-2005	—	—	9,388,414	9,388,414
	2003-2004	—	—	1,365,769	1,365,769
Trustee Fee	2004-2005	—	195,095	—	195,095
	2003-2004	—	3,000	—	3,000
Call and Repo lending (Interest received)	2004-2005	—	—	491,377,950 (interest received 55,196)	491,377,950 (interest received 55,196)
	2003-2004	—	—	- (interest received -)	- (interest received -)
Value of Units Purchased (at transaction NAVs)	2004-2005	97,452,985	—	554,250,630	651,703,615
	2003-2004	20,572,910	—	203,846,915	224,419,825
Value of Units Redeemed (at transaction NAVs)	2004-2005	18,850,758	—	764,746,383	783,597,141
	2003-2004	10,005,993	—	—	10,005,993
Year-end Outstanding Units (valued at last declared NAV)	2004-2005	88,607,530	—	—	88,607,530
	2003-2004	10,578,707	—	203,723,019	214,301,726
Dividend declared by the Scheme	2004-2005	4,157,452	—	4,250,630	8,408,082
	2003-2004	572,910	—	3,846,915	4,419,825
Year-end Other Payables	2004-2005	8,130,039	19,708	932,398	9,082,145
	2003-2004	1,822,234	2,845	466,328	2,291,407

Note: Brokerage on distribution of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account. Further, the year end balance is reflected in the books of the AMC

#### INTERSCHEME TRANSACTIONS

				Rupees
Scheme	Transaction	2004-2005	2003-2004	
BF	Sell	154,032,450	251,621,600	
BaF	Sell	252,688,300	-	
STF	Sell	-	100,965,400	
SPF-M	Sell	-	50,244,742	
LF	Sell	1,546,204,030	400,000,000	
BF	Purchase	45,179,700	750,000,000	
SPF-C	Purchase	100,470,000	-	
LF	Purchase	8,250,284,669	-	
SPF-M	Purchase	798,536,560	-	
STF	Purchase	2,368,662,541	1,522,540,490	

**8. Distributable Income**

	Year ended March 31, 2005 Rupees	Period ended March 31, 2004 Rupees
Net Income as per Revenue Account	922,016,485	90,439,186
Add: Balance of undistributed income as at the beginning of the year	65,943,517	-
Less: Distributed to unitholders	551,809,408	24,495,669
<b>Balance Distributable income</b>	<b>436,150,594</b>	<b>65,943,517</b>

**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, 2005		March 31, 2004	
<b>a. Net asset value, at the end of the period:</b>				
<b>Growth Plan (G)</b>	10.9783		10.4406	
<b>Dividend Plan (D)</b>	10.0389		10.0048	
<b>Weekly Dividend (WD)</b>	10.0354		10.0163	
<b>Daily Dividend (DD)</b>	10.0229		-	
<b>b. Gross Income</b>				
(i) Income other than profit on sale of investment	0.4497		0.1642	
(ii) Income from profit on inter scheme sales/transfer of investment	0.0035		(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	-		-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.0557		0.0200	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	0.3975		0.1322	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	0.0229		(0.0012)	
<b>f. Repurchase and Resale Price</b>				
<b>Repurchase Price</b>				
- Highest Price				
		D-10.1703		10.4406
		WD-10.0401		D-10.0150
	10.9783	DD-10.0255	10.4406	WD-10.1264
- Lowest Price				
		D-10.006		D-10.0047
	10.4419	WD-10.01	10.0209	WD-10.0018
		DD-10.00		
<b>Resale Price</b>				
- Highest Price				
		D-10.1703		10.4406
		WD-10.0401		D-10.0150
	10.9783	DD-10.0255	10.4406	WD-10.1264
- Lowest Price				
		D-10.006		D-10.0047
	10.4419	WD-10.01	10.0209	WD-10.0018
		MD-10.00		
<b>g. Ratio of expenses to average daily net assets by percentage</b>	0.68%		0.71%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	5.85%		5.11%	

**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 FLOATING RATE FUND****Statement of Portfolio Holding as at March 31, 2005****(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

<b>SR.NO</b>	<b>NAME OF THE COMPANY</b>	<b>RATING</b>	<b>QUANTITY</b>	<b>MARKET VALUE (RUPEES)</b>	<b>% to NET ASSETS</b>
<b>CENTRAL GOVERNMENT SECURITIES</b>					
1	04.49 % GOI FRB 2016	SOV	5,000,000	495,001,500	2.21%
<b>TOTAL</b>				<b>495,001,500</b>	<b>2.21%</b>
<b>DEBT INSTRUMENTS</b>					
<b>(a) Listed / Awaiting listing on Stock Exchanges</b>					
<b>(i) Fixed Rate debt securities/fixed rate money market securities</b>					
<b>FINANCE</b>				<b>199,799,600</b>	<b>0.89%</b>
2	HDFC Step up Putable 2010 **	AAA	200	199,799,600	0.89%
<b>(ii) Floating Rate debt securities</b>					
<b>BANKS</b>				<b>4,214,681,150</b>	<b>18.79%</b>
3	ICICI Bank FRB 2010 **	AAA	150	150,000,000	0.67%
4	IDBI FRB 2009 **	AA+	1,150	1,195,770,000	5.33%
5	IDBI FRB (2004 Series I) 2007 **	AA+	1,300	1,300,925,600	5.80%
6	IDBI FRB (Sr. 2004 / D) 2009 **	LAA+	250	256,716,250	1.14%
7	National Housing Bank FRB 2009 **	AAA	700	705,814,900	3.15%
8	UTI Bank FRN 2010 **	AA+	500	502,119,500	2.24%
9	IDBI FRB 2009 **	AA+	20,000	103,334,900	0.46%
<b>CONSTRUCTION</b>				<b>400,000,000</b>	<b>1.78%</b>
10	Housing & Urban Development Corporation FRN 2006 **	F1+	400	400,000,000	1.78%
<b>FINANCE</b>				<b>9,173,819,950</b>	<b>40.89%</b>
11	Citicorp Finance India FRN 2006 **	AAA	2,500	250,000,000	1.11%
12	Citicorp Finance India FRN 2007 **	AAA	300	303,006,300	1.35%
13	Citicorp Finance India FRN 2006 **	AAA	250	250,000,000	1.11%
14	Citicorp Maruti Finance India FRN 2006 **	AAA	10	100,000,000	0.45%
15	Citi Financial Consumer Finance India FRN 2007 **	AAA	250	250,000,000	1.11%
16	Citi Financial Consumer Finance India FRN 2007 **	AAA	250	250,000,000	1.11%
17	Citi Financial Consumer Finance India FRN 2007 **	AAA	150	150,000,000	0.67%
18	Citicorp Finance India FRN 2007 **	AAA	600	600,000,000	2.67%
19	Citicorp Finance India FRN 2006 **	AAA	250	249,095,750	1.11%
20	Citi Financial Consumer Finance India FRN 2005 **	AAA	200	200,609,600	0.89%
21	LIC Housing Finance FRN 2012 **	AAA	50	500,000,000	2.23%
22	LIC Housing Finance FRN (P/C 2009) 2011 **	AAA	400	401,359,200	1.79%
23	LIC Housing Finance FRN 2010 **	AAA	25	250,000,000	1.11%
24	HDFC FRN 2006 **	AAA	250	250,429,750	1.12%
25	HDFC FRN SR. B-003 2007 **	AAA	750	750,000,000	3.34%
26	Kotak Mahindra Primus FRN 2005 **	P1+	500	500,000,000	2.23%
27	Kotak Mahindra Primus FRN 2006 **	AA	250	250,000,000	1.11%
28	Kotak Mahindra Primus FRN 2007 **	AA	50	50,421,100	0.22%
29	Mahindra & Mahindra Financial Services FRN 2007 **	AA+	200	201,890,200	0.90%
30	Mahindra & Mahindra Financial Services FRN 2007 **	AA+	300	302,578,500	1.35%
31	Mahindra & Mahindra Financial Services FRN 2005 **	P1+	500	500,000,000	2.23%
32	Mahindra & Mahindra Financial Services FRN 2006 **	AA+	20	202,103,800	0.90%
33	Mahindra & Mahindra Financial Services FRN 2007 **	AA+	15	151,320,750	0.67%
34	HDFC FRN 2007 **	AAA	1,550	1,561,005,000	6.96%
35	Sundaram Finance FRN 2007 **	MAAA	250	250,000,000	1.11%
36	Sundaram Finance FRN 2007 **	AAA	150	150,000,000	0.67%
37	Sundaram Home Finance FRN 2007 **	MAAA(SO)	300	300,000,000	1.34%
<b>PETROLEUM PRODUCTS</b>				<b>152,374,200</b>	<b>0.68%</b>
38	Reliance Industries FRN 2007 **	AAA	150	152,374,200	0.68%
<b>TOTAL</b>				<b>14,140,674,900</b>	<b>63.03%</b>

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% to NET ASSETS
<b>(b) Unlisted / Privately Placed</b>					
<b>(i) Fixed Rate debt securities/fixed rate money market securities</b>					
<b>AUTO</b>					
39	BHPC Auto Trust Series II PTC A2 2006 **	MAAA	20	62,948,880	0.28%
				<b>62,948,880</b>	<b>0.28%</b>
<b>BANKS</b>					
40	Indian Retail ABS Trust Series VII A2 **	AAA	20	117,240,040	0.52%
41	Indian Retail ABS Trust Series I **	AAA	25	23,467,634	0.10%
42	Indian Retail ABS Trust Series XVI-A1 **	P1+	100	447,658,787	2.00%
43	Retail Trust December Series III A1 **	AAA	85	565,236,375	2.52%
				<b>1,153,602,836</b>	<b>5.14%</b>
<b>FINANCE</b>					
44	Fleet Trust A1 PTC April 2003 **	AAA	20	13,303,780	0.06%
45	PFSL Sundaram Sr. PTC 2005 **	MAAA	10	6,411,960	0.03%
				<b>19,715,740</b>	<b>0.09%</b>
<b>(ii) Floating Rate debt securities</b>					
<b>BANKS</b>					
46	Retail Trust Feb. 2005 Series A9 **	LAAA	100	1,019,305,380	4.54%
47	Retail Trust Feb. 2005 Series A6 **	LAAA	30	305,791,614	1.36%
48	Retail Trust December Series A6 **	AAA	35	354,976,830	1.58%
				<b>1,680,073,824</b>	<b>7.49%</b>
<b>FINANCE</b>					
49	Rabo India Finance FRN 2005 **	AAA	25	250,000,000	1.11%
50	G.E.Capital Services FRN 2005 **	AAA	10	100,509,400	0.45%
51	G.E.Capital Services FRN 2006 **	AAA	25	249,358,500	1.11%
52	Lakshmi General Finance FRN 2005 **	MAAA	10	100,000,000	0.45%
53	Lakshmi General Finance FRN 2006 **	MAAA	20	200,422,000	0.89%
54	G.E.Capital Services FRN (P/C 2006) 2009 **	AAA	35	357,167,300	1.59%
55	Sundaram Finance FRN 2005 **	P1+	100	100,000,000	0.45%
56	Rabo India Finance FRN 2005 **	P1+	250	249,993,500	1.11%
57	Rabo India Finance FRN 2005 **	P1+	100	99,986,200	0.45%
<b>TOTAL</b>				<b>4,623,778,180</b>	<b>20.61%</b>
<b>FIXED DEPOSIT</b>					
<b>BANKS</b>					
58	Punjab National Bank 2005	Unrated	-	500,000,000	2.23%
				<b>500,000,000</b>	<b>2.23%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
<b>Certificate of Deposit</b>					
<b>BANKS</b>					
59	ICICI Bank 2005 **	P1+	12,500	1,215,936,960	5.42%
60	ICICI Bank 2005 **	P1+	1,000	96,624,300	0.43%
				<b>1,312,561,260</b>	<b>5.85%</b>
<b>TOTAL</b>				<b>1,312,561,260</b>	<b>5.85%</b>
<b>Commercial Paper</b>					
<b>FINANCE</b>					
61	SBI Cards & Payment Services 2005 **	P1+	500	242,309,185	1.08%
62	Sundaram Finance 2005 **	P1+	800	388,129,300	1.73%
				<b>630,438,485</b>	<b>2.81%</b>
<b>BANKS</b>					
63	IDBI 2005 **	P1+	300	145,777,260	0.65%
				<b>145,777,260</b>	<b>0.65%</b>
<b>TOTAL</b>				<b>776,215,745</b>	<b>3.46%</b>
<b>Cash &amp; Cash Equivalents</b>					
Money at call with Banks and others				5,500,000	0.02%
Reverse Repo Investments / CBLO				341,562,136	1.52%
<b>TOTAL</b>				<b>347,062,136</b>	<b>1.55%</b>
Net Receivables / (Payables)				238,790,394	1.06%
<b>TOTAL NET ASSETS</b>				<b>22,434,084,115</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – INDIA T.I.G.E.R. FUND  
(THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND)  
AUDITORS' REPORT**

To the Trustee of

**DSP MERRILL LYNCH MUTUAL FUND – INDIA T.I.G.E.R. FUND  
(THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS  
FUND):**

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – INDIA T.I.G.E.R. FUND (THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND) ('the Scheme') as at March 31, 2005 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 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA T.I.G.E.R. FUND (THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND)**  
**BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees
<b>LIABILITIES</b>		
Unit Capital	1	2,011,872,984
Reserves & Surplus	2	761,783,438
Current Liabilities and Provisions	3	128,185,603
		<b>2,901,842,025</b>
<b>ASSETS</b>		
Investments	4	2,528,533,482
Deposits	5	17,000,000
Other Current Assets	6	356,308,543
		<b>2,901,842,025</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA T.I.G.E.R. FUND (THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND)**  
**REVENUE ACCOUNT FOR THE PERIOD APRIL 27, 2004 TO MARCH 31, 2005**

	Schedule	Period ended 31.03.2005 Rupees
<b>INCOME &amp; GAINS</b>		
Dividend		21,487,237
Interest	7	10,385,891
Profit on sale/redemption of investments (net)		203,560,619
		<b>235,433,747</b>
<b>EXPENSES &amp; LOSSES</b>		
Management fees		16,593,319
Transfer agents fees & expenses		4,689,408
Custodian Fees & Transaction charges		1,082,178
Trusteeship fees		15,171
Marketing expenses		10,955,430
Payment to Auditor		
Audit fees		150,000
Other matters including reimbursement of expenses		373
Other operating expenses		114,335
		<b>33,600,214</b>
<b>Excess of income and gains over expenses and losses</b>		<b>201,833,533</b>
Add/ (Less): Income Equalisation account		69,911,485
<b>Income available for appropriation</b>		<b>271,745,018</b>
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>271,745,018</b>

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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President & Chief Investment Officer*

**Anup Maheshwari**  
*Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA T.I.G.E.R. FUND (THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND)**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2005**

**Schedule****1 UNIT CAPITAL****Issued and subscribed:**

Units of Rs. 10 each fully paid up  
 Initial Capital issued on June 11, 2004  
 Capital issued during the period

	<b>As at</b>	
	<b>31.03.2005</b>	
	<b>Units</b>	<b>Rupees</b>
	171,085,294.912	1,710,852,949
	181,118,070.316	1,811,180,703
	<b>352,203,365.228</b>	<b>3,522,033,652</b>
Redemptions during the period	151,016,066.843	1,510,160,668
<b>Unit Capital at the end of the period</b>	<b>201,187,298.385</b>	<b>2,011,872,984</b>
Growth Plan	31,537,134.695	315,371,347
Dividend Plan	169,650,163.690	1,696,501,637
<b>Unit Capital at the end of the period</b>	<b>201,187,298.385</b>	<b>2,011,872,984</b>

**2 RESERVES AND SURPLUS****Unit Premium Reserve**

Net Premium on issue / redemption of units during the period  
 Transfer from / (to) Income Equalisation Account

**Closing balance****Retained Surplus**

Add : Surplus transferred from Revenue Account

**Closing balance****Unrealised Appreciation on Investments**

Add: Unrealised appreciation as at period end

**Closing balance**

	<b>As at</b>
	<b>31.03.2005</b>
	<b>Rupees</b>
	198,417,042
	(69,911,485)
<b>Closing balance</b>	<b>128,505,557</b>
	271,745,018
<b>Closing balance</b>	<b>271,745,018</b>
	361,532,863
<b>Closing balance</b>	<b>361,532,863</b>
	<b>761,783,438</b>

**3 CURRENT LIABILITIES**

Sundry creditors  
 Payables for units repurchased / switch out  
 Unclaimed redemptions  
 Other liabilities

	<b>As at</b>
	<b>31.03.2005</b>
	<b>Rupees</b>
	114,592,335
	3,211,572
	10,725
	10,370,971
<b>Closing balance</b>	<b>128,185,603</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA T.I.G.E.R. FUND (THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND)**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2005**

<b>4 INVESTMENTS</b>	<b>As at 31.03.2005 Rupees</b>	
	<b>Cost</b>	<b>Market/ Fair value</b>
<b>Equity Shares</b>		
Listed or awaiting listing	2,167,000,619	2,528,533,482
	<b>2,167,000,619</b>	<b>2,528,533,482</b>
Note: Refer to the attached Statement of Portfolio as at March 31, 2005		
<b>5 DEPOSITS</b>	<b>As at 31.03.2005 Rupees</b>	
Money at call with :		
- Institutions		17,000,000
		<b>17,000,000</b>
<b>6 OTHER CURRENT ASSETS</b>	<b>As at 31.03.2005 Rupees</b>	
Balances with banks in current accounts		58,773,410
Receivable for units switch in		11,143,063
Contracts for sale of investments		9,909,937
Collateralised lending (reverse repurchase transactions)		273,959,640
Outstanding and accrued income		47,289
Dividend receivable		2,475,204
		<b>356,308,543</b>
<b>7 INTEREST</b>	<b>Period ended 31.03.2005 Rupees</b>	
Call and term deposits		123,034
Collateralised lending (reverse repurchase transactions)		5,773,305
Government securities, bonds and debentures		4,489,552
		<b>10,385,891</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH INDIA T.I.G.E.R FUND (THE INFRA-  
STRUCTURE GROWTH AND ECONOMIC REFORMS FUND)  
Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the Period April 27, 2004 to March 31, 2005.**

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

DSP Merrill Lynch India T.I.G.E.R. Fund (The Infrastructure Growth and Economic Reforms 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 27, 2004 and was open for subscription between April 27, 2004 and May 25, 2004. Thereafter, it was reopened for subscription and redemption on June 14, 2004.

The Primary investment objective of the scheme 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. 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.

**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 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.

## 2.8 Initial Public Offer Expenses

Initial Public Offer Expenses in excess of 2% IPO Load was borne by the AMC.

## 3. Investment Management and Trusteeship fees

Investment management fees charged to the Scheme at approximately 0.90 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Bank of Baroda	FRF,LF	3.26	-
Bharti Televentures Ltd.	STF,FRF	10.31	5.59
Grasim Industries Ltd.	FRF,STF	10.20	9.27
HDFC Bank Ltd.	FRF	4.56	4.80
Hindalco Ltd.	BF,FRF,LF	6.50	6.64
ICICI Bank Ltd.	LF,SPF-C	8.59	8.64
Indian Overseas Bank	ITF	2.95	2.68
Indian Rayon and Industries Ltd.	FRF	3.44	8.69
Jet Airways Ltd.	LF	0.58	-
Punjab National Bank	ITF	3.13	2.70
State Bank of India	OF,EF,ITF	17.29	11.35
Tata Iron And Steel Company Ltd.	LF	12.83	8.02
Tata Motors Ltd.	SPF-M,FRF,LF,STF	9.94	5.70
Tata Power Limited	LF	5.10	-
UTI Bank Ltd.	SPF-M,FRF,LF	3.93	8.18
Vijaya Bank	BaF,EF,TEF	4.35	2.95
VSNL Ltd.	STF,LF,FRF	1.70	-

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (Longer Duration Plan), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 4,301,646,436 and Rs. 2,341,750,795 respectively being 233.97% and 127.37% respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of Transactions	Period ended March 31, 2005 Rupees
Payment of Brokerage for Distribution and Sale of Units	6,974,386
Payment of Brokerage on Secondary Market transactions	1,076,697
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	32,583,210

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

## 6. Distributable Income

	Period ended March 31, 2005 Rupees
Net Income as per Revenue Account	271,745,018
Less: Distributed to unitholders & distribution tax	-
<b>Balance Distributable income</b>	<b>271,745,018</b>

## 7. Prior Year 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, 2005	
<b>a. Net asset value, at the end of the period:</b>	13.79	
<b>b. Gross Income</b>		
(i) Income other than profit on sale of investment	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	1.01	
(iv) Transfer to revenue account Income from past year's reserve	-	
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)	0.17	
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)	1.00	
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>	1.80	
<b>f. Repurchase and Resale Price</b>	<b>Growth</b>	<b>Dividend</b>
<b>Repurchase Price</b>		
- Highest Price	14.63	14.63
- Lowest Price	9.87	9.87
<b>Resale Price</b>		
- Highest Price	14.96	14.96
- Lowest Price	10.07	10.07
<b>g. Ratio of expenses to average daily net assets by percentage</b>	2.30%	
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).	32.47%	

**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. Repurchase price for Systematic Investment Plan investors may differ to the extent of applicable CDSC depending on duration for which units are held prior to redemption
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 INDIA T.I.G.E.R. FUND**  
**(THE INFRASTRUCTURE GROWTH AND ECONOMIC REFORMS FUND)**  
**Statement of Portfolio Holding as at March 31, 2005**  
**(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE COMPANY	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>EQUITY &amp; EQUITY RELATED</b>				
<b>Listed / awaiting listing on the stock exchanges</b>				
<b>AUTO</b>			<b>57,023,167</b>	<b>2.06%</b>
1	Tata Motors	137,837	57,023,167	2.06%
<b>BANKS</b>			<b>449,659,457</b>	<b>16.21%</b>
2	State Bank of India	173,323	113,491,900	4.09%
3	ICICI Bank	220,039	86,431,319	3.12%
4	UTI Bank	344,142	81,768,139	2.95%
5	HDFC Bank	88,163	48,035,611	1.73%
6	Karur Vysya Bank	89,300	36,626,395	1.32%
7	Vijaya Bank	459,585	29,482,378	1.06%
8	PNB	68,739	27,038,486	0.97%
9	IOB	351,743	26,785,229	0.97%
<b>CEMENT</b>			<b>209,877,340</b>	<b>7.57%</b>
10	ACC	325,100	117,214,805	4.23%
11	Grasim Industries	76,300	92,662,535	3.34%
<b>CONSTRUCTION</b>			<b>92,646,935</b>	<b>3.34%</b>
12	Jaiprakash Industries	355,827	70,080,128	2.53%
13	Hindustan Construction	28,102	13,439,782	0.48%
14	Nagarjuna Construction	14,500	9,127,025	0.33%
<b>CONSUMER DURABLES</b>			<b>40,122,030</b>	<b>1.45%</b>
15	Bajaj Electricals	133,651	40,122,030	1.45%
<b>FERROUS METALS</b>			<b>80,174,307</b>	<b>2.89%</b>
16	Tisco	199,911	80,174,307	2.89%
<b>FERTILISERS</b>			<b>27,140,871</b>	<b>0.98%</b>
17	DCM Shriram Consolidated	56,917	27,140,871	0.98%
<b>GAS</b>			<b>10,169,724</b>	<b>0.37%</b>
18	Petronet LNG	240,419	10,169,724	0.37%
<b>INDUSTRIAL CAPITAL GOODS</b>			<b>371,289,448</b>	<b>13.39%</b>
19	BHEL	118,785	91,036,824	3.28%
20	L&T	82,772	82,730,614	2.98%
21	Siemens	40,929	69,695,948	2.51%
22	Bharat Electronics	75,065	50,158,433	1.81%
23	Thermax	80,029	47,389,172	1.71%
24	Jindal Saw Pipes	113,254	30,278,457	1.09%
<b>INDUSTRIAL PRODUCTS</b>			<b>102,429,393</b>	<b>3.69%</b>
25	Max India	201,197	102,429,393	3.69%
<b>MANUFACTURING</b>			<b>63,037,235</b>	<b>2.27%</b>
26	KEC	339,366	63,037,235	2.27%
<b>MEDIA &amp; ENTERTAINMENT</b>			<b>148,047,177</b>	<b>5.34%</b>
27	T V Today	778,440	59,628,504	2.15%
28	Zee Telefilms	389,725	54,132,803	1.95%
29	Deccan Chronicle Holdings	243,076	34,285,870	1.24%

SR.NO	NAME OF THE COMPANY	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>NON - FERROUS METALS</b>				
30	Hindalco	51,277	66,431,917	2.40%
31	Hindustan Zinc	141,096	23,986,320	0.86%
<b>OIL</b>				
32	ONGC	116,600	103,225,980	3.72%
<b>PETROLEUM PRODUCTS</b>				
33	Reliance Industries	221,554	120,979,562	4.36%
34	BPCL	125,774	44,461,109	1.60%
35	HPCL	89,000	27,087,150	0.98%
36	IBP	47,827	25,405,702	0.92%
<b>PHARMACEUTICALS</b>				
37	Glaxo Smithkline Pharmaceuticals	82,796	59,526,184	2.15%
38	Aventis Pharma	33,375	41,268,188	1.49%
39	Cadila Healthcare	51,852	24,093,032	0.87%
40	Alembic	80,846	21,876,928	0.79%
41	Novartis India	29,227	14,506,821	0.52%
42	Astrazeneca Pharma	9,762	14,399,438	0.52%
<b>POWER</b>				
43	NTPC	607,906	51,854,382	1.87%
<b>SOFTWARE</b>				
44	Hinduja TMT	143,100	43,759,980	1.58%
<b>TELECOM - SERVICES</b>				
45	Bharti Televentures	269,444	55,882,686	2.01%
46	MTNL	192,909	21,962,690	0.79%
<b>TEXTILE PRODUCTS</b>				
47	Indian Rayon	216,037	86,900,883	3.13%
<b>TRANSPORTATION</b>				
48	Container Corporation of India	36,616	29,307,446	1.06%
<b>TOTAL</b>			<b>2,528,533,482</b>	<b>91.16%</b>
<b>MONEY MARKET INSTRUMENTS</b>				
Money at call with Banks and Others			17,000,000	0.61%
Reverse Repo Investments / CBLO			273,959,639	9.88%
<b>TOTAL</b>			<b>290,959,639</b>	<b>10.49%</b>
Net Receivables / (Payables)			(45,836,699)	-1.65%
<b>TOTAL NET ASSETS</b>			<b>2,773,656,422</b>	<b>100.00%</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND – AGGRESSIVE  
AUDITORS' REPORT**

To the Trustee of

**DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND -  
AGGRESSIVE:**

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND – AGGRESSIVE ('the Scheme') as at March 31, 2005 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, 2005 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH INDIA SAVINGS PLUS - AGGRESSIVE  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees
<b>LIABILITIES</b>		
Unit Capital	1	333,170,445
Reserves & Surplus	2	16,998,021
Current Liabilities and Provisions	3	17,768,089
		<b>367,936,555</b>
<b>ASSETS</b>		
Investments	4	309,397,001
Deposits	5	1,000,000
Other Current Assets	6	57,539,554
		<b>367,936,555</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President, Chief Investment  
Officer & Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA SAVINGS PLUS - AGGRESSIVE**  
**REVENUE ACCOUNT FOR THE PERIOD APRIL 27, 2004 TO MARCH 31, 2005**

	Schedule	Period ended 31.03.2005 Rupees
<b>INCOME &amp; GAINS</b>		
Dividend		879,106
Interest	7	12,144,494
Profit on sale/redemption of investments (net)		20,942,701
		<b>33,966,301</b>
<b>EXPENSES &amp; LOSSES</b>		
Management fees		3,244,297
Transfer agents fees & expenses		851,967
Custodian Fees & Transaction charges		88,617
Trusteeship fees		3,825
Marketing expenses		1,875,198
Payment to Auditor		
Audit fees		75,000
Other matters including reimbursement of expenses		186
Other operating expenses		50,671
Net unrealised loss in the value of investments		257,350
		<b>6,447,111</b>
<b>Excess of income and gains over expenses and losses</b>		<b>27,519,190</b>
Add/ (Less): Income Equalisation Account		(2,515,209)
<b>Income available for appropriation</b>		<b>25,003,981</b>
<b>Appropriation</b>		
Income Distributed during the period		11,528,229
Tax on income distributed during the period		1,506,592
		<b>11,969,160</b>

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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President, Chief Investment*  
*Officer & Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA SAVINGS PLUS - AGGRESSIVE**  
**SCHEDULES FORMING PART OF THE PERIOD ENDED MARCH 31, 2005**

**Schedule****1 UNIT CAPITAL****Issued and subscribed:**

Units of Rs. 10 each fully paid up  
 Initial Capital issued on June 11, 2004  
 Capital issued during the period

	<b>As at</b>	
	<b>31.03.2005</b>	
	<b>Units</b>	<b>Rupees</b>
	42,890,237.170	428,902,372
	36,428,762.232	364,287,622
	79,318,999.402	793,189,994
	46,001,954.862	460,019,549
<b>Unit Capital at the end of the period</b>	<b>33,317,044.540</b>	<b>333,170,445</b>
	13,366,626.037	133,666,260
	4,392,793.939	43,927,939
	15,557,624.564	155,576,246
<b>Unit Capital at the end of the period</b>	<b>33,317,044.540</b>	<b>333,170,445</b>

**2 RESERVES AND SURPLUS****Unit Premium Reserve**

Net Premium on issue / redemption of units during the period  
 Transfer from / (to) Income Equalisation Account

**Closing balance****Retained Surplus**

Add: Surplus transferred from Revenue Account

**Closing balance****Unrealised Appreciation on Investments**

Add: Unrealised appreciation as at period end

**Closing balance**

	<b>As at</b>
	<b>31.03.2005</b>
	<b>Rupees</b>
	(3,989,326)
	2,515,209
<b>Closing balance</b>	<b>(1,474,117)</b>
	11,969,160
<b>Closing balance</b>	<b>11,969,160</b>
	6,502,978
<b>Closing balance</b>	<b>6,502,978</b>
	<b>16,998,021</b>

**3 CURRENT LIABILITIES**

Sundry creditors  
 Payables for units repurchased / switch out  
 Distributed income payable  
 Unclaimed redemptions / distributed income  
 Other liabilities

	<b>As at</b>
	<b>31.03.2005</b>
	<b>Rupees</b>
	14,783,542
	146,182
	2,793,008
	1,517
	43,840
<b>Closing balance</b>	<b>17,768,089</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA SAVINGS PLUS - AGGRESSIVE**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2005**

<b>4 INVESTMENTS</b>	<b>As at 31.03.2005 Rupees</b>	
	<b>Cost</b>	<b>Market/ Fair value</b>
<b>Equity Shares</b>		
Listed or awaiting listing	64,131,668	70,102,671
<b>Government Securities</b>	49,757,500	49,500,150
<b>Bonds / Debentures</b>		
Listed or awaiting listing	100,000,000	100,415,350
Unlisted / Private Placement	89,262,205	89,378,830
	<b>303,151,373</b>	<b>309,397,001</b>
Note: Refer to the attached Statement of Portfolio as at March 31, 2005		
<b>5 DEPOSITS</b>	<b>As at 31.03.2005 Rupees</b>	
Money at call with :		
- Institutions		1,000,000
		<b>1,000,000</b>
<b>6 OTHER CURRENT ASSETS</b>	<b>As at 31.03.2005 Rupees</b>	
Balances with banks in current accounts		1,164,516
Receivable for units switch in		60,042
Collateralised lending (reverse repurchase transactions)		53,493,200
Outstanding and accrued income		2,667,452
Dividend receivable		154,344
		<b>57,539,554</b>
<b>7 INTEREST</b>	<b>Period ended 31.03.2005 Rupees</b>	
Call and term deposits		49,411
Collateralised lending (reverse repurchase transactions)		2,390,437
Government securities, bonds and debentures		9,704,646
		<b>12,144,494</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH SAVINGS PLUS FUND -  
AGGRESSIVE**

**Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the Period April 27, 2004 to March 31, 2005.**

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

DSP Merrill Lynch Savings Plus Fund - Aggressive (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 27, 2004 and was open for subscription between April 27, 2004 and May 25, 2004 thereafter, it was reopened for subscription and redemption on June 14, 2004.

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 Scheme will also invest a certain portion of its corpus in money market securities, in order to meet liquidity requirements from time to time.

**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 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.

**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.

**2.8 Initial Public Offer Expenses**

Initial Public Offer Expenses were borne by the AMC.

**3. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 0.85 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF,FRF	0.49	-
Grasim Industries Ltd.	FRF,STF	1.21	0.48
Gujarat Ambuja Cements Ltd.	LF	0.65	0.42
HDFC Bank Ltd.	FRF	0.40	0.37
Hero Honda Ltd.	SPF-M,FRF, LF,SPF-C	0.35	-
ICICI Bank Ltd.	LF,SPF-C	0.12	-
Infosys Technologies Ltd.	LF	1.55	0.36
ITC Ltd.	FRF,LF,STF	0.29	-
Jet Airways Ltd.	LF	0.08	-
Maruti Udyog Ltd.	FRF,STF	0.46	-
Punjab National Bank	ITF	0.43	0.33
State Bank of India	OF,EF,ITF	1.14	0.57
Tata Consultancy Services Ltd.	STF	1.81	0.69
Tata Iron And Steel Company Ltd.	LF	0.47	-
Tata Motors Ltd.	SPF-M,FRF, LF,STF	0.66	-
Vijaya Bank	BaF,EF,TEF	0.19	-

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan A (Longer Duration Plan A), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF - India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 756,215,803 and Rs. 461,997,627 respectively being 199.08% and 121.62% respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of transactions	Period ended March 31, 2005 Rupees
Payment of Brokerage for Distribution and Sale of Units:	852,341
Payment of Brokerage on Secondary Market transactions:	6,807
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:	10,065,650

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**6. Distributable Income**

	Period ended March 31, 2005 Rupees
Net Income as per Revenue Account	25,003,981
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	13,034,821
<b>Balance Distributable income</b>	<b>11,969,160</b>

**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, 2005	
<b>a. Net asset value, at the end of the period:</b>		
<b>Growth (G)</b>		10.9256
<b>Quarterly Dividend (QD)</b>		10.2335
<b>Monthly Dividend (MD)</b>		10.2263
<b>b. Gross Income</b>		
(i) Income other than profit on sale of investment		0.3909
(ii) Income from profit on inter scheme sales/transfer of investment		-
(iii) Income from profit / (loss) on sale of investment to third party		0.6286
(iv) Transfer to revenue account Income from past year' reserve		-
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)		0.1858
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)		0.8337
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>		0.1875
<b>f. Repurchase and Resale Price</b>	<b>Growth</b>	<b>Dividend</b>
<b>Repurchase Price</b>		
- Highest Price		MD-10.4169
	10.9798	QD-10.6035
- Lowest Price		MD-9.9035
	9.9035	QD-9.9035
<b>Resale Price</b>		
- Highest Price		MD-10.4798
	11.0461	QD-10.6675
- Lowest Price		MD-9.9633
	9.9633	QD-9.9633
<b>g. Ratio of expenses to average daily net assets by percentage</b>		2.05%
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).		10.59%

**Notes:**

1. The lowest repurchase price of the units of the Scheme has been determined after deducting to the 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 INDIA SAVINGS PLUS FUND - AGGRESSIVE**  
**Statement of Portfolio Holding as at March 31, 2005**  
**(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>EQUITY &amp; EQUITY RELATED</b>					
<b>(a) Listed / awaiting listing on the stock exchanges</b>					
<b>BANKS</b>					
				<b>12,730,585</b>	<b>3.64%</b>
1	State Bank of India		8,715	5,706,582	1.63%
2	HDFC Bank		6,784	3,696,262	1.06%
3	PNB		8,460	3,327,741	0.95%
<b>CEMENT</b>					
				<b>9,058,631</b>	<b>2.59%</b>
4	Grasim Industries		3,968	4,818,938	1.38%
5	Gujarat Ambuja Cements		10,586	4,239,693	1.21%
<b>INDUSTRIAL CAPITAL GOODS</b>					
				<b>7,204,407</b>	<b>2.06%</b>
6	Siemens		3,296	5,612,594	1.60%
7	BHEL		2,077	1,591,813	0.45%
<b>OIL</b>					
				<b>6,972,623</b>	<b>1.99%</b>
8	ONGC		7,876	6,972,623	1.99%
<b>PETROLEUM PRODUCTS</b>					
				<b>5,721,171</b>	<b>1.63%</b>
9	HPCL		18,798	5,721,171	1.63%
<b>PHARMACEUTICALS</b>					
				<b>9,925,623</b>	<b>2.83%</b>
10	Glaxo Smithkline Pharmaceuticals		6,431	4,623,567	1.32%
11	Nicholas Piramal		14,983	3,341,958	0.95%
12	Ranbaxy Laboratories		1,943	1,960,098	0.56%
<b>POWER</b>					
				<b>7,924,199</b>	<b>2.26%</b>
13	NTPC		92,898	7,924,199	2.26%
<b>SOFTWARE</b>					
				<b>10,565,432</b>	<b>3.02%</b>
14	Tata Consultancy Services		4,837	6,926,826	1.98%
15	Infosys Technologies		1,612	3,638,606	1.04%
<b>TOTAL</b>				<b>70,102,671</b>	<b>20.02%</b>
<b>CENTRAL GOVERNMENT SECURITIES</b>					
16	4.49% GOI FRB 2016	SOV	500,000	49,500,150	14.14%
<b>TOTAL</b>				<b>49,500,150</b>	<b>14.14%</b>
<b>DEBT INSTRUMENTS</b>					
<b>(a) Listed / awaiting listing on the stock exchanges</b>					
<b>BANKS</b>					
				<b>50,415,350</b>	<b>14.40%</b>
17	NHB FRB 2009 **	AAA	50	50,415,350	14.40%
<b>FINANCE</b>					
				<b>50,000,000</b>	<b>14.28%</b>
18	Citi Financial Consumer Finance India FRN 2007 **	AAA	50	50,000,000	14.28%
<b>TOTAL</b>				<b>100,415,350</b>	<b>28.68%</b>

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>(b) Unlisted / Privately Placed BANKS</b>					
19	India Retail ABS Trust(SR.XIII) FRN 2006 **	AAA	5	49,071,690	14.01%
20	Royal Trust PTC (SR May 04) **	AAA	5	40,307,140	11.51%
<b>TOTAL</b>				<b>89,378,830</b>	<b>25.52%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
Money at call with Banks and Others				1,000,000	0.29%
Reverse Repo Investments / CBLO				53,493,200	15.28%
<b>TOTAL</b>				<b>54,493,200</b>	<b>15.56%</b>
Net Receivables / (Payables)				(13,721,735)	-3.92%
<b>TOTAL NET ASSETS</b>				<b>350,168,466</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND – CONSERVATIVE  
AUDITORS' REPORT**

To the Trustee of

**DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND -  
CONSERVATIVE:**

1. We have audited the attached balance sheet of DSP MERRILL LYNCH MUTUAL FUND – SAVINGS PLUS FUND – CONSERVATIVE ('the Scheme') as at March 31, 2005 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, 2005 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, 2005; 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, April 27, 2005

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH INDIA SAVINGS PLUS - CONSERVATIVE  
BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	As at 31.03.2005 Rupees
<b>LIABILITIES</b>		
Unit Capital	1	216,983,578
Reserves & Surplus	2	7,175,284
Current Liabilities and Provisions	3	2,221,957
		<b>226,380,819</b>
<b>ASSETS</b>		
Investments	4	204,331,591
Deposits	5	1,000,000
Other Current Assets	6	21,049,228
		<b>226,380,819</b>
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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President, Chief Investment  
Officer & Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA SAVINGS PLUS - CONSERVATIVE**  
**REVENUE ACCOUNT FOR THE PERIOD APRIL 27, 2004 TO MARCH 31, 2005**

	Schedule	Period ended 31.03.2005 Rupees
<b>INCOME &amp; GAINS</b>		
Dividend		299,497
Interest	7	13,026,983
Profit on sale/redemption of investments (net)		9,846,873
Profit on inter-scheme sale of Investments		330,000
		<b>23,503,353</b>
<b>EXPENSES &amp; LOSSES</b>		
Management fees		3,456,520
Transfer agents fees & expenses		632,722
Custodian Fees & Transaction charges		61,365
Trusteeship fees		3,408
Marketing expenses		2,174,690
Payment to Auditor		
Audit fees		75,000
Other matters including reimbursement of expenses		186
Other operating expenses		47,247
Net unrealised loss in the value of investments		257,350
		<b>6,708,488</b>
<b>Excess of income and gains over expenses and losses</b>		<b>16,794,865</b>
Add/ (Less): Income Equalisation Account		(3,990,569)
<b>Income available for appropriation</b>		<b>12,804,296</b>
<b>Appropriation</b>		
Income Distributed during the period		5,060,749
Tax on income distributed during the period		661,383
		<b>7,082,164</b>
<b>Retained Surplus carried forward to Balance Sheet</b>		<b>7,082,164</b>

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, April 27, 2005

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

**Shitin D Desai**  
*Chairman*

**S. S. Thakur**  
*Director*

Mumbai, April 26, 2005

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

**K R V Subrahmanian**  
*Director*  
 Mumbai, April 27, 2005

**Ranjan Pant**  
*Director*

**Naganath Sundaresan**  
*President, Chief Investment  
 Officer & Fund Manager*

Mumbai, April 26, 2005

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA SAVINGS PLUS - CONSERVATIVE**  
**SCHEDULES FORMING PART OF THE PERIOD ENDED MARCH 31, 2005**

**Schedule****1 UNIT CAPITAL****Issued and subscribed:**

Units of Rs. 10 each fully paid up  
 Initial Capital issued on June 11, 2004  
 Capital issued during the period

	As at 31.03.2005	
	Units	Rupees
	58,761,261.839	587,612,618
	9,982,235.709	99,822,357
	<b>68,743,497.548</b>	<b>687,434,975</b>
Redemptions during the period	47,045,139.734	470,451,397
<b>Unit Capital at the end of the period</b>	<b>21,698,357.814</b>	<b>216,983,578</b>
Growth Plan	12,457,547.607	124,575,476
Monthly Income Plan	2,729,836.366	27,298,364
Quarterly Income Payment	6,510,973.841	65,109,738
<b>Unit Capital at the end of the period</b>	<b>21,698,357.814</b>	<b>216,983,578</b>

**2 RESERVES AND SURPLUS****Unit Premium Reserve**

Net Premium on issue / redemption of units during the period  
 Transfer from / (to) Income Equalisation Account

**Closing balance****Retained Surplus**

Add: Surplus transferred from Revenue Account

**Closing balance****Unrealised Appreciation on Investments**

Add: Unrealised appreciation as at period end

**Closing balance**

	As at 31.03.2005 Rupees
	(5,745,390)
	3,990,569
<b>Closing balance</b>	<b>(1,754,821)</b>
	7,082,164
<b>Closing balance</b>	<b>7,082,164</b>
	1,847,941
<b>Closing balance</b>	<b>1,847,941</b>
	<b>7,175,284</b>

**3 CURRENT LIABILITIES & PROVISIONS**

Sundry creditors  
 Distributed income payable  
 Unclaimed redemptions / distributed income  
 Other liabilities

	As at 31.03.2005 Rupees
	1,529,121
	677,093
	4,287
	11,456
<b>Closing balance</b>	<b>2,221,957</b>

**DSP MERRILL LYNCH MUTUAL FUND**  
**DSP MERRILL LYNCH INDIA SAVINGS PLUS - CONSERVATIVE**  
**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2005**

<b>4 INVESTMENTS</b>	<b>As at 31.03.2005 Rupees</b>	
	<b>Cost</b>	<b>Market/ Fair value</b>
<b>Equity Shares</b>		
Listed or awaiting listing	13,721,294	15,452,611
<b>Government Securities</b>	49,757,500	49,500,150
<b>Bonds / Debentures</b>		
Listed or awaiting listing	50,000,000	50,000,000
Private Placement / Unlisted	89,262,206	89,378,830
	<b>202,741,000</b>	<b>204,331,591</b>
Note: Refer to the attached Statement of Portfolio as at March 31, 2005		
<b>5 DEPOSITS</b>	<b>As at 31.03.2005 Rupees</b>	
Money at call with :		
- Institutions		1,000,000
		<b>1,000,000</b>
<b>6 OTHER CURRENT ASSETS</b>	<b>As at 31.03.2005 Rupees</b>	
Balances with banks in current accounts		4,195,851
Collateralised lending (reverse repurchase transactions)		14,995,070
Outstanding and accrued income		1,822,307
Dividend receivable		36,000
		<b>21,049,228</b>
<b>7 INTEREST</b>	<b>Period ended 31.03.2005 Rupees</b>	
Call and term deposits		41,432
Collateralised lending (reverse repurchase transactions)		2,515,302
Government securities, bonds and debentures		10,470,249
		<b>13,026,983</b>

**DSP MERRILL LYNCH MUTUAL FUND  
DSP MERRILL LYNCH SAVINGS PLUS FUND -  
CONSERVATIVE**

**Schedules forming part of the Balance Sheet as  
at March 31, 2005 and the Revenue Account for  
the Period April 27, 2004 to March 31, 2005.**

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

DSP Merrill Lynch Savings Plus Fund – Aggressive (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 27, 2004 and was open for subscription between April 27, 2004 and May 25, 2004 thereafter, it was reopened for subscription and redemption on June 14, 2004.

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 Scheme will also invest a certain portion of its corpus in money market securities, in order to meet liquidity requirements from time to time.

**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 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.

**2.8 Initial Public Offer Expenses**

Initial Public Offer Expenses were borne by the AMC.

**3. Investment Management and Trusteeship fees**

Investment management fees charged to the Scheme at approximately 0.95 % of the average daily net assets pursuant to an agreement with DSP Merrill Lynch Fund Managers Limited (AMC).

The Fund has accrued trusteeship fees aggregating Rs.1,051,000 (previous year Rs. 1,000,000) for the year ended March 31, 2005 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, 2005 at Market/Fair Value
Bharti Televentures Ltd.	STF,FRF	0.18	-
Grasim Industries Ltd.	FRF,STF	0.33	0.08
Gujarat Ambuja Cements Ltd.	LF	0.23	0.07
HDFC Bank Ltd.	FRF	0.09	0.08
Hero Honda Ltd.	SPF-M,FRF,LF,SPF-C	0.14	-
ICICI Bank Ltd.	LF,SPF-C	0.10	-
Infosys Technologies Ltd.	LF	0.60	0.11
ITC Ltd.	FRF,LF,STF	0.11	-
Jet Airways Ltd.	LF	0.03	-
Maruti Udyog Ltd.	FRF,STF	0.17	-
Punjab National Bank	ITF	0.27	0.23
State Bank of India	OF,EF,ITF	0.35	0.10
Tata Consultancy Services Ltd.	STF	0.56	0.10
Tata Iron And Steel Company Ltd.	LF	0.19	-
Tata Motors Ltd.	SPF-M,FRF,LF,STF	0.23	-
Vijaya Bank	BaF,EF,TEF	0.07	-

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

\* BF - Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BAF - Balanced Fund, GSFA - Government Securities Fund - Plan (Longer Duration Plan A), STF - Short Term Fund, OF - Opportunities Fund, TEF - TOP100 Equity Fund, SPF - M - Savings Plus Fund - Moderate, FRF - Floating Rate Fund, ITF-India T.I.G.E.R Fund, SPF-A-Savings Plus Fund - Aggressive, SPF-C-Savings Plus Fund - Conservative.

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. 814,352,921 and Rs. 610,569,877 respectively being 223.14% and 167.30% respectively of the average daily net assets.

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

Name of the Associate: DSPML.

Particulars of transactions	Period ended March 31, 2005 Rupees
Payment of Brokerage for Distribution and Sale of Units:	293,825
Payment of Brokerage on Secondary Market transactions:	2,561
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:	5,926,000

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

**6. Distributable Income**

	Period ended March 31, 2005 Rupees
Net Income as per Revenue Account	12,804,296
Less: Distributed to unitholders & distribution tax	5,722,132
<b>Balance Distributable income</b>	<b>7,082,164</b>

**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, 2005	
<b>a. Net asset value, at the end of the period:</b>		
<b>Growth (G)</b>		10.4979
<b>Quarterly Dividend (QD)</b>		10.1060
<b>Monthly Dividend (MD)</b>		10.1037
<b>b. Gross Income</b>		
(i) Income other than profit on sale of investment		0.6142
(ii) Income from profit on inter scheme sales/transfer of investment		0.0152
(iii) Income from profit / (loss) on sale of investment to third party		0.4538
(iv) Transfer to revenue account Income from past year' reserve		-
<b>c. Aggregate of expenses, write off, Amortisation and charges</b> (excluding change in unrealised depreciation in investments)		0.2973
<b>d. Net Income</b> (excluding change in unrealised depreciation in investments)		0.7859
<b>e. Unrealised appreciation/(depreciation) in value of investments</b>		0.0733
<b>f. Repurchase and Resale Price</b>	<b>Growth</b>	<b>Dividend</b>
<b>Repurchase Price</b>		
- Highest Price		MD-10.1416
	10.4681	QD-10.2434
- Lowest Price		MD-9.9487
	9.9487	QD-9.9487
<b>Resale Price</b>		
- Highest Price		MD-10.2028
	10.5313	QD-10.3052
- Lowest Price		MD-10.0088
	10.0088	QD-10.0088
<b>g. Ratio of expenses to average daily net assets by percentage</b>		2.22%
<b>h. Ratio of gross income to average daily net assets by percentage</b> (excluding transfer to revenue account from past years' reserve but including unrealised appreciation / depreciation on investments).		6.88%

**Notes:**

- The lowest repurchase price of the units of the Scheme has been determined after deducting to the 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 INDIA SAVINGS PLUS FUND - CONSERVATIVE**  
**Statement of Portfolio Holding as at March 31, 2005**  
**(Referred to in Schedule 4 forming part of the Balance Sheet as at March 31, 2005)**

SR.NO	NAME OF THE COMPANY	RATING	QUANTITY	MARKET VALUE (RUPEES)	% TO NET ASSETS
<b>EQUITY &amp; EQUITY RELATED</b>					
<b>Listed / awaiting listing on the stock exchanges</b>					
<b>BANKS</b>					
				<b>4,104,620</b>	<b>1.83%</b>
1	PNB		5,895	2,318,798	1.03%
2	State Bank of India		1,579	1,033,929	0.46%
3	HDFC Bank		1,380	751,893	0.34%
<b>CEMENT</b>					
				<b>1,490,861</b>	<b>0.67%</b>
4	Grasim Industries		634	769,961	0.34%
5	Gujarat Ambuja Cements		1,800	720,900	0.32%
<b>INDUSTRIAL CAPITAL GOODS</b>					
				<b>1,402,941</b>	<b>0.63%</b>
6	Siemens		638	1,086,418	0.48%
7	BHEL		413	316,523	0.14%
<b>OIL</b>					
				<b>1,090,690</b>	<b>0.49%</b>
8	ONGC		1,232	1,090,690	0.49%
<b>PETROLEUM PRODUCTS</b>					
				<b>1,338,836</b>	<b>0.60%</b>
9	HPCL		4,399	1,338,836	0.60%
<b>PHARMACEUTICALS</b>					
				<b>2,174,049</b>	<b>0.97%</b>
10	Glaxo Smithkline Pharmaceuticals		1,500	1,078,425	0.48%
11	Nicholas Piramal		2,723	607,365	0.27%
12	Ranbaxy Laboratories		484	488,259	0.22%
<b>POWER</b>					
				<b>1,664,288</b>	<b>0.74%</b>
13	NTPC		19,511	1,664,288	0.74%
<b>SOFTWARE</b>					
				<b>2,186,326</b>	<b>0.98%</b>
14	Infosys Technologies		508	1,146,658	0.51%
15	Tata Consultancy Services		726	1,039,668	0.46%
<b>TOTAL</b>				<b>15,452,611</b>	<b>6.89%</b>
<b>CENTRAL GOVERNMENT SECURITIES</b>					
16	4.49% FRB 2016	SOV	500,000	49,500,150	22.08%
<b>TOTAL</b>				<b>49,500,150</b>	<b>22.08%</b>
<b>DEBT INSTRUMENTS</b>					
<b>(a) Listed / awaiting listing on the stock exchanges</b>					
<b>FINANCE</b>					
				<b>50,000,000</b>	<b>22.31%</b>
17	Citi Financial Consumer Finance India FRN 2007 **	AAA	50	50,000,000	22.31%
<b>TOTAL</b>				<b>50,000,000</b>	<b>22.31%</b>
<b>(b) Unlisted / Privately Placed</b>					
<b>BANKS</b>					
				<b>89,378,830</b>	<b>39.87%</b>
18	India Retail ABS Trust(SR.XIII) FRN 2006 **	AAA	5	49,071,690	21.89%
19	Royal Trust PTC (SR May 04) **	AAA	5	40,307,140	17.98%
<b>TOTAL</b>				<b>89,378,830</b>	<b>39.87%</b>
<b>MONEY MARKET INSTRUMENTS</b>					
Money at call with Banks and Others				1,000,000	0.45%
Reverse Repo Investments / CBLO				14,995,070	6.69%
<b>TOTAL</b>				<b>15,995,070</b>	<b>7.14%</b>
Net Receivables / (Payables)				3,832,201	1.71%
<b>TOTAL NET ASSETS</b>				<b>224,158,862</b>	<b>100.00%</b>

\*\* Non Traded / Thinly Traded Securities in accordance with SEBI Regulations / Guidelines

**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	: Rajabhadur 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	: Kamlalaye 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.
PONDICHERRY	: 25, First Floor, Jawaharlal Nehru Street, Pondicherry - 605 001.