

**DSP MERRILL LYNCH MUTUAL FUND
TULSIANI CHAMBERS, WEST WING, 11th FLOOR,
NARIMAN POINT, MUMBAI – 400 021**

**HALF YEARLY FINANCIAL RESULTS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2006**

NOTES TO ACCOUNTS

1. Basis of Accounting

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

2. Change in Accounting Policy

During the financial year 2005-2006 DSP Merrill Lynch Mutual Fund ('the Fund') has changed its basis for computation of Income Equalization Reserve. Unrealized depreciation in the value of investments as on the date of issue and redemption of units, hitherto, were not considered for the purpose of Income Equalisation Reserve. As a measure of prudent accounting policy the same has been considered for computation of Income Equalisation Reserve. This change in the basis of computation of Income Equalization does not have an impact on net asset value of the schemes managed by the Fund.

Had the Fund continued to use the earlier basis of computation of income equalization reserve, the impact would have been as under:

	Rs. ,000s		
	As per New Basis	As per Old Basis	Difference
BaF	(8,152.83)	(8,117.13)	(35.70)
BF	(25,357.07)	(4,540.81)	(20,816.26)
EF	(139,465.55)	(85,527.21)	(53,938.34)
FRF	(257,582.38)	(258,084.68)	502.30
GSFA	(1,428.00)	(1,493.46)	65.46
GSFB	(71.96)	(88.17)	16.21
LF	(188,158.77)	(185,991.14)	(2,167.63)
OF	407,694.30	407,671.58	22.72
SPF-A	4,640.33	4,635.55	4.78
SPF-C	546.87	550.99	(4.12)
SPF-M	(58,821.37)	(58,961.08)	139.71
STF	(13,634.19)	(8,930.25)	(4,703.94)
TF	(8,017.06)	(8,017.06)	-
ITF	267,653.41	271,929.11	(4,275.70)
TEF	149,002.39	149,000.33	2.06

Further such change has been effected with effect from April 1, 2005 and hence corresponding previous year figures have not been re-computed.

BF-Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BaF – Balanced Fund, GSFA – Government Securities Fund – Plan A (Longer Duration Plan), GSFB – Government Securities Fund – Plan B (Shorter Duration Plan), TF – Technology.com fund, OF - Opportunities Fund, STF – Short Term Fund, TEF- Top 100 Equity Fund, SPF-M – Savings Plus Fund - Moderate, FRF- Floating Rate Fund, SPF-A - Savings Plus Fund - Aggressive, SPF-C - Savings Plus Fund - Conservative, ITF - India T.I.G.E.R. Fund.

3. 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 securities.

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 Limited) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

VI. 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.

VII. 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.

VIII. 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, Collateralized Borrowing and Lending Obligations 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.

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds issued by the Institute of Chartered Accountants of India (pursuant to the Eleventh Schedule to the SEBI Regulations), the net unrealised gain or loss in the value of investments is determined separately for each category of investments. The change in the net unrealised loss, if any, between two balance sheet dates is recognised in the revenue account and the change in net unrealised gain, if any, is adjusted in an unrealised appreciation reserve. The loss on investments sold/transferred during the period is charged to the revenue account instead of being first adjusted against the provision for depreciation, if already created in the prior period, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets

c) Equity Derivatives

- Initial Margin paid against equity derivatives is accounted as current assets.
- Open position of exchange traded equity derivatives (ETED) are mark-to-market on daily basis at the closing prices provided by the respective stock exchanges.
- Realised gain / loss on closure / expiry of ETED are accounted as realised gain / loss on investments.

4. Open position of ETED as at March 31, 2006 is as under:

Year	Scheme	Name of Stock Futures	No. of Contracts	No. of Units Long
2005-2006	EF	Sun Pharma	68	30,600
2004-2005	-	-	-	-

5. Income Distribution

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

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

Name of Associate: DSP Merrill Lynch Limited

Scheme Name	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. – Rs. Crores	Payment of Brokerage on Secondary Market transactions – Rs. Lakhs	Payment of Brokerage for Distribution and Sale of Units – Rs. Lakhs
BF	5.00	-	7.32
EF	8.47	7.24	33.19
LF	170.00	-	27.85
BaF	7.56	2.97	28.87
GSFA	-	-	0.52
GSFB	-	-	0.93
TF	-	0.14	2.16
OF	1.92	5.11	57.82
STF	20.00	-	4.71
TEF	1.02	1.10	10.11
SPF-M	2.25	0.67	20.66
FRF	60.00	-	44.35

Scheme Name	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. – Rs. Crores	Payment of Brokerage on Secondary Market transactions – Rs. Lakhs	Payment of Brokerage for Distribution and Sale of Units – Rs. Lakhs
SPF-C	0.06	0.02	0.74
SPF-A	0.43	0.10	3.52
ITF	6.11	8.74	27.37
FTP- Series 1	-	-	1.23
FTP- Series 1A	-	-	1.08
FTP- Series 3	-	-	0.21
FTP- Series 2	96.28	-	0.28
FTP- Series 1B	-	-	0.19
FTP- Series 1C	-	-	0.03
FTP- Series 3A	-	-	2.56

FTP: - Fixed Term Plans (Closed Ended Schemes)

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. Large holdings in any of the Schemes (over 25% of the NAV of the Scheme):

Scheme	No. of Investors	Percentage of holding
GSFB	1	36.76 %*

* Holding as of March 31, 2006. However, based on quarterly average net assets the investor's holding is less than 25% .

8. Investments made in companies which have invested more than five percent of the net asset value of the Schemes of DSP Merrill Lynch Mutual Fund in terms of Regulation 25 (11):

- Investment in Companies includes investment in subsidiaries.
- Purchases represents purchases (including derivatives transactions and inter scheme transactions) made during the period prescribed under regulation 25(11).
- Value represents closing market value of investments as of March 31, 2006

Open Ended Schemes

Rupees in Crores

Companies	Investment by Schemes		BaF	BF	EF	FRF	ITF	LF	OF	SPF - A	SPF - C	SPF - M	STF	TEF	TF
Bank of Baroda	LF	Value	-	-	-	-	-	-	-	-	-	-	-	-	-
		Purchases	1.46	-	2.29	-	-	-	-	-	-	-	-	-	-
Bharti Televentures Ltd.	STF	Value	5.34	-	14.87	-	25.39	-	30.00	0.74	0.04	2.89	-	2.93	1.13
		Purchases	2.15	-	10.65	-	16.71	-	11.49	0.77	0.05	2.87	-	2.07	-
Financial Technologies India Limited	SPF - C	Value	-	-	-	-	-	-	-	-	-	-	-	-	0.73
		Purchases	-	-	-	-	-	-	-	-	-	-	-	-	0.24
HCL Technologies Ltd.	BF, STF	Value	1.56	-	7.97	-	-	-	14.48	-	-	-	-	9.43	1.18
		Purchases	1.51	-	13.57	-	-	-	10.79	-	-	-	-	7.00	0.05
HDFC Bank Ltd.	FRF	Value	-	-	7.84	47.07	-	317.45	-	-	-	-	-	-	-
		Purchases	-	-	7.40	47.07	-	246.48	-	-	-	-	-	-	-
HDFC Ltd.	LF	Value	45.02	5.00	-	331.02	14.89	102.51	-	5.00	-	25.11	-	-	-
		Purchases	40.00	5.00	-	-	8.51	203.17	-	5.00	-	-	-	-	-
Hero Honda Ltd.	SPF-M, FRF, LF, STF	Value	-	-	-	-	-	-	-	-	-	-	-	-	-
		Purchases	-	-	-	-	-	-	-	-	-	-	-	2.33	-
Hindalco Industries Ltd.	FRF	Value	3.42	-	5.81	-	4.88	-	13.00	-	-	-	-	4.06	-
		Purchases	3.06	-	9.28	-	4.68	-	4.75	-	-	-	-	1.66	-
Hindustan Lever Limited	LF	Value	6.90	-	17.72	-	-	-	35.65	-	-	-	-	6.57	-
		Purchases	5.99	-	15.03	-	-	-	36.80	-	-	-	-	6.90	-
ICICI Bank Limited	LF	Value	4.33	4.91	9.46	-	9.88	627.74	16.83	-	-	-	-	4.13	-
		Purchases	12.71	5.00	26.53	59.32	74.62	1,772.63	43.53	2.46	0.14	11.65	32.01	15.62	-
IDFC Ltd.	EF, STF	Value	-	-	-	-	-	-	-	-	-	-	-	-	-
		Purchases	-	-	3.35	-	0.94	-	-	-	-	-	-	-	-
Infosys Technologies Ltd.	LF	Value	9.75	-	20.85	-	-	-	38.16	0.95	0.14	1.59	-	6.40	4.88
		Purchases	1.00	-	16.42	-	-	-	11.45	0.74	0.10	1.27	-	2.92	-
IPCL Ltd.	LF	Value	-	-	-	-	-	-	4.98	-	-	-	-	0.65	-
		Purchases	2.47	-	4.38	-	-	-	13.57	-	-	-	-	3.44	-

Companies	Investment by Schemes		BaF	BF	EF	FRF	ITF	LF	OF	SPF - A	SPF - C	SPF - M	STF	TEF	TF
ITC Ltd.	FRF, LF, STF	Value	5.26	-	10.48	-	-	-	25.02	0.93	0.12	3.56	-	7.55	-
		Purchases	2.67	-	3.40	-	-	-	11.52	0.33	0.07	0.95	-	4.50	-
Jet Airways Ltd.	LF	Value	-	-	-	-	6.19	-	-	-	-	-	-	-	-
		Purchases	-	-	-	-	9.25	-	-	-	-	-	-	-	-
Larsen & Toubro Limited	TEF	Value	5.96	-	15.32	25.00	27.86	-	24.96	0.34	0.06	0.39	-	6.38	-
		Purchases	4.98	-	9.76	25.00	18.68	44.79	15.32	0.89	0.19	4.84	-	4.17	-
Maruti Udyog Ltd.	LF	Value	-	-	-	-	-	-	-	-	-	-	-	1.23	-
		Purchases	-	-	-	-	-	-	8.80	0.34	0.08	-	-	3.33	-
Punjab National Bank	STF	Value	5.17	-	-	-	6.85	450.00	17.64	-	-	-	-	-	-
		Purchases	-	-	-	-	2.03	469.28	-	-	-	-	-	-	-
Reliance Industries Ltd.	LF	Value	4.89	-	16.15	10.11	47.01	-	51.49	1.93	0.22	4.47	-	5.66	-
		Purchases	2.13	-	14.05	-	32.18	-	15.86	1.51	0.16	2.29	-	1.64	-
State Bank of India	EF, ITF	Value	7.01	-	15.05	-	16.35	207.54	35.13	-	-	-	4.79	4.76	-
		Purchases	0.75	-	6.68	-	6.90	305.44	6.00	-	-	-	4.79	0.36	-
Tata Consultancy Services Ltd.	STF	Value	5.60	-	10.72	-	-	-	23.89	0.95	0.14	2.23	-	1.76	3.07
		Purchases	2.75	-	9.22	-	-	-	3.01	0.24	0.02	1.16	-	-	-
Tata Iron And Steel Company Ltd.	LF	Value	-	-	-	-	-	-	-	-	-	-	-	-	-
		Purchases	-	-	-	-	-	-	3.02	-	-	-	-	-	-
The Bombay Dyeing & Mfg. Co. Ltd.	GSFA	Value	-	-	-	-	-	-	-	-	-	-	-	-	-
		Purchases	-	-	-	-	-	10.00	-	-	-	-	-	-	-
UCO Bank	STF	Value	-	-	-	18.89	-	183.38	-	-	-	-	-	-	-
		Purchases	-	-	-	24.26	-	304.32	-	-	-	-	19.39	-	-
VSNL	LF	Value	-	-	-	-	-	-	-	-	-	-	-	2.68	-
		Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
Wipro	LF	Value	4.23	-	-	-	-	-	3.64	-	-	-	-	1.02	2.40
		Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-

Closed Ended Schemes

Rupees in Crores

Companies	Investment by Schemes		FTP Series 1	FTP Series 1A	FTP Series 1B	FTP Series 1C	FTP Series 2	FTP Series 3	FTP Series 3A
HDFC Bank Limited	FRF	Value	-	-	97.95	-	-	-	-
		Purchases	-	-	-	-	-	-	-
ICICI Bank Limited	LF	Value	-	-	-	-	96.23	-	138.84
		Purchases	35.03	-	-	-	96.23	-	138.85
Punjab National Bank	STF	Value	-	-	-	25.00	-	-	-
		Purchases	-	40.00	-	25.00	-	-	-
State Bank of India	EF, ITF	Value	-	-	202.10	-	-	37.40	-
		Purchases	-	-	202.10	-	-	37.40	-
UCO Bank	STF	Value	-	-	-	-	-	-	-
		Purchases	-	49.27	-	-	-	-	-

The Investment Manager is of the opinion that the investments are made by the schemes 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.

3. Unit-holders can obtain from the mutual fund a copy of the Annual Report of the scheme in which he /she has invested.

4. The unaudited financial results have been approved by the Directors of the Board of DSP Merrill Lynch Fund Managers Limited and DSP Merrill Lynch Trustee Co. Pvt. Ltd.

5. The Auditors of the Fund have performed a limited review of the above unaudited financial results.

For DSP Merrill Lynch Trustee Company Private Limited

Shitin Desai
Chairman

S. S. Thakur
Director

Mumbai, April 27, 2006

For DSP Merrill Lynch Fund Managers Limited

Hemendra Kothari
Chairman

K. R. V. Subrahmanian
Director

Mumbai, April 27, 2006