

HALF YEARLY FINANCIAL RESULTS (UNAUDITED) FOR THE PERIOD ENDED MARCH 31, 2008

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 (the Regulations) as amended from time to time.

2. **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 the Regulations, 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.

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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

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, 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 Money market instruments is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments

VII. Valuation of Foreign Securities

Investments in shares of Foreign Mutual Fund (Merrill Lynch International Investments Fund – World Gold Fund) are stated at the last declared Net Asset Value per share by the respective mutual fund and are translated into Indian rupees at RBI exchange rate prevalent on the date of valuation / Balance Sheet.

Investments in Foreign securities are accounted at the exchange rate prevailing on the date of accounting the trade. Differences in exchange rate till settlement are recognised as income or expense.

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,

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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 marked-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.

3. **Expenses:**

- a. In case of FTP - 3M Series 2, recurring expenses were borne by the AMC and in case of FTP- Series 3E, the AMC has written back management fee of Rs. 40.12 lacs (net of accrual) during the current period.

b. **New Fund Offer (NFO) Expenses:**

NFO expenses for SBF & CP were borne by the AMC. In case of WGF the entry load collected during the NFO was utilized to meet the NFO expenses and the remainder of the NFO expenses was borne by the AMC.

c. **Amortization of NFO Expenses in MCF:**

NFO expenses incurred upto 4.50% of amount mobilized is amortized over a period of 36 months, starting from 14th June, 2007. An early exit charge equivalent to the balance unamortized NFO expenses upto the date of redemption is adjusted against the outstanding balance.

d. **Entry load / Exit Load**

The Entry Load / Exit Load collected is utilized for meeting the selling and distribution expenses.

4. **Investments made in Foreign Securities:**

Scheme	Investment in Foreign Securities % to net assets as of March 31, 2008
WGF	97.42%

5. **Open position of ETED as at March 31, 2008 was as under:**

Number of Units Long / (Short)

Scheme	IDFC	Indusind Bank	Kotak Mahindra Bank	Nagarjuna Fertilizers	National Aluminum	Nifty	Reliance Capital	Tata Steel
BaF						44,550		
SM				1,988,000		(37,750)		
EF					241,500	105,150		35,526
ITF						245,650	99,912	61,120
MCF		192,500						
OF						41,450		31,706
SPF-A	(23,600)		(5,775)					
SPF-C	(1,475)		(275)					
SPF-M	(11,800)		(3,025)					
TEF			(107,250)			266,400		25,594

Number of Contracts Long / (Short)

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Scheme	IDFC	Indusind Bank	Kotak Mahindra Bank	Nagarjuna Fertilizers	National Aluminum	Nifty	Reliance Capital	Tata Steel
BaF	-	-	-	-	-	891	-	-
SM	-	-	-	568	-	(755)	-	-
EF	-	-	-	-	420	2,103	-	93
ITF	-	-	-	-	-	4,913	724	160
MCF	-	100	-	-	-	-	-	-
OF	-	-	-	-	-	829	-	83
SPF-A	(16)	-	(21)	-	-	-	-	-
SPF-C	(1)	-	(1)	-	-	-	-	-
SPF-M	(8)	-	(11)	-	-	-	-	-
TEF	-	-	(390)	-	-	5,328	-	67

6. 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 / period.

7. 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 / disinvestment in various Public issues / Private placements where the associate was the sole or one of the several lead managers – Rs Lakhs	Payment of Brokerage on Secondary Market transactions – Rs Lakhs	Payment of Brokerage for Distribution and Sale of Units – Rs Lakhs
BF	-	-	4.70
EF	300.48	74.56	70.09
LF	13,821.50	-	5.27
BaF	107.95	23.63	128.21
GSFA	-	-	0.26
GSFB	-	-	0.04
TF	-	5.74	22.38
OF	76.66	12.78	36.28
STF	-	-	1.09
TEF	233.55	55.89	93.34
SPF-M	13.26	4.67	16.41
FRF	-	-	3.45
SPF-C	1.38	0.24	0.75
SPF-A	10.53	7.32	10.28
ITF	933.74	53.51	128.04
LPLUS	62,000.00	-	53.67
SM	137.98	13.29	23.11
TSF	22.66	1.44	8.29
MCF	-	-	11.80
SBF	-	-	11.41
WGF	-	-	287.14
CP	102,000.00	-	0.70
FTP- Series 10	-	-	0.02
FTP- Series 1P	-	-	0.65
FTP- Series 3H	-	-	0.10
FTP- 3M Sr.1	-	-	0.27
FTP- 15M Sr.1	-	-	0.19

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Scheme Name	Securities transaction in the form of investments / disinvestment in various Public issues / Private placements where the associate was the sole or one of the several lead managers – Rs Lakhs	Payment of Brokerage on Secondary Market transactions – Rs Lakhs	Payment of Brokerage for Distribution and Sale of Units – Rs Lakhs
FTP- 3M Sr.2	-	-	0.04
FTP- 15M Sr.2	-	-	0.94
FTP- 3M Sr.3	-	-	0.05
FTP- 3M Sr.6	-	-	0.01
FTP- 12.5M Sr.1	-	-	3.80
FTP- 13M Sr.1	-	-	1.25

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, LPLUS- Liquid Plus Fund, SM – Small and Mid Cap Fund, TSF – Tax Saver Fund, SBF- Strategic Bond Fund, WGF – World Gold Fund, CP – Cash Plus Fund, MCF – Micro Cap Fund, FMP / FTP- SERIES : - Fixed Term Plans Series / Fixed Maturity Plans (Closed Ended Schemes).

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

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, 2008

Company Name	Scheme invested in	Investing Scheme	Purchases (rupees in crores)	Value (rupees in crores)
Adani Enterprises Ltd.	LF	BaF	3.98	-
		EF	12.67	-
		OF	7.57	4.80
		TSF	4.23	1.97
		TEF	12.23	-
Allahabad Bank	LF	CP	24.96	-
		FTP- Series 3E	24.62	24.92
		LF	9.96	9.97
		LPLUS	96.31	64.80
		SM	0.06	-
Bank of Baroda	LF	BaF	3.39	-
		EF	15.62	-
		TSF	6.38	6.28
		TEF	9.97	-
Bank of Maharashtra	LF	MCF	1.41	-
		SM	20.84	16.10
		TSF	1.27	-
Bosch Ltd.	FTP- Series 3E	SPF-A	0.59	-
		SPF-C	0.02	-
		SPF-M	0.34	-
Centurion Bank of Punjab Ltd	LF	ITF	20.70	-
		LPLUS	123.86	-

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Company Name	Scheme invested in	Investing Scheme	Purchases (rupees in crores)	Value (rupees in crores)
		OF	2.88	-
		SM	19.06	-
Edelweiss Capital Ltd.	LF	FTP- 3M Sr.2	97.84	-
		FTP- 3M Sr.3	97.53	98.42
		BaF	0.32	-
		CP	1,686.24	-
		EF	30.77	-
		FTP- Series 1M	39.03	-
		ITF	92.39	-
		LF	249.07	-
		LPLUS	647.51	-
		OF	12.69	4.34
		SBF	50.00	-
		SM	30.90	-
Global Trade Finance Private Ltd	LF	CP	125.00	-
		LF	25.00	-
		SBF	25.00	-
HCL Technologies Ltd.	LF	BaF	20.64	-
		EF	55.04	-
		OF	8.65	2.71
		SPF-A	2.26	-
		SPF-C	0.13	-
		SPF-M	3.18	-
		TEF	56.11	-
TF	31.94	1.06		
India Infoline Ltd.	LF	FTP- 3M Sr.2	14.65	-
		BaF	3.09	-
		CP	300.00	-
		FTP- 3M SR.1	97.55	-
		EF	8.59	-
		LF	92.00	-
		LPLUS	170.96	-
		MCF	1.70	1.62
		OF	19.08	8.41
		SM	27.96	-
		STF	8.00	-
TSF	8.68	2.77		
Info Edge India Ltd.	STF	TF	2.19	1.78
IRB Infrastructure Developers Ltd	LF	OF	1.96	1.79
ITC Ltd	LF	BaF	22.12	4.11
		EF	77.77	11.67
		OF	2.96	27.94
		SPF-A	7.03	1.48
		SPF-C	0.27	0.06
		SPF-M	5.01	0.84
		TSF	3.82	3.92
		TEF	50.10	14.19
JM Financial Products	LF	FTP- 3M Sr.3	14.66	14.80

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Company Name	Scheme invested in	Investing Scheme	Purchases (rupees in crores)	Value (rupees in crores)
Pvt. Ltd.		CP	469.64	-
		ITF	150.00	-
		LPLUS	50.00	-
Maruti Suzuki India Ltd.	LF	BaF	3.12	-
		EF	9.52	-
		OF	-	-
		SPF-A	1.94	-
		SPF-C	0.11	-
		SPF-M	1.72	-
		TEF	9.39	-
		Reliance Industries Ltd.	LF	BaF
EF	166.46			39.68
ITF	231.18			240.87
OF	129.14			82.55
SM	16.05			4.01
SPF-A	37.11			-
SPF-C	1.10			-
SPF-M	22.93			-
TSF	52.77			31.96
TEF	138.60			36.49
State Bank of India	LF			BaF
		CP	346.20	68.56
		FTP- 18 M Series 1	2.24	-
		FTP- 3M SR.1	66.64	-
		EF	73.93	11.89
		FTP- Series 3E	24.51	24.84
		ITF	135.94	132.63
		LF	177.04	74.10
		LPLUS	270.60	-
		OF	8.11	42.47
		SPF-A	21.48	-
		SPF-C	5.26	-
		SPF-M	7.27	-
		TSF	24.28	8.16
Television Eighteen India Ltd.	LPLUS	ITF	19.70	55.46
		OF	-	20.89
		SM	-	13.64
		TSF	-	0.64
The Associated Cement Co. Ltd.	LF	BaF	10.87	5.28
		EF	32.42	16.41
		ITF	25.89	-
		OF	3.48	-
		SM	8.64	9.10
		SPF-A	4.74	1.28
		SPF-C	0.15	0.03
		SPF-M	3.39	0.69
UCO Bank Ltd.	LF	TEF	28.84	12.00
		BaF	36.27	-
		CP	149.90	-
		EF	5.64	-
		FTP- Series 1N	29.40	-
		FTP- Series 1O	244.94	-
		FTP- Series 3C	45.12	-

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Company Name	Scheme invested in	Investing Scheme	Purchases (rupees in crores)	Value (rupees in crores)
		LF	334.32	-
		LPLUS	421.24	-
		SBF	34.86	-
		SPF-M	24.52	-
Welspun Gujarat Stahl Rohern Ltd	STF	ITF	50.36	82.35
		SM	7.35	10.31
		TSF	7.18	-
Wipro Ltd.	LF	BaF	6.02	2.06
		EF	19.04	6.33
		SPF-A	0.44	-
		SPF-C	0.01	-
		SPF-M	0.26	-
		TEF	12.91	4.38
		TF	7.20	-
HDFC Bank Ltd.	LF	BaF	2.48	-
		BF	4.97	-
		FTP- 1G	24.98	-
		FTP- Series 1H	20.83	-
		FRF	14.88	-
		ITF	49.19	-
		LF	193.62	-
		LPLUS	582.03	323.58
		OF	7.55	-
		SBF	73.15	-
		SPF-A	4.58	1.90
		SPF-C	0.21	0.04
		SPF-M	5.30	1.03
		TSF	5.85	-
		TEF	26.30	20.99
Kotak Mahindra bank Ltd.	LF	FTP- 12.5M Sr.1	90.99	68.34
		FTP- 13M Sr.1	22.77	22.78
		FTP- 15M Sr.1	1.01	1.00
		BaF	41.65	-
		BF	13.65	-
		CP	558.98	44.99
		EF	31.88	-
		FTP- SERIES 3D	18.18	18.03
		FTP- Series 3E	128.18	79.99
		FTP- SERIES 1I	53.98	-
		FTP- SERIES 1J	20.00	-
		FRF	13.69	-
		ITF	49.68	-
		LF	99.20	-
		LPLUS	390.28	133.53
		OF	40.38	13.79
		SBF	35.72	1.00
		SPF-A	2.22	0.37
		SPF-C	0.11	0.02
		SPF-M	8.56	0.20
		STF	34.34	-
		TSF	6.34	-
		TEF	26.64	6.72
Petronet LNG Ltd.	LF	BaF	5.29	-
		EF	19.67	-

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Company Name	Scheme invested in	Investing Scheme	Purchases (rupees in crores)	Value (rupees in crores)
		SM	10.14	10.57
DLF Ltd.	LF	ITF	46.72	-
		LF	47.74	48.97
		OF	26.52	19.52
		TSF	7.96	5.45
		TEF	11.64	-
Hindalco Industries Ltd.	FRF	BaF	18.41	5.30
		EF	47.24	16.13
		ITF	63.96	43.29
		OF	7.36	9.01
		SPF-A	5.59	0.41
		SPF-C	0.24	0.01
		SPF-M	4.36	0.22
		TSF	4.46	1.24
		TEF	33.03	10.42
Hindustan Unilever Ltd.	LF	BaF	12.10	11.17
		EF	32.30	29.67
		OF	10.70	28.80
		SM	21.46	10.39
		SPF-A	3.42	-
		SPF-C	0.09	-
		SPF-M	1.91	-
		TSF	1.73	0.31
TEF	26.86	24.50		
Hindustan Zinc Ltd.	FTP- SERIES 3E,LF,STF	BaF	0.97	0.56
		EF	3.06	1.81
		SPF-A	0.19	-
		SPF-C	0.01	-
		SPF-M	0.17	-
		TEF	2.58	1.25
ICICI Bank Ltd.	LF	FTP- 12.5M Sr.1	312.35	312.76
		FTP- 13M Sr.1	226.76	182.37
		FTP- 15M Sr.2	25.00	24.91
		FTP - 3M Series 6	45.37	45.61
		BaF	22.35	-
		CP	703.09	6.38
		EF	71.80	-
		FTP- Series 3D	-	51.79
		FTP- Series 3E	106.45	217.79
		FTP- Series 3F	-	52.88
		ITF	235.56	70.33
		LF	201.52	175.20
		LPLUS	870.25	97.71
		OF	24.01	26.90
		SBF	73.62	-
		SPF-A	7.21	-
		SPF-C	0.24	-
		SPF-M	4.46	-
TSF	14.09	-		
TEF	53.02	-		
Axis Bank Ltd.	LF	FTP- 3M Sr.3	14.19	4.77
		BaF	3.68	2.41
		BF	-	2.00
		CP	93.16	79.67

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Company Name	Scheme invested in	Investing Scheme	Purchases (rupees in crores)	Value (rupees in crores)
		FTP- 3M SR.1	53.50	-
		EF	7.83	7.37
		FTP- Series 3D	-	27.94
		FTP- Series 3E	-	87.84
		FTP- Series 3F	0.95	-
		ITF	25.88	78.21
		LF	71.43	48.98
		LPLUS	70.99	72.73
		OF	-	24.58
		SBF	-	97.09
		SPF-A	8.71	6.96
		SPF-C	0.05	1.00
		SPF-M	0.99	17.65
		STF	4.00	-
		TSF	2.86	-
		TEF	23.13	8.06
YES Bank Ltd.	LF	FTP - 3M Series 6	68.25	68.61

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.

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

Scheme	No. of Investors	Percentage of holding
DSPML Liquidity Fund	1(One)	37.97%
DSPML Government Securities Fund– Plan B	1(One)	25.23%

10. Unit-holders can obtain from the mutual fund a copy of the Annual Report of the scheme in which he /she has invested
11. 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.

For DSP Merrill Lynch Trustee Company Private Limited For DSP Merrill Lynch Fund Managers Limited

Shitin Desai
Chairman
Mumbai; May 30, 2008

S. S. Thakur
Director

Pradeep Dokania
Director
Mumbai; May 30, 2008

Omkar Goswami
Director
New Delhi; May 30, 2008