

**ABRIDGED BALANCE SHEET AS AT SEPTEMBER 30, 2006**

|  | (Rs. in Lacs)               |                             |
|--|-----------------------------|-----------------------------|
|  | As at<br>September 30, 2006 | As at<br>September 30, 2005 |
| <b>LIABILITIES</b>                             |                             |                             |
| <b>1. Unit Capital</b>                         |                             |                             |
| 1.1 Initial Contribution by settlor            | -                           | -                           |
| 1.2 Unit Capital                               | 60,018                      | 60,018                      |
| <b>2. Reserves &amp; Surplus</b>               |                             |                             |
| 2.1 Unit Premium Reserve                       | 4,124                       | 4,124                       |
| 2.2 Revenue Reserves                           | 219,257                     | 144,113                     |
| <b>3. Loans &amp; Borrowings</b>               |                             |                             |
| 3.1 From Banks                                 | -                           | -                           |
| 3.2 From Others                                | -                           | -                           |
| <b>4. Current Liabilities &amp; Provisions</b> |                             |                             |
| 4.1 Provision for doubtful Income/Deposits     | -                           | -                           |
| 4.2 Proposed Income Distribution               | -                           | -                           |
| 4.3 Other Current Liabilities & Provisions     | 2,160                       | 2,410                       |
| <b>TOTAL</b>                                   | <b>285,559</b>              | <b>210,665</b>              |

**ASSETS**

|   |                |                |
|---|----------------|----------------|
| <b>1. Investments *</b>   |                |                |
| 1.1 Equity & Preference Shares  | 268,612        | 200,412        |
| 1.2 Privately Placed Debentures/Bonds                                     | -              | -              |
| 1.3 Debenture & Bond Listed/Awaiting Listing on Recognised Stock Exchange | -              | -              |
| 1.4 Term Loans  | -              | -              |
| 1.5 Government Securities ( Treasury Bills)                               | 11,471         | 4,486          |
| 1.6 Others  | -              | -              |
| <b>2. Deposits</b>  |                |                |
| 2.1 With Scheduled Banks  | 4,013          | 2,824          |
| 2.2 With Others   | -              | -              |
| <b>3. Other Current Assets</b>  |                |                |
| 3.1 Cash & Bank Balances  | 283            | 310            |
| 3.2 Others  | 1,180          | 2,633          |
| <b>4. Fixed Assets (At depreciated value)</b>                             |                |                |
| 4. Fixed Assets (At depreciated value)                                    | -              | -              |
| <b>5. Deferred Revenue Expenditure (to the extent not written off)</b>    |                |                |
| 5. Deferred Revenue Expenditure (to the extent not written off)           | -              | -              |
| <b>TOTAL</b>  | <b>285,559</b> | <b>210,665</b> |

**RECONCILIATION TO NET ASSET VALUE PER UNIT**

|  |         |         |
|--|---------|---------|
| Net Assets as per Balance Sheet (Total Assets less Initial Contribution by Settlor and Current Liabilities and Provisions) | 283,399 | 208,255 |
| Number of Units in Issue (in Lacs)   | 6,002   | 6,002   |
| Net Asset Value per Unit (in Rs.)  | 47.22   | 34.70   |

**NOTES :**

1.\* Investments are stated at market / fair value at the Balance Sheet date / valuation date. In valuing the Fund's investments :-

(i) Securities listed on a recognised stock exchange, including dematerialised securities, are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported, the previous quoted price is used, when it is not more than thirty days in case of equity shares and fifteen days in

case of debt securities prior to the valuation date.

- (ii) Securities not listed on a recognised stock exchange for which over-the-counter quotations are readily available, are valued at the mean between the last current bid and asked price.
- (iii) Non-traded/ thinly traded equity securities, including those not traded within thirty days and non traded / thinly traded debt securities including those not traded within fifteen days prior to the valuation date, are valued at fair value as determined by MSIMPL in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable issued by the Securities and Exchange Board of India and approved by the Board of Trustees.
- (iv) Privately placed securities are valued at fair value as determined by MSIMPL in accordance with the guidelines for valuation of unlisted equity shares for mutual funds dated May 09, 2002 issued by SEBI and approved by the Board of Trustees.
- (v) Equity shares awaiting listing are valued at fair value as determined in good faith by MSIMPL in accordance with procedures approved by the Board of Trustees.
- (vi) Treasury bills are valued at the yield at which they are currently traded. Treasury bills not traded for a period of seven days, are valued at cost plus accrued interest till the beginning of the day plus the difference between the redemption value and cost spread uniformly over the remaining maturity period of the treasury bills.
- (vii) Privately placed equity shares of listed companies with lock in period are valued at fair value as determined in good faith by MSIMPL under procedures approved by the Board of Trustees.
- viii) Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest up to the date of resale.

Debt Securities are classified as non performing assets and provision has been made in respect thereof in accordance with the guidelines for identification and provisioning for non performing assets (debt securities) for mutual funds dated September 18, 2000 and amendments thereto, as applicable issued by SEBI.

Following the issue of the guidance note on accounting for investments in the financial statements of mutual funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh Schedule of the Regulations) net unrealised appreciation / (depreciation) in the value of investments is determined separately for each category of investments. Further the change in net unrealised appreciation / (depreciation), if any, between two Balance Sheet dates/ valuation dates is recognised in the Revenue account. Unrealised appreciation is reduced from the distributable income at the time of income distribution. At the end of the financial year, the balance in the revenue account including change in the net unrealised appreciation or depreciation in the value of investments is transferred to revenue reserve.

- 2 For the period ended September 30, 2006 Morgan Stanley Growth Fund has invested 1.07% of its Total Net Assets in American Depository Receipts
- 3 Disclosure Under Regulation 25(8) of the Securities And Exchange Board Of India (Mutual Funds) Regulations, 1996 As Amended.

Morgan Stanley Investment Management Private Limited (MSIMPL) has not utilised the services of the Sponsor or any of its affiliates, employees or their relatives for the purpose of any securities transaction as specified under Regulation 25(8) of the Regulation

- 4 In terms of Regulation 25(11) of SEBI Regulations, no investments have been made in companies, which have invested more than 5% of the NAV of the Scheme.
- 5 No unitholders hold over 25% of the NAV of the Scheme as at September 30, 2006
- 6 The Scheme has not declared any bonus, not borrowed any money, not invested in derivative products during the half-year period and has no deferred revenue expenditure.
- 7 No changes have been carried out in the accounting policies during the half-year period.
- 8 Previous period figures have been regrouped / rearranged where appropriate

## ABRIDGED REVENUE ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2006

|           |  | (Rs in Lacs.)                           |   |
|-----------|--|---|---|
|           |  | April 01, 2006<br>to September 30, 2006 | April 01, 2005<br>to September 30, 2005 |
| <b>1.</b> | <b>INCOME</b>  |   |   |
| 1.1       | Dividend   | 1,977                                   | 1,876                                   |
| 1.2       | Interest   | 324                                     | 179                                     |
| 1.3       | Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale) | 22,899                                  | 16,120                                  |
| 1.4       | Net Profit on inter-scheme transfer/sale of Investments                              | -                                       | -                                       |
| 1.5       | Other Income (Profit on account of foreign currency fluctuations)                    | 50                                      | 0                                       |
| 1.6       | Provisions Written Back  | -                                       | -                                       |
|           | <b>TOTAL</b>   | <b>25,250</b>                           | <b>18,175</b>                           |
| <b>2.</b> | <b>EXPENSES &amp; LOSSES</b>   |   |   |
| 2.1       | Management, Trusteeship, Administrative & other Operating Expenses                   | 1,849                                   | 1,290                                   |
| 2.2       | Provision for Doubtful Income  | -                                       | -                                       |
| 2.3       | Provision For Doubtful Deposits/Current Assets                                       | -                                       | -                                       |
| 2.4       | Net Loss on sale /redemption of Investments (other than inter-scheme transfer/sale)  | -                                       | -                                       |
| 2.5       | Net Loss on inter-scheme transfer/sale of Investments                                | -                                       | -                                       |
| 2.6       | Investments Written Off  | -                                       | -                                       |
|           | <b>TOTAL</b>   | <b>1,849</b>                            | <b>1,290</b>                            |
|           | <b>Excess of Income Over Expenses &amp; Losses</b>                                   | <b>23,401</b>                           | <b>16,885</b>                           |
|           | <b>Distribution</b>  |   |   |
|           | Interim Dividend   | -                                       | -                                       |
|           | Final Dividend   | -                                       | -                                       |
|           | Tax on Dividends   | -                                       | -                                       |
|           | <b>Net change in unrealised (depreciation)/appreciation of investments</b>           | <b>(29,214)</b>                         | <b>36,935</b>                           |
|           | <b>Net Surplus/(Deficit) transferred to Revenue Reserve</b>                          | <b>(5,813)</b>                          | <b>53,820</b>                           |

**1. Perspective Historical Per Unit Statistics\***

|   | <b>April 01, 2006<br/>to September 30, 2006</b> | <b>April 01, 2005<br/>to September 30, 2005</b> | <b>April 01, 2004<br/>to September 30, 2004</b> |
|---|---|---|---|
|   | <b>Rs.</b>                                      | <b>Rs.</b>                                      | <b>Rs.</b>                                      |
| (a) Net asset value per unit at end of the period   | 47.22   | 34.70   | 21.35   |
| (b) (i) Gross income other than profit from sale of investments   | 0.39  | 0.34  | 0.29  |
| (ii) Gross income from profit on inter scheme sales/transfer of investments   | -   | -   | -   |
| (iii) Gross income from profit on sale of investments to third parties  | 3.82  | 2.69  | 2.28  |
| (iv) Transfer to revenue account from past year's reserve   | -   | -   | -   |
| Gross income and gains  | 4.21  | 3.03  | 2.57  |
| (c) Aggregate of expenses, write off, amortisation and charges  | 0.31  | 0.22  | 0.16  |
| (d) Net income/(loss) (b) - (c)   | 3.90  | 2.81  | 2.41  |
| (e) Net change in unrealised (depreciation)/appreciation in value of investments and foreign currency denominated assets and liabilities. | (4.87)  | 6.15  | (2.02)  |
| (f) Repurchase price (market buyback)   |   |   |   |
| (i) Highest   | -   | -   | -   |
| (ii) Lowest   | -   | -   | -   |
| (g) Resale price  |   |   |   |
| (i) Highest   | Not Applicable                                  | Not Applicable                                  | Not Applicable                                  |
| (ii) Lowest   | Not Applicable                                  | Not Applicable                                  | Not Applicable                                  |
| (h) Market price (The Stock Exchange , Mumbai)  |   |   |   |
| (i) Highest   | 45.00   | 27.98   | 19.00   |
| (ii) Lowest   | 29.00   | 20.56   | 13.00   |
| (i) Price earning ratio**   | 10.31   | 9.77  | 6.35  |

\* The above per unit calculations with the exception of the net asset value are based on the weighted average number of units in issue over the relevant period.

\*\* Price earning ratio has been calculated based on closing market price at the end of the relevant period and earnings per share represented by excess of income and gains over expenses and losses and weighted average number of units in issue over the relevant period.