

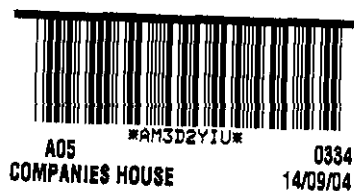
Registration No. 2605715

**Registered Office:
25 Cabot Square
Canary Wharf
London E14 4QA**

MS LEASING UK LIMITED

Report and Accounts

30 November 2003



**Deloitte & Touche LLP
London**

MS LEASING UK LIMITED

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MS LEASING UK LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 30 November 2003.

RESULTS AND DIVIDENDS

The loss for the year, after tax, was \$1,067,000 (2002: \$7,796,000 profit). During the year, no dividends were paid (2002: \$nil). \$1,067,000 will be deducted from reserves (2002: \$7,796,000 carried to reserves).

No dividends (2002: \$nil) were paid on the preference shares during the year.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Prior to 1 October 2003, the principal activity of MS Leasing UK Limited (the "Company") was the leasing of fixed assets to other companies within the Morgan Stanley Group. On 1 October 2003 the Company sold its asset leasing business to Morgan Stanley Services (UK) Limited.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with the Company and its other subsidiary undertakings, form the Morgan Stanley Group (the "Group").

The profit and loss account for the year is set out on page 4. The level of business during the year, prior to the sale of the asset leasing business, was satisfactory. The Directors do not expect the Company to take on any new significant operating activities. The Company has in place a letter of financial support from its immediate parent company, Morgan Stanley International Limited, to assist it in meeting its obligations going forward.

DIRECTORS

The following Directors held office throughout the year (except where otherwise shown):

L Bainbridge	(appointed 25 November 2003)
A C Fawcett	
D A McHugh	(resigned 30 April 2003)
J R Pellet	(resigned 4 December 2003)
R S Rosenthal	
S A Souchon	

DIRECTORS' INTERESTS

The Directors had no disclosable interests in the share and loan capital of any Group company at the beginning or at the end of the year.

AUDITORS

The Company has in place an elective regime to dispense with the need to hold annual general meetings, lay reports and accounts before the shareholders at a general meeting, and the requirement to re-appoint the auditors, Deloitte & Touche LLP, annually.

MS LEASING UK LIMITED

DIRECTORS' REPORT

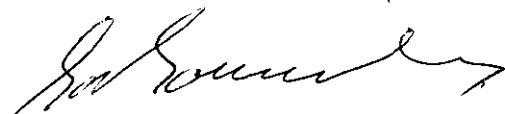
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on 27 AUGUST 2004



Director

S A Souchon

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MS LEASING UK LIMITED

We have audited the financial statements of MS Leasing UK Limited for the year ended 30 November 2003 which comprise the profit and loss account, balance sheet and notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom company law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

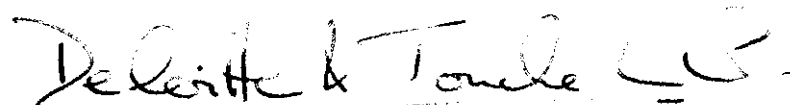
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 November 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP, London
Chartered Accountants and Registered Auditors

1 September 2004

MS LEASING UK LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 November 2003

	Note	2003 \$'000	2002 \$'000
NET REVENUE	2	63,109	100,279
Administration expenses		<u>(50,100)</u>	<u>(93,436)</u>
OPERATING PROFIT	4	13,009	6,843
Loss on disposal of tangible fixed assets		-	(159)
Income from shares in Group undertakings		10	19
Other interest receivable and similar income	6	2,664	51
Interest payable and similar charges	7	<u>(15,125)</u>	<u>(6,039)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		558	715
Tax on profit on ordinary activities	8	<u>(1,625)</u>	<u>7,081</u>
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR	15	<u><u>(1,067)</u></u>	<u><u>7,796</u></u>

All operations were discontinued in the current year.

There were no recognised gains or losses during the current year or prior year other than those disclosed above. Accordingly no statement of total recognised gains and losses has been prepared.

A reconciliation of the movement in shareholders' funds has been prepared in note 15 to the accounts.

The notes on page 6 to 12 form an integral part of the accounts.

MS LEASING UK LIMITED

BALANCE SHEET 30 November 2003

	Note	2003 \$'000	2002 \$'000
FIXED ASSETS			
Tangible Assets	9	-	203,316
Investments	10	1,154,902	1,155,446
		<u>1,154,902</u>	<u>1,358,762</u>
CURRENT ASSETS			
Debtors	11	9,664	119,278
Cash at bank		1,085	1,474
		<u>10,749</u>	<u>120,752</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	13	(54,629)	(367,425)
NET CURRENT LIABILITIES		<u>(43,880)</u>	<u>(246,673)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,111,022</u>	<u>1,112,089</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,100,001	1,100,001
Capital contribution reserve	15	4,292	4,292
Profit and loss account	15	6,729	7,796
EQUITY SHAREHOLDERS' FUNDS		<u>1,111,022</u>	<u>1,112,089</u>
Analysed as:			
Equity		11,022	12,089
Non-equity		1,100,000	1,100,000
		<u>1,111,022</u>	<u>1,112,089</u>

These accounts were approved by the Board on 27 AUGUST 2004

Signed on behalf of the Board



Director

S A SOUCHON

The notes on pages 6 to 12 form an integral part of the accounts.

MS LEASING UK LIMITED

BALANCE SHEET

30 November 2003

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention, and in accordance with applicable United Kingdom company law and accounting standards.

All currency amounts in the Directors' Report, the Accounts, and the Notes to the Accounts are rounded to the nearest \$000.

The Company is not required to prepare consolidated accounts by virtue of the exemption under section 228 of the Companies Act 1985. The results of the Company are included within the accounts of Morgan Stanley International Limited a company registered in England and Wales, which will prepare consolidated accounts for the year to 30 November 2003. The accounts therefore present information about the Company as an individual entity and not about its group.

b) Functional currency

The accounts are prepared in US dollars, the currency of the primary economic environment in which the Company operates.

c) Foreign currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Transactions in currencies other than US dollars are recorded at the rates ruling at the dates of the transactions all translation differences are taken through the profit and loss account.

d) Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment. Fixed asset investments denominated in currencies other than US Dollars are revalued to US Dollars at the rates ruling at the balance sheet date, as described in note 1(c) above.

e) Taxation

UK Corporation tax is provided at amounts expected to be paid / recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision has been made for deferred tax assets and liabilities arising from timing differences. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

f) Netting

All assets and liabilities have been disclosed gross unless the Company's ability to insist on net settlement is assured beyond doubt.

g) Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Rentals receivable under operating leases are credited in the profit and loss account on a straight line basis over the lease term.

h) Cash flow statement

The Company's ultimate parent undertaking produces a cash flow statement. Accordingly, the Company, which is a wholly owned subsidiary, has elected to avail itself of the exemption provided in FRS 1 (Revised 1996) Cash Flow Statements and not produce a cash flow statement.

MS LEASING UK LIMITED

BALANCE SHEET

30 November 2003

2. NET REVENUE

Net revenue represents fees, commissions and trading income, for financial services provided.

3. SEGMENTAL REPORTING

The Directors are of the opinion that it would be seriously prejudicial to the interests of the Company to give separate disclosure in respect of each geographical market within which it operates. The Company has only one class of business, as described in the Directors' Report.

4. OPERATING PROFIT

	2003 \$'000	2002 \$'000
Operating profit is stated after charging :		
Depreciation on owned assets	49,615	77,001
Impairment provision	-	14,087
Auditors' remuneration - audit fees	-	4

The audit fee has been borne by another Group company in the current year.

5. DIRECTORS' EMOLUMENTS

The Company employed no staff during the year (2002: nil). The Directors did not receive any remuneration for their qualifying services to the Company during the year (2002: \$nil).

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 \$'000	2002 \$'000
Foreign exchange gains on monetary fixed asset investments	50	45
Interest receivable from Group undertakings	2,614	6
	2,664	51

As explained in note 9, the fixed asset investment held by the Company in sterling preference shares has been translated into US dollars at the rate prevailing at the balance sheet date.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 \$'000	2002 \$'000
Interest payable on bank loans	4	-
Other foreign exchange losses	205	-
Interest payable to Group undertakings	14,889	6,039
Other interest payable	27	-
	15,125	6,039

MS LEASING UK LIMITED

BALANCE SHEET 30 November 2003

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the period

	2003 \$'000	2002 \$'000
UK corporation tax at 30% (2002 – 30%)		
- Current year	-	-
- Adjustment in respect of prior years	1,625	50
Total current tax	1,625	50
Deferred taxation		
- Current year	-	(7,131)
Tax on profit on ordinary activities	1,625	(7,081)

Factors affecting the tax charge for the year

The current year UK taxation charge is higher than the standard UK corporation tax rate of 30%. The main differences are explained below:

	2003 \$'000	2002 \$'000
Profit on ordinary activities before tax	558	715
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	167	215
Effects of:		
Capital element received in respect of finance leases	14,885	7,588
Capital allowances for year in excess of depreciation	(10,995)	5,675
Non taxable UK dividends	(3)	(6)
Group relief surrendered / (received) for nil consideration	(4,039)	(13,506)
Adjustments to the tax charge in respect of previous periods	1,625	50
Foreign exchange differences on revaluation of preference shares	(15)	(14)
Loss on sale of fixed assets	-	48
Current tax charge for the year	1,625	50

MS LEASING UK LIMITED

BALANCE SHEET 30 November 2003

9. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment \$'000
Cost	
At 1 December 2002	460,913
Additions	25,042
Intercompany transfers	10,214
Disposals	(496,169)
At 30 November 2003	-
Depreciation	
At 1 December 2002	(257,597)
Charge for the year	(49,615)
Disposals	307,212
At 30 November 2003	-
Net book value	
At 30 November 2002	203,316
At 30 November 2003	-

Interest capitalised on assets in the course of construction included within additions during the year amounted to \$Nil (2002: \$573,226). The cumulative amount of interest capitalised in the total cost above amounts to \$Nil (2002: \$771,398). The interest capitalisation rate is based on the internal Group funding rates.

10. FIXED ASSET INVESTMENTS

	Subsidiary undertakings \$'000
Cost	
At 1 December 2002	1,155,446
Foreign exchange revaluation	(544)
At 30 November 2003	1,154,902

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital, or investments with a book value greater than 20% of the Company's own assets at 30 November 2003, are as follows:

MS LEASING UK LIMITED

BALANCE SHEET

30 November 2003

10. FIXED ASSET INVESTMENTS (CONTINUED)

Name of company	Country of Incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of Business
Morgan Stanley Finance (CI) Limited	Great Britain	100%	Ordinary shares	100%	Holding company
Morgan Stanley Group (Europe)	Great Britain	1.17%	Preference shares	1.17%	Holding company

The Company's holding of 350,000 preference shares of £1 each in Morgan Stanley Group (Europe) was repurchased at par, cancelled and extinguished pursuant to a capital reduction of Morgan Stanley Group (Europe) on 25 November 2003.

11. DEBTORS

	2003 \$'000	2002 \$'000
Other amounts due from Group undertakings	5,569	112,912
Other debtors	4,095	6,366
	<u>9,664</u>	<u>119,278</u>

12. DEFERRED TAX

	2003 \$'000	2002 \$'000
Deferred Tax is analysed as follows:	-	-
	<u>-</u>	<u>-</u>

As at 30 November 2003 the Company had a potential deferred tax asset of \$nil (2002: asset of \$7,490,000). This has not been recognised in the Company.

13. OTHER CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 \$'000	2002 \$'000
Other amounts owing to Group undertakings	52,762	343,846
Other taxes and social security costs	1,867	16,701
Other creditors	-	6,878
	<u>54,629</u>	<u>367,425</u>

MS LEASING UK LIMITED

BALANCE SHEET 30 November 2003

14. CALLED UP SHARE CAPITAL

	2003 Number	2002 Number
Authorised :		
Equity shares		
100 ordinary shares of £1 each	100	100
1,000,000 ordinary shares of \$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Non Equity shares		
1.3 billion preference shares of \$1 each	<u>1,300,000,000</u>	<u>1,300,000,000</u>
	2003 \$'000	2002 \$'000
Allotted and fully paid :		
Equity shares		
100 ordinary shares of £1 each	-	-
600 ordinary shares of \$1 each	1	1
Non-equity shares		
1.1 billion preference shares of \$1 each	<u>1,100,000</u>	<u>1,100,000</u>
	<u>1,100,001</u>	<u>1,100,001</u>

All ordinary shares rank parri-passu in all respects. All ordinary shares are recorded at the rates of exchange ruling at the date the shares were paid up.

In accordance with the Company's Articles of Association, the holders of the preference shares are entitled to receive a non-cumulative LIBOR-based dividend paid on 31 May and 30 November each year, and to participate on a pari passu basis with the holders of the Company's ordinary shares in respect of all other dividends or other distributions of the Company's profits. The preference shares carry a maximum of 10% of the voting rights in the Company and can be redeemed at the option of the Company at par at any time following the third anniversary of issue.

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Capital contribution reserve \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2001	1,300,001	4,292	-	1,304,293
Profit for the year	-	-	7,796	7,796
Redemption of preference shares	<u>(200,000)</u>	-	-	<u>(200,000)</u>
At 1 December 2002	1,100,001	4,292	7,796	1,112,089
Loss for the year	-	-	<u>(1,067)</u>	<u>(1,067)</u>
At 30 November 2003	<u>1,100,001</u>	<u>4,292</u>	<u>6,729</u>	<u>1,111,022</u>

MS LEASING UK LIMITED

BALANCE SHEET

30 November 2003

16. RELATED PARTY TRANSACTIONS

The Company is exempt from the requirement to disclose transactions with fellow Group undertakings under paragraph 3(c) of FRS 8 *Related Party Disclosures*. There were no other related party transactions requiring disclosure.

17. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group accounts are prepared is Morgan Stanley. Morgan Stanley is incorporated in Delaware, the United States of America and copies of its accounts can be obtained from 25 Cabot Square, Canary Wharf, London E14 4QA.

The parent undertaking of the smallest group of companies for which group accounts are drawn up and of which the Company is a member is Morgan Stanley International Limited which is registered in England and Wales. Copies of its accounts can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.