

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

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Report and Accounts

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COMPANIES HOUSE

QUILTER HOLDINGS LIMITED

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QUILTER HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 30 November 2005.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was £1,058,000 (2004: £1,078,000).

During the year, no dividends were paid (2004: £Nil) to the holders of the ordinary shares.

Dividends of £835,380 (2004: £835,380) were paid to the holders of the 7% cumulative preference shares during the year.

£223,000 (2004: £243,000) will be carried to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of Quilter Holdings Limited (the "Company") is to act as an intermediate holding company.

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. Both the level of business during the year and the financial position at the end of the year were satisfactory. No significant change in the Company's principal business activity is expected.

DIRECTORS

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

M Baines	
D Brocato	
M Durbin	
T Harms	
M Hay	(resigned 29 June 2005)
D Nicol	
S Vakil	

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.

QUILTER HOLDINGS LIMITED

DIRECTORS' REPORT (Continued)

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 period 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 the 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 22 February 2006.



M Baines
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUILTER HOLDINGS LIMITED

We have audited the financial statements of Quilter Holdings Limited for the year ended 30 November 2005 which comprise the profit and loss account, balance sheet and notes 1 to 14. 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 auditors' 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP.

Deloitte & Touche LLP, London
Chartered Accountants and Registered Auditors

22 February 2006

QUILTER HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 November 2005

	Note	2005 £'000	2004 £'000
Administrative expenses		(3)	(10)
OPERATING LOSS	3	<u>(3)</u>	<u>(10)</u>
Income from shares in Group undertakings		900	3,700
Interest receivable and similar income	5	160	10
Amounts written off investments		-	(2,619)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,057</u>	<u>1,081</u>
Tax on profit on ordinary activities	6	1	(3)
PROFIT FOR THE FINANCIAL YEAR		<u>1,058</u>	<u>1,078</u>
Dividends on preference shares	7	(835)	(835)
PROFIT RETAINED FOR THE FINANCIAL YEAR		<u><u>223</u></u>	<u><u>243</u></u>

All operations were continuing in the current and prior year.

There were no recognised gains or losses during the current 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 12 to the accounts.

The notes on pages 6 to 11 form an integral part of the accounts.

QUILTER HOLDINGS LIMITED

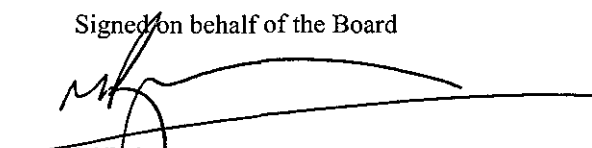
BALANCE SHEET

30 November 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Investments	8	<u>19,110</u>	<u>19,110</u>
CURRENT ASSETS			
Debtors	9	3,459	3,277
Cash at bank		<u>183</u>	<u>115</u>
		3,642	3,392
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(166)	(163)
NET CURRENT ASSETS		<u>3,476</u>	<u>3,229</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>22,586</u></u>	<u><u>22,339</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	12,053	12,053
Share premium account	12	9,900	9,900
Other reserves	12	24	-
Profit and loss account	12	609	386
SHAREHOLDERS' FUNDS		<u><u>22,586</u></u>	<u><u>22,339</u></u>
Analysed as:			
Equity		10,652	10,405
Non-equity		11,934	11,934
		<u><u>22,586</u></u>	<u><u>22,339</u></u>

These accounts were approved by the Board on 22 February 2006.

Signed on behalf of the Board


M Baines
Director

The notes on pages 6 to 11 form an integral part of the accounts.

QUILTER HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2005

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.

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 2005. 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 sterling, the currency of the primary economic environment in which the Company operates.

All currency amounts in the Directors' Report, the Accounts and the Notes to the Accounts are rounded to the nearest thousand pounds sterling.

c) Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment.

d) 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.

e) 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.

f) Employee Share Ownership Plan

In accordance with UITF38, the assets of the Quilter Holdings Employee Share Ownership Plan have been included in these accounts.

QUILTER HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2005

2. SEGMENTAL REPORTING

The Company has only one class of business as described in the Directors' Report and operates in one geographic market, the United Kingdom.

3. OPERATING LOSS

	2005 £'000	2004 £'000
Operating loss is stated after charging:		
Auditors' remuneration - audit fees	<u>1</u>	<u>1</u>

4. STAFF COSTS

The Company employed no staff during the year (2004: Nil).

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2004: £Nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Interest receivable from Group undertakings	155	-
Other interest receivable	5	10
	<u>160</u>	<u>10</u>

QUILTER HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of (credit)/charge in the year

2005	2004
£'000	£'000

UK corporation tax at 30% (2004: 30%)

- Current year

-	3
---	---

- Adjustment in respect of prior years

(1)	-
-----	---

Tax on profit on ordinary activities

<u>(1)</u>	<u>3</u>
------------	----------

Factors affecting the tax (credit)/charge for the year

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

2005	2004
£'000	£'000

Profit on ordinary activities before tax

<u>1,057</u>	<u>1,081</u>
--------------	--------------

Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)

317	324
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Effects of:

Dividends received from UK companies

(270)	(1,110)
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Current year group relief received for nil consideration

(47)	-
------	---

Adjustments to the tax charge in respect of previous periods

(1)	-
-----	---

Write down of fixed asset investments

-	786
---	-----

Other

-	3
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Current tax (credit)/charge for the year

<u>(1)</u>	<u>3</u>
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7. DIVIDENDS

2005	2004
£'000	£'000

Dividends on 7% cumulative preference non-equity shares

<u>835</u>	<u>835</u>
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Dividends of £417,690 and £417,690 were paid on 30 March 2005 and 30 September 2005 to the holders of the preference shares for the half years ending 31 March 2005 and 30 September 2005 respectively.

QUILTER HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2005

8. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000
Cost	
At 1 December 2004	19,110
At 30 November 2005	<u>19,110</u>

Details of the principal undertakings 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 2005, are as follows:

Name of Company	Country of incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of Business
Foster & Braithwaite Ltd	Great Britain	100%	1p ordinary shares	100%	Non-operative
MS Quilter Limited	Great Britain	100%*	£1 ordinary shares	100%	Non-operative
Quilter & Co. Limited	Great Britain	100%	£1 ordinary shares	100%	Financial services
Quilter Fund Management Ltd	Great Britain	100%*	£1 ordinary shares	100%	Unit Trust Management

An * denotes shareholdings attributed to the Company which are not directly held by the Company.

A full list of the Company's subsidiary and associated holdings will be annexed to the Company's next annual return and filed at the Registrar of Companies.

9. DEBTORS

	2005 £'000	2004 £'000
Amounts due from Group undertakings	3,430	3,276
Other debtors	29	1
	<u>3,459</u>	<u>3,277</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Amounts owing to Group undertakings	162	159
Corporation tax	1	1
Other creditors	3	3
	<u>166</u>	<u>163</u>

QUILTER HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2005

11. CALLED UP SHARE CAPITAL

	2005 Number	2004 Number
Authorised:		
Equity shares		
7,000,000 'A' ordinary shares of 1p each	7,000,000	7,000,000
2,500,000 'B' ordinary shares of 1p each	2,500,000	2,500,000
500,000 ordinary shares of 1p each	500,000	500,000
8,125,000 unclassified shares of 1p each	8,125,000	8,125,000
2,258,065 new ordinary shares of 0.8303560p each	2,258,065	2,258,065
1 deferred share of 0.1466p	1	1
	<u>11,934,000</u>	<u>11,934,000</u>
Non-equity shares		
11,934,000 7% cumulative preference shares of £1 each	11,934,000	11,934,000
	<u>11,934,000</u>	<u>11,934,000</u>
	2005 £'000	2004 £'000
Allotted and fully paid:		
Equity shares		
7,000,000 'A' ordinary shares of 1p each	70	70
2,500,000 'B' ordinary shares of 1p each	25	25
500,000 ordinary shares of 1p each	5	5
2,258,065 new ordinary shares of 0.8303560p each	19	19
1 deferred share of 0.1466p	-	-
Non-equity shares		
11,934,000 7% cumulative preference shares of £1 each	11,934	11,934
	<u>12,053</u>	<u>12,053</u>

The preference shares are irredeemable and dividends are payable on 31 March and 30 September. The preference shares do not entitle the holders to vote at general meetings unless the payment of a dividend is in arrears by six months or more. The holders of the preference shares are entitled to receive dividends in priority to holders of any other class of share. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividend.

Each class of ordinary share has the same voting rights and rights to participate in the profits of the Company.

The deferred share does not entitle the holder to receive dividends or vote at general meetings of the Company.

QUILTER HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2005

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital £'000	Share premium account £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
At 1 December 2003	12,053	9,900	795	143	22,891
Profit for the year	-	-	-	1,078	1,078
Dividends	-	-	-	(835)	(835)
ESOP distribution	-	-	(795)	-	(795)
At 1 December 2004	12,053	9,900	-	386	22,339
Profit for the year	-	-	-	1,058	1,058
Dividends	-	-	-	(835)	(835)
ESOP undistributed amount	-	-	24	-	24
At 30 November 2005	12,053	9,900	24	609	22,586

At 30 November 2005 £24,000 payable to employees remains undistributed from the Quilter ESOP.

13. 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*.

14. 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.