

Jersey Company Registration No. 74793
P.O. Box 87
22 Grenville Street
St. Helier
Jersey JE4 8PX

MSDW FIXED INCOME LIMITED

Report and Accounts

30 November 2002

Deloitte & Touche
St. Helier
Jersey



MSDW FIXED INCOME LIMITED

CONTENTS	Page
Directors' report	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

MSDW FIXED INCOME LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 30 November 2002.

RESULTS AND DIVIDENDS

The loss for the year, after tax, was \$3,868,000 (2001: \$34,000 loss).

During the year no interim dividends were paid to the holders of ordinary shares on the register (2001: \$nil). The Directors do not recommend the payment of a final dividend (2001: \$nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of MSDW Fixed Income Limited ("the Company") is that of an intermediate holding company. The company is managed and controlled in the UK.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley (formerly Morgan Stanley Dean Witter & Co.), 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 5. Both the level of business during the year and the financial position at the end of the year were satisfactory. As stated in Note 14, a letter of financial support has been received from Morgan Stanley International Limited, the ultimate UK parent undertaking of the Company. No significant change in the Company's principal business activity is expected.

DIRECTORS

The following Directors held office throughout the year:

E J Ocampo
M C Slingo

AUDITORS

The Directors have obtained a waiver to dispense with Annual General Meetings of the members of the Company. As such, under Jersey law, Deloitte & Touche will remain in office until formally removed.

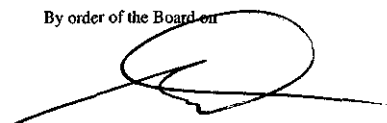
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Jersey 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 (Jersey) Law 1991. They are also responsible for the system of internal control, 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



Director

M. Slingo

19/9/03

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSDW FIXED INCOME LIMITED

We have audited the financial statements of MSDW Corporate Investments I Limited for the year ended 30 November 2002 which comprise the profit and loss account, balance sheet and notes 1 to 12. 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 Article 110 of the Companies (Jersey) Law 1991. 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 Jersey law and United Kingdom accounting standards. Our responsibility is to audit the financial statements in accordance with relevant Jersey legal and regulatory requirements and United Kingdom 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 (Jersey) Law 1991. 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 or if we have not received all the information and explanations we require for our audit.

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

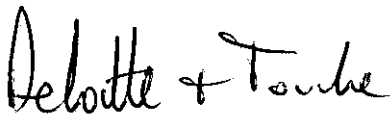
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte & Touche
Chartered Accountants
St. Helier, Jersey



23 September 2003

MSDW FIXED INCOME LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 30 November 2002

	Note	2002 \$'000	2001 \$'000
NET REVENUE		-	-
Administration expenses		(5)	-
OPERATING LOSS	2	(5)	-
Interest receivable and similar income	3	322	
Interest payable and similar charges	4	(4,185)	(34)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,868)	(34)
Tax on loss on ordinary activities	5	-	-
LOSS RETAINED FOR THE FINANCIAL YEAR		<u>(3,868)</u>	<u>(34)</u>

All operations were continuing in the current and prior year.

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

A reconciliation of the movement in shareholders' funds has been prepared in note 11 to the accounts.

The notes on page 7 to 10 form an integral part of the accounts.

MSDW FIXED INCOME LIMITED

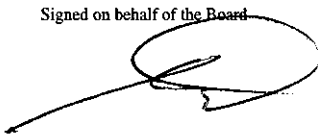
BALANCE SHEET

30 November 2002

	Note	2002 \$'000	2001 \$'000
FIXED ASSETS			
Investments	6	200,415	200,415
CURRENT ASSETS			
Financial Instruments	7	24	-
Debtors	8	4	867
Cash		1	-
		<u>29</u>	<u>867</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	9	(204,346)	(201,316)
NET CURRENT LIABILITIES		<u>(204,317)</u>	<u>(200,449)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,902)</u>	<u>(34)</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	(3,902)	(34)
EQUITY SHAREHOLDERS' DEFICIT		<u>(3,902)</u>	<u>(34)</u>

These accounts were approved by the Board on

Signed on behalf of the Board



Director

The notes on page 7 to 10 form an integral part of the accounts.

M. S. 11/11/02

19/9/02

MSDW FIXED INCOME LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 NOVEMBER 2002

1 ACCOUNTING POLICIES

a. Accounting convention

The accounts are prepared under the historical cost convention, modified by the inclusion of financial instruments at fair value as described in note 1(c) below, and in accordance with applicable Jersey law and United Kingdom 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 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 dollar the currency of the primary economic environment in which the Company operates.

c. Financial instruments

Financial instruments, including derivatives, used in the Company's trading activities are recorded at trade date and are stated at fair value.

Fair value is the amount at which financial instruments could be exchanged in a current transaction between willing parties, other than in forced or distressed sale.

d. Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment. Monetary 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 (e) below.

e. 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. Translation differences are taken through the profit and loss account.

f. 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.

g. 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.

2 OPERATING LOSS

	2002 \$'000	2001 \$'000
Operating loss is stated after charging :		
Auditors' remuneration - audit fees	5	-
	<u>5</u>	<u>-</u>

The audit fee was borne by another group company in the prior year.

3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 \$'000	2001 \$'000
Interest receivable from Group undertakings	322	-
	<u>322</u>	<u>-</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 \$'000	2001 \$'000
Interest payable to group undertakings	4,185	34
	<u>4,185</u>	<u>34</u>

MSDW FIXED INCOME LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 NOVEMBER 2002**

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the period

	Year ended 30 November 2002 \$'000	Year ended 30 November 2001 \$'000
UK corporation tax at 30% (2001 – 30%) - Current year	-	-
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the year

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

	Year ended 30 November 2002 \$'000	Year ended 30 November 2001 \$'000
Loss on ordinary activities before tax	(3,868)	(34)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	(1,160)	(10)
Effects of:		
Group relief surrendered for nil consideration	1,160	10
Current tax charge for the year	-	-

6 FIXED ASSET INVESTMENTS

	Subsidiary undertakings \$'000	Total \$'000
Cost		
At 1 December 2001	200,415	200,415
At 30 November 2002	<u>200,415</u>	<u>200,415</u>
Net book value		
At 30 November 2001	200,415	200,415
At 30 November 2002	<u>200,415</u>	<u>200,415</u>

MSDW FIXED INCOME LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 NOVEMBER 2002

6 FIXED ASSET INVESTMENTS contd.

Details of the investments in which the Company holds more the 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 2002, are as follows:

Name of company	Country of incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of Business
Carysforth Investments Limited	Cayman Islands	100%	Ordinary shares*	100%	Financial services
MSDW Eden Investments Limited	Great Britain	100%	Ordinary shares*	100%	Holding company
MSDW Jubilee Investments Limited	Great Britain	100%	Ordinary shares	100%	Holding company
MSDW UK Capital Limited	Great Britain	49%	Ordinary shares*	49%	Holding company
Narib Limited	Jersey	100%	Ordinary shares	100%	Financial services
Willow Capital Limited	Jersey	100%	Ordinary shares	100%	Financial services
Augusta Co-operative UA	Netherlands	100%	-A,-B Membership	100%	Financial services

* denotes shareholdings attributed to the Company which are held by a subsidiary undertaking of the Company.

On 24 June 2003, MSDW Fixed Income Limited sold its shareholding in Narib Limited to another Group company, MSDW Investment Holding UK Limited for \$1.00.

7 FINANCIAL INSTRUMENTS

	2002 \$'000	2001 \$'000
Unlisted investments	24	-
Total current asset investments	<u>24</u>	<u>-</u>

The unlisted investments are schedules of life policies held for resale.

8 DEBTORS

	2002 \$'000	2001 \$'000
Amounts due from Group undertakings	4	867
	<u>4</u>	<u>867</u>

9 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 \$'000	2001 \$'000
Bank loans and overdrafts	1	8,309
Other amounts owing to Group undertakings	204,345	193,007
	<u>204,346</u>	<u>201,316</u>

MSDW FIXED INCOME LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 NOVEMBER 2002

10 CALLED UP SHARE CAPITAL

	2002 Number	2001 Number
Authorised :		
Equity shares		
500,000,000 ordinary shares of £1 each	<u>500,000,000</u>	<u>500,000,000</u>
	2002	2001
	\$	\$
Allotted and fully paid :		
Equity shares		
10 ordinary shares of £1 each	<u>16</u>	<u>16</u>

All ordinary shares are recorded at the rates of exchange ruling at the date the shares were paid up.

11 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2000	-	-	-
Loss for the year	-	(34)	(34)
At 1 December 2001	-	(34)	(34)
Loss for the year	-	(3,868)	(3,868)
At 30 November 2002	-	(3,902)	(3,902)

12 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.

13 FINANCIAL SUPPORT

A letter of financial support has been received from the ultimate UK parent undertaking of the Company, Morgan Stanley International Limited, confirming that it will provide sufficient funds to the Company to enable it to continue its ongoing operations.

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 (formerly Morgan Stanley Dean Witter & Co.). Morgan Stanley is incorporated in Delaware, the United States of America and copies of its financial statements can be obtained from 25 Cabot Square, Canary Wharf, London, E14 4QA.

The parent undertaking of the smallest group of companies for which group financial statements 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 financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.