

Jersey Company registration number: 74792

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MSDW FIXED INCOME LIMITED

Report and Financial Statements

30 November 2001

**Deloitte & Touche
Chartered Accountants
Jersey**



MSDW FIXED INCOME LIMITED

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MSDW FIXED INCOME LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E J Ocampo
M C Slingo

SECRETARY

Mourant & Co. Secretaries Limited
P.O. Box 87
22 Grenville Street
St. Helier
Jersey JE4 8PX

REGISTERED OFFICE

P.O. Box 87
22 Grenville Street
St. Helier
Jersey JE4 8PX

AUDITORS

Deloitte & Touche
Chartered Accountants
Jersey

MSDW FIXED INCOME LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 November 2001.

RESULTS AND DIVIDENDS

The loss for the year, after tax was \$34,000 (2000 - \$nil). No interim dividend was paid (2000: \$nil) and the Directors do not recommend the payment of a final dividend. (2000 - \$nil).

PRINCIPAL ACTIVITIES 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 profit and loss account for the year is shown on page 5. As stated in note 9 to these financial statements, a letter of financial support has been received from the immediate parent of the Company. 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 anticipated.

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.

By order of the Board



Director

M.C. Slingo

16/9/02

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Jersey Company Law requires the Directors to prepare financial statements 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 year. In preparing those financial statements, 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;
- prepare the financial statements 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 financial statements comply with the Companies (Jersey) Law 1991. 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.

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

We have audited the financial statements of MSDW Fixed Income Limited for the year ended 30 November 2001 which comprise the profit and loss account, the balance and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of 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 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.

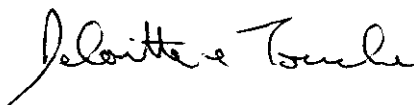
Basis of opinion

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 2001 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

27 September 2002

MSDW FIXED INCOME LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 November 2001

	Note	2001 \$'000	2000 \$'000
Revaluation gains		-	895
Revaluation losses		-	(895)
Interest payable to group undertakings		(34)	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(34)	-
Tax on loss on ordinary activities	3	-	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	7	<u>(34)</u>	<u>-</u>

The above all relates to continuing operations.

There are 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' deficit has been provided in note 7 to the financial statements.


MSDW FIXED INCOME LIMITED

BALANCE SHEET 30 November 2001

	Note	2001 \$'000	2000 \$'000
FIXED ASSETS			
Investments	4	200,415	-
CURRENT ASSETS			
Amounts due from group undertaking		867	895
		<u>867</u>	<u>895</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	5	(201,316)	(895)
NET CURRENT LIABILITIES		<u>(200,449)</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(34)</u>	<u>-</u>
CAPITAL AND RESERVES			
Called up share capital	6,7	-	-
Profit and loss account	7	(34)	-
EQUITY SHAREHOLDERS' DEFICIT		<u>(34)</u>	<u>-</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



Director

M.C. Simwao

16/9/02

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 November 2001

1. ACCOUNTING POLICIES

a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable Jersey law and United Kingdom accounting standards.

b) Fixed asset investments

Fixed asset investments are stated at cost and are translated into US dollars at rates ruling at the original acquisition date, less provision for any impairment in value which is expected to be permanent.

c) Preparation of financial statements in US dollars

It is considered that a fairer reflection of the Company's activities is given by presenting the financial statements in US dollars, the functional currency of its ultimate holding company, since the US dollar is the main currency of the Company's primary economic environment.

d) 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 dealt with through the profit and loss account.

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 substantially enacted by the balance sheet date.

The accounts reflect the implementation of Financial Reporting Standard ("FRS") 19 Deferred Tax. Deferred tax is recognised to the extent that it is regarded as more likely than not that they will be recovered. 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 substantially enacted by the balance sheet date.

f) 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. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

None of the Directors received any remuneration or fees in respect of his or her services to the Company during the year (2000: \$nil). No staff were employed directly by the Company during the year (2000: none). The audit fee has been borne by another group company (2000: same).

MSDW FIXED INCOME LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2001

3. TAX ON LOSS ON ORDINARY ACTIVITIES

The Company has been granted exempt company status in Jersey. This status warrants an annual fee, which has been borne by another group company.

(a) Analysis of tax charge in period:

	2001 \$'000	2000 \$'000
UK corporation tax at 30 % (2000: 30%)		
- Current year	-	-
- Prior year adjustment	-	-
	<hr/>	<hr/>
Total current tax (see below)	-	-
	<hr/>	<hr/>

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

(b) Factors affecting the tax charge:

	2001 \$'000	2000 \$'000
Loss on ordinary activities before tax	(34)	-
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2000: 30%)	(10)	-
	<hr/>	<hr/>
Effects of:		
Tax losses carried forward	10	-
	<hr/>	<hr/>
Current tax charge for the year	-	-
	<hr/>	<hr/>

The company continues to have tax losses carried forward at nil value. The potential deferred tax asset of \$10,000 arising on losses carried forward has not been recognised owing to uncertainty regarding the level of profits.

MSDW FIXED INCOME LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2001

4. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings \$'000	Total \$'000
Cost:		
At 1 December 2000	-	-
Additions	200,415	200,415
At 30 November 2001	200,415	200,415
Net book value:		
At 30 November 2001	200,415	200,415
At 30 November 2000	-	-

On 11 September 2001, the Company subscribed for an additional 185.52 shares of \$1 each in Narib Limited, a subsidiary undertaking, for cash consideration of \$185,000.

On 27 November 2001, the Company purchased the entire issued share capital of MSDW Jubilee Investments Limited, a fellow group undertaking incorporated in Great Britain from MSDW Turnberry Limited, another fellow group undertaking, for cash consideration of \$200,230,000.

Details of investments in which the Company holds more than 20% of the nominal value of any class of share capital are as follows:

Name	Country of Incorporation	Holding	Proportion held	Nature of Business
Carysforth Investments Limited	Cayman Islands	Ordinary shares	100%	Financial services
MSDW Eden Investments Limited	Great Britain	Ordinary shares	100%	Holding company
MSDW Jubilee Investments Limited	Great Britain	Ordinary shares*	100%	Holding company
MSDW UK Capital Limited	Great Britain	Ordinary shares	49%	Holding company
Narib Limited	Jersey	Ordinary shares*	100%	Financial services
Willow Capital Limited	Jersey	Ordinary shares*	100%	Financial services
Augusta Co-operative UA	Netherlands	-A,-B Memberships	100%	Financial services
HK RAV IV Partnership	Great Britain	Capital Interest	100%	Investment Partnership

All shares are held indirectly through subsidiary undertakings of the Company with the exception of those shareholdings denoted with a * which are held directly by the Company.

Group financial statements are not produced since the Company is a subsidiary of Morgan Stanley International Limited, a company registered in England and Wales, which will prepare group accounts for the year to 30 November 2001.

MSDW FIXED INCOME LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 November 2001

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 \$'000	2000 \$'000
Bank overdraft	8,309	-
Amounts owed to group undertakings	193,007	895
	<u>201,316</u>	<u>895</u>

6. CALLED UP SHARE CAPITAL

	2001	2000
Authorised:		
500,000,000 ordinary shares of £1 each	£500,000,000	£500,000,000
Allotted and fully paid:		
10 ordinary shares of £1 each	\$16	\$16

The allotted shares have been translated at the historical foreign exchange rate.

7. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	Share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 1999 and at 1 December 2000	-	-	-
Loss retained for the year		(34)	(34)
	<u>-</u>	<u>(34)</u>	<u>(34)</u>
At 30 November 2001	-	(34)	(34)

8. RELATED PARTY TRANSACTIONS

Under paragraph 3(c) of FRS 8, Related Party Transactions, the Company is exempt from the requirement to disclose transactions with fellow group companies. There were no other related party transactions requiring disclosure.

9. FINANCIAL SUPPORT

A letter of financial support was received from the Company's immediate parent undertaking, Morgan Stanley International Limited, confirming that it will provide sufficient funds to the Company to enable it to continue its ongoing operations for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2001

10. PARENT UNDERTAKING

The ultimate parent undertaking and controlling entity is Morgan Stanley (previously called Morgan Stanley Dean Witter & Co.), which is incorporated in the United States of America. Copies of its financial statements can be obtained from 25 Cabot Square, Canary Wharf, London E14 4QA.

The immediate parent undertaking of the Company and 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 incorporated in Great Britain. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, 3 Crown Way, Maindy, Cardiff CF14 3UZ.