

Jersey Company Registration No. 74793

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St. Helier  
Jersey JE4 8PX

FC 200412

**MSDW FIXED INCOME LIMITED**

**Report and Accounts**

**30 November 2004**

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# **MSDW FIXED INCOME LIMITED**

## **CONTENTS**

	<b>Page</b>
<b>Directors' report</b>	<b>1</b>
<b>Independent Auditors' report</b>	<b>3</b>
<b>Profit and loss account</b>	<b>4</b>
<b>Balance sheet</b>	<b>5</b>
<b>Notes to the accounts</b>	<b>6</b>

# **MSDW FIXED INCOME LIMITED**

## **DIRECTORS' REPORT**

The Directors present their report and accounts for the year ended 30 November 2004.

### **RESULTS AND DIVIDENDS**

The loss for the year, after tax, was \$3,281,000 (2003: \$120,173,000 profit). During the year, no dividends were paid (2003: \$116,265,000). The \$3,281,000 loss (2003: \$3,908,000 profit) will be carried to reserves.

### **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 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. As stated in Note 13, 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

### **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 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.

**DIRECTORS' REPORT (CONTINUED)**


**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, 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 5<sup>th</sup> September 2005



Director

## **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 2004 which comprise the profit and loss account, balance sheet and related notes 1 to 15. 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 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, 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.

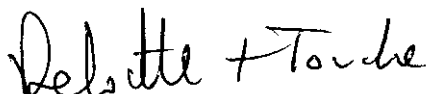
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

### **Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 13 to the financial statements concerning the dependence of the Company on receiving ongoing support from its parent. In view of the significance of this matter, we consider, that it should be drawn to your attention but our opinion is not qualified in this respect.

### **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 2004 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

7 September 2005

# MSDW FIXED INCOME LIMITED

## PROFIT AND LOSS ACCOUNT Year Ended 30 November 2004

	Note	2004 \$'000	2003 \$'000
Administrative expenses		<u>(6)</u>	<u>(5)</u>
<b>OPERATING LOSS</b>	2	(6)	(5)
Income from shares in group undertakings		-	229,003
Other interest receivable and similar income	4	480	349
Loss on disposal of investments		(185)	-
Amounts written off investments		-	(106,000)
Interest payable and similar charges	5	<u>(3,570)</u>	<u>(3,174)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(3,281)	120,173
Tax on (loss)/profit on ordinary activities	6	<u>-</u>	<u>-</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(3,281)	120,173
Dividends on ordinary shares	7	-	(116,265)
<b>(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR</b>		<u><u>(3,281)</u></u>	<u><u>3,908</u></u>

All operations were continuing in the current and prior year.

There were no recognised gains or losses during the current year or prior 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.

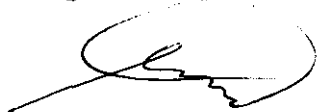
The notes on pages 6 to 11 form an integral part of the accounts.

**MSDW FIXED INCOME LIMITED****BALANCE SHEET****30 November 2004**

	Note	2004 \$'000	2003 \$'000
<b>FIXED ASSETS</b>			
Investments	8	<u>200,230</u>	<u>200,415</u>
<b>CURRENT ASSETS</b>			
Debtors	9	11,365	-
Cash at bank		<u>-</u>	<u>1</u>
<b>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Other creditors	10	<u>(214,870)</u>	<u>(200,410)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(203,505)</u>	<u>(200,409)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(3,275)</u>	<u>6</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	-	-
Profit and loss account	12	(3,275)	6
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(3,275)</u>	<u>6</u>

These accounts were approved by the Board on 5<sup>th</sup> September 2005

Signed on behalf of the Board



Director

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

**NOTES TO THE ACCOUNTS**

**Year ended 30 November 2004**

**1. ACCOUNTING POLICIES**

**a) Accounting convention**

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

Under Financial Reporting Standard 2 'Accounting for subsidiary undertakings', the Company is exempt from the requirement to prepare group financial statements. 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 2004. 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.

All currency amounts in the Accounts and the Notes to the Accounts are rounded to the nearest thousand US dollars.

**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. 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.

**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.

The Company has been granted exempt status for Jersey taxation purposes and therefore incurs an annual exempt company fee of £600.

**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) 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.



# MSDW FIXED INCOME LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 November 2004

### 2. OPERATING LOSS

	2004 \$'000	2003 \$'000
Operating loss is stated after charging :		
Auditors' remuneration - audit fees	<u>6</u>	<u>5</u>

### 3. STAFF COSTS

The Company employed no staff during the year (2003: nil). The directors did not receive any remuneration for their qualifying services to the Company during the year (2003: \$nil).

### 4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 \$'000	2003 \$'000
Interest receivable from Group undertakings	<u>480</u>	<u>349</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 \$'000	2003 \$'000
Interest payable to Group undertakings	<u>3,570</u>	<u>3,174</u>

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 \$'000	2003 \$'000
UK corporation tax at 30% (2003 - 30%)		
- Current year	-	-
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

#### 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:

# MSDW FIXED INCOME LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 November 2004

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2004 \$'000	2003 \$'000
(Loss)/profit on ordinary activities before tax	<u>(3,281)</u>	<u>120,173</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(984)	36,052
<b>Effects of:</b>		
Group relief surrendered for nil consideration	984	849
Income not subject to UK taxes	-	(68,701)
Expenses not deductible for tax purposes	-	31,800
<b>Current tax charge for the year</b>	<u>-</u>	<u>-</u>

### 7. DIVIDENDS

	2004 \$'000	2003 \$'000
Dividends paid on ordinary shares	<u>-</u>	<u>116,265</u>

# MSDW FIXED INCOME LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 November 2004

### 8. FIXED ASSET INVESTMENTS

	Subsidiary undertakings \$'000	Total \$'000
<b>Cost</b>		
At 1 December 2003	306,415	306,415
Disposals	(185)	(185)
At 30 November 2004	<u>306,230</u>	<u>306,230</u>
<b>Impairment provisions</b>		
At 1 December 2003	(106,000)	(106,000)
At 30 November 2004	<u>(106,000)</u>	<u>(106,000)</u>
<b>Net book value</b>		
At 30 November 2003	<u>200,415</u>	<u>200,415</u>
At 30 November 2004	<u>200,230</u>	<u>200,230</u>

### 8. FIXED ASSET INVESTMENTS (CONTINUED)

On 24<sup>th</sup> June 2003, investments of \$185,000 included in investments in subsidiary undertakings were disposed of for a consideration of \$1.

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 2004, are as follows:

Name of company	Country of Incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of Business
MSDW Jubilee Investments Limited	United Kingdom	100%	Ordinary shares	100%	Holding company
Willow Capital Limited	Jersey	100%	Ordinary shares	100%	Financial services
MSDW Eden Investments Limited	United Kingdom	100%	Ordinary shares*	100%	Holding company
Augusta Cooperatieve U.A.	Netherlands	100%	A & B membership*	100%	Financial services

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

# MSDW FIXED INCOME LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 November 2004

### 9. DEBTORS

	2004 \$'000	2003 \$'000
Other amounts due from Group undertakings	<u>11,365</u>	<u>-</u>

### 10. OTHER CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 \$'000	2003 \$'000
Bank loans and overdrafts	6	-
Other amounts owing to Group undertakings	<u>214,864</u>	<u>200,410</u>
	<u>214,870</u>	<u>200,410</u>

### 11. CALLED UP SHARE CAPITAL

	2004 Number	2003 Number
<b>Authorised :</b>		
<b>Equity shares</b>		
500,000,000 ordinary shares of £1 each	<u>500,000,000</u>	<u>500,000,000</u>
	2004 \$'000	2003 \$'000
<b>Allotted and fully paid :</b>		
<b>Equity shares</b>		
10 ordinary shares of £1 each	<u>-</u>	<u>-</u>

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

# MSDW FIXED INCOME LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 November 2004

### 12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2002	-	(3,902)	(3,902)
Profit for the year	-	120,173	120,173
Dividends	-	(116,265)	(116,265)
At 1 December 2003	-	6	6
Loss for the year	-	(3,281)	(3,281)
At 30 November 2004	-	(3,275)	(3,275)

### 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. 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.

### 15. 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 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.