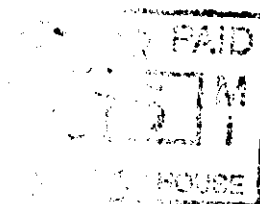


Jersey Company Registration No. 74794
UK Company Registration No. FC022413

078657/120

Registered Office:
Mourant & Co. Secretaries
PO Box 87
22 Grenville Street
St Helier
Jersey
JE4 8PX



CORNWALL FINANCING UK LIMITED
(formerly NARIB LIMITED)

Report and Accounts

30 November 2003



CORNWALL FINANCING UK LIMITED

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CORNWALL FINANCING UK LIMITED

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The profit for the year, after tax, was \$7,733,701 (2002: \$8,454 loss). During the year, \$361,044,900 dividends were paid (2002: Nil) and \$6,390,433 finance costs on non-equity shares were accrued (2002: Nil). A loss of \$359,701,632 (2002:\$8,454 loss) will be carried to reserves.

During the year, the share premium account established in respect of the issue of the Unlimited Enhanced Dividend Preferred Shares was reduced by the transfer of the sum of \$899,910,000 to distributable reserves. In addition, post year end the share premium account established in respect of the issue of the Limited Enhanced Dividend Preferred Shares was reduced by the transfer of the sum of \$517,100,500 to distributable reserves. This transfer was approved by the Royal Court of Jersey on 11 March 2004.

Dividends totalling \$260,179,279 (€226,395,000) dividends in respect of the Limited Enhanced Dividend Preferred Shares were paid on 1 December 2003 (€30.12 per share) and 1 March 2004 (€20.19 per share). In addition, \$272,691,900 dividends in respect of the Unlimited Enhanced Dividend Preferred Shares were paid 29 March 2004 (\$30.2991 per share).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of Cornwall Financing UK Limited, formerly Narib Limited (the "Company") is the issuance of securities.

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.

On 24 June 2003, MSDW Fixed Income Limited sold its shareholding in Cornwall Financing UK Limited (formerly Narib Limited) to another Group company, MSDW Investment Holdings (UK) Limited for \$1.00.

On 16 April 2004, the Company changed its name from Narib Limited, to Cornwall Financing UK Limited.

DIRECTORS

The following Directors held office throughout the year, unless stated otherwise:

E J Ocampo (resigned 24 June 2003)
M C Slingo (resigned 24 June 2003)
G Adams (appointed 24 June 2003)
W B Hu (appointed 24 June 2003)
P J E Keime (appointed 24 June 2003)

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.

CORNWALL FINANCING UK LIMITED

DIRECTORS' REPORT Continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

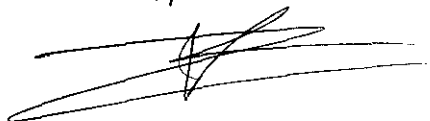
Company law in Jersey requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- apply generally accepted accounting principles; 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 are sufficient to show and explain its transactions and are such as to 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.

Approved by the Board of Directors and signed on behalf of the Board

Director: Philippe K. E. L. E. Date: 29.09.2004



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CORNWALL FINANCING UK LIMITED (formerly Narib Limited)

We have audited the financial statements of Cornwall Financing UK Limited (formerly Narib Limited) for the year ended 30 November 2003, 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 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 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.

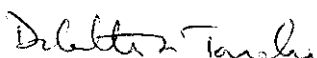
Basis of audit opinion

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.

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 profit 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

30 September 2004

CORNWALL FINANCING UK LIMITED

PROFIT AND LOSS ACCOUNT Year Ended 30 November 2003

| | Note | 2003 \$'000 | 2002 \$'000 |
|--|------|-------------------------|-------------------|
| NET REVENUE | 2 | 4,189 | (3) |
| Administration expenses | | <u>-</u> | <u>(5)</u> |
| OPERATING PROFIT/(LOSS) | 3 | 4,189 | (8) |
| Interest receivable and similar income | 5 | <u>3,544</u> | <u>-</u> |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 7,733 | (8) |
| Tax on profit/(loss) on ordinary activities | 6 | <u>-</u> | <u>-</u> |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR | | 7,733 | (8) |
| Difference between non-equity finance costs and the related dividends | 7 | (6,390) | - |
| Dividends on preference shares | 7 | <u>(361,045)</u> | <u>-</u> |
| LOSS RETAINED FOR THE FINANCIAL YEAR | | <u><u>(359,702)</u></u> | <u><u>(8)</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 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 page 6 to 11 form an integral part of the accounts.

CORNWALL FINANCING UK LIMITED

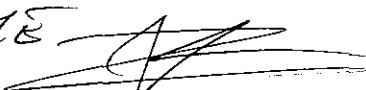
BALANCE SHEET 30 November 2003

| | Note | 2003 \$'000 | 2002 \$'000 |
|--|------|------------------|----------------|
| FIXED ASSETS | | | |
| Investments | 8 | 1,057,072 | - |
| | | <u>1,057,072</u> | <u>-</u> |
| CURRENT ASSETS | | | |
| Debtors | 9 | 6,765 | 189 |
| Cash at bank | | - | 1 |
| | | <u>6,765</u> | <u>190</u> |
| CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR | | | |
| Other creditors | 10 | - | (193) |
| NET CURRENT ASSETS/(LIABILITIES) | | 6,765 | (3) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,063,837</u> | <u>(3)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 142 | - |
| Share premium account | 12 | 517,285 | 185 |
| Reserve for redemption premium | 12 | 6,390 | - |
| Profit and loss account | 12 | 540,020 | (188) |
| | | <u>1,063,837</u> | <u>(3)</u> |
| Analysed as: | | | |
| Equity | | 295 | (3) |
| Non-equity | | 1,063,542 | - |
| | | <u>1,063,837</u> | <u>(3)</u> |

These accounts were approved by the Board of Directors on
Signed on behalf of the Board of Directors

29.09.2004

Director

Philippe KEIME 

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

NOTES TO THE ACCOUNTS

Year ended 30 November 2003

1. ACCOUNTING POLICIES

a) Accounting convention

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

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, except the interest receivable on the fixed asset investment, which is recorded at the exchange rate ruling in the currency swaps as described in note d) below. 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.

In accordance with SSAP 20, the dividends paid on the UEDP and LEDP shares are recorded at the exchange rate ruling in the currency swaps that hedge the dividend flow.

d) Fixed asset investments

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

In accordance with SSAP 20, the investment in Cornwall Investments (UK) Limited preference shares' is recorded at the USD equivalent of the future sterling redemption cash flows that are specified in the currency swaps.

e) Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to foreign exchange risk and interest rate risk. The Company does not hold or issue derivative financial instruments for speculative purposes. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when gains and losses associated with the hedged transaction have themselves been reflected in the Company's financial statements.

f) Taxation

UK Corporation tax is provided at amounts expected to be paid or 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) Netting

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

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.

CORNWALL FINANCING UK LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2003

i) Finance Costs

The UEDP and LEDP shares, which have pre-determined dividends, are classified as redeemable non-equity shares. In accordance with FRS 4 *Capital Instruments*, the finance costs associated with non equity shares are allocated to periods over the term of the instrument at a constant rate based on the carrying amount. All finance costs are charged to the profit and loss account.

2. NET REVENUE

Net revenue represents income earned on the investment in preferred shares. Net revenue is recorded on a trade date basis.

3. OPERATING PROFIT / (LOSS)

| | 2003 \$'000 | 2002 \$'000 |
|--|----------------|----------------|
| Operating profit / (loss) is stated after charging : | | |
| Auditors' remuneration - audit fees | - | 5 |

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

4. STAFF COSTS

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).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2003 \$'000 | 2002 \$'000 |
|---|----------------|----------------|
| Foreign exchange gains | 1 | - |
| Interest receivable from Group undertakings | 3,543 | - |
| | 3,544 | - |

Interest receivable excludes interest earned on the investment in preferred shares, which is included in net revenue since it is an integral component of the Company's net revenue.

CORNWALL FINANCING UK LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2003

6. 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 | - | - |
| Tax on profit / (loss) on ordinary activities | <u>-</u> | <u>-</u> |

Factors affecting the tax charge for the year

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

| | 2003 \$'000 | 2002 \$'000 |
|--|----------------|----------------|
| Profit / (loss) on ordinary activities before tax | <u>7,733</u> | <u>(8)</u> |
| Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%) | 2,320 | (2) |
| Effects of: | | |
| Group relief surrendered / received for nil consideration | (1,063) | 2 |
| Income not taxable | (1,257) | - |
| Current tax charge for the year | <u>-</u> | <u>-</u> |

The Company continues to have tax losses carried forward at nil value. The potential deferred tax asset of \$7,411,000 (2002: \$7,411,000) has not been recognised due to uncertainty of suitable future taxable profits.

7. DIVIDENDS

| | Date of Payment | 2003 \$'000 | 2002 \$'000 |
|---|-----------------|----------------|----------------|
| Dividends on Unlimited Enhanced Dividend Preferred Shares | 19/09/2003 | <u>361,045</u> | <u>-</u> |

Finance charges in excess of dividends paid on the Unlimited Dividend Preferred Shares and the Limited Enhanced Dividend Preferred Shares of £6,390,000 have been accrued in the accounts.

CORNWALL FINANCING UK LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2003

8. FIXED ASSET INVESTMENTS

| | Investment in Preferred Shares \$'000 |
|---|---|
| Cost | |
| At 1 December 2002 | - |
| Additions | 1,057,072 |
| At 30 November 2003 | 1,057,072 |
| Impairment provisions | |
| At 1 December 2002 and 30 November 2003 | - |
| Net book value | |
| At 30 November 2003 | 1,057,072 |
| At 30 November 2002 | - |

Fixed asset investments are all unlisted.

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 2003, are as follows:

| Name of company | Country of Incorporation | Holding | Type of shares held | Proportion of voting rights | Nature of Business |
|---|-----------------------------|---------|--------------------------------|--------------------------------|-----------------------|
| Cornwall Investments UK Limited (formerly Morgan Stanley Narib Investments (Jersey) Limited) | Jersey | 100% | Limited Preferred Shares | None | Financial services |

9. DEBTORS

| | 2003 \$'000 | 2002 \$'000 |
|---|----------------|----------------|
| Amounts due from Group undertakings | 2,575 | 189 |
| Interest receivable on fixed asset investment | 4,190 | - |
| | <u>6,765</u> | <u>189</u> |

CORNWALL FINANCING UK LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2003

10. OTHER CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2003 \$'000 | 2002 \$'000 |
|-------------------------------------|----------------|----------------|
| Amounts owing to Group undertakings | - | (193) |

11. CALLED UP SHARE CAPITAL

| | 2003 Number | 2002 Number |
|--|------------------------|------------------------|
| Authorised : | | |
| Equity shares | | |
| 14,481 ordinary shares of \$1 each | 14,841 | 14,481 |
| Non-equity shares | | |
| 9,000,000 Unlimited Enhanced Dividend Preferred Shares of \$0.01 each | 9,000,000 | - |
| 4,500,000 Limited Enhanced Dividend Preferred Shares of €0.01 each | 4,500,000 | - |
| | 2003 \$'000 | 2002 \$'000 |
| Allotted called up and fully paid : | | |
| Equity shares | | |
| 200 ordinary shares of \$1 each | - | - |
| Non-equity shares | | |
| 9,000,000 Unlimited Enhanced Dividend Preferred Shares of \$0.01 each | 90 | - |
| 4,500,000 Limited Enhanced Dividend Preferred Shares of €0.01 each | 52 | - |
| | 142 | - |

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

On 30 June 2003, a new share class of 9,000,000 \$0.01 "Unlimited Enhanced Dividend Preferred" ("UEDP") shares were created, and the entire 9,000,000 UEDP shares were issued to MSDW Offshore Equity Services Incorporated for a total consideration of \$900,000,000. In addition, On 23 September 2003 a new share class of 4,500,000 € 0.01 "Limited Enhanced Dividend Preferred" ("LEDP") shares were created, and the entire 4,500,000 LEDP shares were issued to MSDW Offshore Equity Services Incorporated for a total consideration of €450,000,000.

The Unlimited Enhanced Dividend Preferred Shares do not carry any voting rights in the Company and are not redeemable and may not be repurchased by the Company. The Limited Enhanced Dividend Preferred Shares do not carry any voting rights in the Company and may be redeemed in accordance with the articles of association.

CORNWALL FINANCING UK LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2003

11. CALLED UP SHARE CAPITAL (CONTINUED)

Dividends in respect of the Limited Enhanced Dividend Preferred Shares were paid on 1 December 2003, of €30.12 per share and 1 March 2004 of €20.19 per share. Dividends are due to be paid on 1 November 2004 of €20.50 per share, and on 1 November 2005 of €1.67 per share. In addition, dividends in respect of the Unlimited Enhanced Dividend Preferred Shares were paid 29 March 2004 of \$30.2991 per share and are due to be paid 19 September 2005 of \$31.4928 per share.

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| | Called up share capital \$'000 | Share premium account \$'000 | Reserve for redemption premium \$'000 | Profit and loss account \$'000 | Total \$'000 |
|--|---|---------------------------------------|--|---|-----------------|
| At 1 December 2001 | - | 185 | - | (180) | 5 |
| Loss for the year | - | - | - | (8) | (8) |
| At 1 December 2002 | - | 185 | - | (188) | (3) |
| Issuance of preference shares | 142 | 1,417,010 | - | - | 1,417,152 |
| Transfer from share premium account to retained earnings | - | (899,910) | - | 899,910 | - |
| Dividends | - | - | - | (361,045) | (361,045) |
| Difference between non-equity finance costs and the related dividends | - | - | 6,390 | (6,390) | - |
| Profit for the year | - | - | - | 7,733 | 7,733 |
| At 30 November 2003 | 142 | 517,285 | 6,390 | 540,020 | 1,063,837 |

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*. There were no other related party transactions requiring disclosure.

14. ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

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.