

12. Termination:

- (a) You may terminate the Plan at any time by giving written notice to the Account Manager that you wish to terminate your Plan. Following receipt the Account Manager will then sell your investments at the next practicable dealing date. On termination, the Account Manager will account to you for the proceeds of investments and will be entitled to retain any cash or investments required to settle any transactions already initiated on your behalf and any outstanding fees. You will pay to the Account Manager any fees and transaction charges accrued to the date of termination.
- (b) The Plan may be terminated by the Account Manager in the following circumstances;
- (i) immediately on giving written notice to you if, in its opinion, it is impossible to administer the Plan in accordance with the Regulations or you are in breach of the Regulations. (The ISA or PEP Plan will terminate automatically if it becomes void under the Regulations with immediate effect. The Account Manager will notify you in writing if an ISA or PEP Plan becomes void);
 - (ii) on one month's written notice if you fail to pay any money due;
 - (iii) on three month's written notice if you are in breach of any of these Terms & Conditions.

In these circumstances any assets of the Plan will be sold and the proceeds transferred to you, subject to our right to retain cash in respect of fees and transaction charges as set out in (a) above.

13. Death:

In the event of your death, your ISA and/or PEP will cease to be exempt from tax, with investments then being held in a Direct Investment. The Direct Investment forms part of your estate for Inheritance Tax purposes, and accordingly the Account Manager would then await further instructions from your personal representatives.

14. Charges:

- (a) All charges in connection with the Plan are payable by the Investment Company and are set out in the Prospectus.
- (b) Where a Plan is transferred to another Account Manager, we will deduct an administration charge of £100 plus VAT from your Plan proceeds.
- (c) However, we reserve the right to introduce additional charges in the future to cover any additional expenses incurred by us as a result of a material change in Regulations. Should it ever become necessary to introduce such a charge, you will be given three months notice.

15. Records of Your Plan:

We will undertake to do the following:

- (a) maintain all such records relating to your Plan;
- (b) make appropriate returns to the Inland Revenue for the purposes of taxation;
- (c) provide all taxation details to you, as may be required under the Regulations.

16. Delegation of Functions:

We may appoint a third party to act in respect of any function relevant to administration of your Plan. Should we appoint a third party, we will satisfy ourselves that any such third party is competent to carry out those functions or responsibilities. We shall take full responsibility for the actions and omissions of any such third party.

17. Assignment:

We may appoint another company to be the Account Manager of your Plan under these Terms & Conditions on giving you one month's notice. The new Account Manager must be approved to act as a PEP and/or ISA Manager (as applicable) by the Commissioners of the Inland Revenue.

18. Complaints:

Any complaint should be addressed to Morgan Stanley & Co. International Limited, Compliance Department, 25 Cabot Square, Canary Wharf, London E14 4QA in the first instance. If you are not satisfied with the manner in which the matter is addressed you can refer complaints relating to the administration of your Plan to The Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall,

London E14 9SR. Making a complaint will not prejudice your right to take legal proceedings. A statement describing our complaints handling procedure is available on request.

19. Compensation:

If we cannot meet our financial obligations to you, you may be entitled to compensation under the Financial Services Compensation Scheme established under the Financial Services and Markets Act 2000. Details of your rights under this scheme are available from us on request, and further information is available from the Financial Services Authority and the Financial Services Compensation Scheme. A statement describing your rights to compensation is available on request.

20. Commission:

When you subscribe to our Plan through an Independent Financial Adviser we will usually pay commission which will be detailed in correspondence with you. Please inform us of any change in your Adviser to enable us to keep our records up to date.

21. Data Protection:

- (a) The information you provide on your application form (or subsequently) will be held and processed by us as data controller for the purposes of the Data Protection Act 1998.
- (b) We may hold and process information for the administration of the service(s) for which you are currently applying or may apply for in the future, for the operation of your investment in shares (including e.g. for registration and distribution purposes), for the purposes of statistical analysis, and the marketing of goods or services by this company or other companies in the Morgan Stanley group. We may transfer information to other companies in the Morgan Stanley group and to third party agents of such companies or of this company for any of the above purposes.
- (c) Where a financial adviser acts on your behalf, we will disclose information concerning your investment to that financial adviser.
- (d) Save as noted above, we will not provide to any other third party any information relating to you, unless you have given your consent or unless we are required to do so by law.

22. Money Laundering:

All transactions relating to products provided by us are covered by the Money Laundering Requirements (Criminal Justice Act 1993, the Money Laundering Regulations 1993 and 2000, FSA Rules and any relevant guidance notes). This means that we are responsible for compliance with these regulations. As a consequence, you may be required to provide proof of identity when buying or selling your investment.

23. Telephone Recordings:

For your security telephone conversations may be recorded.

24. Telephone and/or Internet Dealing:

We reserve the right to introduce a facility for telephone and/or Internet dealing in respect of your Plan. In the event that we introduce these facilities, we will reserve the right not to accept any dealing instruction unless we are satisfied that all information which we require at the time of dealing has been accurately provided.

25. Exclusion of Liability:

Your attention is drawn to the Key Features documentation and the "Risk Factors" therein. No warranty is given by us as to the performance or profitability of the Plan. You must be aware that the price of securities can go down as well as up and that there is a degree of risk attached to stockmarket investments. You may not get back the amount invested. You are reminded that past performance is no guarantee of future returns. In the event of any failure, interruption or delay in the performance of its obligations resulting from any event or circumstance not reasonably within its control, the Account Manager shall not be liable or have any responsibility of any kind for any loss or damage you incur or suffer as a result.

26. Amendment to Terms & Conditions:

We may from time to time change these Terms & Conditions by giving not less than ten business days written notice to you of any change.

27. Governing Law and Jurisdiction:

These terms are governed by English law and are subject to the non-exclusive jurisdiction of the High Court of England and Wales.



Limited Offer Period – Closes 27 December 2002

Morgan Stanley

The Morgan Stanley Income & Growth SmartPlan

- 100% protection of your initial investment, plus
- Secure income of 3.7% per annum or secure minimum growth of 22%, plus
- Potential additional growth of up to 44% linked to FTSE™ 100 Index
- Five and a half year investment term

Available as a Mini or Maxi ISA or Direct Investment, exclusively through the David Aaron Partnership.

The Morgan Stanley Income & Growth SmartPlan

Security with the freedom to grow

Since Morgan Stanley was established in 1935, we've helped our clients through many difficult times. During that time we've gained a reputation as a leading global investment house which consistently attracts and retains the brightest people in its field. And we've harnessed their collective brain power to develop a product to help you achieve your investment aims.

It's called SmartPlan, meaning the secure market returns plan (the "Plan"). It ensures that your money is secure, while ensuring that it still has potential for growth.

Because we know people have different investment needs, we're offering two options.

Income Option

100% protection of initial investment

Plus

Secure annual income of 3.7%

Or

Secure quarterly income of 0.88%

Plus

Potential additional growth of up to 44%
linked to FTSE™ 100 Index

Growth Option

100% protection of initial investment

Plus

Secure minimum growth of 22%

Plus

Potential additional growth of up to 44%
linked to FTSE™ 100 Index

Your money is invested in shares issued by a Guernsey investment company. The investment company will use the net proceeds to invest in assets issued by, and contracts entered into with, financial institutions rated A- or better by Standard & Poor's or the equivalent rating by Moody's Investor Services Limited. You may get back less than your initial investment if you sell it before the maturity date of 27 June 2008. For a further explanation of the risks attached to this investment, please refer to the Risk Factors set out in the Key Features section of this brochure on pages 11 to 13.

The Morgan Stanley Income & Growth SmartPlan is exclusively available through the David Aaron Partnership, a leading firm of UK Independent Financial Advisers.

Morgan Stanley & Co. International Limited is the Plan Manager. Morgan Stanley is a global financial services firm and a market leader in securities, investment management and credit services. With more than 700 offices in 28 countries, Morgan Stanley connects people, ideas and capital to help clients achieve their financial aspirations.



Investing for Income?

The Income option is an investment with a competitive rate of return, plus the potential for up to 44% additional growth* linked to the FTSE™ 100 Index.

Annual Income Option

Paying fixed gross income of 3.7% per annum for five years plus a final gross income of 1.85% at Plan maturity, with 100% repayment of your initial investment at Plan maturity, plus potential additional growth* of up to 44%.

120.35% Minimum Total Repayment
164.35% Maximum Total Repayment

Provided the Plan is held until the Plan maturity date of 27 June 2008.

Quarterly Income Option

Paying fixed gross income of 0.88% per quarter with 100% repayment of your initial investment at Plan maturity, plus potential additional growth* of up to 44%.

119.36% Minimum Total Repayment
163.36% Maximum Total Repayment

Provided the Plan is held until the Plan maturity date of 27 June 2008.

Investing for Growth?

The Growth option is an investment with a minimum growth of 22%, plus the potential for up to 44% additional growth* linked to the FTSE™ 100 Index

Growth Option

Pays minimum growth of 22% with 100% repayment of your initial investment at Plan maturity, plus potential additional growth* of up to 44%.

122% Minimum Total Repayment
166% Maximum Total Repayment

Provided the Plan is held until the Plan maturity date of 27 June 2008.

SmartPlan Key Features

- Tax free for ISA and PEP investments
- Growth linked to FTSE™ 100 Index
- No initial or annual management charges
- Offer must close 27 December 2002
- Maximum deal size £25,000,000
- Your investment is protected by assets and contracts entered into with financial institutions rated A- or better by Standard & Poor's. It is not a guaranteed investment.
- You may get back less than your initial investment if you sell it before the maturity date of 27 June 2008

* For explanation see 'Calculating your return at maturity' (page 5).

The Morgan Stanley Income & Growth SmartPlan

What do you get at maturity?

Income Investors: You will receive 100% of your initial investment *plus* Additional Plan Growth. (Remember that you will also have received your chosen income over the life of the Plan)

Growth Investors: You will receive 100% of your initial investment *plus* secure minimum growth of 22% *plus* Additional Plan Growth.

What is Additional Plan Growth?

Additional Plan Growth is equal to Total Plan Growth less 22%.

How is Total Plan Growth calculated?

The investment period of the Plan will be split into 22 quarters. For each quarter, the percentage rise or fall in the FTSE™ 100 Index will be added together. The percentage change in the FTSE™ 100 Index that can be added to or subtracted from the Total Plan Growth will be limited to a maximum increase of +3% and a maximum decrease of -3%.

Quarter	FTSE™ 100 Index Starting Level	FTSE™ 100 Index Closing Level	Percentage Change in FTSE™ 100 Index	Percentage Change Taken to Total Plan Growth	Notes
1	4,000	4,200	5.00%	3.00%	The maximum amount that can be added to the Plan growth per quarter is 3%
2	4,200	3,780	-10.00%	-3.00%	The maximum amount that can be deducted from the Plan growth per quarter is 3%
3	3,780	3,875	2.50%	2.50%	

In this example Total Plan growth at the end of three quarters = 3% - 3% + 2.5% = 2.5%

At Plan maturity, all the percentage changes for each quarter taking the 3% limit into account are added together. This percentage value will equal the Total Plan Growth. The maximum Total Plan Growth is 66% which would only happen if the FTSE™ 100 Index were to increase by 3% or more in each of the 22 quarters.

How is Additional Plan Growth Calculated?

If the Total Plan Growth is less than 22%, Additional Plan Growth will be zero.

If the Total Plan Growth is greater than 22%, Additional Plan Growth will be equal to Total Plan Growth less 22%. The maximum Additional Plan Growth is 44%.



Calculating your return at maturity

Income Investors

Income Investors will receive 100% of their initial investment

Plus

Additional Plan Growth of up to 44%

Example 1:

Total Plan Growth = 35%

Additional Plan Growth = $(35\% - 22\%) = 13\%$

Income Investors return at maturity =
 $100\% + 13\% = 113\%$

Example 2:

Total Plan Growth = 15%

Additional Plan Growth = 0%

Income Investors return at maturity = 100%
(Total Plan Growth is less than 22% so
Income Investors do not receive any
Additional Plan Growth)

Please note that in all cases Income Investors will have also received their chosen secure income over the life of the Plan.

Growth Investors

Growth Investors will receive 100% of their initial investment

Plus

Secure minimum growth of 22%

Plus

Additional Plan growth of up to 44%

Example 1:

Total Plan Growth = 35%

Additional Plan Growth = $(35\% - 22\%) = 13\%$

Secure minimum growth = 22%

Growth Investors return at maturity =
 $100\% + 22\% + 13\% = 135\%$

Example 2:

Total Plan Growth = 15%

Additional Plan Growth = 0%

Secure minimum growth = 22%

Growth Investors return at maturity =
 $100\% + 22\% + 0\% = 122\%$

Please note that in all cases Growth Investors are entitled to secure minimum growth of 22% regardless of the Additional Plan Growth being zero.

Investment Term

The Plan has a term of approximately five and a half years to 27 June 2008. If you sell the Plan before that date, the Plan Manager will seek to realise value from the underlying shares. The price you receive, in this case, is unlikely to equal the minimum capital repayment, and as a result you may suffer a loss of your initial investment and return. Please note that capital protection applies only if the investment is held for the full five and a half year term.

See the return you could earn

Detailed below are a range of possible scheduled payments from the Plan based on an initial investment of £10,000, provided your investment in the Plan is held until the

Plan maturity date. All payments are subject to the Risk Factors set out in the Key Features section and are before taxation.

Income Schedule

Total Plan Growth	Secure Minimum Growth	Additional Plan Growth	Secure Income Received*	Protected Capital Repayment	Total Received	AER**
-20%	0	0	2,035	10,000	12,035	3.70%
0%	0	0	2,035	10,000	12,035	3.70%
20%	0	0	2,035	10,000	12,035	3.70%
40%	0	1,800	2,035	10,000	13,835	6.76%
60%	0	3,800	2,035	10,000	15,835	9.73%
66%***	0	4,400	2,035	10,000	16,435	10.55%

*Assumes annual income taken **AER is the annual equivalent rate ***Maximum Total Plan Growth

Growth Schedule

Total Plan Growth	Secure Minimum Growth	Additional Plan Growth	Secure Income Received	Protected Capital Repayment	Total Received	AER*
-20%	2,200	0	0	10,000	12,200	3.68%
0%	2,200	0	0	10,000	12,200	3.68%
20%	2,200	0	0	10,000	12,200	3.68%
40%	2,200	1,800	0	10,000	14,000	6.31%
60%	2,200	3,800	0	10,000	16,000	8.92%
66%**	2,200	4,400	0	10,000	16,600	9.65%

*AER is the annual equivalent rate **Maximum Total Plan Growth



Three Tax Efficient Ways to Invest

1. Invest via a Mini Stocks and Shares ISA or a Maxi ISA for tax year 2002/2003

Invest £3,000 per person into a Mini Stocks and Shares ISA or £7,000 per person into a Maxi ISA using your 2002/2003 ISA allowance. Income or growth payments are made completely free of any tax.

2. Transfer your existing PEPs or Maxi ISA into the Plan

Consolidate existing PEP or ISA holdings by transferring them into the Plan. In this case, all income or growth payments will remain sheltered from any tax. Consideration prior to transfers should include exit and associated charges of encashing your existing investments and the potential for loss of income or growth whilst the transfer is pending.

3. Direct investment into the Plan

If you've already used your ISA allowance, or if you want more of your savings to benefit from the attractive terms of this Plan, you may decide to invest directly in the Plan.

Important Information for Income Direct Investors

Income from the Plan will be distributed gross of any tax. You must declare this income through your annual tax return. Through your return, income from the Plan is taxed at 10% for basic rate tax payers and 32.5% for higher rate taxpayers. Any additional growth paid to Income investors will be taxed as a capital gain.

Important Information for Growth Direct Investors

By using your Capital Gains Tax allowance, you can benefit from additional tax-free growth outside your ISA. The current Capital Gains Tax allowance is £7,700 per person for the tax year 2002/2003. This could allow you to invest up to £11,667 with the maximum growth on this amount potentially free from tax, e.g. maximum growth on an investment of £11,667 is £7,700 which is equal to your current annual Capital Gains Tax allowance.

Please note: The taxation treatment of Investors is dependent on their individual circumstances and may be subject to changes in tax regulations. Potential Investors are advised to consult their professional advisers regarding the taxation consequences of investing in the Plan. The published rates of taxation are correct at the time of publication. Levels and bases of, and relief from, taxation are subject to change.

The Morgan Stanley Income & Growth SmartPlan

Make the Most of Your Tax Allowances

Individual Savings Accounts are available to every person who is resident and ordinarily resident in the UK (for tax purposes) over the age of 18. They allow you to invest up to £7,000 each year, completely free of Income Tax or Capital Gains Tax. The Plan is also designed to take transfers from other ISA or PEP investments you may have, allowing you the opportunity to secure the attractive terms on offer on more of your existing tax-free savings. Considerations prior to transfer should include charges associated with any transfer and the potential for loss of income or capital whilst the transfer is pending. Tax implications for investments directly into the Plan were explained earlier.

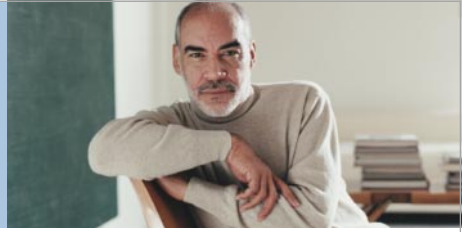
What Happens to your Investment?

Your investment will be invested in Preference Shares listed on the Irish Stock Exchange to be issued by a Guernsey incorporated Investment Company. Morgan Stanley & Co. International Limited is the Investment Manager of the Investment Company.

The Investment Company will use the proceeds of the issue of the Preference Shares to purchase debt securities and enter into derivative contracts and / or make deposits. These investments will generate the income and growth payments scheduled to be paid under the Plan.

All debt securities will be issued by, and derivative contracts and deposits will be entered into with, financial institutions which have a credit rating of at least A- by Standard & Poor's or the equivalent by Moody's Investor Services Limited, and which will be UK or international financial institutions. The default in payment by a financial institution may affect the repayments under the Plan, including the return of your initial investment.

The Plan invests in the shares of an Investment Company. You should read this document (which contains the Key Features and Terms & Conditions of the Plan) and the Prospectus issued by the Investment Company. If you are in any doubt about the suitability of an investment in the Plan you should consult your Independent Financial Adviser. Please note that neither the Plan Manager nor the Investment Manager are able to provide investment advice in relation to the Plan.



How to invest

This brochure also contains a Key Features section including Terms & Conditions, all of which should be read before investing.

- Main Application Form for ISA and Direct Investment – If you are applying for a Direct Investment or an ISA in 2002/2003, you should complete sections 1-4 on the front of the form and section 5 on the back of the Application Form for ISA and/or Direct Investment.
- Application Form for PEP/ISA Transfers – If you are applying for a PEP or ISA transfer, you should complete sections 1-3 on the front of the form and section 4 on the back of the Application Form for PEP or ISA transfer.
- Application Forms for second applicants – For second applicants there is an additional ISA/Direct Investment form.
- Your cheque – It is only necessary to send one cheque for the total amount that each individual wishes to invest (e.g. one cheque for £15,000 can cover an ISA investment of £7,000 and a Direct Investment in shares of £8,000). Separate applications (e.g. from a husband and wife)

require two cheques. Cheques should be made payable to 'Morgan Stanley Income & Growth Client 1 A/C'.

If your cheque is from a building society, it should reference your name.

(For example 'Morgan Stanley Income & Growth Client 1 A/C' Reference 'A Johnson')

Benefits of early investing

There are two benefits of investing early:

1. You will avoid the risk of not being able to invest if this offer closes early.
The maximum size for this offer is £25,000,000.
2. You will receive interest of 0.4% if you invest before 2 December 2002 or 0.2% if you invest on or after 2 December 2002 and before 16 December 2002. Investments after 16 December 2002 will not receive any interest*.

*Cheques must clear before the relevant date to receive any interest. Interest will be used to purchase permitted securities in accordance with section 6 of the Terms & Conditions of the Plan. All interest with respect to ISA investments will be credited after deducting an amount representing tax equal to 20% of the interest.

Key Dates

Important Dates to Note

Event	Dates*
Offer Periods:	
ISAs and Direct Investments	11 November 2002 to 27 December 2002
ISA and PEP Transfers	11 November 2002 to 13 December 2002
FTSE™ 100 Index quarters:	
First quarter start date	13 January 2003
First quarter end date	20 March 2003
Subsequent quarter dates	20 June 2003, 20 September 2003 and quarterly until 20 June 2008
Plan Payments:	
Annual income payment	27 December 2003 to 27 December 2007
Final annual income half payment	27 June 2008
Quarterly income payments	27 March 2003, 27 June 2003 and quarterly until 27 June 2008
Minimum growth payment	27 June 2008
Additional growth payment (if any)	27 June 2008
Return of initial investment	27 June 2008

*In the event that any of the above dates are not business days the relevant date will be moved to a business day.

Before making your investment decision you should read this document (which contains Key Features and the Terms & Conditions of the Plan) and the Prospectus (which is available as set out below). If you are in any doubt about the suitability of an investment in the Plan you should consult your Independent Financial Adviser. Please note that neither the Plan Manager nor the Investment Manager are able to provide investment advice in relation to the Plan.

The Prospectus which describes the features of the Preference Shares, the Investment Company and the risk factors more fully is available on request from Morgan Stanley &

Co. International Limited, Administration Office, Income & Growth Offer, Floor 8, Fountain House, 2 Queen's Walk, Reading, RG1 7QF.

This Plan is not in any way sponsored, endorsed, sold or promoted by FTSE™ International Limited ("FTSE") or by the London Stock Exchange plc (the "Exchange") or by The Financial Times Limited ("FT") and none of FTSE™ or the Exchange or FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE™ 100 Index ("the Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated solely by FTSE™. However, none of FTSE™ or the Exchange or FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and none of FTSE™ or the Exchange or FT shall be under any obligation to advise any person of any error therein. FTSE™ and Footsie™ are trade marks of London Stock Exchange plc and The Financial Times Limited and are used by FTSE™ International plc under licence. The levels and basis of taxation and reliefs from taxation can change at any time and any change could be applied retrospectively. The value and availability of any tax reliefs will depend on individual circumstances.



KEY FEATURES SECTION

Key Features of the Morgan Stanley Income & Growth SmartPlan

Investment Options

Investment can be made in the following ways:

- Via a Mini Stocks and Shares ISA or Maxi ISA
- By transferring an existing PEP (General and/or Single Company) or ISA
- By making a Direct Investment

We've described all three options in these Key Features. For your information, the current issue of this Plan will close to investments on 27 December 2002 (13 December 2002 in respect of PEP and ISA transfers) at the latest.

Objectives

The objectives of the Morgan Stanley Income & Growth SmartPlan ("the Plan") are as follows:

- To provide a minimum capital repayment of 100% of your initial investment over an investment period of five and a half years AND
- Growth on top of your minimum capital repayment (free of tax if held within an ISA or PEP). The level of growth will be linked to the performance of the FTSE™ 100 Index (the "Index") AND
- The ability to choose to draw an annual income of 3.7% per annum, or a quarterly income of 0.88% per quarter or generate a minimum additional capital return of 22% at maturity.

Morgan Stanley & Co. International Limited is the Investment Manager of the Investment Company.

Your money will be invested in Preference Shares issued by a Guernsey incorporated Investment Company and listed on the Irish Stock Exchange. Morgan Stanley & Co. International Limited ("the Account Manager"), a subsidiary of Morgan Stanley and regulated by the FSA, will be the Sponsor and Investment Manager for the issue of the Preference Shares.

The Guernsey Investment Company will use the proceeds of the issue of the Preference Shares to purchase debt securities and enter into derivative contracts and deposits. These investments will generate the income and growth payments scheduled to be paid under the Plan.

All debt securities will be issued by, and derivative contracts and deposits will be entered into with, financial institutions which have a credit rating of at least A- by Standard & Poor's, or the equivalent rating by Moody's Investor Services Ltd, and which will be UK or international financial institutions. The default in payment by a financial institution may affect the repayments under the Plan, including the return of your initial investment.

As soon as practicable after 27 June 2008, you will have the option to either close your Plan, transfer it to another manager (where relevant), or to continue your investment on terms that may be offered at the time.

Making an Investment

Subscription is only available by way of lump sum investment. The minimum subscription is £3,000 for a Mini Stocks and Shares ISA investment, £5,000 for Maxi ISA investment or £5,000 via a Direct Investment. If investing via a Maxi ISA, you must not subscribe to another ISA (other than a Tessa only ISA) in the same tax year that you subscribe to this Maxi ISA. If investing via a Mini Stocks & Shares ISA you must not subscribe to a Maxi ISA or another Mini Stocks and Shares ISA in the same tax year that you subscribe to

this Mini Stocks and Shares ISA. The maximum investment into a Maxi ISA is £7,000; via a Mini Stocks and Shares ISA £3,000; PEP or ISA transfers are subject to a minimum investment amount of £5,000.

Risk Factors

- The Plan has an investment term of approximately five and a half years and is intended as a medium term investment. If you sell the Plan investments before the end of the investment term the price you will receive will be the market price of the Preference Shares at the time of the disposal.
- The price attainable for selling Preference Shares in the secondary market may not reflect the net asset value of the Investment Company. As a result of the expected limited secondary market it may not be possible to sell the Preference Shares at certain times. There is no assurance that you will get back your investment in the Plan.
- The returns under the Plan depend on the Investment Company entering into transactions with and/or acquiring securities issued by a number of Approved Financial Institutions ("AFIs"). Each AFI will, at the time the Investment Company enters into such transaction or acquires such security, have a rating of at least A- by Standard & Poor's or the equivalent rating by Moody's Investor Services Limited. If, on or prior to the Plan maturity date, an AFI becomes insolvent and/or fails to comply with the terms of such transactions and/or securities, the Investment Company may not receive all or any of the expected payments (income or capital) from that investment. In these circumstances you may receive less than the amount you invest in the Plan. This may also be the case if there is a change of law, level or basis of taxation, or any exceptional expenses or liabilities that are incurred by the Investment Company.
- The Investment Company will issue further series of Preference Shares. The Investment Manager has agreed with the Investment Company that it will arrange derivative contracts for the Investment Company to enter into in respect of such further series of Preference Shares only on a limited recourse basis. Morgan Stanley & Co. International Limited, which also acts as sponsor (the "Sponsor") to the Investment Company, has agreed to pay certain of the Investment Company's fees, expenses, and liabilities. If the Sponsor fails for any reason to make such payments, the amounts payable under the Preference Shares, and hence the Plan, could be reduced.
- If you have invested via an ISA and subsequently decide to withdraw, it may not be possible to invest in another ISA for tax year 2002/2003 if your cancellation period has expired.
- Your circumstances could change, forcing you to withdraw your investment early. If this happens, you may get back substantially less than the amount you originally invested.
- Quarterly growth and reductions are capped at plus and minus 3% over the five and a half year investment period. This is designed to protect your investment, but will restrain growth if the price of the FTSE™ 100 Index consistently rises in quarterly increments of more than 3% over the investment period.
- If the performance of the FTSE™ 100 Index linked Total Plan Growth does not exceed 22%, then Income Investors will not receive any Additional Plan Growth.
- If the performance of the FTSE™ 100 Index linked Total Plan Growth does not exceed 22%, then Growth Investors will only receive secure minimum growth of 22%.
- The formula under which the return on the Plan is likely to be calculated provides that in certain circumstances calculation of the return may be adjusted to take account of market disruption

interfering with determination of the level of the FTSE™ 100 Index. Should this occur, the return on the Plan will be affected and may be more or less than would otherwise have been the case.

- Payments scheduled to be made in respect of the Preference Shares in which the Plan will invest your money may be delayed to reflect the occurrence of market disruption events, the availability of published index levels for the FTSE™ 100 Index and/or to enable payments to be made on business days. In the event that any such payments are delayed, corresponding adjustments will be made to the scheduled dates for payments under the Plan.
- Past performance is not necessarily a guide to future performance and should not be used to assess the risks associated with this investment.
- The levels and basis of taxation and reliefs from taxation can change at any time. The value and availability of any tax relief depends on individual circumstances. The favourable tax treatment of ISAs and PEPs may not be maintained throughout the term.
- Tax assumptions are based on our understanding of current legislation and practice at the time of print and may be subject to future change.

Frequently Asked Questions

What is the Morgan Stanley Income & Growth SmartPlan?

It is an investment plan, which can be accessed in one or more ways: by using your annual Mini Stocks and Shares or Maxi ISA subscription allowance of £3,000 or £7,000 respectively, by ISA or PEP transfer or as a Direct Investment. You will receive interest of 0.4% if you invest before 2 December 2002 or 0.2% if you invest on or after 2 December 2002 and before 16 December 2002. Investments after 16 December 2002 will not receive any interest. On 13 January 2002, this interest, less tax where appropriate, plus your initial investment, will be invested in the Plan you have chosen.

The Plan follows an investment strategy designed to ensure that scheduled income and capital payments are met and that the risks of the investment correspond to the risks described above. The Plan term is five and a half years, and capital protection applies provided the investment is held for the full term. The Plan is a Preference Share investment, denominated in sterling and listed on an approved stock exchange.

You can track the performance of your investment through the Plan price, which is available on request from the Plan Manager.

Who is eligible to invest?

UK investors aged 18 and over are eligible to invest in the Plan via an ISA or by using the Direct Investment option. Investments can also be made through the Direct Investment option on behalf of a person under the age of 18.

What income will I receive?

If you choose the Income option you can choose between receiving annual or quarterly income. If annual income is chosen you will receive a gross income of 3.7% per annum for five years. The first income payment will be made on 27 December 2003 and will be paid on 27 December each year thereafter until 27 December 2007. You will also receive a final gross income payment of 1.85% of your capital on 27 June 2008. If quarterly income is chosen you will receive a gross income of 0.88% per quarter. Income payments will be made on 27 March, June, September and December of each year, with the first such payment scheduled for 27 March 2003. The final payment will be on 27 June 2008. If you choose the Growth option you will receive no income from the Plan.

What is the "FTSE™ 100 Index"?

The FTSE™ 100 Index is an index compiled and calculated by FTSE™ International Limited ("FTSE™"). The Index is comprised of the 100 largest companies listed on the London Stock Exchange by market capitalisation. The daily published level of the Index is derived by FTSE™ from the closing price of Shares in each of those 100 companies, weighted according to their relative market capitalisations.

What about the growth of my investment?

When determining growth in the Plan, growth in the FTSE™ 100 Index is observed over 22 quarterly periods scheduled to commence on 13 January 2003. For the purposes of the Plan, quarterly performance is capped at a maximum of 3% and floored at a minimum of -3%. This means that your investment growth could be considerably less than if you had invested directly into a product which would pass through the direct performance of the FTSE™ 100 Index. However, this could offer you no degree of capital protection.

How exactly will my investment be valued at the end of the investment period?

The starting level of each Plan will be 100p. The final level will be 100p plus growth based on the quarterly FTSE™ 100 Index performance over the full five and a half year investment period (the "Additional Plan Growth") plus Secure Minimum Growth of 22% if you choose the Growth option.

Additional Plan Growth will be determined by calculating the percentage change in the level of the Index over the five and a half year period as measured at a point every three months, subject to a cap of +3% and a floor of -3%. The first level will be taken on 13 January 2003. Levels will be taken thereafter on 20 March, 20 June, 20 September and 20 December each year (the "Determination Dates"). The final Determination Date will be 20 June 2008. The sum of the Determined Levels will equal the "Total Plan Growth". The maximum Total Plan Growth is 66%, this would only happen if all the Determined Levels were +3%. The Additional Plan Growth will equal the greater of zero and (Total Plan Growth - 22%). The maximum Additional Plan Growth is 44%. The process of deriving the Determined Levels is explained more fully below.

On a given Determination Date, the official published closing level of the FTSE™ 100 Index will be determined. The change in the level of the FTSE™ 100 Index on that Determination Date versus the level of the FTSE™ 100 Index on the previous Determination Date will then be calculated (the "Actual Level"). Note that for the calculation made on 20 March 2003, the change in the level between the Effective Date and the level on 20 March will be used.

The Actual Level may be positive, where the level of the FTSE™ 100 Index on the Determination Date is higher than that on the previous Determination Date, or negative, where the level of the FTSE™ 100 Index on the Determination Date is lower than that on the previous Determination Date. To work out what the Determined Level will be, we need to look at two different scenarios:

- If the Actual Level is between -3% and +3%, the Actual Level shall be taken as the Determined Level for that period
- If the Actual Level is below -3% or exceeds +3%, the Determined Level shall be -3% or +3% respectively (the "Floor" and the "Cap")

So, the negative or positive performance of the FTSE™ 100 Index on any given Determination Date is effectively capped at 3% or floored at -3%. To be clear, however much the level of the FTSE™ 100 Index may have fallen or risen from the level taken on the last Determination Date, the lowest negative performance is -3% and the highest positive performance is +3%.

Income investors will only receive Additional Plan Growth if the Total Plan Growth is greater than 22%. (Income investors will have also



received their chosen income over the life of the Plan.)

Growth investors will only receive Additional Plan Growth if the Total Plan Growth is greater than 22%. Growth investors will also receive secure minimum growth of 22% in addition to any Additional Plan Growth.

At the end of the term of the Plan, you'll receive the following:

Income Investors	Growth Investors
100% of your initial investment plus Additional Plan Growth of up to 44%	100% of your initial investment plus secure minimum growth of 22% plus Additional Plan Growth of up to 44%

Can you give me an example of how performance is calculated?

Let's work through two examples:

- Level of FTSE™ 100 Index on 13 January 2003 = 4000
Level of FTSE™ 100 Index on 20 March 2003 = 4200

The percentage change = (4200 – 4000) divided by 4000. This gives us a percentage change of 5%.

Therefore, the Actual Level would be 5%. This exceeds the 3% cap, so the Determined Level, forming part of the Total Plan Growth calculation, would be 3%.

- Level of FTSE™ 100 Index on 20 March 2003 = 4200
Level of FTSE™ 100 Index on 20 June 2003 = 3780

The percentage change = (3780 – 4200) divided by 4200. This gives us a percentage change of -10%.

Therefore, the Actual Level would be -10%. This exceeds the -3% Floor, so the Determined Level, forming part of the Total Plan Growth calculation, would be -3%.

For the purpose of calculation of the Total Plan Growth, +3% and -3% would then be added together with the Determined Levels for each of the remaining Determination Dates.

Can I withdraw before the end of the five and a half year term?

Yes. However, should you withdraw at any time during the five and a half year investment period, the cash value is not guaranteed and will depend on prevailing market conditions including, but not limited to, interest rates, demand for Preference Shares in the secondary market and the levels of the FTSE™ 100 Index to which your investment is linked. As all charges are reflected in the terms offered, the value of your investment in a Plan is likely to be less than the amount originally invested in it for a substantial part of the investment period. The investment protection is only valid if you remain invested for the full five and a half year investment period.

Will my return be taxed?

For an investor who is a UK resident individual, all returns from ISA and PEP investments are currently free of Income Tax and Capital Gains Tax. If held within a Direct Investment, all returns in excess of the initial investment at maturity may be liable to Capital Gains Tax. If you select the Income option, all dividend income received from the Preference Shares will be taxed at a rate of 10% for basic rate tax payers and 32.5% for higher rate tax payers. This statement is based on current legislation, regulations and practice, all of which may change.

If I am considering a PEP or ISA transfer, is there anything else I should know?

Your existing Plan must be transferred in cash, which means that your existing Account Manager will sell your investment holdings.

Your existing Account Manager may charge you an exit or transfer fee. There is the potential for loss of income or growth if markets should rise while your transfer remains pending. Please note that to ensure the funds are received from your existing Account Manager in a timely manner, we have an early cut-off date for PEP and ISA transfers of 13 December 2002.

What if I want to close or transfer my Plan?

You may only terminate or transfer the Plan in whole by way of written notification. Dealing normally takes place at the end of each month; your investment(s) will be sold at the next practicable dealing day following the request. Payment will then be made within seven working days. Partial withdrawals will not be permitted. Capital protection only applies if the investment is held for the full five and a half year term.

How will charges and expenses affect my investment?

With the exception of a £100 plus VAT charge in the event that you subsequently wish to transfer your Plan to another Account Manager, there are no explicit initial or ongoing charges. All other charges are taken into account in setting the terms offered over the five and a half year investment period and the returns shown are net of all charges and expenses. The terms offered also take into account all the costs of setting up the Plan, administering it and conducting the investment management of your Plan.

How much will the advice cost?

If you require personal financial advice you should consult an independent adviser. If you receive advice from an independent adviser he will give you details about the cost. If you are not receiving any advice, commission may still be payable to an independent adviser. Commission is expected to be paid by the Account Manager to independent financial advisers through which applications for the Plan are received at the rate of 2% of the sum invested. For example, for an investment of £10,000 the commission would be £200. The payment of this commission by Morgan Stanley & Co. International Limited will not affect the returns quoted.

Will you keep me updated?

Within 5 days of receipt of your application by us, we will send you a formal acknowledgement as well as information on your right to withdraw and a copy of the Prospectus issued by the Guernsey Investment Company in respect of the Preference Shares in which your money will be invested. If you withdraw within the applicable 14 day withdrawal period you will be entitled to the repayment of the amount you have invested less our administration and other costs. After the investment date on 13 January 2003, we will send you an opening statement detailing your holdings within your Plan. At the end of every year, we will send you an annual statement and valuation.

What are CAT standards and do they apply to this Plan?

These are voluntary standards for ISAs introduced by the Government. The standards cover levels of charges, access to savings and fair terms. These are not a guarantee of performance and do not imply that an ISA has been approved by the Government. It is not considered useful or appropriate to structure this Plan in accordance with CAT standards.

What happens if I die?

Upon death, assets will then be transferred to a Direct Investment, which forms part of your estate for Inheritance Tax purposes. If relevant, the PEP or ISA status of the investment will then be lost. Once suitable documentation is received, the investments will be transferred to your personal representatives within seven working days. Your Account can then be terminated early in accordance with its terms or held to maturity.

The Plan is not in any way sponsored, endorsed, sold or promoted by FTSE™ International Limited ("FTSE™") or by the London Stock Exchange plc (the "Exchange") or by The Financial Times Limited ("FT") and none of FTSE™ nor Exchange nor FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the Index and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE™. However, none of FTSE™ nor Exchange nor FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and none of FTSE™ nor Exchange nor FT shall be under any obligation to advise any person of any error therein. FTSE accepts no liability in connection with the trading of any products on the Index. All copyright in the Index values and constituent list vests in FTSE™. Morgan Stanley & Co International Limited, has obtained full license from FTSE™ to use such copyright for the Plan. "FTSE™", "FT-SE™" and "Footsie™" are trademarks of the Exchange and FT and are used by FTSE™ under license.

TERMS & CONDITIONS SECTION

1. Definitions:

In these terms the following words have the following meanings:-

"Account Manager"	Morgan Stanley & Co. International Limited which is regulated by the FSA (Financial Services Authority).
"Application Form"	The form that must be completed to enable your Plan to be opened, substantially in the form shown at the end of these Terms & Conditions.
"Effective Date"	13 January 2003.
"Investment Company"	Sienna Investment Company Limited.
"Investment Manager"	Morgan Stanley & Co. International Limited.
"ISA"	Mini Stocks and Shares or Maxi Individual Savings Account.
"MSIL"	Morgan Stanley & Co. International Limited.
"PEP"	Personal Equity Plan.
"Plan"	ISA, PEP or Direct Investment as held under these Terms & Conditions.
"Preference Shares"	The Series 1 Preference Shares described in the Prospectus to be issued by the Investment Company and which are to be listed on the Irish Stock Exchange.
"Prospectus"	The Principal Memorandum and the Series 1 Supplemental Memorandum, each issued by the Investment Company and together describing important characteristics of the Investment Company and the Terms of the Preference Shares, and on the basis of which any investment in the Plan is required to be made.
"Regulations"	PEP and ISA regulations 2001 as amended from time to time.
"We", "us" & "our"	Account Manager.
"You" and "your"	An investor who applies to open an ISA (or Direct Investment) or in the case of a PEP (or ISA) Transfer, an investor who applies to transfer their PEP (or ISA) on these Terms & Conditions.

2. Your Plan:

- (a) To open a Plan, you must submit to the Account Manager a fully

completed Application Form. In the case of an ISA investment, you must also provide the initial cash subscription. In the case of an ISA or PEP transfer, we will manage your Plan upon receipt of the proceeds of your previous Plan from your previous Account Manager. The Application Form is part of these conditions and if the terms differ, those contained in the Application Form will prevail.

- (b) Subject to the Regulations we may open an ISA Plan provisionally where the information which you have supplied is insufficient. In respect of an ISA, where we open a Plan on a provisional basis you must supply the missing information within 30 days, otherwise the Plan must be voided in accordance with Inland Revenue requirements.
- (c) If applicable you may open more than one Plan, subject to completion of an Application Form for each Plan.
- (d) The Account Manager reserves the right to reject an application for any reason.

3. Cancellation:

- (a) You will have the right to cancel your Plan within 14 days of receiving from us a notice of your right to cancel.
- (b) If you exercise your right to cancel, but we do not receive your notice to cancel until on or after the Effective Date, and the value of the Preference Shares has fallen in that time, an amount equivalent to the fall in value of the Preference Shares will be deducted.
- (c) If you exercise your right to cancel the purchase of Preference Shares following a PEP or ISA transfer, the proceeds will be paid direct to you and you will irrevocably lose any favourable tax treatment associated with a PEP or ISA holding.

4. Subscriptions:

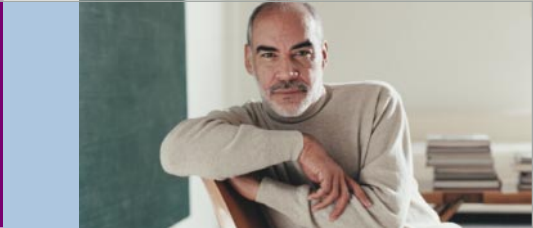
- (a) Subscriptions to the Plan may only be made with your own cash or by transfer of cash from an existing ISA.
- (b) If you are investing into a PEP Plan, investment may only be made by transfer of cash from an existing PEP.
- (c) Transfers of existing PEPs and ISAs will normally be arranged with the existing PEP or ISA manager. Once the PEP or ISA has been transferred, your PEP or ISA Plan will be subject to the Terms & Conditions set out here.

5. Treatment of Cash held within your Plan:

- (a) Cash will be held by us in a pooled Client Account with a bank (which is not an associate of the Account Manager).
- (b) Interest earned on cash deposits, if any, will be credited to your Plan in accordance with the Client Money Rules of the Financial Services Authority. Interest will first be credited immediately prior to investment in the permitted investments. As securities are bought in whole numbers of pounds sterling, any cash remaining on your account will not earn interest. At most this will amount to 99p per security per Plan.
- (c) You will receive interest of 0.4% if you invest before 2 December 2002 or 0.2% if you invest on or after 2 December 2002 and before 16 December 2002. Investments after 16 December 2002 will not receive any interest. Interest will be credited after deducting an amount representing tax where appropriate.
- (d) Within an ISA or PEP, cash can only be held pending an investment and if held in cash over a prolonged period there is a risk that the Inland Revenue may void your ISA or PEP.

6. Permitted Investments:

- (a) All cash received by us for investment in your Plan (after deduction of a 2% commission payable to the independent financial adviser) will be applied to purchase the Preference



Shares. The Preference Shares are structured with the aim of meeting the investment return objectives of the relevant Plan.

- (b) Investment will be made on or before the Effective Date. The Account Manager will be acting as your agent in arranging, and will be responsible for, all purchases and sales of investments for your Plan.
- (c) As stated in the Prospectus relating to the Preference Shares, the offer of the Preference Shares is conditional upon certain conditions being satisfied or waived. In the event that any of these conditions are not satisfied or waived no Preference Shares will be allotted by the Investment Company and your subscription will be returned to you.
- (d) It is not possible to switch between Plans at any time.
- (e) The Account Manager may aggregate any transaction for an investor with one or more transactions for other investors, even though this may result in a less favourable price than if it had been carried out separately. The Account Manager will take all reasonable steps to ensure that any aggregated transaction is carried out on the best terms generally available in the market at that time for transactions of a similar type and size.
- (f) You have a right to inspect copies of contract notes, vouchers and entries in the Account Manager's book, or computerised records relating to transactions carried out for your account. These records will be kept for at least six years.

7. Plan Returns:

- (a) By allocating your investment using the appropriate box(es) on each application form, you have chosen to receive one, two or three different types of investment return. These returns are represented by different Preference Share types:
 - (i) **Income Plan:**
Annual Income option
You will receive 100% of your investment plus 3.7% gross income per annum, plus potential additional growth of up to 44%.
Quarterly Income option
You will receive 100% of your investment plus 0.88% gross income per quarter, plus potential additional growth of up to 44%.
 - (ii) **Growth Plan:**
You will receive 100% of your investment plus 22% minimum growth, plus potential additional growth of up to 44%.
- (b) For Investors who are resident in the UK for tax purposes the above payments made in respect of a Plan which is held as an ISA or PEP will not be subject to either UK Income Tax or UK Capital Gains Tax. Any gains or losses on your investment will be disregarded for the purposes of Income Tax or Capital Gains Tax.
For Investors who are resident in the UK for tax purposes, in respect of a Plan which is held as a Direct Investment, all returns in excess of the initial investment at maturity may be liable to Capital Gains Tax. If you select the Income option, all dividend income received from the Preference Shares will be taxed at a rate of 10% for basic rate tax payers and 32.5% for higher rate taxpayers.
These statements are based on current legislation, regulations and practice, all of which may change.

8. How Investments are held:

Preference Shares will be held in the name of Keydata Investment Product Nominees Limited, or such other nominee approved by us, and will be beneficially owned by you. No share certificates will be issued to you. We accept full responsibility for any loss that might

arise directly as a result of any default by any nominee company in whose name the Preference Shares are held.

All interests your Plan will be, and must at all times remain, in your beneficial ownership, and must not be used as security for a loan. None of the interests may be lent to or deposited by way of collateral with any third party, nor may you create any charge or security over any interests. We may not lend any of your interests to a third party, nor may we borrow against its security.

9. Documentation:

- (a) We will acknowledge in writing, where applicable:
 - (i) your application to open an ISA;
 - (ii) your request to transfer a PEP or ISA to us; or
 - (iii) your application to open a Direct Investment Plan.
- (b) You will receive an annual statement prepared on the basis of valuations taken on 27 December each year. This will show details of all transactions effected during the previous twelve months and includes a valuation of your Plan. The statement will be prepared in accordance with the rules of the FSA and will be issued within 25 business days of the valuation date and will not include any measure of comparative performance.
- (c) We may produce a consolidated statement covering where applicable:
 - (i) all ISAs that are held with us;
 - (ii) an investment statement covering all PEPs held with us;
 - (iii) an investment statement covering all Direct Investments held with us.
- (d) On request, you are entitled to receive copies of any information issued to holders of Preference Shares in which you invest. On request you will be invited to exercise voting rights in respect of Preference Shares held. If you wish to attend Preference Shareholder meetings in person we will seek to arrange this. We reserve the right to make a reasonable charge for providing these additional services.
- (e) Where a certificate or other document evidencing title to a permitted investment is issued, it will be held by us or as we may direct.

10. Partial Withdrawals:

No partial withdrawals are permitted from your Plan.

11. Transfer to another Manager:

- (a) Subject to the Regulations, you have the right at any time to transfer your ISA to another ISA Manager, or as the case may be, your PEP to another PEP Manager. Your investment protection is only valid if you remain invested for the full five and a half year investment period. As such, if you transfer your ISA or PEP you may not receive a transfer value equal to your initial investment.
- (b) To effect a transfer you must submit to us a written instruction and/or a letter of acceptance from your new ISA (or as the case may be PEP) Manager. We only effect the transfer in cash following the sale of all Preference Shares held by you. It is not possible to transfer the Preference Shares within any of the Plans directly into another ISA or PEP.
- (c) In accordance with the Regulations, if you wish to transfer an ISA for the current year the transfer must be effected in respect of all the subscriptions made that year. In relation to ISAs and PEPs opened in respect of a previous year the transfer must be effected in respect of all holdings held in that year's Plan.
- (d) No partial transfers will be allowed.