

Registration No 4091663

**Registered Office:
25 Cabot Square
Canary Wharf
London E14 4QA**

MSDW MONTGOMERIE INVESTMENTS LIMITED

Report and Accounts

30 November 2006

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MSDW MONTGOMERIE INVESTMENTS LIMITED

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MSDW MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 30 November 2006

RESULTS AND DIVIDENDS

The loss for the year, after tax, was \$22,398,000 (2005 \$13,996,000 loss)

During the year, no dividends were paid (2005 \$nil)

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of MSDW Montgomerie Investments Limited (the "Company") is to act as an intermediate holding company

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")

There have not been any significant changes in the Company's principal activity in the year under review and no significant change in the Company's principal business is expected

The profit and loss account for the year is set out on page 4 The Company's operating loss has increased by 29% over the prior year and loss has increased from \$13,996,000 to \$22,398,000

The balance sheet on page 5 of the financial statements shows that the Company's net assets at the end of the year were \$64,140,000, a decrease of 26% from the prior year

The performance of the Company is included in the results of the Group which are discussed in the Group's Annual Report The Group manages its key performance indicators on a global basis For this reason, the Company's Directors believe that providing performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company

There have been no significant events after the balance sheet date

Risk Management

Risk is an inherent part of the Company's business activity and is managed within the context of the broader Group's business activities The Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its activities, in accordance with defined policies and procedures

Credit risk

Credit risk refers to the risk of loss arising from borrower or counterparty default when a borrower, counterparty or obligor is unable to meet its financial obligations

The Group manages credit risk exposure in consideration of each individual legal entity, but on a global basis, by ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit, and escalating risk concentrations to appropriate senior management

Liquidity and cash flow risk

The Group's senior management establishes the overall liquidity and capital policies of the Group The Group's liquidity and funding risk management policies are designed to mitigate the potential risk that the Group and the Company may be unable to access adequate financing to service its financial obligations when they come due without material, adverse franchise or business impact The key objectives of the liquidity and funding risk management framework are to support the successful execution of the Group's and the Company's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of financial distress

DIRECTORS

The following Directors held office throughout the year (except where otherwise shown)

B Gill (appointed 20 December 2006)

L A Nash

S I Merry

M C Slingo (resigned 20 December 2006)

MSDW MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

The Directors had no disclosable interests in the share and loan capital of any Group company at the beginning of the year, at the date of their appointment during the year, or at the end of the year

AUDITORS

The Company has in place an elective regime to dispense with the need to hold annual general meetings, lay reports and accounts before the shareholders at a general meeting, and the requirement to re-appoint the auditors, Deloitte & Touche LLP, annually

Statement as to disclosure of information to auditors

In the case of each of the persons who are Directors of the Company at the date when this report is approved

- so far as each of the Directors is aware, there is no relevant audit information (being information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing their report and the financial statements. The Directors have prepared the financial statements for the Company in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible 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 20 February 2007



Director
B Gil

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSDW MONTGOMERIE INVESTMENTS LIMITED

We have audited the financial statements of MSDW Montgomerie Investments Limited for the year ended 30 November 2006 which comprise the profit and loss account, the balance sheet and the related 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 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Act 1985. We report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 November 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

Date

20th February, 2007

MSDW MONTGOMERIE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 November 2006

	Note	2006 \$'000	2005 \$'000
Administrative expenses		<u>(9)</u>	<u>(7)</u>
OPERATING LOSS	3	(9)	(7)
Other interest receivable and similar income	5	7,001	4,375
Interest payable and similar charges	6	<u>(29,390)</u>	<u>(18,364)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(22,398)	(13,996)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
LOSS RETAINED FOR THE FINANCIAL YEAR		<u>(22,398)</u>	<u>(13,996)</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

MSDW MONTGOMERIE INVESTMENTS LIMITED

BALANCE SHEET

30 November 2006

	Note	2006 \$'000	2005 \$'000
FIXED ASSETS			
Investments	8	<u>500,313</u>	<u>500,313</u>
CURRENT ASSETS			
Debtors	9	136,185	128,977
Cash at bank		<u>-</u>	<u>1</u>
		136,185	128,978
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	10	<u>(572,358)</u>	<u>(542,753)</u>
NET CURRENT LIABILITIES		<u>(436,173)</u>	<u>(413,775)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>64,140</u>	<u>86,538</u>
CAPITAL AND RESERVES			
Called up share capital	11	100,000	100,000
Profit and loss account	12	(35,860)	(13,462)
EQUITY SHAREHOLDERS' FUNDS		<u>64,140</u>	<u>86,538</u>

These accounts were approved by the Board on 20 February 2007

Signed on behalf of the Board



Director

B. Gill

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

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

1. ACCOUNTING POLICIES

a) Accounting convention

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

Certain limited format changes have been made to prior year amounts to conform to the current year presentation

The Company has elected to take advantage of transitional provisions within *FRS 25 Financial Instruments Presentation* and not restate comparative information under *FRS 25*. Where comparative information has been prepared on the basis of the Company's previous accounting policies, the accounting policies applied for 2005 and 2006 are disclosed separately to the extent they differ

The Company is not required to prepare consolidated accounts by virtue of the exemption under section 228 of the Companies Act 1985. The results of the Company are included within the accounts of Morgan Stanley International Limited, a company registered in England and Wales, which will prepare consolidated accounts for the year to 30 November 2006. 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 Directors' report, the accounts and the notes 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. All other 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. Monetary fixed asset investments denominated in currencies other than US Dollars are revalued to US Dollars at the rates ruling at the balance sheet date, as described in note 1(c) above

e) Offsetting of financial assets and financial liabilities

For the year ended 30 November 2005, all assets and liabilities were disclosed gross unless the Company had the ability to insist on net settlement and this was assured beyond doubt

From 1 December 2005, the Company implemented *FRS 25*. Where there is a legally enforceable right to set off the recognised amounts and an intention to settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the balance sheet. All other amounts are presented on a gross basis

There is no impact on the Company as at 30 November 2006 of implementing *FRS 25*

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

1. ACCOUNTING POLICIES (CONTINUED)

f) Taxation

UK corporation tax is provided at amounts expected to be paid/recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Full provision has been made for deferred tax assets and liabilities arising from timing differences. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. deferred tax assets and liabilities are not discounted

g) Cash flow statement

The Company's ultimate parent undertaking produces a cash flow statement. Accordingly, the Company, which is a wholly owned subsidiary, has elected to avail itself of the exemption provided in *FRS 1 (Revised 1996) Cash Flow Statements* and not present a cash flow statement

2. SEGMENTAL REPORTING

The Company has only one class of business as described in the Directors' report and operates in one geographic market, the U K

3. OPERATING LOSS

	2006 \$'000	2005 \$'000
Operating loss is stated after charging		
Auditors' remuneration - audit fees	<u>9</u>	<u>7</u>

4. STAFF COSTS

The Company employed no staff during the year (2005 nil)

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2005 \$nil)

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 \$'000	2005 \$'000
Interest receivable from Group undertakings	<u>7,001</u>	<u>4,375</u>

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 \$'000	2005 \$'000
Other foreign exchange losses	7	-
Interest payable to Group undertakings	29,383	18,364
	<u>29,390</u>	<u>18,364</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2006 \$'000	2005 \$'000
UK corporation tax at 30% (2005 30%)		
- Current year	-	-
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the year

The current year UK taxation charge is higher than that resulting from applying the standard UK corporation tax rate of 30% (2005 30%) The main differences are explained below

	2006 \$'000	2005 \$'000
Profit on ordinary activities before tax	<u>(22,398)</u>	<u>(13,996)</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	(6,719)	(4,199)
Effects of.		
Group relief surrendered for nil consideration	6,719	4,199
Current tax charge for the year	<u>-</u>	<u>-</u>

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

8. FIXED ASSET INVESTMENTS

	Subsidiary undertakings \$'000
Cost	
At 30 November 2005	<u>500,313</u>
At 30 November 2006	<u>500,313</u>
Net book value	
At 30 November 2005	<u>500,313</u>
At 30 November 2006	<u>500,313</u>

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 2006, are as follows

Name of Company	Country of incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of business
Woburn III Cooperative U A	The Netherlands	100%	A Memberships	100%	Financial Services
Morgan Stanley Malin Investments Limited	England and Wales	100%	Ordinary	100%	Holding Company
Morgan Stanley Humboldt Investments Limited	England and Wales	100%	Ordinary	100%	Holding Company

9 DEBTORS

	2006 \$'000	2005 \$'000
Other amounts due from Group undertakings	<u>136,185</u>	<u>128,977</u>

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

10. OTHER CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 \$'000	2005 \$'000
Other amounts owing to Group undertakings	<u>(572,358)</u>	<u>(542,753)</u>

11. CALLED UP SHARE CAPITAL

	2006 Number	2005 Number
Authorised:		
Equity shares		
Ordinary shares of \$1 each	100,000,000	1,000,000
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	2006 \$'000	2005 \$'000
Allotted and fully paid:		
Equity shares		
100,000,000 ordinary shares of \$1 each	100,000	100,000
1 ordinary share of £1 each	<u>-</u>	<u>-</u>
	<u>100,000</u>	<u>100,000</u>

Ordinary shares are ranked pari passu in all material respects

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2004	100,000	534	100,534
Loss for the year	-	(13,996)	(13,996)
At 1 December 2005	100,000	(13,462)	86,538
Loss for the year	-	(22,398)	(22,398)
At 30 November 2006	<u>100,000</u>	<u>(35,860)</u>	<u>64,140</u>

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.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

14. PARENT UNDERTAKING

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.

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