

Registration No 4091663

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MSDW MONTGOMERIE INVESTMENTS LIMITED

Report and financial statements

For the period from 1 December 2007 to 31 December 2008



MSDW MONTGOMERIE INVESTMENTS LIMITED

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MSDW MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the profit and loss account, the balance sheet, and the related notes, 1 to 17) for MSDW Montgomerie Investments Limited (the "Company") for the thirteen month period from 1 December 2007 to 31 December 2008.

The Company changed its accounting reference date from 30 November to 31 December on 17 December 2008, resulting in the current accounting period being extended from 30 November 2008 to 31 December 2008.

RESULTS AND DIVIDENDS

The profit after tax for the period from 1 December 2007 to 31 December 2008, was \$193,439,000 (Year ended 30 November 2007: \$93,264,000 loss after tax).

During the period from 1 December 2007 to 31 December 2008, no dividends were paid or proposed (Year ended 30 November 2007: \$nil) on ordinary shares. During the period from 1 December 2007 to 31 December 2008 dividends of \$100,552,000 were paid on preference shares (Year ended 30 November 2007: \$nil).

PRINCIPAL ACTIVITY

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the Morgan Stanley Group (the "Group").

The principal activity of the Company is to act as an intermediate holding company.

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

BUSINESS REVIEW

The profit and loss account for the period is set out on page 7. The Company's profit for the period increased by \$286,703,000 over the prior year. This movement can be primarily attributed to income from shares in subsidiary undertakings, partially offset by increased net interest expense arising with other Group companies.

The balance sheet for the Company is set out on page 8. Net assets at the end of the period were \$1,664,315,000, an increase of \$1,693,439,000 from the prior year. The increase is mainly due to an increase in loans issued to Group undertakings from the proceeds arising on additional share capital issued during the period.

The performance of the Company is included in the results of the Group which are discussed in the Group's Annual Report on Form 10-K to the United States Securities and Exchange Commission. The Group manages its key performance indicators on a global basis but in consideration of individual legal entities. 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.

Current market conditions

The Company and the Group are operating under difficult market conditions. These conditions present difficulties and uncertainty for the business outlook which may adversely impact the financial performance of the Company in the future.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. In addition, the risk management section below sets out the Company's and the Group's policies for the management of liquidity and cash flow risk and other significant business risks.

Taking all of these factors into consideration, the Directors have no reason to believe that the Company will not have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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 on a global basis, in accordance with defined policies and procedures and in consideration of the individual legal entities.

MSDW MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT (Continued)

Risk Management (Continued)

Market risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as liquidity, will result in losses for a position or portfolio.

The Group manages the market risk associated with its trading activities in consideration of each individual legal entity, but on a global basis, at both a trading division and an individual product level.

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, escalating risk concentrations to appropriate senior management and mitigating credit risk through the use of collateral and other arrangements.

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 fall 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.

During the period under review, the Group has been involved in a number of initiatives to respond to the stresses experienced in global financial markets and to strengthen the Group's overall liquidity position. These include the following:

On 21 September 2008, Morgan Stanley obtained approval from the Board of Governors of the Federal Reserve System to become a bank holding company upon conversion of its subsidiary, Morgan Stanley Bank (Utah) to a national bank. On 23 September 2008, Morgan Stanley Bank (Utah) was authorised to operate as a national bank and Morgan Stanley became a financial holding company;

On 13 October 2008, Morgan Stanley announced that Mitsubishi UFJ Financial Group ("MUFG") had closed a \$9 billion equity investment that gives MUFG a 21% ownership interest in Morgan Stanley on a fully diluted basis; and

On 3 October 2008, the Emergency Economic Stabilization Act of 2008 (initially introduced as the Troubled Asset Relief Program ("TARP")) was enacted by the US Government. On 14 October 2008, the US Government announced that, among other steps to restore confidence in financial markets, it would be making direct capital investments in major financial institutions under the TARP Capital Purchase Program ("CPP"). On 26 October 2008, under the terms of the CPP, the US Treasury purchased \$10 billion in preferred shares and warrants in Morgan Stanley.

Despite difficult liquidity conditions, this liquidity and funding risk management framework continues to provide sufficient liquidity to the Group and to the Company, and the Company's capital position is satisfactory.

MSDW MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS

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

A Coull	(appointed 18 November 2008)
PKM Green	(appointed as an alternate director of LA Nash on 4 March 2008 and appointed as a director on 14 October 2008)
B Gill	(resigned 18 November 2008)
SI Merry	
LA Nash	(resigned 28 August 2008)

POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date.

AUDITORS

Deloitte LLP have expressed their willingness to continue in office as auditors of the Company and, under Sections 485 to 488 of the Companies Act 2006, will be deemed to be re-appointed.

Statement as to disclosure of information to auditors

Each of the persons who are Directors of the Company at the date when this report is approved confirms that:

- 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.

MSDW MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing their report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK 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.

Approved by the Board and signed on its behalf by



Director

22 April 2009

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

We have audited the financial statements of MSDW Montgomerie Investments Limited for the period from 1 December 2007 to 31 December 2008, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 17. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MSDW
MONTGOMERIE INVESTMENTS LIMITED (Continued)**

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 31 December 2008 and of its profit for the period from 1 December 2007 to 31 December 2008;
- 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 US

Deloitte LLP

Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom

29 April 2009

MSDW MONTGOMERIE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

Period from 1 December 2007 to 31 December 2008

	Note	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
Net losses on financial instruments held for trading		(28,648)	(12,513)
Net gains on fixed asset investments:			
- Subsidiary undertakings	2	273,891	-
Interest income	3	145,299	7,958
Interest expense	4	(197,099)	(88,699)
Other income	5	6	-
Other expense	6	(10)	(10)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		193,439	(93,264)
Tax on profit/ (loss) on ordinary activities	8	-	-
PROFIT/ (LOSS) FOR THE FINANCIAL PERIOD/ YEAR		193,439	(93,264)

All operations were continuing in the current period and prior year.

There were no recognised gains or losses during the current period 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/ (deficit) is disclosed in note 14 to the financial statements.

The notes on pages 9 to 19 form an integral part of the financial statements.

MSDW MONTGOMERIE INVESTMENTS LIMITED

BALANCE SHEET

As at 31 December 2008

	Note	31 December 2008 \$'000	30 November 2007 \$'000
FIXED ASSETS			
Investments:			
- Subsidiary undertakings	9	500,278	3,000,403
CURRENT ASSETS			
Loans and receivables:			
- Debtors	11	15,930,766	144,170
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial liabilities held for trading	10	-	(6,795)
Financial liabilities at amortised cost	12	(2,670,276)	(3,166,902)
		<u>(2,670,276)</u>	<u>(3,173,697)</u>
NET CURRENT ASSETS/(LIABILITIES)		13,260,490	(3,029,527)
TOTAL ASSETS LESS CURRENT LIABILITIES		13,760,768	(29,124)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Financial liabilities at amortised cost	12	(12,096,453)	-
NET ASSETS/(LIABILITIES)		<u>1,664,315</u>	<u>(29,124)</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,585,149	100,000
Share premium account	14	14,851	-
Profit and loss account	14	64,315	(129,124)
SHAREHOLDERS' FUNDS/(DEFICIT)		<u>1,664,315</u>	<u>(29,124)</u>

These financial statements were approved by the Board and authorised for issue on 22 April 2009
Signed on behalf of the Board

A. Gull.

Director

The notes on pages 9 to 19 form an integral part of the financial statements.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 1 December 2007 to 31 December 2008

1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the inclusion of financial instruments at fair value as described in note 1(e) below, and in accordance with applicable United Kingdom company law and accounting standards.

The formats of the Company's profit and loss account and balance sheet have been adapted to better align with the accounting requirements of FRS 26. In the opinion of the Directors, these revised formats result in clearer reporting of the Company's performance and financial position and improve comparability with other companies both within and outside the Group.

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

The Company has changed its accounting reference date from 30 November to 31 December to align with the changed year end of its ultimate parent undertaking, Morgan Stanley. This change has resulted in a reporting period of thirteen months to 31 December 2008. The comparative figures reflected in the financial statements are for a twelve month period to 30 November 2007 and therefore are not entirely comparable with amounts shown for the current period.

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 228 of the Companies Act 1985. The results of the Company are included within the financial statements of Morgan Stanley International plc, a company registered in England and Wales, which will prepare consolidated financial statements for the thirteen month period to 31 December 2008. The financial statements therefore present information about the Company as an individual entity and not about its group.

The Company's ultimate UK parent undertaking, Morgan Stanley International Limited, presents information in accordance with FRS 29: *Financial Instruments: Disclosures*. Accordingly, the Company is exempt from the disclosure requirements of FRS 29.

b) Functional currency

Items included in the financial statements are measured and presented in US dollars, the currency of the primary economic environment in which the Company operates.

All currency amounts in the Directors' report and the financial statements 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 prevailing at the dates of the transactions. All translation differences are taken through the profit and loss account. Exchange differences recognised in the profit and loss account are presented in 'Other income' or 'Other expense', except where noted in 1(d) below.

d) Financial instruments

The Company classifies its financial assets into the following categories on initial recognition: financial assets held for trading; financial assets designated at fair value through profit or loss; available-for-sale fixed asset investments; other fixed asset investments and loans and receivables.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 December 2007 to 31 December 2008

1. ACCOUNTING POLICIES (Continued)

d) Financial instruments (Continued)

The Company classifies its financial liabilities into the following categories on initial recognition: financial liabilities held for trading, financial liabilities designated at fair value through profit or loss and financial liabilities at amortised cost.

i) Financial instruments classified as held for trading

Financial instruments classified as held for trading, including all derivatives, are initially recorded on trade date at fair value. All subsequent related gains and losses, including foreign exchange differences, are reflected in the profit and loss account in 'Net gains/ (losses) on financial instruments held for trading'.

ii) Investments in subsidiary and associated undertakings

Investments in subsidiary and associated undertakings outside the scope of FRS 26 *Financial instruments: recognition and measurement* ("FRS 26"), are recorded within 'Investments in subsidiary and associated undertakings' and are stated at cost, less provision for any impairment. Interest recognised on an accruals basis, dividend income recognised when the Company's right to receive payment is established, impairment losses and reversals of impairment losses, and foreign exchange differences on monetary investments are reported in the profit and loss account in 'Net gains/ (losses) on fixed asset investments in subsidiary and associated undertakings'.

iii) Loans and receivables and financial liabilities at amortised cost

Financial assets categorised as loans and receivables are initially recognised on settlement date at fair value and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the profit and loss account using the effective interest rate method in interest income.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the expected life of the financial asset or financial liability. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Impairment losses, reversals of impairment losses and foreign exchange differences on financial assets classified as loans and receivables are recognised in the profit and loss account in either 'Other expense' or 'Other income' as appropriate.

Financial liabilities held at amortised cost are initially recognised on settlement date at fair value and subsequently measured at amortised cost. Interest is recognised in the profit and loss account in 'Interest expense' using the effective interest rate method as described above. Foreign exchange differences on financial liabilities held at amortised cost are recognised in the profit and loss account in 'Other income' or 'Other expense' as appropriate.

In the course of financing its business, the Company enters into arrangements which involve the sale of securities with agreements to repurchase, the purchase of securities with resale agreements, the lending of securities with collateral received and the borrowing of securities with collateral given. Cash balances and accrued interest arising under repurchase agreements and securities lending arrangements are classified as 'Financial liabilities at amortised cost' and the related securities, where owned by the Company, are included in 'Financial assets held for trading'. Cash balances and accrued interest arising under resale agreements and securities borrowing arrangements are classified as debtors within 'Loans and receivables'. Securities received by the Company under resale arrangements and securities borrowing arrangements are generally not recognised on the balance sheet.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 December 2007 to 31 December 2008

1. ACCOUNTING POLICIES (Continued)

iii) Loans and receivables and financial liabilities at amortised cost (Continued)

The redeemable preference shares issued by the Company are classified as financial liabilities at amortised cost in accordance with the substance of the contractual arrangement. Dividends on these redeemable preference shares are recognised in the profit and loss account in 'Interest expense' using the effective interest method.

e) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

In determining fair value, the Company uses various valuation approaches depending on how observable the inputs to the valuation are. The Company maximises the use of observable inputs and minimises the use of unobservable inputs by using the most observable inputs available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments.

The fair values of many financial instruments, including over-the-counter ("OTC") financial instruments, are derived using pricing models. Pricing models take into account the contract terms (including the maturity), as well as multiple inputs, including where applicable, equity prices, interest rate yield curves, credit curves, the creditworthiness of the counterparty, option volatility and currency rates. The Company subjects all valuations and models to a review process on a periodic basis.

Depending on the product and the terms of the transaction, the fair value of OTC financial instruments can be modelled using a series of techniques, including closed-form analytic formulae such as the Black-Scholes option pricing model, simulation models or a combination thereof. Many pricing models do not entail material subjectivity because the methodologies employed do not necessitate significant judgement, and the pricing inputs are observed from actively quoted markets. In the case of more established financial instruments, the pricing models used by the Company are widely accepted by the financial services industry.

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises a gain or loss on inception of the transaction.

When unobservable market data has a significant impact on determining fair value at the inception of the transaction, the entire initial change in fair value indicated by the valuation technique as at the transaction date, is not recognised immediately in the profit and loss account. It is recognised instead when the market data becomes observable.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 December 2007 to 31 December 2008

1. ACCOUNTING POLICIES (Continued)

f) Impairment of financial assets

At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment in the value of financial assets classified as available-for-sale fixed asset investments, other fixed asset investments or loans and receivables. Impairment losses are recognised if there is an adverse impact expected to the future cash flows of an asset and the expected impact can be reliably estimated.

Impairment losses on available-for-sale fixed asset investments are measured as the difference between cost and the current fair value. When a decline in the fair value of an available-for-sale financial asset has been recognised through the statement of total recognised gains and losses and there is evidence that the asset is impaired, the cumulative loss that had been recognised through the statement of total recognised gains and losses is removed from reserves and recognised in the profit and loss account within 'Net gains and losses on fixed asset investments in available-for-sale financial assets'.

Impairment losses on fixed asset investments in subsidiary and associated undertakings, measured as the difference between cost and the current estimated recoverable amount, are recognised within the profit and loss account in 'Net gains and losses on fixed asset investments in subsidiary and associated undertakings' and are reflected against the carrying amount of the impaired asset on the balance sheet.

Impairment losses on loans and receivables carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the asset's original effective interest rate. Such impairment losses are recognised in the profit and loss account within 'Other expenses' and reflected against the carrying amount of the impaired asset on the balance sheet. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed as detailed by financial asset in note 1(d)(iii).

g) Fees and commissions

Fees and commissions classified within 'Other income' in the profit and loss account include account servicing fees, investment management fees, sales commissions, placement fees, advisory fees and syndication fees. Fees and commissions classified within 'Other expense' include transaction and service fees. These amounts are recognised as the related services are performed or received respectively.

h) 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 using 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.

i) 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.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 December 2007 to 31 December 2008

2. NET GAINS ON FIXED ASSET INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
Income from shares in subsidiary and associated undertakings	104,414	-
Gain on disposals (Note 9)	169,477	-
	<u>273,891</u>	<u>-</u>

Included in "Income from shares in subsidiary and associated undertakings" is \$4,648,000 of income received relating to the accrued yield on the 559,205,000 Preferred Equity Certificates issued by Ramey S.á r.l on 17th October 2008 for cash consideration of \$559,205,000. This income was received on 1 December 2008 when Ramey redeemed the Preferred Equity Certificates.

3. INTEREST INCOME

	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
Interest income from loans to Group undertakings	<u>145,299</u>	<u>7,958</u>

4. INTEREST EXPENSE

	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
Interest expense from loans from Group undertakings	<u>197,099</u>	<u>88,699</u>

Included in 'Interest expense from loans to Group undertakings' is \$100,552,000 (2007: \$nil) of preference share dividends paid.

5. OTHER INCOME

	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
Other foreign exchange gains	<u>6</u>	<u>-</u>

6. OTHER EXPENSE

	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
Other foreign exchange losses	-	1
Other expenses	10	9
	<u>10</u>	<u>10</u>

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 1 December 2007 to 31 December 2008

7. DIRECTORS' EMOLUMENTS

The Directors did not receive any remuneration for their qualifying services to the Company during the period (2007: \$nil).

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Analysis of charge/(credit) in the period

	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
UK corporation tax at 28.62% (2007: 30%)	-	-
- Current period	-	-
Tax on profit / (loss) on ordinary activities	-	-

Factors affecting the tax charge/ (credit) for the period

The current period UK taxation charge is lower / higher than that resulting from applying the standard UK corporation tax rate of 28.62% (2007: 30%). The main differences are explained below:

	1 December 2007 to 31 December 2008 \$'000	Year ended 30 November 2007 \$'000
Profit/ (loss) on ordinary activities before tax	193,439	(93,264)
Profit/ (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.62% (2007: 30%)	55,362	(27,979)
Effects of:		
Non-taxable UK dividends	(28,553)	-
Non-taxable gains on sale	(48,508)	-
Preference share dividends treated as interest	28,778	-
Group relief (received)/surrendered for nil consideration	(7,079)	27,979
Current tax charge/ credit for the period	-	-

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 1 December 2007 to 31 December 2008

9. FIXED ASSET INVESTMENTS

Investments in subsidiary and associated undertakings

	Subsidiary undertakings \$'000
Cost and net book value	
At 1 December 2007	3,000,403
Additions	3,181,194
Disposals	(5,681,319)
At 31 December 2008	<u>500,278</u>

On 20 February 2008, the Company subscribed for 9 B Ordinary shares of \$1 each in Morgan Stanley Cadzand III Limited for total consideration of \$90,000.

On 5 March 2008, the Company subscribed for 103,992 B Ordinary shares of \$1 each in Morgan Stanley Cadzand III Limited for a total consideration of \$1,039,920,000.

On 10 March 2008, the Company transferred 250,009 B Ordinary shares in Morgan Stanley Cadzand II Limited to Morgan Stanley Medway Limited for total consideration of \$2,599,099,000 resulting in a gain on sale of \$99,009,000.

On 2 May 2008, the Company sold its holding of 104,001 B Ordinary shares in Morgan Stanley Cadzand III Limited to Morgan Stanley Weaver S.á r.l ("Weaver") in exchange for 42 Class B Parts of \$25 each in Weaver for a total consideration of \$1,049,239,000 resulting in a gain on sale of \$9,229,000.

On 2 May 2008, the Company received 1,049 B Ordinary shares of \$1 each in Morgan Stanley Ock Limited in exchange for 42 Class B Parts of \$25 each in Weaver for total consideration of \$1,049,239,000 at no gain or loss on sale.

On 16 October 2008, the Company subscribed for 41 B Ordinary shares in Morgan Stanley Ock Limited for total consideration of \$42,616,000.

On 1 December 2008, the Company sold its holding in Morgan Stanley Ock Limited for total consideration of \$1,153,101,000, resulting in a gain on sale of investment of \$61,246,000.

The remaining transactions regarding Fixed asset investments, relate to the sale of Morgan Stanley Humboldt Investments Limited, and an investment in Morgan Stanley Cadzand Limited, however these transactions were immaterial.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 1 December 2007 to 31 December 2008

9. FIXED ASSET INVESTMENTS (Continued)

Significant investments

Details of the investments of the Company, including those in which the Company holds more than 20% of the nominal value of any class of share capital, and investments with a book value greater than 20% of the Company's own assets at 31 December 2008, are as follows:

Name of Company	Country of incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of business
Woburn III Cooperatieve U.A.	The Netherlands	100%	A Memberships	100%	Holding Company
Morgan Stanley Malin Investments Limited	England and Wales	100%	Ordinary	100%	Holding Company
Morgan Stanley Cadzand Limited	England and Wales	100%	B Ordinary	40%	Dormant
Morgan Stanley Charbono Limited	Cayman Islands	100%*	Ordinary	100%	Holding Company
Morgan Stanley Fiano Limited	Cayman Islands	100%*	Ordinary	100%	Holding Company
Morgan Stanley Tannat Limited	Cayman Islands	100%*	Ordinary	100%	Holding Company

An * denotes shareholdings attributed to the Company which are not all held directly by the Company.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

Financial assets and financial liabilities classified as held for trading are summarised in the table below:

	31 December 2008		30 November 2007	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Fair value				
Derivative financial instruments (listed and OTC):				
Interest rate and currency swaps and options, credit derivatives and other fixed income securities contracts	-	-	-	6,795

The swap with Morgan Stanley & Co. International plc unwound on 11 August 2008.

There are no terms and conditions of any financial asset or liability classified as held for trading that may individually significantly affect the amount, timing and certainty of future cash flows for the Company.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period from 1 December 2007 to 31 December 2008

11. DEBTORS

	31 December 2008 \$'000	30 November 2007 \$'000
Debtors classified within loans and receivables at amortised cost		
Group undertakings		
Other amounts due from Group undertakings	<u>15,930,766</u>	<u>144,170</u>

12. FINANCIAL LIABILITIES AT AMORTISED COST

	31 December 2008 \$'000	30 November 2007 \$'000
Financial liabilities at amortised cost falling due within one year		
Bank loans and overdrafts	4	-
Group undertakings		
Other amounts owing to Group undertakings	<u>2,670,272</u>	<u>3,166,902</u>
	<u>2,670,276</u>	<u>3,166,902</u>
Financial liabilities at amortised cost falling due after more than one year		
Financial instruments issued:		
Preference shares	<u>12,096,453</u>	<u>-</u>
	<u>12,096,453</u>	<u>-</u>
Total financial liabilities at amortised cost	<u>14,766,729</u>	<u>3,166,902</u>

Preference shares

	31 December 2008 Number	30 November 2007 Number
Authorised preference shares of \$1 each, classified as financial liabilities		
At start of period / year	-	-
Increase in the period	5,000	-
At end of period / year	<u>5,000</u>	<u>-</u>
	<u>5,000</u>	<u>-</u>
	31 December 2008 \$'000	30 November 2007 \$'000
Allotted and fully paid preference shares of \$1 each, classified as financial liabilities		
At start of period / year	-	-
Issued in the period	5,000	-
At end of period / year	<u>5,000</u>	<u>-</u>

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 December 2007 to 31 December 2008

12. FINANCIAL LIABILITIES AT AMORTISED COST (Continued)

As at 31 December 2008, the issued share capital of the Company included 5,000 redeemable non-cumulative preference shares of \$1 each, classified as financial liabilities.

On 17 October 2008, 5,000 redeemable non-cumulative preference shares of \$1 were issued at par, fully paid, to the Company's immediate parent company for cash consideration of \$12,096,453,000.

The holders of Preference Shares shall be entitled, in priority to the holders of any other class of share in the Company's share capital. The holders of Preference Shares shall be entitled to receive notice of and to attend any general meeting of the Company but shall not have the right to speak or vote in respect of their holdings of Preference Shares.

13. CALLED UP SHARE CAPITAL

	31 December 2008 Number	30 November 2007 Number
Authorised:		
Ordinary shares of \$1 each	1,600,000,000	100,000,000
Ordinary shares of £1 each	1,000	1,000
	<u>1,600,001,000</u>	<u>100,001,000</u>
	31 December 2008 \$'000	30 November 2007 \$'000
Allotted and fully paid:		
1,585,148,515 ordinary shares of \$1 each	1,585,149	100,000
1 ordinary shares of £1	-	-
	<u>1,585,149</u>	<u>100,000</u>

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

On 16 October 2008, the Company's authorised share capital was increased from £1,000 and \$100,000,000 to £1,000 and \$1,600,000,000 by the creation of 1,500,000,000 Ordinary Shares of \$1 each, each ranking pari passu with the existing ordinary shares of \$1 each in the Company.

On 16 October 2008, 1,485,149,000 ordinary shares of \$1 each were issued at par, fully paid, for cash consideration of \$1,500,000,000.

MSDW MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 December 2007 to 31 December 2008

14. RECONCILIATION OF SHAREHOLDERS' FUNDS / (DEFICIT) AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Share premium account \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2006	100,000	-	(35,860)	64,140
Loss for the year	-	-	(93,264)	(93,264)
At 1 December 2007	100,000	-	(129,124)	(29,124)
Profit for the period	-	-	193,439	193,439
Capital subscribed (Note 13)	1,485,149	14,851	-	1,500,000
At 31 December 2008	1,585,149	14,851	64,315	1,664,315

15. SEGMENTAL REPORTING

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

16. 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.

17. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley. Morgan Stanley is incorporated in Delaware, the United States of America and copies of its financial statements can be obtained from 25 Cabot Square, Canary Wharf, London E14 4QA.

The parent undertaking of the smallest group of companies for which group financial statements are drawn up and of which the Company is a member is Morgan Stanley & Company International plc which is registered in England and Wales. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.