

Registered number: 4091663

Registered office
20 Bank Street
Canary Wharf
London E14 4AD

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

Report and financial statements

31 December 2010

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MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

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MORGAN STANLEY 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 Morgan Stanley Montgomerie Investments Limited (the "Company") for the year ended 31 December 2010

RESULTS AND DIVIDENDS

The profit for the year, after tax, was \$232,559,000 (2009 \$232,118,000 profit after tax)

During the year no dividends were paid or proposed (2009 \$nil)

PRINCIPAL ACTIVITY

The principal activity of 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 Morgan Stanley's other subsidiary undertakings, form the "Morgan Stanley 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 activity is expected

BUSINESS REVIEW

The profit and loss account for the year is set out on page 6 The profit for the year, after tax, was \$232,559,000 (2009 \$232,118,000), an increase of \$441,000 over the prior year This movement can be primarily attributed to having received no dividends from subsidiary undertakings during the year (2009 \$11,395,000), a decrease in interest on loans to Morgan Stanley Group undertakings due to a reduction in the average proxy interest rate and a reduction of corporation tax payable, resulting from a prior year adjustment

The balance sheet for the Company is set out on page 7 Net assets at the end of the year were \$2,128,992,000 (2009 \$1,896,433,000) The increase in net assets is principally attributable to an increase in amounts receivable from other Morgan Stanley Group undertakings as a result of interest return, partially offset by an increase in corporation tax payable

The performance of the Company is included in the results of the Morgan Stanley Group which are disclosed in the Morgan Stanley Group's Annual Report on Form 10-K to the United States Securities and Exchange Commission The Morgan Stanley 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

During 2010, economic conditions have remained challenging These conditions present difficulties and uncertainty for the business outlook which may adversely impact the financial performance of the Company in the future

During the year ended 31 December 2010, Morgan Stanley has continued to actively manage its capital and liquidity position to ensure adequate resources are available to support the activities of the Morgan Stanley Group and its subsidiaries, to enable the Morgan Stanley Group to withstand market stresses, and to meet regulatory stress testing requirements proposed by regulators globally In August, the Morgan Stanley Group strengthened its capital position by converting \$5.6 billion of subordinated debentures issued to China Investment Corporation Limited into \$5.6 billion of equity shares Throughout the year, the Morgan Stanley Group has been focussed on the composition of its funding liabilities, reducing reliance on short term funding in favour of more diverse and durable funding sources This remains an ongoing objective of the Morgan Stanley Group

The risk management section below sets out the Company's and the Morgan Stanley Group's policies for the management of liquidity and cash flow risk and other significant business risks

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

Risk management

Risk is an inherent part of the Company's business activity and is managed within the context of the broader Morgan Stanley Group's business activities. The Morgan Stanley 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.

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 Morgan Stanley 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 does not meet its obligations.

The Morgan Stanley Group manages credit risk exposure on a global basis as well as giving consideration to each individual legal entity, 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 risk

Liquidity and funding risk refers to the risk that the Company will be unable to meet its funding obligations in a timely manner. Liquidity risk stems from the potential risk that the Company will be unable to obtain necessary funding through borrowing money at favourable interest rates or maturity terms, or selling assets in a timely manner and at a reasonable price.

The Morgan Stanley Group's senior management establishes the overall liquidity and funding policies of the Morgan Stanley Group and the liquidity risk management policies and procedures conducted within the Company are consistent with those of the Morgan Stanley Group. The Morgan Stanley Group's liquidity and funding risk management policies are designed to mitigate the potential risk that entities within the Morgan Stanley Group, including the Company, may be unable to access adequate financing to service their financial liabilities when they become payable without material, adverse franchise or business impact. The key objective of the liquidity and funding risk management framework is to support the successful execution of both the Company's and the Morgan Stanley Group's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of stressed market conditions.

DIRECTORS

The following Directors held office throughout the year and to the date of approval of this report:

P K M Green
S I Merry

DIRECTORS' LIABILITY INSURANCE

Directors' and Officers' Liability Insurance is taken out by Morgan Stanley, the Company's ultimate parent undertaking, for the benefit of the directors and officers of the Company.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the year and up to and including the date of the Directors' report for the benefit of all the Directors of the Company.

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with

As at 31 December 2010 the Company had no trade creditors (2009 Nil)

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 section 418 of the Companies Act 2006

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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
6 April 2011
P Green

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

We have audited the financial statements of Morgan Stanley Montgomerie Investments Limited (the "Company") for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

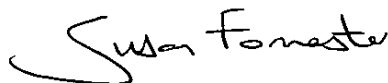
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Susan Forrester CA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Edinburgh, United Kingdom

14 April 2011

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2010

	Note	2010 \$'000	2009 \$'000
Net (losses)/gains on fixed asset investments			
- Subsidiary undertakings	2	(4)	11,211
Interest income	3	306,889	346,386
Interest expense	4	(21,647)	(36,943)
Other income	5	3,835	19
Other expense	6	(1)	(7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>289,072</u>	<u>320,666</u>
Tax on profit on ordinary activities	8	(56,513)	(88,548)
PROFIT FOR THE FINANCIAL YEAR		<u>232,559</u>	<u>232,118</u>

All operations were continuing in the current and prior year

There were no recognised gains or losses during the current 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 is disclosed in note 14 to the financial statements

The notes on pages 8 to 16 form an integral part of the financial statements

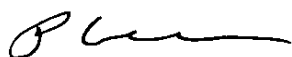
MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

Registered number 4091663

BALANCE SHEET**As at 31 December 2010**

	Note	2010 \$'000	2009 \$'000
FIXED ASSETS			
Investments			
- Subsidiary undertakings	9	<u>100</u>	<u>104</u>
CURRENT ASSETS			
Loans and receivables			
- Debtors	10	<u>15,430,886</u>	<u>15,165,804</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial liabilities at amortised cost	11	(1,110,808)	(1,109,845)
Other creditors	12	<u>(94,733)</u>	<u>(63,177)</u>
NET CURRENT ASSETS		<u>14,225,345</u>	<u>13,992,782</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,225,445</u>	<u>13,992,886</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Financial liabilities at amortised cost	11	(12,096,453)	(12,096,453)
NET ASSETS		<u>2,128,992</u>	<u>1,896,433</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,585,149	1,585,149
Share premium account	14	14,851	14,851
Profit and loss account	14	528,992	296,433
SHAREHOLDERS' FUNDS		<u>2,128,992</u>	<u>1,896,433</u>

These financial statements were approved by the Board and authorised for issue on **6 April 2011**
Signed on behalf of the Board



Director

P Green

The notes on pages 8 to 16 form an integral part of the financial statements

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES

The Company's principal accounting policies are summarised below and have been applied consistently throughout the year and preceding year

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 Company is not required to prepare consolidated financial statements by virtue of the exemption under section 400 of the Companies Act 2006. The results of the Company are included within the financial statements of Morgan Stanley & Co International plc, a company registered in England and Wales, which will prepare consolidated financial statements for the year to 31 December 2010. 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 Financial reporting standard ("FRS") 29 *Financial instruments Disclosures*. Accordingly, the Company is exempt from the disclosure requirements of FRS 29

b) The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Business Review section of the Directors' report on pages 1 to 2

As set out in the Directors' report, the Company operates within the global liquidity management framework of the Morgan Stanley Group. Throughout the difficult market conditions, this framework has continued to provide sufficient liquidity to the Morgan Stanley Group and to the Company, and the Company's capital and liquidity position is satisfactory

Taking all of these factors into consideration, the Directors believe it is reasonable to assume that the Company will 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

c) 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

d) 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(e) below

e) Financial instruments

The Company classifies its financial assets into the following categories on initial recognition: investments in subsidiary undertakings and loans and receivables

The Company classifies its financial liabilities into the following category on initial recognition: financial liabilities at amortised cost

More information regarding these classifications is included below

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

i) *Investments in subsidiary undertakings*

Investments in subsidiary undertakings outside the scope of FRS 26 *Financial instruments recognition and measurement* ("FRS 26"), are recorded within 'Investments in subsidiary 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, reversals of impairment losses, and foreign exchange differences on monetary investments are all reported in the profit and loss account in 'Net (losses)/gains on fixed asset investments in subsidiary undertakings'.

ii) *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 (see note 1(f) below) and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the profit and loss account in 'Interest income', using the effective interest method. Transaction costs that are directly attributable to the acquisition or issue of the financial asset are added to or deducted from the fair value on initial recognition.

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 exactly 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. 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 (see note 1(f) below) and subsequently measured at amortised cost. Interest is recognised in the profit and loss account in 'Interest expense' using the effective interest 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. Transaction costs that are directly attributable to the issue of the financial liability are added to or deducted from the fair value on initial recognition.

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.

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

f) Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. 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).

g) 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 other fixed asset investments or loans and receivables. Impairment losses are recognised if an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated.

Impairment losses on fixed asset investments in subsidiary undertakings, measured as the difference between cost and the current estimated recoverable amount, are recognised within the profit and loss account in ‘Net (losses)/gains on fixed asset investments in subsidiary 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 are 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(e)(i) and (ii). Any reversal is limited to the extent that the value of the asset may not exceed the original amortised cost of the asset had no impairment occurred.

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.

i) Cash flow statement

The Company’s ultimate parent undertaking produces consolidated financial statements in which the Company is included and which are publicly available. 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.

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. NET (LOSSES)/GAINS ON INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2010 \$'000	2009 \$'000
Income from investments in subsidiary undertakings	-	11,395
Impairment losses	(4)	(184)
	<u>(4)</u>	<u>11,211</u>

3. INTEREST INCOME

	2010 \$'000	2009 \$'000
Interest income from loans to Morgan Stanley Group undertakings	<u>306,889</u>	<u>346,386</u>

4. INTEREST EXPENSE

	2010 \$'000	2009 \$'000
Interest expense on loans from Morgan Stanley Group undertakings	<u>21,647</u>	<u>36,943</u>

5. OTHER INCOME

	2010 \$'000	2009 \$'000
Foreign exchange gains	<u>3,835</u>	<u>19</u>

6. OTHER EXPENSE

	2010 \$'000	2009 \$'000
Auditors' remuneration – fees for audit of statutory accounts	-	7
Other expenses	<u>1</u>	<u>-</u>
	<u>1</u>	<u>7</u>

The Company employed no staff during the year (2009 Nil)

The fees for the audit of the Company's statutory accounts of \$8,000 have been borne by another Morgan Stanley Group undertaking in the current year

7. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2009 Nil)

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2010 \$'000	2009 \$'000
UK corporation tax at 28% (2009 28%)		
- Current year	77,947	88,548
- Adjustment in respect of prior years	(21,434)	-
Tax charge on profit on ordinary activities	56,513	88,548

Factors affecting the tax charge for the year

The current year UK taxation charge is lower than that resulting from applying the standard UK corporation tax rate of 28% (2009 28%). The main differences are explained below

	2010 \$'000	2009 \$'000
Profit on ordinary activities before tax	289,072	320,666
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	80,940	89,786
Effects of:		
Non-taxable UK dividends	-	(3,191)
Non-taxable loss on disposal of fixed asset investments	1	52
Group relief received for nil consideration	(3,626)	(750)
Currency translation on tax	632	2,651
Adjustments to the tax charge in respect of prior years	(21,434)	-
Current tax charge for the year	56,513	88,548

The Finance (No 2) Act 2010 enacted a 1% reduction in the UK Corporation tax rate to 27% with effect from April 2011. In the Budget announcement on 23 March 2011, a further 1% reduction in the rate of UK corporation tax to 26% was announced and subsequently substantively enacted on 29 March 2011. The combined 2% reduction in the tax rate will impact the current tax charge in 2011.

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

9. FIXED ASSET INVESTMENTS

Fixed asset investments in subsidiary undertakings

	Subsidiary undertakings \$'000
Cost	
At 1 January 2010	288
Disposals	(188)
At 31 December 2010	<u>100</u>
Impairment provisions	
At 1 January 2010	(184)
Provisions made in the year	(4)
Disposals	188
At 31 December 2010	<u>-</u>
Net book value	
At 31 December 2009	<u>104</u>
At 31 December 2010	<u>100</u>

During the year the Company fully disposed of its investment in Morgan Stanley Malin Investments Limited as this company is now dissolved

Subsidiaries and significant holdings

Details of the investments 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 2010, are as follows

Name of company	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights	Nature of business
Woburn III Cooperative U A	The Netherlands	A Memberships	100%	100%	Financial services

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

10. DEBTORS

	2010 \$'000	2009 \$'000
Debtors classified within loans and receivables at amortised cost		
Amounts due from Morgan Stanley Group undertakings	<u>15,430,886</u>	<u>15,165,804</u>

11. FINANCIAL LIABILITIES AT AMORTISED COST

	2010 \$'000	2009 \$'000
Financial liabilities at amortised cost falling due within one year		
Amounts owing to Morgan Stanley Group undertakings	<u>1,110,808</u>	<u>1,109,845</u>
Financial liabilities at amortised cost falling due after more than one year		
Financial instruments issued		
- Preference shares	<u>12,096,453</u>	<u>12,096,453</u>
Total financial liabilities at amortised cost	<u>13,207,261</u>	<u>13,206,298</u>

Preference shares

	2010 Number	2009 Number	2010 \$'000	2009 \$'000
Allotted and fully paid preference shares of \$1 each, classified as financial liabilities				
At 1 January and 31 December	<u>5,000</u>	<u>5,000</u>	5	5
Total share capital and accrued dividends classified within liabilities			<u>5</u>	<u>5</u>

As at 31 December 2010, the issued share capital of the Company included 5,000 redeemable non-cumulative preference shares of \$1 each (the "preference shares"), classified as financial liabilities. Of these preference shares 4,892 are issued to Morgan Stanley Turnberry Limited and 18 are issued to Ramey S a r l

The preference shares rank ahead of the ordinary shares in the event of a winding up or other return of capital

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 but subject always to declaration by the Board of any such dividend, to receive out of the profits of the Company available for distribution, a dividend (the "preference Dividend"). The preference dividend shall be in such amount and paid on such dates as the Board may, in its discretion decide and declare

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

11. FINANCIAL LIABILITIES AT AMORTISED COST (continued)

The Company shall have the right at any time to redeem any preference share (provided that it is credited as fully paid) and on 17 October 2018 the Company shall mandatorily redeem all preference shares then in issue (provided that such preference shares are credited as fully paid) provided that, in each case if the relevant preference shares are to be redeemed using the existing capital of the Company, it gives to the registered holders not less than 1 months written notice of its intention to do so or if the preference shares are to be redeemed using distributable profits of the Company or proceeds of a fresh issue of shares, it gives to the registered holders not less than 1 business day's written notice of its intention to do so

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

During the year, dividends of \$nil (2009 \$nil) were paid to the holders of the preference shares

12. OTHER CREDITORS

	2010 \$'000	2009 \$'000
Amounts falling due within one year		
Corporation tax payable	94,733	63,177

13. CALLED UP SHARE CAPITAL

Shares classified as equity

	2010 \$'000	2009 \$'000
Allotted and fully paid:		
1,585,148,515 ordinary shares of \$1 each	1,585,149	1,585,149
1 ordinary share of £1 each	-	-
	1,585,149	1,585,149

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

Other shares classified as financial liabilities

The terms of other shares classified as financial liabilities are detailed in note 11 'Financial liabilities at amortised cost'

MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Share premium account \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2009	1,585,149	14,851	64,315	1,664,315
Profit for the year	-	-	232,118	232,118
At 1 January 2010	1,585,149	14,851	296,433	1,896,433
Profit for the year	-	-	232,559	232,559
At 31 December 2010	1,585,149	14,851	528,992	2,128,992

15. SEGMENTAL REPORTING

The Company has only one class of business as described in the Directors' report and operates in one geographic market, Europe, Middle East and Africa ("EMEA")

16. RELATED PARTY TRANSACTIONS

The Company is exempt from the requirement to disclose transactions with fellow wholly owned Morgan Stanley 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 Company's immediate controlling party is Morgan Stanley Turnberry Limited, which is registered in England and Wales. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Mandy, Cardiff CF14 3UZ.

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 & Co 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, Mandy, Cardiff CF14 3UZ.