

Registration No. MC161501

090498/30

Business Office:
25 Cabot Square
Canary Wharf
London
E14 4QA

Registered Office:
PO Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

F c 2 6606 .

MORGAN STANLEY SINOPE CAYMAN LIMITED

Report and Accounts

For the period from 25 January 2006 to

30 November 2006



MORGAN STANLEY SINOPE CAYMAN LIMITED

CONTENTS

	Page
Directors' report	1
Profit and loss account	3
Balance sheet	4
Notes to the accounts	5

MORGAN STANLEY SINOPE CAYMAN LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the period from 25 January 2006 to 30 November 2006

RESULTS AND DIVIDENDS

Morgan Stanley Sinope Cayman Limited (the "Company") was incorporated on 25 January 2006. The loss for the period, after tax, was €1,316,000.

During the period, no dividends were paid.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is an exempt Company incorporated under the laws of the Cayman Islands and its principal activity 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 period under review and no significant change in the Company's principal business is expected.

The profit and loss account for the period is set out on page 3. The Company's loss for the period is €1,316,000.

The balance sheet on page 4 of the financial statements shows that the Company's financial position at the end of the period is €133,684,000.

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

The management and control of the Company is in the United Kingdom, and the entity is liable to UK Corporation Tax on its taxable profits.

Risk Management

Detailed information of the risk management of the Company can be found in note 16 to the accounts.

DIRECTORS

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

B Gill (appointed 16 January 2007)

S I Merry (appointed 1 February 2006)

L A Nash (appointed 1 February 2006)

M Slingo (appointed 1 February 2006, resigned 20 December 2006)

MORGAN STANLEY SINOPE CAYMAN LIMITED

DIRECTORS' REPORT (CONTINUED)

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

The Company was incorporated, as an exempt company in the Cayman Islands under the Companies Law. The Company's Articles of Association require the financial statements of the Company to be prepared in accordance with Part VII of the Companies Act 1985 of the United Kingdom (the "Companies Act 1985") and drawn up in Euros

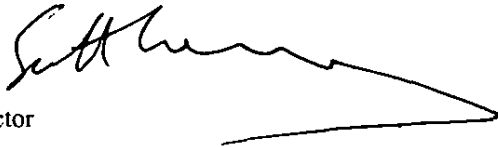
The Directors are required to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- (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 22 October 2007

Director
S MERRY



MORGAN STANLEY SINOPE CAYMAN LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 30 November 2006

	Note	25 January 2006 to 30 November 2006 €'000
Net Revenue	3	(1,088)
OPERATING LOSS		<u>(1,088)</u>
Other interest receivable and similar items	5	7,308
Interest payable and similar charges	6	<u>(7,536)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,316)
Tax on loss on ordinary activities	7	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD		<u><u>(1,316)</u></u>

All operations were continuing in the current period

There were no recognised gains or losses during the period 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 14 to the accounts.

The notes on pages 5 to 15 form an integral part of the accounts.

MORGAN STANLEY SINOPE CAYMAN LIMITED

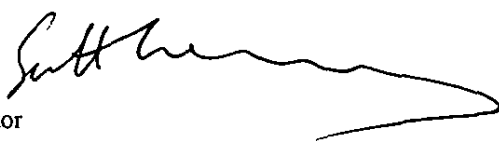
BALANCE SHEET

30 November 2006

	Note	30 November 2006 €'000
FIXED ASSETS		
Investments	8	<u>403,320</u>
CURRENT ASSETS		
Debtors	11	7,308
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR		
Financial instruments	10	(1,088)
Other creditors	12	<u>(275,856)</u>
		(276,944)
NET CURRENT LIABILITIES		(269,636)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>133,684</u>
CAPITAL AND RESERVES		
Called up share capital	14	-
Share premium	15	135,000
Profit and loss account	15	(1,316)
EQUITY SHAREHOLDERS' FUNDS		<u>133,684</u>

These accounts were approved by the Board on 22 October 2007

Signed on behalf of the Board


Director
S. Merry

MORGAN STANLEY SINOPE CAYMAN 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, modified by the inclusion of financial instruments at fair value as described in note 1(g) below, and in accordance with applicable United Kingdom company law and accounting standards. The Company is incorporated under Cayman law, and Cayman law permits the use of United Kingdom law and generally accepted accounting principles in the preparation of financial statements.

The Company is not required to prepare consolidated accounts by virtue of the exemption under section 247 of the Companies Act 1985. 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 Euros, 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 Euros.

c) Foreign currencies

All monetary assets and liabilities denominated in currencies other than Euros are translated into Euros at the rates ruling at the balance sheet date. Transactions in currencies other than Euros 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) Interest

Interest income and expense are recognised in the income statement using the effective interest method. 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 liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or 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 points 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.

e) Fixed asset investments

Fixed asset investments represent investments in group undertakings. Investments in group undertakings are stated at cost, less provision for any impairment.

Monetary fixed asset investments denominated in currencies other than Euros are revalued to Euros at the rates ruling at the balance sheet date, as described in note 1(c) above.

f) Offsetting of financial assets and financial liabilities

For the period ended 30 November 2006 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.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

1. ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments

Financial instruments, including cash and derivative products, used in the Company's activities are recorded on trade date and are recorded at fair value. Subsequent changes in fair value are reflected in net revenue in the profit and loss account. Fair value is the amount at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

As described in note 1(h), the Company enters into transactions involving the sale of interests in its subsidiary undertakings combined with call options to repurchase those interests at their fair value. The call options held by the Company result in the transactions being accounted for as financing transactions and thus the call options are not included at fair value. The fair value of these contracts at 30 November 2006 was £nil.

h) Repurchase and resale agreements and securities borrowing and lending

In the course of financing its business (and as part of its trading activities), 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 recorded as liabilities and the related securities, where owned by the Company, are included in financial instruments at fair value. Cash balances and accrued interest arising under resale agreements and securities borrowing arrangements are recorded as debtors.

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 the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the balance sheet.

i) 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.

j) 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 Directors are of the opinion that it would be seriously prejudicial to the interests of the Company to give separate disclosure in respect of each geographical market within which it operates. The Company has only one class of business, as described in the Directors' report.

3. NET REVENUE

Net revenue represents income, for financial services provided. Income includes gains and losses on financial instruments and net interest and dividends. Net revenue is recorded on a trade date basis and is stated after the deduction of value added tax.

4. STAFF COSTS

The Company employed no staff during the period.

The Directors did not receive any remuneration for their qualifying services to the Company during the period.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

25 January
2006 to 30
November
2006
€'000

Interest receivable from Group undertakings

7,308

Included in interest receivable from Group undertakings is €7,308,000 of preference share dividends

6. INTEREST PAYABLE AND SIMILAR CHARGES

25 January
2006 to 30
November
2006
€'000

Interest payable to group undertakings

228

Other interest payable

7,308

7,536

7. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of charge in the period

25 January
2006 to 30
November
2006
€'000

UK corporation tax at 30%

- Current period

-

Tax on loss on ordinary activities

-

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

7. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the tax charge for the period

The current period UK taxation charge is lower than that resulting from applying the standard UK corporation tax rate of 30%. The main differences are explained below

	25 January 2005 to 30 November 2006 €'000
Loss on ordinary activities before tax	<u>1,316</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(395)
Effects of:	
Non taxable dividend income	(2,192)
Expenses not deductible for tax purposes	326
Group relief surrendered for nil consideration	2,261
Current tax charge for the period	<u>-</u>

8. FIXED ASSET INVESTMENTS

	Subsidiary undertakings €'000
Cost	
Additions	<u>403,320</u>
At 30 November 2006	<u>403,320</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

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

8. FIXED ASSET INVESTMENTS (CONTINUED)

Name of Company	Country of incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of Business
Morgan Stanley Adrastea Netherlands B V	The Netherlands	100%	Ordinary Shares	100%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	100%*	Class A Redeemable Preference shares	100%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	100%	Class B Redeemable Preference shares	100%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	100%	Class C Redeemable Preference shares	100%	Financial services

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

Voting rights and holdings stated above represent the Company's legal ownership position. In all cases, the Company is deemed to control the investment as shares and memberships representing the remaining voting rights are subject to repurchase and other agreements effectively conferring 100% control to the Company

9. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

	Held for trading 2006 €'000	Loans and Receivables 2006 €'000	Financial Liability at Amortised Cost 2006 €'000	Total 2006 €'000
CURRENT ASSETS				
Debtors	-	7,308	-	7,308
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Financial instruments	(1,088)	-	-	(1,088)
Other creditors	-	-	(275,856)	(275,856)
	(1,088)	7,308	(275,856)	(269,636)

For all financial instruments not measured at fair value in the balance sheet, the carrying amount is a reasonable approximation of fair value due to the short-term nature of these financial liabilities

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

10. FINANCIAL INSTRUMENTS USED IN TRADING ACTIVITIES

a) Determination of fair value

The price transparency of a particular product will determine the degree of judgment involved in determining the fair value of the financial instrument. Price transparency is affected by a wide range of factors, including, for example, the type of product, whether it is a new product and not yet established in the marketplace and the characteristics particular to the transaction. Products for which actively quoted prices or pricing parameters are available or for which fair value is derived from actively quoted prices or pricing parameters will generally have a higher degree of price transparency. By contrast, products that are thinly traded or not quoted will generally have little or no price transparency.

A substantial percentage of the fair value of the Company's financial instruments is based on observable market prices or observable market parameters, or is derived from such prices or parameters. The availability of observable market prices and pricing parameters can vary from product to product. Where available observable market prices and pricing parameters in a product (or a related product) may be used to derive a price without requiring significant judgment. In certain markets, observable market prices or market parameters are not available for all products and fair value is determined using techniques appropriate for each particular product. These techniques involve some degree of judgment.

The fair value of over-the-counter ("OTC") derivative contracts is derived primarily from pricing models, which may require multiple market input parameters. Where appropriate, valuation adjustments are made to account for credit quality and market liquidity. These adjustments are applied on a consistent basis and are based upon observable market data where available. The Company also uses pricing models to manage the risks introduced by these transactions. The term "model" typically refers to a mathematical calculation methodology based on accepted financial theories.

Depending on the product and the terms of the transaction, the fair value of OTC derivative products 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, applied consistently. In the case of more established derivative products, the pricing models used by the Company are in line with those widely accepted by the financial services industry. Pricing models take into account the contract terms, including the maturity, as well as market parameters such as interest rates, volatility and the creditworthiness of the counterparty.

Changes in value of financial instruments carried at fair value of €1,088,000 have all been included in the profit and loss account.

b) Derivatives

The fair value of the Company's derivative assets and liabilities (both listed and OTC) are summarised by class in the table below.

	2006	
	Assets €'000	Liabilities €'000
Interest rate and currency swaps and options, credit derivatives and other fixed income securities contracts	-	1,088

There were no terms and conditions that may individually significantly affect the amount, timing and certainty of future cash flows for the Company.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

11. DEBTORS

	30 November 2006 €'000
Amounts due from Group undertakings	<u>7,308</u>

12. OTHER CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November 2006 €'000
Securities sold under agreements to repurchase and cash collateral on stocks loaned	
- Group undertakings	269,207
Amounts due to group undertakings	<u>6,649</u>
	<u>275,856</u>

13. TRANSFERS OF FINANCIAL ASSETS, INCLUDING PLEDGES OF COLLATERAL

In the ordinary course of business, the Group enters into various transactions that result in the transfer of financial assets to third parties which for accounting purposes may not result in full derecognition of the financial asset

The following table presents those financial assets which have been sold or otherwise transferred, but which for accounting purposes do not qualify for derecognition and continue to be recognised

	2006 €'000
Corporate and other debt	<u>269,207</u>

The financial assets that do not qualify for derecognition arise from repurchase agreements and securities lending arrangements. Under these types of transactions the Company generally retains substantially all risks and rewards of the transferred financial assets including credit risk, settlement risk, country risk and market risk.

These transactions are mostly conducted under standard agreements used by financial market participants and are undertaken with counterparties subject to the Group's normal credit risk control processes. The resulting credit exposures are controlled by daily monitoring and collateralisation of the positions.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2006

14. CALLED UP SHARE CAPITAL

	2006 Number
Authorised:	
Equity shares	
50,000 ordinary shares of \$1 each	<u>50,000</u>
	2006 €'000
Allotted and fully paid:	
Equity shares	
101 ordinary shares of \$1 each	<u>-</u>

At incorporation, the initial authorised capital was 50,000 ordinary shares of \$1 each and 1 ordinary share of \$1 each was issued and fully paid at par in cash

On 27 March 2006 100 ordinary shares of \$1 each were issued and fully paid for an aggregate consideration of €135,000,000

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

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital €'000	Share premium account €'000	Profit and loss account €'000	Total €'000
Loss for the period	-		(1,316)	(1,316)
Capital subscribed	-	135,000	-	135,000
As at 30 November 2006	<u>-</u>	<u>135,000</u>	<u>(1,316)</u>	<u>133,684</u>

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

16. FINANCIAL 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 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.

Significant risks faced by the entity resulting from its financing activities are set out below.

a) 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.

The maximum exposure to credit risk of the Company at the reporting date is the carrying amount of the financial assets held in the balance sheet.

The Company does not have any exposure arising from off-balance sheet items.

As the Company enters into most of its financial asset transactions bearing any credit risk with group entities, the Company's credit risk related to this concentration is mitigated as both the Company and group entities are wholly-owned indirect subsidiaries of the same group parent company, Morgan Stanley.

b) Liquidity 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.

The following table shows the cash flows on the Company's financial liabilities on the basis of the earliest possible contractual maturity.

	On demand	Total
	€'000	€'000
2006		
Creditors : Amounts falling due within one year		
Financial instruments	1,088	1,088
Other creditors	275,856	275,856
Total	276,944	276,944

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors will result in a reduction in value or income for a holding of financial instruments. The Company incurs market risk as a result of trading and client facilitation activities.

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. The Company actively manages its market risk by hedging with other Group companies. The residual market risk on the entity is not material.

d) Interest rate risk

The table below summarises the Company's exposure to interest rate risk. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	On demand	Total
	€'000	€'000
At 30 November 2006		
Fixed Assets		
Investments	261,900	261,900
Total Assets	<u>261,900</u>	<u>261,900</u>
Creditors : Amounts falling due within one year		
Financial instruments	(1,088)	(1,088)
Other creditors	(275,856)	(275,856)
Total liabilities	<u>(276,944)</u>	<u>(276,944)</u>
Total interest sensitivity gap	<u>15,044</u>	<u>15,044</u>

The following sensitivity analysis shows the potential gain/ (loss) to the income statement of a parallel increase and decrease of 50 basis points to current market interest rates.

	50 basis points increase	50 basis points decrease
At 30 November 2006	<u>(37)</u>	<u>37</u>

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2006

17. 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.

18. PARENT UNDERTAKINGS

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.