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MORGAN STANLEY HIMALIA CAYMAN LIMITED

Report and Accounts

For the period from 25 January 2006 to

30 November 2006

TUESDAY



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MORGAN STANLEY HIMALIA LIMITED

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MORGAN STANLEY HIMALIA 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 Himalia Cayman Limited (the "Company") was incorporated on the 25 January 2006. The loss for the period, after tax, was €2,905,000.

During the year, 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 €2,905,000.

The balance sheet on page 4 of the financial statements shows that the Company's net liability at the end of the period is €2,905,000.

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

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

Credit risk

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

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

Liquidity and cash flow risk

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

DIRECTORS

The following Directors held office throughout the 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 HIMALIA 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.

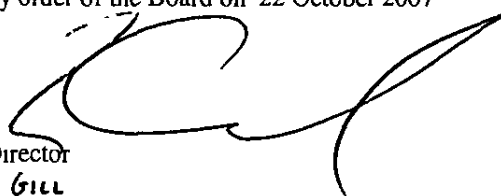
The Directors are required to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- (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
B Gill



MORGAN STANLEY HIMALIA CAYMAN LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 30 November 2006

	Note	25 January 2006 to 30 November 2006 €'000
Other interest receivable and similar income	4	230
Interest payable and similar charges	5	<u>(3,135)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,905)
Tax on loss on ordinary activities	6	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD		<u>(2,905)</u>

All operations were continuing in the current period

There were no recognised gains or losses during 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 11 to the accounts.

The notes on pages 6 to 10 form an integral part of the accounts.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

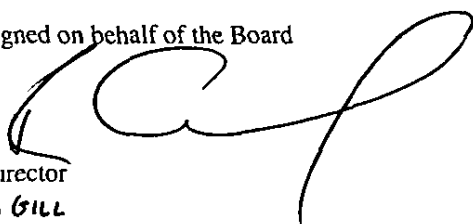
BALANCE SHEET 30 November 2006

		30 November 2006 €'000
	Note	
FIXED ASSETS		
Investments	7	<u>135,000</u>
CURRENT ASSETS		
Debtors	8	<u>6,648</u>
CREDITORS . AMOUNTS FALLING DUE WITHIN ONE YEAR		
Other creditors	9	<u>(144,553)</u>
NET CURRENT LIABILITIES		<u>(137,905)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,905)</u>
CAPITAL AND RESERVES		
Called up share capital	10	-
Profit and loss account	11	(2,905)
EQUITY SHAREHOLDERS' DEFICIT		<u>(2,905)</u>

These accounts were approved by the Board on 22 October 2007

Signed on behalf of the Board

Director
B GILL



MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS Period ended 30 November 2006

1. ACCOUNTING POLICIES

a) Accounting convention

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

NOTES TO THE ACCOUNTS

Period ended 30 November 2006

1. ACCOUNTING POLICIES (CONTINUED)

g) 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

h) 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. 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

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

25 January 2006
to 30 November
2006
€'000

Interest receivable from Group undertakings

230

5. INTEREST PAYABLE AND SIMILAR CHARGES

25 January 2006
to 30 November
2006
€'000

Interest payable related to Group undertakings

3,135

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Period ended 30 November 2006

6. 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

-

-

Factors affecting the tax charge for the period

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

25 January 2006
to 30 November
2006
€'000

Loss on ordinary activities before tax

(2,905)

Loss on ordinary activities multiplied by the standard rate of corporation
tax in the UK of 30%

(872)

Effects of:

Group relief surrendered for nil consideration

872

Current tax charge for the period

-

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Period ended 30 November 2006

7. FIXED ASSET INVESTMENTS

	Subsidiary undertakings €'000
Cost	
Additions	135,000
At 30 November 2006	<u>135,000</u>

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital, or investments with a book value greater than 20% of the Company's own assets at 30 November 2006, are as follows

Name of Company	Country of incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of Business
Morgan Stanley Sinope Cayman Limited	Cayman Islands	100%	Ordinary Shares	100%*	Holding company
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

8. DEBTORS

	30 November 2006 €'000
Amounts due from Group undertakings	<u>6,648</u>

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS Period ended 30 November 2006

9. OTHER CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November 2006 €'000
Amounts owing to Group undertakings	<u>144,553</u>

10. CALLED UP SHARE CAPITAL

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

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

At incorporation, the initial authorised share capital was 50,000 ordinary shares of \$1 00 each and 1 ordinary shares of \$1 00 was issued and fully paid at par in cash

All ordinary shares are recorded at the rates of exchange ruling at the date the shares were paid up The redeemable sterling preference shares have been translated into Euros at the exchange rate prevailing at the balance sheet date

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called Up Share Capital €'000	Profit and loss account €'000	Total €'000
Loss for the year	-	(2,905)	(2,905)
As at 30 November 2006	<u>-</u>	<u>(2,905)</u>	<u>(2,905)</u>

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Period ended 30 November 2006

12. 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.

13. 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