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Cayman Islands

MORGAN STANLEY HIMALIA CAYMAN LIMITED

Report and Accounts

30 November 2007

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MORGAN STANLEY HIMALIA CAYMAN LIMITED

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MORGAN STANLEY HIMALIA CAYMAN LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for Morgan Stanley Himalia Cayman Limited (the "Company") for the year ended 30 November 2007.

RESULTS AND DIVIDENDS

The loss for the year, after tax, was €6,006,000 (€2,905,000 loss for the period from 25 January 2006 to 30 November 2006).

During the year, no dividends were paid or proposed.

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 year under review and no significant change in the Company's principal business is expected.

The profit and loss account for the year is set out on page 4. The Company's loss has increased from €2,905,000 in the prior period to €6,006,000. This is due to an increase in intercompany interest payable.

The balance sheet on page 5 of the financial statements shows that the Company's net liabilities at the end of the year were €4,129,000, an increase of 42% from the prior year (30 November 2006: €2,905,000). The impact of the increased loss for the year on the Company's net liabilities has been partially offset by the issue of share capital in the year.

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.

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 business activities in consideration of each individual legal entity, including the use of derivatives for risk management purposes by the Company, 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, mitigating credit risk through the use of collateral and other arrangements 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 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.

**MORGAN STANLEY HIMALIA CAYMAN LIMITED
INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF MORGAN
STANLEY HIMALIA CAYMAN LIMITED**

DIRECTORS

The following Directors held office throughout the year and to the date of this report (except where otherwise shown):

B Gill (appointed 16 January 2007)
S I Merry
L A Nash (resigned 1 May 2008)
M Slingo (resigned 20 December 2006)

AUDITORS

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 confirm 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.

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 laws of the Cayman Islands and accordingly, no audit was undertaken in the year ended November 2006. The Directors and Company's shareholder 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 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 29 October 2008


Director
B. Gill

MORGAN STANLEY HIMALIA CAYMAN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF MORGAN STANLEY HIMALIA CAYMAN LIMITED

We have audited the non-statutory financial statements of Morgan Stanley Himalia Cayman Limited for the year ended 30 November 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

As explained in the Statement of Directors' responsibilities, these financial statements have been prepared in accordance with the requirements of the Company's Articles of Association, to be in accordance with Part VII of the United Kingdom Companies Act 1985 ("UK Companies Act 1985"), that would have applied had they been statutory accounts under the Act, and are solely for the use of the Directors.

Our report is prepared solely for the confidential use of the Directors of Morgan Stanley Himalia Cayman Limited and solely for the purpose of assisting the Directors in their stewardship of the Company. Our report must not be made available or copied in whole or in part to any other party save for the Financial Services Authority ("FSA") where there is a statutory obligation to do so and may not be relied upon by any other party for any purpose whatsoever. Notwithstanding that a copy of our Report will be provided to the FSA, no-one (including, without limitation the FSA) other than the Directors is entitled to rely on our report for any purpose whatsoever and we accept no duty of care or liability to any other party (including without limitation, the FSA), who is shown or gains access to this report.

Respective responsibilities of Directors and auditors

As stated in the Statement of Directors' responsibilities and in accordance with the Articles of Association, the Company's Directors are responsible for the preparation of the financial statements in accordance with part VII of the UK Companies Act 1985, which permits the use of UK accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with part VII of the UK 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of the financial statements. As the company was exempt from audit in the prior period we have not audited the corresponding amounts for that period.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 November 2007 and of its loss for the year then ended. We have not audited the prior year comparative balances;
- the financial statements have been properly prepared in accordance with the provisions of part VII of the UK Companies Act 1985 that would have applied had they been statutory accounts under that Act; and the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants
London, United Kingdom

Date 28 November 2008

MORGAN STANLEY HIMALIA CAYMAN LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 November 2007

	Note	Year to 30 November 2007 €'000	Unaudited 25 January 2006 to 30 November 2006 €'000
Administrative expenses	4	(9)	-
OPERATING LOSS		<u>(9)</u>	<u>-</u>
Other interest receivable and similar income	5	327	230
Interest payable and similar charges	6	<u>(6,324)</u>	<u>(3,135)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,006)	(2,905)
Tax on loss on ordinary activities	7	-	-
LOSS FOR THE FINANCIAL YEAR/PERIOD		<u><u>(6,006)</u></u>	<u><u>(2,905)</u></u>

All operations were continuing in the current year.

There were no recognised gains or losses during the 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' deficit has been prepared in note 12 to the accounts.

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

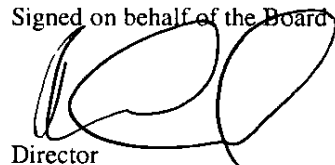
MORGAN STANLEY HIMALIA CAYMAN LIMITED

BALANCE SHEET 30 November 2007

		30 November 2007 €'000	Unaudited 30 November 2006 €'000
FIXED ASSETS			
Investments	8	<u>135,000</u>	<u>135,000</u>
CURRENT ASSETS			
Debtors	9	<u>268,875</u>	<u>6,648</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	10	<u>(408,004)</u>	<u>(144,553)</u>
NET CURRENT LIABILITIES		<u>(139,129)</u>	<u>(137,905)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(4,129)</u>	<u>(2,905)</u>
CAPITAL AND RESERVES			
Called up share capital	11	4,782	-
Profit and loss account	12	(8,911)	(2,905)
SHAREHOLDERS' DEFICIT		<u>(4,129)</u>	<u>(2,905)</u>

These accounts were approved by the Board on 29 October 2008

Signed on behalf of the Board



Director

B. Gill

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2007

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.

The comparatives for the period ending 30 November 2006 are unaudited as the company was exempt in the prior period.

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 interest expense is recognised on an accruals basis.

e) Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment.

f) Offsetting of financial assets and financial liabilities

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.

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

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 November 2007

3. STAFF COSTS

The Company employed no staff during the year (2006: nil).

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2006: €nil).

4. OPERATING LOSS

	Year to 30 November 2007 €'000	Unaudited 25 January 2006 to 30 November 2006 €'000
Auditors' remuneration – audit fees	<u>9</u>	<u>-</u>

The Company was not audited in the prior period therefore there is a nil charge for 2006.

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year to 30 November 2007 €'000	Unaudited 25 January 2006 to 30 November 2006 €'000
Interest receivable from Group undertakings	<u>327</u>	<u>230</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 30 November 2007 €'000	Unaudited 25 January 2006 to 30 November 2006 €'000
Interest expense related to Group undertakings	<u>6,324</u>	<u>3,135</u>

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2007

7. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of credit in the year/period

	Year to 30 November 2007 €'000	Unaudited 25 January 2006 to 30 November 2006 €'000
UK corporation tax at 30%		
- Current year/period	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax credit for the year/period

The current period UK taxation credit is higher than that resulting from applying the standard UK corporation tax rate of 30% (2006: 30%). The main differences are explained below:

	Year to 30 November 2007 €'000	Unaudited 25 January 2006 to 30 November 2006 €'000
Loss on ordinary activities before tax	(6,006)	(2,905)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(1,802)	(872)
Effects of:		
Group relief surrendered for nil consideration	1,802	872
Current tax credit for the year/period	-	-

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2007

8. FIXED ASSET INVESTMENTS

	Subsidiary undertakings €'000
Cost	
At 1 December 2006 and 30 November 2007	<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 2007, 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

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2007

9. DEBTORS

	30 November 2007 €'000	Unaudited 30 November 2006 €'000
Amounts due from Group undertakings	<u>268,875</u>	<u>6,648</u>

10. OTHER CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November 2007 €'000	Unaudited 30 November 2006 €'000
Amounts owed to Group undertakings	<u>408,004</u>	<u>144,553</u>

11. CALLED UP SHARE CAPITAL

Ordinary share capital

	2007 Number	Unaudited 2006 Number
Authorised:		
Equity shares		
Ordinary shares of \$1 each	50,000	50,000
Ordinary shares of €1 each	<u>10,000,000</u>	<u>-</u>
	<u>10,050,000</u>	<u>50,000</u>
	2007	Unaudited
	€'000	2006
		€'000
Allotted and fully paid:		
Equity shares		
1 ordinary share of \$1 each	-	-
4,781,582 ordinary shares of €1 each	4,782	-
	<u>4,782</u>	<u>-</u>

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

On 15 March 2007 the Company's authorised share capital was increased by €10,000,000 by the creation of 10,000,000 ordinary shares of €1 each ranking pari passu with existing ordinary shares of \$1 each in the Company.

On 15 March 2007, 4,781,582 ordinary shares of €1 each were issued at par, fully paid for cash consideration.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE ACCOUNTS Year ended 30 November 2007

12. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	Called up ordinary share capital €'000	Profit and loss account €'000	Total €'000
Loss for the period	-	(2,905)	(2,905)
As at 1 December 2006		(2,905)	(2,905)
Share capital subscribed (note 11)	4,782	-	4,782
Loss for the year	-	(6,006)	(6,006)
As at 30 November 2007	4,782	(8,911)	(4,129)

13. RELATED PARTY TRANSACTIONS

The Company is exempt from the requirement to disclose transactions with fellow Group undertakings under paragraph 3(c) of FRS 8: *Related Party Disclosures*. There were no other related party transactions requiring disclosure.

14. 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.