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MORGAN STANLEY HIMALIA CAYMAN LIMITED

Report and financial statements

31 December 2011

THURSDAY



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COMPANIES HOUSE

MORGAN STANLEY HIMALIA CAYMAN LIMITED

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MORGAN STANLEY HIMALIA CAYMAN LIMITED

DIRECTORS' REPORT

The Directors present their report and consolidated financial statements of Morgan Stanley Himalia Cayman Limited (the "Company") and all of its subsidiary undertakings (together the "Group"), together with the Company's balance sheet and related notes for the year ended 31 December 2011. The Group's consolidated financial statements have been prepared in accordance with applicable Cayman Islands law and United Kingdom accounting standards.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was €611,000 (2010: €99,000 profit after tax).

During the year no dividends were paid or proposed (2010: €nil).

PRINCIPAL ACTIVITY

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

The Company is an exempt company incorporated under the laws of the Cayman Islands.

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

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

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

BUSINESS REVIEW

The Group's profit and loss account for the year is set out on page 6. The Group's profit for the year has increased by €512,000, from €99,000 in the prior year to €611,000 in the current year. The increase in profit is driven primarily by an increase in the average EUR floating rate of interest (the "Average Rate") receivable by the Group on its net assets of €7,586,000. The Average Rate increased from 2.07% in 2010 to 2.4% in 2011.

The Group balance sheet is set out on page 7. The Group's net assets at the end of the year were €7,586,000, compared to net assets of €6,975,000 in the prior year with the increase attributable to interest accrued on loans. On 14 December 2011, the Company recalled loans to other Morgan Stanley Group undertakings of €474,969,000, and used these funds to repay loans to other Morgan Stanley Group undertakings of €465,872,000, and issue a new loan for €8,807,000.

The Group is currently in a shareholders' deficit position. The deficit is due to amounts owing to fellow Morgan Stanley Group undertakings within the next 12 months, the demand for repayment of which is wholly within the control of the Morgan Stanley Group. As discussed in the Risk Management section below, and in note 1(b) to the Company financial statements, the Company operates within the global liquidity management framework of the Morgan Stanley Group and relies on this framework to provide sufficient liquidity to meet its obligations.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

The performance of the Group 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 Group's Directors believe that providing performance indicators for the Group itself would not enhance an understanding of the development, performance or position of the business of the Group.

Current market conditions

During 2011, economic conditions have remained challenging with concerns about the sovereign debt crisis in Europe, the US federal debt ceiling and slower economic growth leading to volatility on the global equity markets. These conditions present difficulties and uncertainty for the business outlook which may adversely impact the financial performance of the Group in the future.

Morgan Stanley continues to actively manage its capital and liquidity position to ensure adequate resources are available to support the activities of the Morgan Stanley Group, to enable the Morgan Stanley Group to withstand market stresses, and to meet regulatory stress testing requirements proposed by regulators globally. Throughout 2011, the Morgan Stanley Group has been focused 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.

In line with this active management, in June 2011, the Morgan Stanley Group's capital position has been further strengthened by converting its outstanding Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock with a face value of \$7.8 billion and a 10% dividend issued to Mitsubishi UFJ Financial Group Inc ("MUFG"), for 385,464,097 shares in Morgan Stanley's common stock.

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

Risk management

Risk is an inherent part of the Group'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.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

DIRECTORS' REPORT (CONTINUED)

Risk management (continued)

Liquidity and funding risk

Liquidity and funding risk refers to the risk that the Group will be unable to meet its funding obligations in a timely manner. Liquidity risk stems from the potential risk that the Group 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 Group 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 Group, 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 Group'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.

Operational risk

Operational risk refers to the risk of financial or other loss, or damage to the Group's or the Morgan Stanley Group's reputation, resulting from inadequate or failed internal processes, people, resources, systems or from other internal or external events (e.g. internal or external fraud, legal and compliance risks, damage to physical assets, etc.). Legal and compliance risk is included in the scope of operational risk and is discussed below under "Legal and regulatory risk".

The Morgan Stanley Group has established an operational risk management process which operates on a global and regional basis to identify, measure, monitor and control risk. Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal, regulatory, and reputational risks.

Legal and regulatory risk

Legal and regulatory risk includes the risk of exposure to fines, penalties, judgements, damages and/or settlements in conjunction with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements or litigation. Legal risk also includes contractual risk such as the risk that a counterparty's performance obligations will be unenforceable. In the current environment of rapid and possibly transformational regulatory change, the Morgan Stanley Group also views regulatory change as a component of legal risk.

The Morgan Stanley Group has established procedures based on legal and regulatory requirements on a worldwide basis that are designed to foster compliance with applicable statutory and regulatory requirements. The Morgan Stanley Group, principally through the Legal and Compliance Division, also has established procedures that are designed to require that the Morgan Stanley Group's policies relating to conduct, ethics and business practices are followed globally. In connection with its businesses, the Morgan Stanley Group has and continuously develops various procedures addressing issues such as regulatory capital requirements, sales and trading practices, new products, potential conflicts of interest, structured transactions, use and safekeeping of customer funds and securities, credit granting, money laundering, privacy and recordkeeping. In addition, the Morgan Stanley Group has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The legal and regulatory focus on the financial services industry presents a continuing business challenge for the Morgan Stanley Group.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

DIRECTORS' REPORT (CONTINUED)

Risk management (continued)

Legal and regulatory risk (continued)

Significant changes in the way that major financial services institutions are regulated are occurring in the UK, Europe, the US and worldwide. The reforms being discussed and, in some cases, already implemented, include several that contemplate comprehensive restructuring of the regulation of the financial services industry. Such measures will likely lead to stricter regulation of financial institutions generally, and heightened prudential requirements for systemically important firms in particular. Such measures could include taxation of financial transactions, liabilities and employee compensation as well as reforms of the over-the-counter ("OTC") derivatives markets, such as mandated exchange trading and clearing, position limits, margin, capital and registration requirements.

Many of these reforms, if enacted, may materially affect the Group's and the Morgan Stanley Group's business, financial condition, results of operations and cash flows in the future.

DIRECTORS

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

P K M Falk

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 of the United Kingdom (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 the Directors of the Company.

POST BALANCE SHEET EVENTS

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

MORGAN STANLEY HIMALIA CAYMAN LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Company was incorporated as an exempt company in the Cayman Islands under the Laws of the Cayman Islands. The Directors and shareholders of the Company require the financial statements of the Company to be prepared in accordance with Part 15 of the Companies Act 2006 of the United Kingdom (this would have applied had these been statutory accounts under the Companies Act 2006) and drawn up in Euros

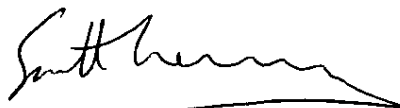
The Directors are required to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- 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, 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



S. Merry
28 May 2012

MORGAN STANLEY HIMALIA CAYMAN LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2011

	Note	2011 €'000	2010 €'000
Interest income	2	10,831	9,588
Interest expense	3	(10,216)	(9,458)
Other expense	4	(4)	(31)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		611	99
Tax on profit on ordinary activities	7	-	-
PROFIT FOR THE FINANCIAL YEAR		611	99

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 11 to the consolidated financial statements

The notes on pages 8 to 12 form an integral part of the consolidated financial statements

MORGAN STANLEY HIMALIA CAYMAN LIMITED

Registered number MC 161513

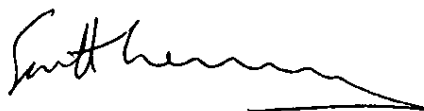
CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 €'000	2010 €'000
CURRENT ASSETS			
Debtors	8	8,812	464,166
CREDITORS · AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(1,226)	(457,191)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,586</u>	<u>6,975</u>
CAPITAL AND RESERVES			
Called up share capital	10	4,782	4,782
Profit and loss account	11	2,804	2,193
SHAREHOLDERS' FUNDS		<u>7,586</u>	<u>6,975</u>

These financial statements were approved by the Board and authorised for issue on 28 May 2012
Signed on behalf of the Board

Director
S. Merry



The notes on pages 8 to 12 form an integral part of the consolidated financial statements

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **Year ended 31 December 2011**

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The Group financial statements 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, which permits the use of United Kingdom company law and the use of United Kingdom accounting standards in the preparation of financial statements

b) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries made up to 31 December 2011. The financial statements for the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. Subsidiaries are consolidated from the date that the Group gains control until the date that control ceases.

Intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in preparing the consolidated financial statements.

c) The going concern assumption

The Group'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 5.

As set out in the Directors' report, the Group 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 Group, and the Group's capital and liquidity position is satisfactory.

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

d) Functional currency

Items included in the financial statements are measured and presented in Euros, the currency of the primary economic environment in which the Group operates.

All currency amounts in the financial statements and Directors' report are rounded to the nearest thousand Euros.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2011

1 ACCOUNTING POLICIES (CONTINUED)

e) 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 prevailing at the dates of the transactions. All translation differences are taken through the profit and loss account and are presented in 'Other income' or 'Other expense'.

f) Recognition of income and expense

i) Interest income and expense

Interest income and interest expense are recognised on an accruals basis within 'Interest income' and 'Interest expense' in the profit and loss account.

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.

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and current tax liabilities on a net basis.

h) Cash flow statement

The Group's ultimate parent undertaking produces consolidated financial statements in which the Group is included and which are publicly available. Accordingly, the Group, which is a wholly-owned subsidiary, has elected to avail itself of the exemption provided in Financial Reporting Standard ("FRS") 1 (Revised 1996) *Cash flow statements* and not present a cash flow statement.

2 INTEREST INCOME

	2011 €'000	2010 €'000
Interest income from loans to Morgan Stanley Group undertakings	<u>10,831</u>	<u>9,588</u>

3. INTEREST EXPENSE

	2011 €'000	2010 €'000
Interest expense on loans from Morgan Stanley Group undertakings	<u>10,216</u>	<u>9,458</u>

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **Year ended 31 December 2011**

4. OTHER EXPENSE

	2011 €'000	2010 €'000
Foreign exchange losses	4	16
Auditors' remuneration		
Audit fees		
Audit of subsidiaries financial statements	-	15
	<u>4</u>	<u>31</u>

5. STAFF COSTS

The Group employed no staff during the year (2010 nil)

6. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Group during the year (2010 nil)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2011 €'000	2010 €'000
UK corporation tax at 26.49% (2010 28%)		
-Current year	-	-
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the year

The current year UK taxation charge is lower than that resulting from applying the average standard UK corporation tax rate of 26.49% (2010 28%). The main differences are explained below

	2011 €'000	2010 €'000
Profit on ordinary activities before tax	<u>611</u>	<u>99</u>
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 26.49% (2010 28%)	162	28
Effects of:		
Group relief received for nil consideration	(162)	(28)
Current tax charge for the year	<u>-</u>	<u>-</u>

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

7. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

Finance (No. 2) Act 2010 enacted a 1% reduction in the UK corporation tax rate to 27% with effect from April 2011. Finance Act 2011 enacted a further 1% reduction in the rate of UK corporation tax to 26% from April 2011. The combined 2% reduction in the tax rate impacted the current tax charge in 2011.

Finance Act 2011 enacted an additional 1% reduction to the UK corporation tax rate to 25% with effect from April 2012. In the Budget announcement on the 21 March 2012, this reduction was increased to 2% and was substantively enacted on 26 March 2012. The combined 2% reduction in the tax rate to 24% from 1 April 2012 will impact the current tax charge in 2012.

8. DEBTORS

	2011 €'000	2010 €'000
Debtors classified within loans and receivables at amortised cost		
Amounts due from Morgan Stanley Group undertakings	<u>8,812</u>	<u>464,166</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 €'000	2010 €'000
Amounts owed to Morgan Stanley Group undertakings	<u>1,226</u>	<u>457,191</u>

10. CALLED UP SHARE CAPITAL

	2011 €'000	2010 €'000
Allotted and fully paid:		
Equity shares		
1 ordinary share of \$1 each	-	-
4,781,582 ordinary share of €1 each	<u>4,782</u>	<u>4,782</u>
	<u>4,782</u>	<u>4,782</u>

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2011

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital €'000	Profit and loss account €'000	Total €'000
At 1 January 2010	4,782	2,094	6,876
Profit for the financial year	-	99	99
At 1 January 2011	4,782	2,193	6,975
Profit for the financial year	-	611	611
At 31 December 2011	4,782	2,804	7,586

12. SEGMENTAL REPORTING

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

13. RELATED PARTY TRANSACTIONS

The Group 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.

14. PARENT UNDERTAKINGS

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

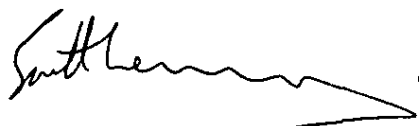
MORGAN STANLEY HIMALIA CAYMAN LIMITED
Registered Number MC161513

COMPANY BALANCE SHEET
As at 31 December 2011

	Note	2011 €'000	2010 €'000
FIXED ASSETS			
Investments	3	135,000	135,000
CURRENT ASSETS			
Debtors	4	8,814	9,091
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5	<u>(167,661)</u>	<u>(164,726)</u>
NET CURRENT LIABILITIES		(158,847)	(155,635)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(23,847)</u>	<u>(20,635)</u>
CAPITAL AND RESERVES			
Called up share capital	6	4,782	4,782
Profit and loss account	7	(28,629)	(25,417)
SHAREHOLDERS' DEFICIT		<u>(23,847)</u>	<u>(20,635)</u>

These financial statements were approved by the Board and authorised for issue on **28 May 2012**
Signed on behalf of the Board

Director
S. Merry



The notes on pages 14 to 18 form an integral part of the financial statements

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS **Year ended 31 December 2011**

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom company law and United Kingdom accounting standards. The Company is incorporated under Cayman law, which permits the use of United Kingdom company law and the use of United Kingdom accounting standards in the preparation of financial statements.

b) The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Directors' report on pages 1 to 4.

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 Group and to the Company. Although the Company is in a net liability position, the Company is performing in line with expectations and the net liability position is due to amounts owing to fellow Morgan Stanley Group undertakings within the next 12 months, the demand for repayment of which is wholly within the control of the Morgan Stanley Group.

Taking all of these factors into consideration, the Directors believe it is reasonable to assume that the Company will not be required to meet its debts without the Company having 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 Euros, 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 Euros.

d) 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 prevailing at the dates of the transactions. All translation differences are taken through the profit and loss account and are presented in 'Other income' or 'Other expense'.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS Year ended 31 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

e) Recognition of income and expense

i) Net gains/ losses on fixed asset investments

Dividend income from fixed asset investments is recognised when the Company's right to receive payment is established and is reported within 'Net gains/ losses from fixed asset investments' as described in note 1(f)

ii) Interest income and expense

Interest income and interest expense are recognised on an accruals basis within 'Interest income' and 'Interest expense' in the profit and loss account, with the exception of interest from fixed asset investments as described in note 1(f)

f) Fixed asset investments

Fixed asset investments 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(d) above.

Interest, dividend income, impairment losses and reversal of impairment losses on fixed asset investments, and foreign exchange differences on monetary fixed asset investments are reported in the profit and loss account in 'Net gains/ losses from fixed asset investments'.

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.

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. PROFIT AND LOSS ACCOUNT OF THE COMPANY

The Company has taken advantage of the exemption, as permitted by section 408 of the Companies Act 2006, from presenting its own profit and loss account. The Company's loss after taxation for the year ended 31 December 2011 was €3,212,000 (2010: €3,239,000 loss after tax). During the year, no dividends were paid (2010: €Nil).

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS Year ended 31 December 2011

3. FIXED ASSET INVESTMENTS

Fixed asset investments in subsidiary undertakings

	Subsidiary undertakings €'000
Cost and Net Book Value At 31 December 2011	135,000

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, are as follows

Name of company	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights	Nature of Business
Morgan Stanley Sinope Cayman Limited	Cayman Islands	Ordinary Shares	100%	100%	Holding company
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Ordinary Shares	100%*	23.529%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Class A Redeemable Preference Shares	100%*	76.469%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Class B Redeemable Preference Shares	100%*	0.001%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Class C Redeemable Preference Shares	100%*	0.001%	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 COMPANY FINANCIAL STATEMENTS Year ended 31 December 2011

4. DEBTORS

	2011 €'000	2010 €'000
Amounts due from Morgan Stanley Group undertakings	<u>8,814</u>	<u>9,091</u>

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 €'000	2010 €'000
Amounts owed to Morgan Stanley Group undertakings	<u>167,661</u>	<u>164,726</u>

6. CALLED UP SHARE CAPITAL

	2011 €'000	2010 €'000
Allotted and fully paid:		
Equity shares		
1 ordinary share of \$1 each	-	-
4,781,582 ordinary shares of €1 each	<u>4,782</u>	<u>4,782</u>
	<u>4,782</u>	<u>4,782</u>

7. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	Called up share capital €'000	Profit and loss account €'000	Total €'000
At 1 January 2010	4,782	(22,178)	(17,396)
Loss for the financial year	-	(3,239)	(3,239)
At 1 January 2011	<u>4,782</u>	<u>(25,417)</u>	<u>(20,635)</u>
Loss for the financial year	-	(3,212)	(3,212)
At 31 December 2011	<u>4,782</u>	<u>(28,629)</u>	<u>(23,847)</u>

8. 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)

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2011

9. 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.

10. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling entity, immediate controlling party, and the largest and smallest 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.