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MSREF (U.K.) LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2007

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COMPANIES HOUSE

MSREF (U.K.) LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31st December 2007

INCORPORATION

MSREF (U K) Limited (the 'Company') is incorporated in England and Wales

ACTIVITY

The principal activity of the Company was the holding of investments

RESULTS AND DIVIDENDS

The loss for the year amounted to £ 1,988 (2006 profit £ 1,041)

The Directors are unable to recommend a dividend for the year (2006 £ nil)

DIRECTORS

The Directors who held office during the year and subsequently were -

R R W Falls

N M Kessell (Resigned 1 February 2007)

A J Cooper (Resigned 21 February 2008)

M Overwater (Appointed 1 February 2007 - resigned 8 February 2008)

J R Jones (Appointed 11 April 2008)

REGISTERED OFFICE

8th Floor
68 King William Street
London EC4N 7DZ

BY ORDER OF THE BOARD



Authorised signatory

Mourant & Co. Secretaries Limited

Secretary

Date 29 OCTOBER 2008

MSREF (U.K.) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the Directors to prepare financial statements which shall be in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the Company for the year and of the state of the Company's affairs at the end of the year

In preparing the financial statements the Directors are required to

- * select suitable accounting policies and then apply them consistently,
- * make judgements and estimates that are reasonable and prudent,
- * state whether applicable accounting standards have been followed, and
- * prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Company's transactions and are such as to 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 the system of internal controls, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, errors and other irregularities

MSREF (U.K.) LIMITED**BALANCE SHEET****AS AT 31ST DECEMBER 2007**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		£	£
CURRENT ASSETS			
Debtors	5	30	61
Cash		33	3
		<u>63</u>	<u>64</u>
CREDITORS: (Amounts falling due within one year)			
Shareholders' loans payable	2	(6,498)	(6,498)
Loan payable	3	(9,596)	(7,021)
Other creditors	4	(16)	(604)
		<u>(16,110)</u>	<u>(14,123)</u>
NET CURRENT LIABILITIES		<u>(16,047)</u>	<u>(14,059)</u>
TOTAL NET LIABILITIES		<u>(16,047)</u>	<u>(14,059)</u>
CAPITAL AND RESERVES			
Share capital	6	3	3
Profit and loss account		(16,050)	(14,062)
SHAREHOLDERS' DEFICIT	9	<u>(16,047)</u>	<u>(14,059)</u>

AUDIT EXEMPTION

- (a) For the year ended 31st December 2007 the Company was entitled to exemption under s 249A(1) of the Companies Act 1985
- (b) No notice has been deposited under s 249B(2) of the Companies Act 1985 requiring audited financial statements to be prepared
- (c) The directors recognise their responsibilities for
- (i) ensuring the Company maintains accounting records in accordance with s 221 of the Companies Act 1985, and
 - (ii) preparing financial statements which give a true and fair view of the state of the Company's affairs at the end of the financial year and of any profit or loss in accordance with s 226 of the Companies Act 1985 and otherwise comply with the provisions of the Companies Act 1985 as they relate to financial statements
- (d) Advantage has been taken of the exemptions conferred by Section A of Sch 8 of the Companies Act 1985
- (e) In the opinion of the directors, the Company is entitled to those exemptions on the basis that it qualifies as a small Company
- ii) Preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of its financial year, and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to financial statements, so far as applicable to the company

The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board of Directors on the 27 day of oct 2008 and were signed on its behalf by:

Director: 

(The notes on pages 5 to 8 form part of these unaudited financial statements)

MSREF (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31ST DECEMBER 2007**

	<u>Note</u>	<u>2007</u>	<u>2006</u>
		£	£
EXPENDITURE:			
Administration fees		1,750	1,750
Professional fees		-	588
Audit fees		-	(3,640)
Annual filing fee		30	30
Sundry expenses		209	247
		<hr/>	<hr/>
		(1,989)	1,025
Deposit interest receivable		<hr/> 1	<hr/> 16
(LOSS) / PROFIT FOR THE YEAR	9	<hr/> (1,988) <hr/>	<hr/> 1,041 <hr/>

Continuing operations

All items dealt with in arriving at the loss for the year ended 31st December 2007 and the profit for the year ended 31st December 2006 relate to continuing operations

Recognised gains and losses

There are no recognised gains and losses other than the loss attributable to shareholders of the Company of £ 1,988 for the year ended 31st December 2007 and the profit of £ 1,041 for the year ended 31st December 2006

(The notes on pages 5 to 8 form part of these unaudited financial statements)

MSREF (U.K.) LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31ST DECEMBER 2007****1 ACCOUNTING POLICIES**

These unaudited financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The more significant accounting policies used are set out below -

Going concern

As at 31st December 2007 the Company's balance sheet shows net liabilities of £ 16,047 (2006 £ 14,059). Included in this total are loans from the shareholders of £ 6,498 (2006 £ 6,498), and loans from related entities of £ 9,596 (2006 £ 7,021) who have indicated that they will not seek repayment if such repayment would jeopardize the financial position of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

Income and Expenses

Income and expenses are recognised on an accruals basis.

Investments

Investments are being held for the long term and are accordingly stated at cost, but written down to their realisable value if, in the Directors' opinion, there has been a permanent diminution in their value.

Deposit interest

Deposit interest is recognised on an accruals basis.

Statement of cash flows

A cash flow statement has not been included in these unaudited financial statements as the Company qualifies for exemption as a small company under the terms of Financial Reporting Standard No 1 (Revised) "Cash Flow Statements".

MSREF (U.K.) LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31ST DECEMBER 2007****2. SHAREHOLDERS' LOANS PAYABLE**

	<u>2007</u>	<u>2006</u>
	£	£
MSREF IV International - T, L P	2,166	2,166
MSREF IV International - TE, L P	2,166	2,166
MSREF IV Special International - L P	2,166	2,166
	<hr/>	<hr/>
	6,498	6,498
	<hr/>	<hr/>

The loans are unsecured, interest free and repayable on demand

3. LOAN PAYABLE

	<u>2007</u>	<u>2006</u>
	£	£
MSREF (Jersey) Limited	4,278	1,703
MSREF (Welbeck) Limited	5,318	5,318
	<hr/>	<hr/>
	9,596	7,021
	<hr/>	<hr/>

The loans are unsecured, interest free and repayable on demand

4. OTHER CREDITORS

	<u>2007</u>	<u>2006</u>
	£	£
Annual filing fee	15	15
Professional fees	-	588
	<hr/>	<hr/>
	15	603
	<hr/>	<hr/>

5. DEBTORS

	<u>2007</u>	<u>2006</u>
	£	£
CIT Property Services Limited	-	1
Sundry - cancelled cheque	-	30
MSREF (Welbeck Street UK) Limited	30	30
	<hr/>	<hr/>
	30	61
	<hr/>	<hr/>

MSREF (U.K.) LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31ST DECEMBER 2007****6. SHARE CAPITAL**

	<u>2007</u>	<u>2006</u>
	£	£
AUTHORISED		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
ISSUED AND FULLY PAID		
3 ordinary shares of £1 each	3	3
	<hr/>	<hr/>

7. TAXATION

The Company is tax resident in England and therefore is subject to UK corporation tax

Tax on ordinary activities	<u>2007</u>	<u>2006</u>
(a) Analysis of charge in year		
Current Tax	£	£
UK corporation tax on (loss) / profit for the year	-	-
	<hr/>	<hr/>
Total current tax (note 7(b))	-	-
	<hr/>	<hr/>
(b) Factors affecting tax charge for year		
(Loss) / Profit on ordinary activities before tax	(1,988)	1,041
	<hr/>	<hr/>
(Loss) / Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(596)	312
Effect of		
Unrecognised deferred tax asset	596	-
Adjustment for tax carried forward from previous year	-	(312)
	<hr/>	<hr/>
Current tax charge for period (note 7(a))	-	-
	<hr/>	<hr/>

MSREF (U.K.) LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS - (CONTINUED)**FOR THE YEAR ENDED 31ST DECEMBER 2007****8. DEFERRED TAX**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. 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.

**9. RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' DEFICIT**

	Share Capital	Profit & Loss Account	Total Shareholders' Deficit
As at 1st January 2006	3	(15,103)	(15,100)
Profit for the year	-	1,041	1,041
As at 31st December 2006	3	(14,062)	(14,059)
Loss for the year	-	(1,988)	(1,988)
As at 31st December 2007	3	(16,050)	(16,047)

10. DIRECTORS' REMUNERATION, INTERESTS AND TRANSACTIONS

The Directors are not remunerated by the Company. There are no directors' interests or transactions with the Company requiring disclosure under Financial Reporting Standards No 8 "Related Party Disclosures".

11. EMPLOYEE DISCLOSURES

The average number of employees employed by the Company during the year was nil (2006: nil).

12. CONTROLLING PARTY

The immediate controlling parties are MSREF IV International - T, L P, MSREF IV International TE, L P and MSREF IV Special International L P. The ultimate controlling party is an entity within the Morgan Stanley group.