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Jersey Company Registered Number: 74794

UK Company Registered Number: FC022413

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CORNWALL FINANCING UK LIMITED

Report and financial statements

31 December 2010

TUESDAY



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15/11/2011
COMPANIES HOUSE

CORNWALL FINANCING UK LIMITED

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CORNWALL FINANCING UK LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the profit and loss account, the balance sheet, and the related notes, 1 to 14) for Cornwall Financing UK Limited (the "Company") for the year ended 31 December 2010

RESULTS AND DIVIDENDS

The profit for the year, after tax, was \$12,000 (2009 \$13,000 profit after tax)

During the year no dividends were paid or proposed (2009 \$nil)

PRINCIPAL ACTIVITY

The principal activity of the Company is to enter into financing transactions and investments

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

BUSINESS REVIEW

The profit and loss account for the year is set out on page 4 The Company's profit for the year is \$12,000, a decrease of \$1,000 over the prior year This movement is primarily due to a decrease in net intercompany interest from loans with Morgan Stanley Group undertakings as a result of a decrease in average interest rates compared to the prior year

The balance sheet on page 5 of the financial statements shows that the Company's net assets at the end of the year were \$458,000, an increase of \$12,000 over the prior year This movement is due to an increase in the amounts due from other Morgan Stanley Group undertakings as a result of interest accrued during the year

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

Current market conditions

During 2010, economic conditions have remained challenging These conditions present difficulties and uncertainty for the business outlook which may adversely impact the financial performance of the Company 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 the year, 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

CORNWALL FINANCING UK LIMITED

DIRECTORS' REPORT

In line with this active management, in August 2010, the Morgan Stanley Group strengthened its capital position by converting \$5.6 billion of subordinated debentures issued to China Investment Corporation Limited into \$5.6 billion of equity shares. 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 Company'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 Company'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.

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.

Liquidity risk

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

DIRECTORS

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

G Adams

A N Chrishan

I Gonen

R M Taylor

B J J Walker

(Appointed 24 June 2010)

(Appointed 28 June 2010 Resigned 20 September 2011)

(Appointed 24 June 2010)

(Resigned 25 June 2010)

CORNWALL FINANCING UK LIMITED

DIRECTORS' REPORT

DIRECTORS' LIABILITY INSURANCE

Directors' and Officers' Liability Insurance is taken out by Morgan Stanley, the Company's ultimate parent undertaking, for the benefit of all the Directors and Officers of the Company

POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date

DIRECTORS' RESPONSIBILITIES STATEMENT

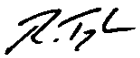
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Jersey company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable Jersey law and United Kingdom Generally Accepted Accounting Practice. Under Jersey company law the Directors must not approve the financial statements unless they are satisfied that they 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 these 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, subject to any material departures disclosed and explained in the financial statements, 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 (Jersey) Law 1991. 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


Richard Thorne
Director
14/10/2011

CORNWALL FINANCING UK LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

	Note	2010 \$'000	2009 \$'000
Interest income	2	18	95
Interest expense	3	(8)	(80)
Other income	4	2	-
Other expense	5	-	(2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12	13
Tax on profit on ordinary activities	7	-	-
PROFIT FOR THE FINANCIAL YEAR		12	13

All operations were continuing in the current year and prior year

There were no recognised gains or losses during the current year 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 financial statements.

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

CORNWALL FINANCING UK LIMITED

Jersey Company Registration Number 74794

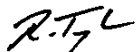
UK Company Registered number FC022413

BALANCE SHEET

As at 31 December 2010

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS			
Debtors	8	899	836
		<u>899</u>	<u>836</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(441)	(390)
		<u>458</u>	<u>446</u>
NET CURRENT ASSETS			
		<u>458</u>	<u>446</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>458</u>	<u>446</u>
NET ASSETS		<u>458</u>	<u>446</u>
CAPITAL AND RESERVES			
Called up share capital	10	90	90
Share premium account	11	185	185
Other reserves	11	52	52
Profit and loss account	11	131	119
		<u>458</u>	<u>446</u>
SHAREHOLDERS' FUNDS		<u>458</u>	<u>446</u>

These financial statements were approved by the Board and authorised for issue on 14/10/2011
Signed on behalf of the Board


Richard Thomas
Director

The notes on pages 6 to 10 form an integral part of the financial statements

CORNWALL FINANCING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable Jersey company law and United Kingdom accounting standards

b) The going concern assumption

The Company'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 2

As set out in the Directors' report, 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 Morgan Stanley Group and to the Company, and the Company's capital and liquidity position is satisfactory

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

c) Functional currency

Items included in the financial statements are measured and presented in US Dollars, 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 US Dollars

d) Foreign currencies

All monetary assets and liabilities denominated in currencies other than US Dollars are translated into US Dollars at the rates ruling at the balance sheet date. Transactions in currencies other than US Dollars 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'

e) Recognition of 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

f) 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

CORNWALL FINANCING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

g) Cash flow statement

The Company's ultimate parent undertaking produces consolidated financial statements in which the Company is included and which are publicly available. Accordingly, the Company, 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

	2010 \$'000	2009 \$'000
Interest income from loans to Morgan Stanley Group undertakings	<u>18</u>	<u>95</u>

3. INTEREST EXPENSE

	2010 \$'000	2009 \$'000
Interest expense on loans from Morgan Stanley Group undertakings	<u>8</u>	<u>80</u>

4. OTHER INCOME

	2010 \$'000	2009 \$'000
Foreign exchange gains	<u>2</u>	<u>-</u>

5. OTHER EXPENSE

	2010 \$'000	2009 \$'000
Other foreign exchange losses	<u>-</u>	<u>2</u>

The Company employed no staff during the year (2009 Nil)

6. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2009 \$nil)

CORNWALL FINANCING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

With effect from the 2007 period of assessment, a company which is incorporated in Jersey but managed and controlled and resident for tax purposes outside of Jersey in a country or territory where the highest rate at which any company may be charged to tax on any part of its income is 20% or higher, will not be regarded as resident in Jersey for tax purposes

The Company is managed and controlled in the UK, and is therefore subject to UK Corporation Tax

Analysis of charge in the year

	2010 \$'000	2009 \$'000
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the year

The current year UK taxation charge is lower than that resulting from applying the standard UK corporation tax rate of 28% (2009 28%) The main differences are explained below

	2010 \$'000	2009 \$'000
Profit on ordinary activities before tax	12	13
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	3	4
Effects of: Group relief received for nil consideration	(3)	(4)
Current tax charge for the year	-	-

The Finance (No 2) Act 2010 enacted a 1% reduction in the UK corporation tax rate to 27% with effect from April 2011. In the Budget announcement on 23 March 2011, a further 1% reduction in the rate of UK corporation tax to 26% was announced and subsequently substantively enacted on 29 March 2011. The combined 2% reduction in the tax rate will impact the current tax charge in 2011. Finance Act 2011 received Royal Assent on 19 July 2011 and also enacted an additional 1% reduction to the UK corporation tax rate to 25% with effect from April 2012. This further 1% reduction in the tax rate will impact the current tax charge in 2012.

CORNWALL FINANCING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2010**

8. DEBTORS

	2010	2009
	\$'000	\$'000
Amounts due from Morgan Stanley Group undertakings	<u>899</u>	<u>836</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	\$'000	\$'000
Amounts owed to Morgan Stanley Group undertakings	<u>441</u>	<u>390</u>

10. CALLED UP SHARE CAPITAL

	2010	2009
	\$'000	\$'000
Allotted and fully paid:		
Equity shares		
200 ordinary shares of \$1 each	-	-
9,000,000 UEDP shares of \$0.01 each	<u>90</u>	<u>90</u>
	<u>90</u>	<u>90</u>

Unlimited Enhanced Dividend Preferred (UEDP) Shares

The Unlimited Enhanced Dividend Preferred Shares do not carry any voting rights in the Company and are not redeemable and may not be repurchased by the Company

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Share premium account \$'000	Other reserves \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2009	90	185	52	106	433
Profit for the financial year	-	-	-	13	13
At 1 January 2010	<u>90</u>	<u>185</u>	<u>52</u>	<u>119</u>	<u>446</u>
Profit for the financial year	-	-	-	12	12
At 31 December 2010	<u>90</u>	<u>185</u>	<u>52</u>	<u>131</u>	<u>458</u>

CORNWALL FINANCING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

12. 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)

13. 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.

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 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.

The Company's immediate controlling party and parent undertaking of the smallest group of companies for which group financial statements are drawn up and of which the Company is a member is MSDW Investments Holding (UK) Limited which is registered in England and Wales. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Mandy, Cardiff CF14 3UZ.