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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 2009

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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 13) for Cornwall Financing UK Limited (the "Company") for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The profit for the year, after tax, was \$13,000 (period from 1 December 2007 to 31 December 2008 \$6,000 loss after tax)

During the year no dividends were paid or proposed (period from 1 December 2007 to 31 December 2008 \$nil)

PRINCIPAL ACTIVITY

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"

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

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 comparative figures reflected in the financial statements are for a ~~thirteen month period from 1 December 2007~~ to 31 December 2008 and therefore are not entirely comparable with amounts shown for the current year to 31 December 2009

The profit and loss account for the year is set out on page 4 The Company's profit for the year is \$13,000, an increase of \$19,000 over the prior period This movement is primarily due to an increase in interest income from Morgan Stanley Group undertakings

The balance sheet on page 5 of the financial statements shows that the Company's net assets at the end of the year were \$446,000, an increase of \$13,000 over the prior period This increase is due to the accrual on the Company's net receivable from other Morgan Stanley group undertakings

The performance of the Company is included in the results of the Morgan Stanley Group which are discussed 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 the second half of 2009, global market and economic conditions improved and global capital markets began to recover from the severe downturn that occurred at the end of 2008 Economic conditions however continue to be challenging These conditions present difficulties and uncertainty for the business outlook which may adversely impact the financial performance of the Company in the future

During the year ending 31 December 2008, the Morgan Stanley Group took certain steps to respond to the stresses experienced in the global financial markets at the end of 2008 and to strengthen the Morgan Stanley Group's overall capital and liquidity position, including participation in the US Government's Troubled Asset Relief Program ("TARP") In mid 2009, as a result of its strong capital position, Morgan Stanley received approval from the US Treasury to repay the \$10 billion TARP investment received in 2008 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, including its subsidiary entities 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

CORNWALL FINANCING UK LIMITED

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

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 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, 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 capital policies of the Morgan Stanley Group. The Morgan Stanley Group's liquidity and funding risk management policies are designed to mitigate the potential risk that the Morgan Stanley Group and the Company may be unable to access adequate financing to service its financial obligations without material franchise or business impact. The key objectives of the liquidity and funding risk management framework are to support the successful execution of the Morgan Stanley Group's and the Company's business strategies while ensuring sufficient liquidity through the business cycle and during periods of stressed market conditions. The Morgan Stanley Group has established regional committees to oversee the activities of its subsidiaries from a regional perspective.

DIRECTORS

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

G Adams

B J J Walker

POST BALANCE SHEET EVENTS

There have been no significant events since the Balance Sheet date.

CORNWALL FINANCING UK LIMITED

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable Jersey law and United Kingdom accounting standards. 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 **GORDON ADAMS**

Gordon Adams

Director

17 JUNE 2010

CORNWALL FINANCING UK LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

	Note	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Interest income	2	95	52
Interest expense	3	(80)	(25)
Other expense	4	(2)	(33)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		13	(6)
Tax on profit/loss on ordinary activities	6	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR / PERIOD		13	(6)

All operations were continuing in the current year and prior period

There were no recognised gains or losses during the current year or prior 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 is disclosed in note 10 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 2009**

	Note	2009 \$'000	2008 \$'000
CURRENT ASSETS			
Debtors	7	836	573
CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(390)	(140)
NET CURRENT ASSETS		<u>446</u>	<u>433</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>446</u>	<u>433</u>
CAPITAL AND RESERVES			
Called up share capital	9	90	90
Share premium account	10	185	185
Capital redemption reserve	10	52	52
Profit and loss account	10	119	106
SHAREHOLDERS' FUNDS		<u>446</u>	<u>433</u>

These financial statements were approved by the Board and authorised for issue on 17 JUNE 2010
Signed on behalf of the Board


GORDON ADAMS
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 2009

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 Jersey company law and United Kingdom accounting standards

In the prior period the Company changed its accounting reference date from 30 November to 31 December to align with the changed year end of its ultimate parent undertaking, Morgan Stanley. The change resulted in the Company reporting a period of thirteen months to 31 December 2008. The comparative figures reflected in these financial statements are for the thirteen month period to 31 December 2008 as previously reported and therefore are not entirely comparable with amounts shown for the current year.

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 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 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

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.

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.

g) 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.

CORNWALL FINANCING UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

2. INTEREST INCOME

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Interest income from loans to Morgan Stanley Group undertakings	<u>95</u>	<u>52</u>

3. INTEREST EXPENSE

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Interest expense on loans from Morgan Stanley Group undertakings	<u>80</u>	<u>25</u>

4 OTHER EXPENSE

	Year ended 31 December 2009 \$'000.	1 December 2007 to 31 December 2008 \$'000
Auditors' remuneration - fees for audit of non statutory accounts	-	10
Foreign exchange losses	<u>2</u>	<u>23</u>
	<u>2</u>	<u>33</u>

The Company employed no staff during the year (2008 Nil)

5. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2008 \$Nil)

CORNWALL FINANCING UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

6. TAX ON LOSS ON ORDINARY ACTIVITIES

As the Company is both managed and controlled and tax resident in the UK it will not be resident in Jersey for tax purposes. In prior years the Company was exempt from taxation in Jersey under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

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

Analysis of credit in the year / period

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
UK corporation tax at 28% (2008 28.62%)		
- Current year / period	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax credit for the year / period

The current year UK taxation charge is lower than that resulting from applying the standard UK corporation tax rate of 28% (2008 28.62%). The main differences are explained below.

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Profit / (loss) on ordinary activities before tax	13	(6)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.62%)	4	(2)
Effects of:		
Group relief (received) / surrendered for nil consideration	(4)	2
Current tax credit for the year / period	-	-

7. DEBTORS

	2009 \$'000	2008 \$'000
Amounts due from Morgan Stanley Group undertakings	836	552
Corporation tax recoverable	-	21
	836	573

CORNWALL FINANCING UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 \$'000	2008 \$'000
Amounts owed to Morgan Stanley Group undertakings	390	140

9. CALLED UP SHARE CAPITAL

	2009 \$'000	2008 \$'000
Allotted and fully paid:		
Equity shares		
200 ordinary shares of \$1 each	-	-
9,000,000 UEDP shares of \$0.01 each	90	90
	90	90

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

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Share premium account \$'000	Capital redemption reserve \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2007	90	185	52	112	439
Loss for the financial period	-	-	-	(6)	(6)
At 1 January 2009	90	185	52	106	433
Profit for the financial year	-	-	-	13	13
At 31 December 2009	90	185	52	119	446

11. 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")

12. 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

CORNWALL FINANCING UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

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 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 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 Holdings (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.