09767/20

FC026818

In accordance with Regulation 32,of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House — for the record

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law

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COMPANIES HOUSE

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uk

Part 1 Corporate company name

Corporate name of overseas company ❶

MORGAN STANLEY ADRASTEA NETHERLANDS BV

If the company has already been registered in the UK, please enter the establishment number below

UK establishment number ❷

B	R	0	0	8	8	3	0

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state

❷ This should only be completed if the company has already been registered in the UK

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❸

NETHERLANDS CIVIL CODE

❸ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ **No.** Go to Section A3

☑ **Yes** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ❹

UK ACCOUNTING STANDARDS BOARD

❹ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ **No.** Go to Section A5

☑ **Yes** Go to Section A4

A4 Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box

☐ **No.** Go to **Part 3 'Signature'**

☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**

Name of organisation or body ❶

NETHERLANDS AUDITING STANDARDS BOARD

❶ Please insert the name of the appropriate accounting organisation or body

A5 Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ **No**

☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature

Signature

X X

This form may be signed by
Director, ~~Secretary, Permanent representative.~~

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name	PAUL BARTLETT
Company name	MORGAN STANLEY
Address	10TH FLOOR
	20 BANK STREET
	CANARY WHARF
Post town	LONDON
County/Region	
Postcode	E 1 4 4 A D
Country	UNITED KINGDOM
DX	
Telephone	+44 (O) 207 677 1802

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following·

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record

Where to send

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Scotland.
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland.
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk or email enquiries@companieshouse gov uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

Registered Number: 34243327

UK Registered Number: FC026818

Business Office	Registered office
20 Bank Street	20 Bank Street
Canary Wharf	Canary Wharf
London	London
E14 4AD	E14 4AD

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

Report and financial statements

31 December 2011

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

CONTENTS	PAGE

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

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 16) for Morgan Stanley Adrastea Netherlands B V (the "Company") for the year ended 31 December 2011

RESULTS AND DIVIDENDS

The profit for the year, after tax, was €336,000 (2010 €1,314,000 loss after tax)

During the year , in accordance with the Articles of Association of the Company, dividends of €10,887,000 (2010 €10,887,000) were accrued to the holders of the Class A Redeemable Preference shares and dividends of €nil (2010 €nil) were paid on the Class A Redeemable Preference shares In accordance with *FRS 25 Financial Instruments Presentation*, these Class A Redeemable Preference shares are presented as liabilities Dividends on these Class A Redeemable Preference shares are recorded in the profit and loss account within interest expense for the year

PRINCIPAL ACTIVITY

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

The Company was incorporated under Dutch law on 24 February 2006 and has its statutory seat in Amsterdam, The Netherlands The business office of the Company is at 20 Bank Street, Canary Wharf, London, E14 4QA, United Kingdom

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 is set out on page 4 The Company's profit has increased from a loss of €1,314,000 in prior year to a profit of €336,000 in the current year The increase is driven primarily by an increase in the average EUR floating rate of interest (the "Average Rate") earned by the Company on its current loans and receivables of €477, 301,000 The Average Rate increased from 2 07% in 2010 to 2 4% in 2011 The Company's liabilities of €263,083,000 are at a fixed rate of 4 1%, therefore any change in the Average Rate has a direct impact on the profit after tax

The balance sheet on page 5 of the financial statements shows that the Company's net assets at the end of the year were €169,715,000 in the current year compared to net assets of €169,379,000 in the prior year, the €336,000 increase is attributable to the profits for the year Debtors have increased by €11,261,000 due to the interest accrued and unpaid On 14 December 2011, an affiliate loan receivable of €475,093,000 was called by the Company and the proceeds used to make a new loan, on the same terms, to another Morgan Stanley affiliate The dividend reserve account, presented within creditor's amounts falling due within one year has increased by €10,887,000, being the dividend accrued on the Class A preference shares for 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

DIRECTORS' REPORT (continued)

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 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 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 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

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

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

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

DIRECTORS' REPORT (continued)

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

PKM Falk
SI Merry

POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date

AUDITOR

Deloitte Accountants B V have expressed their willingness to continue in office as auditor of the Company and a resolution to reappoint them will be proposed at the forthcoming annual general meeting

FUTURE OUTLOOK

Management do not expect the business activities of the Company to change in the foreseeable future and the Company will continue to hold financial instruments for financing purposes

Approved by the Board and signed on its behalf by

London, 28 May 2012

PKM Falk

SI Merry

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2011

	Note	2011 €'000	2010 €'000
Interest income	2	11,256	9,627
Interest expense	3	(10,915)	(10,911)
Other expense	4	(5)	(30)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		336	(1,314)
Tax on profit/(loss) on ordinary activities	6	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		336	(1,314)

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 10 to the financial statements

The notes on pages 6 to 17 form an integral part of the financial statements

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

Registered number 34243327

BALANCE SHEET
As at 31 December 2011

(including proposed appropriation of the net results)

	Note	2011 €'000	2010 €'000
CURRENT ASSETS			
Loans and receivables			
- Debtors	7	477,301	466,040
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial liabilities at amortised cost	8	(263,083)	(263,045)
Dividend reserve account	8	(44,503)	(33,616)
NET CURRENT ASSETS		169,715	169,379
TOTAL ASSETS LESS CURRENT LIABILITIES		169,715	169,715
NET ASSETS		169,715	169,379
CAPITAL AND RESERVES			
Called up share capital	9	20	20
Share premium account	10	141,400	141,400
Profit and loss account	10	28,295	27,959
SHAREHOLDERS' FUNDS		169,715	169,379

The notes on pages 6 to 17 form an integral part of the financial statements

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

NOTES TO THE 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 year

a) Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the inclusion of financial instruments at fair value as described in note 1(e) below, and in accordance with applicable Netherlands Civil Code The Company is incorporated under the Netherlands Civil Code, and the Netherlands Civil Code permits the use of United Kingdom generally accepted accounting practice in the preparation of accounts on the basis on the Company's international connections as stated in Article 362 1 of Book 2 of the Netherlands Civil Code

The Company, having its statutory seat in Amsterdam, The Netherlands, currently operating from 20 Bank Street, Canary Wharf, London, E14 4AD, United Kingdom, enters into financing transactions and investments

Certain limited format changes have been made to prior year amounts to conform to the current year presentation

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 3

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 Euros, the currency of the primary economic environment in which the Company operates

All currency amounts in the financial statements and Directors' report 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 Exchange differences recognised in the profit and loss account are presented in 'Other income' or 'Other expense '

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

e) Financial instruments

The Company classifies its financial assets into the following category on initial recognition loans and receivables

The Company classifies its financial liabilities into the following category on initial recognition financial liabilities at amortised cost

More information regarding these classifications is included below

Loans and receivables and financial liabilities at amortised cost

Financial assets classified as loans and receivables are initially recognised on settlement date at fair value (see note 1(f) below) and subsequently measured at amortised cost less allowance for impairment Interest is recognised in the profit and loss account in 'Interest income', using the effective interest rate method as described below Transaction costs that are directly attributable to the acquisition of the financial asset are added to or deducted from the fair value on initial recognition Impairment losses and reversals of impairment losses on financial assets classified as loans and receivables are recognised in the profit and loss account in 'Other expense'

Financial liabilities held at amortised cost are initially recognised on settlement date at fair value (see note 1(f) below) and subsequently measured at amortised cost Interest is recognised in the profit and loss account in 'Interest expense' using the effective interest rate method as described below Transaction costs that are directly attributable to the issue of the financial liability are added to or deducted from the fair value on initial recognition

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the expected life of the financial asset or financial liability The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or financial liability The effective interest rate is established on initial recognition of the financial asset and liability The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability

The redeemable preference shares issued by the Company are classified as financial liabilities at amortised cost in accordance with the substance of the contractual arrangement Dividends on these redeemable preference shares are recognised in the profit and loss account in 'Interest expense' using the effective interest rate method

f) Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i e the "exit price") in an orderly transaction between market participants at the measurement date

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (i e the fair value of the consideration given or received)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

g) Impairment of financial assets

At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment in the value of financial assets classified as loans and receivables Impairment losses are recognised if an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated

h) 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

i) 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

	2011 €'000	2010 €'000
Interest Income from loans to Morgan Stanley group undertakings	11,256	9,627

3. INTEREST EXPENSE

	2011 €'000	2010 €'000
Interest Expense on loans from Morgan Stanley group undertakings	10,915	10,911

Included in 'Interest expense on loans from Morgan Stanley Group undertakings' is €10,887,000 (2010 €10,887,000) of preference share dividends

4. OTHER EXPENSE

	2011 €'000	2010 €'000
Auditor's remuneration – fees for audit of statutory accounts	-	14
Other foreign exchange losses	5	16
	5	30

The fees for the audit of the Company's statutory accounts has been borne by another Morgan Stanley Group undertaking in the current year

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

5. STAFF COSTS

The Company employed no staff during the year (2010 Nil)

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

6. TAX ON PROFIT/(LOSS) 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/(loss) 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 average standard UK corporation tax rate of 26 49% (2010 28%) The main differences are explained below

	2011 €'000	2010 €'000
Profit/ (loss) on ordinary activities before tax	336	(1,314)
Profit/ (loss) on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 26 49% (2010 28%)	89	(368)
Effects of:		
Group relief received for nil consideration	(2,973)	(2,680)
Non-deductible dividends on preference shares shown as interest expense	2,884	3,048
Current tax charge for the year	-	-

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

7. DEBTORS

	2011 €'000	2010 €'000
Debtors classified within loans and receivables at amortised cost		
Amounts due from Morgan Stanley Group undertakings	477,301	466,040

8. FINANCIAL LIABILITIES AT AMORTISED COST

	2011 €'000	2010 €'000
Financial liabilities at amortised cost falling due within one year		
Other amounts owing to Morgan Stanley Group undertakings	1,183	1,145
Financial instruments issued		
- Preference shares	65	65
- Preference shares share premium account	261,835	261,835
Total financial liabilities at amortised cost	263,083	263,045

Preference shares

	2011 Number	2010 Number	2011 €'000	2010 €'000
Allotted and fully paid preference shares of €1 each, classified as financial liabilities				
Class A Redeemable Preference shares of €1 each	65,000	65,000	65	65
Class C Redeemable Preference shares of €1 each	1	1	-	-
Class B Redeemable Preference shares of €1 each	1	1	-	-
At 1 January and 31 December	65,002	65,002	65	65
Contractual preference dividends accrued at 31 December			44,503	33,616
Total share capital and accrued dividends classified within liabilities			44,568	33,681

As at 31 December 2011 and 2010, the issued share capital of the Company included 65,002 redeemable non-cumulative €1 preference shares, classified as financial liabilities

The preference shares issued by the Company and related share premium are classified as financial liabilities under *FRS 25 Financial Instruments Presentation*

The Class A Redeemable Preference shareholders are entitled to a cumulative dividend for the period equal to 4 1%, on the consideration paid for the shares on issue

Each share in the Company (all ordinary shares, Class A Redeemable Preference shares, Class B Redeemable Preference shares and Class C Redeemable Preference shares) confers the right to cast one vote All Class A Redeemable Preference shares, Class B Redeemable Preference shares, and Class C Redeemable Preference Shares can be redeemed at the option of the holders of the Preference Shares The preference shares rank ahead of the ordinary shares in the event of liquidation

The preference shares rank ahead of the ordinary shares in the event of liquidation

9. CALLED UP SHARE CAPITAL

Shares classified as equity

	2011 €'000	2010 €'000
Allotted and fully paid:		
20,000 ordinary shares of €1 each	20	20

Other shares classified as financial liabilities

The terms of other shares classified as financial liabilities are detailed in note 8, 'Financial liabilities at amortised cost'

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital €'000	Share premium account €'000	Profit and loss account €'000	Total €'000
At 1 January 2010	20	141,400	29,273	170,693
Loss for the year	-	-	(1,314)	(1,314)
At 1 January 2011	20	141,400	27,959	169,379
Profit for the year	-	-	336	336
At 31 December 2011	20	141,400	28,295	169,715

11. FINANCIAL RISK MANAGEMENT

Risk management procedures

Risk is an inherent part of both Morgan Stanley's and the Company's business activity and is managed by the Company within the context of the broader Morgan Stanley Group The Morgan Stanley Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures The Company's own risk management policies and procedures are consistent with those of the Morgan Stanley Group

Significant risks faced by the Company resulting from investment activities are set out below

Credit risk

Credit risk refers to the risk of loss arising from a borrower or counterparty default

The Morgan Stanley Group manages credit risk exposure on a global basis, but in consideration of each individual legal entity, including those of the Company The credit risk management policies and procedures of the Morgan Stanley Group include ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit and escalating risk concentrations to appropriate senior management Credit risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to appropriate key management personnel of the Company

The Company enters into all of its financial asset transactions with other Morgan Stanley Group undertakings, and both the Company and the other Morgan Stanley Group undertakings are wholly-owned subsidiaries of the same ultimate parent entity, Morgan Stanley As a result of the implicit support that would be provided by Morgan Stanley, the Company is considered exposed to the credit risk of Morgan Stanley, except where the Company transacts with other Morgan Stanley Group undertakings that have a higher credit rating to that of Morgan Stanley

The maximum exposure to credit risk of the Company at the reporting date is the carrying amount of the financial assets held in the statement of financial position The Company has not entered into any credit enhancements to manage its exposure to credit risk

Exposure to credit risk by class

Class	**Gross Credit Exposure**	
	2011	**2010**
	€'000	**€'000**
Loans and receivables		
Other amounts due from Morgan Stanley Group Undertakings	477,301	466,040

Maximum exposure to credit risk by credit rating

Credit Rating	**Gross Credit Exposure**	
	2011	**2010**
	€'000	**€'000**
A	477,301	466,040

Internal credit rating derived using methodolgies generally consistent with those used by external rating agencies

11. FINANCIAL RISK MANAGEMENT (continued)

At 31 December 2011 there were no financial assets past due but not impaired or individually impaired (2010 None)

Liquidity risk

Liquidity risk is the risk that the entity may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset

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 Morgan Stanley Group's and the Company's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of stressed market conditions

Liquidity management policies

The principal elements of the Morgan Stanley Group's liquidity management framework, which includes consideration of the liquidity risk for each individual legal entity, are the Contingency Funding Plan ("CFP") and liquidity reserves Comprehensive financing guidelines (secured funding, long-term funding strategy, surplus capacity, diversification and staggered maturities) support the Morgan Stanley Group's target liquidity profile

Contingency funding plan CFP is the Morgan Stanley Group's primary liquidity risk management tool The CFP outlines the Company's response to liquidity stress in the markets and incorporates stress testing to identify potential liquidity risk Liquidity stress tests model multiple scenarios related to idiosyncratic, systemic or a combination of both types of events, across various time horizons Based on the results of stress testing, the CFP sets forth a course of action to effectively manage through a stressed liquidity event The CFP and liquidity risk exposures are evaluated on an on-going basis and reported to the Firm Risk Committee, Asset/Liability Management Committee, and other appropriate risk committees including the European Financial Risk and Capital Committee

CFP is produced on a Morgan Stanley Group as well as major group and subsidiary level, to capture specific cash requirements and cash availability at various legal entities The CFP assumes that Morgan Stanley does not have access to cash that may be held at certain subsidiaries due to regulatory, legal or tax constraints Since the Company hedges the liquidity risk of its financial liabilities with financial assets that match the maturity profile of the financial liabilities, the Company is not considered a major subsidiary for the purposes of liquidity risk However, the Company would have access to the cash or liquidity reserves held by Morgan Stanley in the unlikely event they were unable to access adequate financing to service their financial liabilities when they become payable

11. FINANCIAL RISK MANAGEMENT (continued)

The Morgan Stanley Group's CFP model incorporates a number of assumptions including, but not limited to, the following (i) no government support, (ii) no access to unsecured debt markets, (iii) repayment of all unsecured debt maturing within one year, (iv) higher haircuts and significantly lower availability of secured funding, (v) additional collateral that would be required by trading counterparties and certain exchanges and clearing organisations related to multi-notch credit rating downgrades, (vi) discretionary unsecured debt buybacks, (vii) drawdowns on unfunded commitments provided to third parties, (viii) client cash withdrawals (ix) limited access to the foreign exchange swap markets (x) return of securities borrowed on an uncollateralised basis, and (xi) maturity roll-off of outstanding letters of credit with no further issuance

Global liquidity reserve The Morgan Stanley Group seeks to maintain a target liquidity reserve ("the Global Liquidity Reserve") that is sized to cover daily funding needs and meet strategic liquidity targets as outlined in CFP The Global Liquidity Reserve, to which the Company has access, is held within Morgan Stanley and the Morgan Stanley Group's major operating subsidiaries and consists of cash and cash equivalents and central bank eligible unencumbered securities (predominantly consisting of U S and European government bonds and U S agency and agency mortgage-backed securities) The Morgan Stanley Group's funding requirements and target liquidity reserves may vary based on changes to the level and composition of its statement of financial position, timing of specific transactions, client financing activity, market conditions and seasonal factors

Funding management policies

The Morgan Stanley Group's funding management policies are designed to provide for financings that are executed in a manner that reduces the risk of disruption to the Morgan Stanley Group's and the Company's operations The Morgan Stanley Group pursues a strategy of diversification of secured and unsecured funding sources (by product, by investor and by region) and attempts to ensure that the tenor of the Morgan Stanley Group's, and the Company's, liabilities equals or exceeds the expected holding period of the assets being financed Maturities of financings are designed to manage exposure to refinancing risk in any one period

The Morgan Stanley Group funds its statement of financial position on a global basis through diverse sources which includes consideration of the funding risk of each legal entity These sources may include the Morgan Stanley Group's equity capital, long-term debt, repurchase agreements, securities lending, deposits, commercial paper, letters of credit and lines of credit The Morgan Stanley Group has active financing programs for both standard and structured products in the U S , European and Asian markets, targeting global investors and currencies such as U S dollar, Euro, British pound, Australian dollar and Japanese Yen

In managing both the Morgan Stanley Group's and the Company's funding risk the composition and size of the entire statement of financial position, not just financial liabilities, is monitored and evaluated A substantial portion of the Morgan Stanley Group's total assets consist of highly liquid marketable securities and short-term receivables arising from its Institutional Securities sales and trading activities The liquid nature of these assets provides the Morgan Stanley Group and the Company with flexibility in financing and managing its business

Maturity analysis

In the following maturity analysis, the amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2011

11. FINANCIAL RISK MANAGEMENT (continued)

Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand This presentation is considered by the Group to appropriately reflect the liquidity risk arising from those financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company

In December 2011 the Company has loans and receivables due from Morgan Stanley group undertakings of €477,301,000 compared to €466,040,000 in 2010 All loans are repayable on demand

For financial liabilities the Company has liabilities (including amounts owed to Morgan Stanley group undertakings, preference shares and preference share premium account), of €263,083,000 in 2011 compared to €263,045,000 in 2010 All amounts are repayable on demand

Market Risk

Sound market risk management is an integral part of the Company's and the Morgan Stanley Group's culture The Company is responsible for ensuring that market risk exposures are well-managed and prudent and more broadly for ensuring transparency of material market risks, monitoring compliance with established limits, and escalating risk concentrations to appropriate senior management

To execute these responsibilities, the Morgan Stanley Group monitors the market risk of the firm against limits on aggregate risk exposures, performs a variety of risk analyses, routinely reports risk summaries and maintains the Value at Risk ("VaR") system The Company is managed within the Morgan Stanley Group's global framework The market risk management policies and procedures of the Company include performing risk analyses and reporting material risks identified to appropriate key management personnel of the Company

Market risk is defined under FRS 29 *Financial instruments disclosures* as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices The Company is exposed to the following types of market risk under this definition, interest rate risk

Interest rate risk

Interest rate risk is defined under FRS 29 '*Financial instruments disclosures*' as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates The Company is primarily exposed to interest rate risk under this definition as a result of [changes in the future cash flows of floating rate intercompany borrowing/ loans held at amortised cost / changes in the fair value of fixed rate debt investments in Morgan Stanley Group undertakings that are neither subsidiaries or associates categorised as available-for-sale/ having exposure on the net position between the proxy based intercompany loans, and the basis swap which is paying out variable but earning fixed interest]

The application of a parallel shift in market interest rates of 50 basis points to these positions, with all other variables remaining constant, would result in an increase in pre-tax profit reported in the income statement of the Company of approximately €2,387,000 (2010 €2,334,000)

12. CAPITAL MANAGEMENT

The Morgan Stanley Group manages its capital on a global basis with consideration for each individual legal entity The capital managed by the Morgan Stanley Group broadly includes ordinary share capital, preference share capital, subordinated loans and reserves

The Morgan Stanley Group also uses an economic capital framework The economic capital framework estimates the amount of equity capital required to support the businesses over a wide range of market environments while simultaneously satisfying regulatory, rating agency and investor requirements

12. CAPITAL MANAGEMENT (continued)

The framework evolves over time in response to changes in the business and regulatory environment and to incorporate enhancements in modelling techniques Economic capital is based on regulatory capital plus additional capital for stress losses

The Morgan Stanley Group's objectives when managing global capital are

- to comply with the requirements set by the Board of Governors of the Federal Reserve System of the United States, and
- to minimise capital within a legal entity whilst safeguarding that entity's ability to continue as a going concern, so that it can continue to provide returns for the Morgan Stanley Group

The Morgan Stanley Group sets the amount of capital for each entity in proportion to its risk and in line with regulatory requirements

The Company actively manages its capital structure and makes adjustments to it in the light of changing economic conditions and the risk characteristics of the underlying assets and liabilities In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares, or sell assets to reduce debt

13. 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")

14. 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

15. POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date

16. 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 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

The Company's immediate controlling party is Morgan Stanley Sinope Cayman Limited which is registered in Cayman Islands

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 Morgan Stanley Himalia Cayman Limited, which is registered in Cayman Islands

Signing of the financial statements

London 28 May 2012

Management

PKM Falk
Director

SI Merry
Director

MORGAN STANLEY ADRASTEA NETHERLANDS B.V.

ADDITIONAL INFORMATION
Year ended 31 December 2011

Independent auditors report

Reference is made to the independent auditors' report recorded on the next pages

Statutory rules concerning appropriation of the net results

The Articles of Association of the Company provide that the net result for the period is at the disposition of the Management Board

Articles of Association Article 24, part 4, 5 and 6 read as follows

- Subject to the restrictions set out in the Dutch Civil Code and this Article 24, Dividends on the Redeemable Preference Shares shall be made payable on each Dividend Date and distributed on the relevant Dividend Payment Date The amount of the Dividend to be made payable and distributed will be equal to the Dividend Rate or the nominal amount paid on these Redeemable Preference Shares, provided that such Dividends are deemed to have been accrued at the Dividend Rate on a daily basis and, in respect of any Dividend Period shorter than a year, shall be calculated on the basis of a three hundred and sixty (360) day year and the actual number of days elapsed in such Dividend Period
- If the profits on a Dividend Date do not permit the distribution referred to in the preceding paragraph, the holders of the Redeemable Preference Shares shall receive on the subsequent Dividend Dates, the amount not yet distributed at the expense of the profits of subsequent years, in preference to any other distribution of profits to the holders of Ordinary Shares
- The allocation of profits remaining after application of paragraphs 4 and 5 shall be determined by the management board, on the understanding that no further distributions of Dividends shall be made to the holders of Redeemable Preference Shares

Appropriation of the net result for the year

The balance sheet is presented after the proposed appropriation of net result for the year ended 31 December 2011 Management propose to add the net result for the year to other reserves This proposal has been included in the financial statements

Subsequent events

No events have occurred since the balance sheet date, which would change the financial position of the Company and which would require adjustment of disclosure in the report now presented

Deloitte.

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Independent auditor's report

To the Shareholders of Morgan Stanley Adrastea (Netherlands) B V

Report on the financial statements

We have audited the accompanying financial statements 2011 of Morgan Stanley Adrastea (Netherlands) B V , Amsterdam, which comprise the balance sheet as at December 31, 2011, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Directors' Report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code and in accordance with applicable United Kingdom law and accounting standards as permitted by 2:362 sub 1 of the Dutch Civil Code Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Deloitte.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Morgan Stanley Adrastea (Netherlands) B V as at December 31, 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and in accordance with applicable United Kingdom law and accounting standards as permitted by 2 362 sub 1 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2 392 sub 1 at b-h has been annexed Further we report that the Directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2 391 sub 4 of the Dutch Civil Code

Amsterdam, June 1, 2012

Deloitte Accountants B V

Already signed W H E van Ommeren