

Registered Number: 75603

Business Office
20 Bank Street
Canary Wharf
London E14 4AD

FC 22411

096364-308

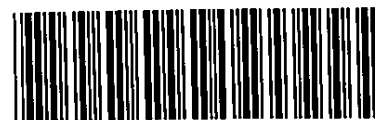
Registered Office
22 Grenville Street
St Helier
Jersey
JE4 8PX

MSDW CORPORATE INVESTMENTS II LIMITED

Report and financial statements

31 December 2009

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MSDW CORPORATE INVESTMENTS II LIMITED

CONTENTS	PAGE
Directors' report	1
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6

MSDW CORPORATE INVESTMENTS II 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 16) for MSDW Corporate Investments II Limited (the "Company") for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The profit for the year, after tax, was \$110,921,000 (period from 1 December 2007 to 31 December 2008 \$1,609,000 profit after tax)

During the year, a dividend of \$146,745,000 was paid on the ordinary shares (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 act as an intermediate holding company and there have not been any significant changes in the Company's principal activity during the year. However, the share capital of the Company has been reduced significantly in line with the Directors' intent to cease operations in the foreseeable future. The financial statements have therefore been prepared on a basis other than that of a going concern.

The Company is managed and controlled in the UK.

BUSINESS REVIEW

The profit and loss account for the period is set out on page 4. In the prior period the Company changed its accounting reference date from 30 November to 31 December. The comparative figures are for the 13 month period to 31 December 2008 and are therefore not entirely comparable with amounts for the current year. The Company made a profit for the year of \$110,921,000, compared to a profit for the period of \$1,609,000 in the prior period. This movement is primarily attributable to the dividend income received during the year.

The balance sheet for the Company is set out on page 5. The Company's net assets at the end of the year were \$308,000, a decrease of \$476,524,000 on the prior period. This movement is primarily attributable to the Company's subsidiaries redeeming \$440,700,000 of share capital during the year. These proceeds were used to redeem the Company's own share capital.

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.

MSDW CORPORATE INVESTMENTS II LIMITED

DIRECTORS' REPORT (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)

A Coull	(resigned 16 June 2009)
P K M Falk	(appointed 16 June 2009)
A Gambini	
L A Nash	(resigned 27 March 2009)

POST BALANCE SHEET EVENTS

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

MSDW CORPORATE INVESTMENTS II LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Deloitte LLP resigned as auditors of the Company on 8 April 2010

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 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



Director

A Gambini

12 August 2010

MSDW CORPORATE INVESTMENTS II 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
Net gains from fixed asset investments	2	110,463	-
Interest income	3	596	1,868
Interest expense	4	(134)	(261)
Other income	5	-	10
Other expense	6	(4)	(8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		110,921	1,609
Tax on profit on ordinary activities	8	-	-
PROFIT FOR THE FINANCIAL YEAR		110,921	1,609

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 13 to the financial statements

The notes on pages 6 to 11 form an integral part of the financial statements


MSDW CORPORATE INVESTMENTS II LIMITED

Registered Number 75603

BALANCE SHEET**As at 31 December 2009**

	Note	2009 \$'000	2008 \$'000
FIXED ASSETS			
Investments	9	<u>300</u>	<u>441,000</u>
CURRENT ASSETS			
Debtors	10	5,955	41,641
Cash at bank		<u>1</u>	<u>1</u>
		5,956	41,642
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(5,948)</u>	<u>(5,810)</u>
NET CURRENT ASSETS		8	35,832
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>308</u>	<u>476,832</u>
CAPITAL AND RESERVES			
Called up share capital	12	300	441,000
Profit and loss account	13	8	35,832
SHAREHOLDERS' FUNDS		<u>308</u>	<u>476,832</u>

These financial statements were approved by the Board and authorised for issue on 12 August 2010
Signed on behalf of the Board


Director
A. Gambini

The notes on pages 6 to 11 form an integral part of the financial statements

MSDW CORPORATE INVESTMENTS II 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, modified by the use of a basis other than that of a going concern, 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.

The Company is not required to prepare consolidated financial statements by virtue of the exemption as a small company under FRS 2 *Accounting for Subsidiary Undertakings*. The results of the Company are included within the financial statements of Morgan Stanley International Limited, a company registered in England and Wales, which will prepare consolidated financial statements for the year to 31 December 2009. The financial statements therefore present information about the Company as an individual entity and not about its group.

The shareholders' funds of the Company have been significantly reduced in line with the intent of the Directors' to cease operations in the foreseeable future. Consequently, the financial statements have been prepared on a basis other than that of a going concern. No impairment losses have been recognised as debtors do not exceed their net realisable value. The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such costs were committed at the balance sheet date.

b) 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.

c) 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'.

d) Recognition of income and expense

i) Net gains on fixed asset investments

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

ii) Interest income and expense

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

MSDW CORPORATE INVESTMENTS II LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

1. ACCOUNTING POLICIES (CONTINUED)

e) Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment

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

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

2. NET GAINS FROM FIXED ASSET INVESTMENTS

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Income from shares in Morgan Stanley Group undertakings	<u>110,463</u>	<u>-</u>

3. 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>596</u>	<u>1,868</u>

4. 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>134</u>	<u>261</u>

5. OTHER INCOME

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Foreign exchange gains	<u>-</u>	<u>10</u>

MSDW CORPORATE INVESTMENTS II LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

6. OTHER EXPENSE

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Auditors' remuneration - fees for audit of statutory accounts	-	8
Foreign exchange losses	4	-
	<u>4</u>	<u>8</u>

The Company employed no staff during the year (period from 1 December 2007 to 31 December 2008 Nil)

7. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (period from 1 December 2007 to 31 December 2008 \$Nil)

8. TAX ON PROFIT 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 charge 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 profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting the tax charge 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 on ordinary activities before tax	<u>110,921</u>	<u>1,609</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.62%)	31,058	460
Effects of:		
Group relief received for nil consideration	(128)	(460)
Non-taxable dividends	(30,930)	-
Current tax charge for the year / period	<u>-</u>	<u>-</u>

MSDW CORPORATE INVESTMENTS II LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

9. FIXED ASSET INVESTMENTS

	Subsidiary undertakings \$'000
Cost	
At 1 January 2009	441,000
Disposals	(440,700)
At 31 December 2009	<u>300</u>
Net book value	
At 31 December 2008	<u>441,000</u>
At 31 December 2009	<u>300</u>

On 25 June 2009 the Company received a capital membership repayment amounting to \$107,900,000 from Sunningdale Cooperatieve

On 25 June 2009 the Company received a capital membership repayment amounting to \$100,900,000 from Woburn Cooperatieve

On 25 June 2009 the Company received a capital membership repayment amounting to \$231,900,000 from Wentworth Cooperatieve

Subsidiaries and significant holdings

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital, and investments with a book value greater than 20% of the Company's own assets at 31 December 2009, are as follows

Name of Company	Country of incorporation	Holding	Type of shares held	Proportion of voting rights	Nature of business
Sunningdale Cooperatieve U A	The Netherlands	100%	B membership	100%	Financial services
Wentworth Cooperatieve U A	The Netherlands	100%	B membership	100%	Financial services
Woburn Cooperatieve U A	The Netherlands	100%	B membership	100%	Financial services

Voting rights and share holdings stated above represent the Company's legal ownership position. In all cases, the Company is deemed to control the investment

MSDW CORPORATE INVESTMENTS II LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

10. DEBTORS

	2009 \$'000	2008 \$'000
Amounts due from Morgan Stanley Group undertakings	<u>5,955</u>	<u>41,641</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 \$'000	2008 \$'000
Amounts owed to Morgan Stanley Group undertakings	<u>5,948</u>	<u>5,810</u>

12. CALLED UP SHARE CAPITAL

	2009 \$'000	2008 \$'000
Allotted and fully paid:		
Equity shares		
300,000 (2008 441,000,000) ordinary shares of \$1 each	<u>300</u>	<u>441,000</u>

Equity shares

On 25 June 2009, the Company repurchased 440,700,000 of the fully paid ordinary shares of \$1 each from MSDW Corporate Investments I Limited for a cash consideration of \$440,700,000

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2007	441,000	34,223	475,223
Profit for the financial period	-	1,609	1,609
At 1 January 2009	441,000	35,832	476,832
Profit for the financial year	-	110,921	110,921
Redemption of share capital	(440,700)	-	(440,700)
Dividends	-	(146,745)	(146,745)
At 31 December 2009	<u>300</u>	<u>8</u>	<u>308</u>

On 25 June 2009, a dividend of \$146,745,000 (2008 \$Nil) was paid to the Company's ordinary shareholders

As disclosed in note 12 to the financial statements the share capital of the Company has been reduced significantly in the year, which is in line with the Directors' intent to cease operations in the foreseeable future

MSDW CORPORATE INVESTMENTS II LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

14. 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")

15. 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.

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 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 Morgan Stanley International 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, Maindy, Cardiff CF14 3UZ.