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**WOBURN III COÖPERATIEVE U.A.**

**Report and financial statements**

**31 December 2009**



## **WOBURN III COÖPERATIEVE U.A.**

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# WOBURN III COÖPERATIEVE U.A.

## 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 Woburn III Cooperatieve U A (the "Cooperatieve") for the year ended 31 December 2009

During the prior period the Cooperatieve changed its accounting reference date from 30 November to 31 December resulting in a reporting period of thirteen months from 1 December 2007 to 31 December 2008

## RESULTS AND DIVIDENDS

The profit for the year, after tax, was \$6,031,000 (period from 1 December 2007 to 31 December 2008 \$26,181,000 profit after tax)

During the year, dividends of \$11,170,000 were paid (period from 1 December 2007 to 31 December 2008 \$99,765,000)

## PRINCIPAL ACTIVITY

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

The principal activity of the Cooperatieve is to make investments in financial instruments and there have not been any significant changes in the Cooperatieve's principal activity during the year. However, the Members' capital accounts of the Cooperatieve have been reduced significantly in line with the Directors' intent to cease trading in the foreseeable future. The financial statements have therefore been prepared on a basis other than that of a going concern.

The Cooperatieve was incorporated under Dutch law on 5 March 2001 and has its statutory seat in Amsterdam. The business office of the Cooperatieve is 20 Bank Street, Canary Wharf, London, Great Britain.

## BUSINESS REVIEW

The profit and loss account for the year is set out on page 3. The Cooperatieve's profit for the year has decreased by \$20,150,000, a decrease of 77% over the prior period. This movement can be primarily attributed to a decrease in interest receivable from Morgan Stanley Group undertakings, due to a decrease in the average proxy funding rate during the current year and a decrease in the amounts due from Morgan Stanley Group undertakings. In addition, on 11 June 2009, the Cooperatieve repaid \$499,900,000 of its member's capital, funded by recalling amounts owed from other Morgan Stanley Group undertakings. Therefore, since that date, interest income has accrued in the Cooperatieve on a lower balance.

The balance sheet for the Cooperatieve is set out on page 4. The Cooperatieve's net assets at the end of the year were \$156,000 (2008 \$505,195,000), a decrease of 99% from the prior period. The movement is primarily attributed to a decrease in amounts owed from Morgan Stanley Group undertakings due to the funds required to repay \$499,900,000 of member's capital mentioned above.

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

## Risk Management

Risk is an inherent part of the Cooperatieve'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.

# WOBURN III COÖPERATIEVE U.A.

## DIRECTORS' REPORT (CONTINUED)

### *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 Cooperative will be unable to meet its funding obligations in a timely manner. Liquidity risk stems from the potential risk that the Cooperative 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 Cooperative 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 Cooperative'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)

P K M Falk (appointed 20 January 2009)  
S I Merry

## POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date

## AUDITORS

Deloitte Accountants B V has expressed their willingness to continue in office as auditors of the Cooperative and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

### Statement as to disclosure of information to auditors

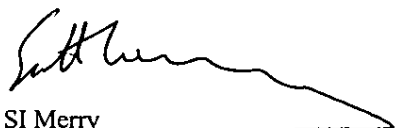
Each of the persons who are Directors of the Cooperative at the date when this report is approved confirms that

- so far as each of the Directors is aware, there is no relevant audit information (being information needed by the Cooperative's auditors in connection with preparing their report) of which the Cooperative's auditors are unaware, and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Cooperative's auditors are aware of that information

Approved by the Board  
London, United Kingdom



PKM Falk



SI Merry

21 June 2010

## WOBURN III COÖPERATIEVE U.A.

### 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	6,823	27,725
Interest expense	3	(784)	(1,524)
Other expense	4	(8)	(20)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>6,031</b>	<b>26,181</b>
Tax on profit on ordinary activities	6	-	-
<b>PROFIT FOR THE FINANCIAL YEAR/PERIOD</b>		<b>6,031</b>	<b>26,181</b>

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 Member's funds is disclosed in note 10 to the financial statements

The notes on pages 5 to 9 form an integral part of the financial statements

**WOBURN III COÖPERATIEVE U.A.**

Registered Number 34151936

**BALANCE SHEET****As at 31 December 2009****(Including proposed appropriation of net result)**

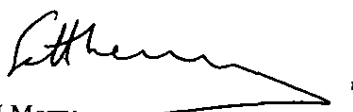
	Note	2009 \$'000	2008 \$'000
<b>CURRENT ASSETS</b>			
Debtors	7	34,769	539,009
Cash at bank		41	133
		<u>34,810</u>	<u>539,142</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	(34,654)	(33,947)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>156</u>	<u>505,195</u>
<b>CAPITAL AND RESERVES</b>			
Member's Capital Accounts	9	100	500,000
Profit and loss account	10	56	5,195
<b>TOTAL MEMBER'S FUNDS</b>		<u>156</u>	<u>505,195</u>

These financial statements were approved by the Board and authorised for issue on **21 June 2010**

Signed on behalf of the Board



PKM Falk



SI Merry

The notes on pages 5 to 9 form an integral part of the financial statements

# WOBURN III COÖPERATIEVE U.A.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 1. ACCOUNTING POLICIES

The Cooperative'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 as described below, and in accordance with applicable Netherlands Civil Code. The Cooperative 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 of the Cooperative's international connections as stated in Article 362 1 of Book 2 of the Netherlands Civil Code

During the prior period the Cooperative changed its accounting reference date from 30 November to 31 December. This change resulted in a reporting period of thirteen months from 1 December 2007 to 31 December 2008. The current year figures reflected in the financial statements are for a twelve month period to 31 December 2009, and therefore are not entirely comparable with amounts shown for the prior period for the profit and loss account and the notes related to these primary statements

The Cooperative, having its statutory seat in Amsterdam, The Netherlands, currently operating from 20 Bank Street, Canary Wharf, London, E14 4AD, England, enters into purchase and resale agreements ("Reverse Repos") or other financial assets in order to generate investment income

The Members' capital accounts of the Cooperative have been significantly reduced in line with the intent of the Directors' to cease trading 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 Cooperative 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 Cooperative 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

Interest income and interest expense are recognised on an accruals basis within 'Interest income' and 'Interest expense' in the profit and loss account

#### e) 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

# WOBURN III COÖPERATIEVE U.A.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 1. ACCOUNTING POLICIES (CONTINUED)

#### f) Cash flow statement

The Coöperatieve's ultimate parent undertaking produces a cash flow statement. Accordingly, the Coöperatieve, 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. 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	6,823	27,725

### 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	784	1,524

### 4. OTHER EXPENSE

	Year ended 31 December 2009 \$'000	1 December 2007 to 31 December 2008 \$'000
Auditors' remuneration - fees for audit of statutory accounts	7	10
Foreign exchange losses	1	10
	8	20

The Coöperatieve employed no staff during the year (period from 1 December 2007 to 31 December 2008: nil).

### 5. DIRECTORS' BENEFITS

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



# WOBURN III COÖPERATIEVE U.A.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

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	-	-
<b>Tax on profit on ordinary activities</b>	<b>-</b>	<b>-</b>

### 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	6,031	26,181
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28 62%)	1,689	7,493
<b>Effects of:</b>		
Group relief received for nil consideration	(1,689)	(7,493)
<b>Current tax charge for the year/period</b>	<b>-</b>	<b>-</b>

### 7. DEBTORS

	2009 \$'000	2008 \$'000
Amounts due from Morgan Stanley Group undertakings	34,700	538,945
Other debtors	21	21
Corporation tax	48	43
	<b>34,769</b>	<b>539,009</b>

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 \$'000	2008 \$'000
Amounts owed to Morgan Stanley Group undertakings	34,654	33,947

# WOBURN III COÖPERATIEVE U.A.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 9. MEMBER'S CAPITAL ACCOUNTS

	2009 \$'000	2008 \$'000
Member's capital account A	<u>100</u>	<u>500,000</u>

On 11 June 2009, an amount of \$499,900,000 attributable to the A members was repaid, leaving a balance of \$100,000 on the A member account

### 10. RECONCILIATION OF MEMBER'S FUNDS AND MOVEMENTS ON RESERVES

	A – member capital account \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2007	500,000	78,779	578,779
Profit for the financial period	-	26,181	26,181
Dividends	-	(99,765)	(99,765)
At 1 January 2009	<u>500,000</u>	<u>5,195</u>	<u>505,195</u>
Profit for the financial year	-	6,031	6,031
Dividends	-	(11,170)	(11,170)
Member's capital redemption (Note 9)	<u>(499,900)</u>	<u>-</u>	<u>(499,900)</u>
At 31 December 2009	<u>100</u>	<u>56</u>	<u>156</u>

On 11 June 2009, an interim dividend of \$11,170,000 (12 September 2008 \$99,765,000) was paid to the Cooperative's sole member, Morgan Stanley Montgomerie Investments Limited

As disclosed in note 9 to the financial statements, the members' capital accounts of the Cooperative were significantly reduced in the year, which is in line with the Director's intent to cease trading in the foreseeable future

### 11. SEGMENTAL REPORTING

The Cooperative has only one class of business as described in the Directors' report and operates in one geographic market, EMEA

### 12. RELATED PARTY TRANSACTIONS

The Cooperative 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

## WOBURN III COÖPERATIEVE U.A.

### 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 Cooperative 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.

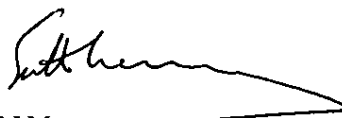
The parent undertaking of the smallest group of companies for which group financial statements are drawn up and of which the Cooperative is a member is Morgan Stanley and Co International plc, which is registered in England and Wales. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Mandy, Cardiff CF14 3UZ.

London, 21 June 2010

Management



P K M Falk



S I Merry

## **WOBURN III COÖPERATIEVE U.A.**

### **ADDITIONAL INFORMATION**

**Year ended 31 December 2009**

#### **APPROPRIATION OF NET RESULTS**

Articles of Association Article 19, part 3 and 4, read as follows

- The surplus set out in the profit and loss account shall be allocated to the profit and loss account. Upon proposal to this effect by the Board, the General Meeting of Members may resolve to re-allocate amounts from the profit and loss account to all or any of the specific Dividend Accounts of all or any of the Members. The General Meeting of members may re-allocate such amounts in its absolute discretion.
- Losses shall be allocated first to the profit and loss account, thereafter to the Dividend Account Members, in proportion to the amount of their Member Capital Accounts and finally to the Member Capital Accounts in proportion to the amount of these accounts.

#### **APPROPRIATION OF THE NET RESULT FOR THE YEAR**

Management proposes to transfer the profit for the year to the profit and loss account. An interim dividend of \$11,170,000 has been declared on 11 June 2009 and has been settled with the receivable on participants.

#### **SUBSEQUENT EVENTS**

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

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WOBURN III COÖPERATIEVE U.A.**

We have audited the accompanying financial statements for the financial year ended December 31, 2009 of Woburn III Cooperatieve U A , Amsterdam, which comprise the balance sheet as at December 31, 2009, the profit and loss account for the year then ended and the related notes

## **Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code and pursuant to 2:362 sub 1 BW in accordance with United Kingdom Financial Reporting Standards, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Woburn III Cooperatieve U A as at 31 December 2009, and of its result for the financial year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and pursuant to 2:362 sub 1 BW in accordance with United Kingdom Financial Reporting Standards.

## **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B V

To the member of  
Woburn III Cooperatieve U A  
Amsterdam

Date  
July 5, 2010

Reference  
3100228807/OP9995/mvb

## **Auditor's report**

### **Report on the financial statements**

We have audited the accompanying financial statements for the financial period from January 01, 2009 to December 31, 2009 of Woburn III Cooperatieve U A , Amsterdam, which comprise the balance sheet as at December 31, 2009, the profit and loss account for the financial period then ended and the notes

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code and pursuant to 2 362 sub 1 BW in accordance with United Kingdom Financial Reporting Standards, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit We conducted our audit in accordance with Dutch law This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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

July 5, 2010

3100228807/OP9995/mvb

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.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Woburn III Cooperatieve U.A. as at December 31, 2009, and of its result for the financial period then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and pursuant to 2:362 sub 1 BW in accordance with United Kingdom Financial Reporting Standards.

## **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.



W H E van Ommeren