Registration No: 34161590
Registered Office:
Locatellikade 1
Parnassustoren
1076 AZ
Amsterdam
The Netherlands

0917574

MORGAN STANLEY B.V.

Report and financial statements

30 November 2008

MORGAN STANLEY B.V.

CONTENTS

MORGAN STANLEY B.V.

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the income statement, the statement of changes in equity, the cash flow statement, the balance sheet and related notes 1 to 16) for Morgan Stanley B.V. (the "Company") for the year ended 30 November 2008.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was €4,648,000 (2007: €2,197,000 profit).

During the year, no dividends were paid or proposed (2007: €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 "Group").

The principal activity of the Company is the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances.

BUSINESS REVIEW

The income statement for the year is set out on page 3. The Company's profit for the year increased by €2,451,000 an increase of 111.6% over the prior year. The Company made a profit before income tax of €6,237,000 in the year, an increase of €3,275,000 or 110.6% year on year. This movement can be primarily attributed to fees earned from increased issuances of financial instruments to other Group undertakings over the prior year.

The balance sheet for the Company is set out on page 4. The Company's financial position at the end of the year shows that the Company's net assets at the end of the year were €25,016,000 an increase of 366% from the prior year. This was primarily driven by a share capital issue of €15,000,000 and increased fees earned from issuances of financial instruments to other Group undertakings following increased activity over prior year not yet received and presented within receivables.

The performance of the Company is included in the results of the Group which are discussed in the Group's Annual Report on Form 10-K to the United States Securities and Exchange Commission. The 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.

FUTURE OUTLOOK

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

Risk Management

Risk is an inherent part of the Company's business activity and is managed within the context of the broader Group's business activities. The 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 instruments imputed from option prices), correlations of other market factors, such as liquidity, will result in losses for a position or portfolio.

The 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 is unable to meet its financial obligations.

The 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.

DIRECTORS' REPORT

Risk Management (continued)

Liquidity and cash flow risk

The Group's senior management establishes the overall liquidity and capital policies of the Group. The Group's liquidity and funding risk management policies are designed to mitigate the potential risk that the Group and the Company may be unable to access adequate financing to service its financial obligations when they fall due without material adverse franchise or business impact. The key objectives of the liquidity and funding risk management framework are to support the successful execution of the Group's and the Company's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of financial distress.

DIRECTORS

The following Directors held office throughout the year (except where otherwise shown):

J.Y. Baburel	(appointed 3 June 2008)
G.C.De Boer	(resigned 3 June 2008)
H. Herrmann	(appointed 5 February 2009)
C.E.C. Hood	(resigned 5 February 2009)
R Jackson-Proes	(appointed 3 June 2008)
J.A. Solan	
TMF Management B.V.	

POST BALANCE SHEET EVENTS

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

AUDITORS

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

By order of the Board on

Directors

J.Y Baburel H. Herrmann R Jackson-Proes J.A. Solan TMF Management B.V.

MORGAN STANLEY B.V.

DIRECTORS' REPORT

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INCOME STATEMENT
Year ended 30 November 2008

	Note	2008 €'000	2007 €'000
Net losses on financial instruments held for trading		(264,344)	-
Net gains on financial instruments designated at fair value through profit or loss		264,344	-
Interest income	4	1,083	397
Interest expense	4	(8)	-
Other income	5	5,170	2,573
Other expense	6	(8)	(8)
PROFIT BEFORE INCOME TAX		6,237	2,962
Income tax expense	7	(1,589)	(765)
PROFIT FOR THE YEAR		4,648	2,197

All operations were continuing in the current and prior year.

The notes on page 7 to 20 form an integral part of the financial statements.

MORGAN STANLEY B.V.

BALANCE SHEET
As at 30 November 2008
(Including Proposed Appropriation of Results)

	Note	2008 £'000	2007 £'000
ASSETS			
Loans and receivables:			
Cash at bank		1,259	12
Trade receivables		22,787	31,229
Other receivables	16	29,808	46,356
Financial assets held for trading	8	4,301	-
Financial assets designated at fair value through profit or loss	9	2,095,012	10,104,646
Current tax		-	236
TOTAL ASSETS		2,153,167	10,182,479
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost:			
Trade payables		3,818	119,030
Other payables	16	245	-
Financial liabilities held for trading	8	317,337	-
Financial liabilities designated at fair value through profit or loss	9	1,806,052	10,058,081
Current tax		699	-
TOTAL LIABILITIES		2,128,151	10,177,111
EQUITY			
Share capital	10	15,018	18
Retained earnings	15	9,998	5,350
TOTAL EQUITY		25,016	5,368
TOTAL LIABILITIES AND EQUITY		2,153,167	10,182,479

These financial statements were approved by the Board and authorised for issue on

Signed on behalf of the Board on 23rd March 2009

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J.Y Bahurel H. Herrmann R Jackson-Proes J.A. Solan TMF Management B.V.

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STATEMENT OF CHANGES IN EQUITY
Year ended 30 November 2008

	Share Capital €'000	Retained Earnings €'000	Total €'000
At 1 December 2006	18	3,153	3,171
Profit for the year	-	2,197	2,197
Balance at 30 November 2007	18	5,350	5,368
At 1 December 2007	18	5,350	5,368
Profit for the year	-	4,648	4,648
Issue of share capital	15,000	-	15,000
Balance at 30 November 2008	15,018	9,998	25,016

CASH FLOW STATEMENT
Year ended 30 November 2008

	2008 €'000	2007 €'000
OPERATING ACTIVITIES		
Profit before income tax	6,237	2,962
Adjustments for:		
Change in operating assets		
Net decrease / (increase) in loans and receivables	24,990	(75,847)
Net (increase) in financial assets held for trading	(4,301)	-
Net decrease / (increase) in financial assets designated at fair value through profit or loss	8,009,634	(6,229,258)
Net (increase) in current tax	-	(5)
	8,030,323	(6,305,110)
Change in operating liabilities		
Net (decrease) / increase in financial liabilities at amortised cost	(114,967)	118,997
Net increase in financial liabilities held for trading	317,337	-
Net (decrease) / increase in financial liabilities designated at fair value through profit or loss	(8,252,029)	6,182,693
	(8,049,659)	6,301,690
Cash used in operating activities	(13,099)	(458)
Income tax received	865	982
Income tax paid	(1,518)	(524)
	(653)	458
NET CASH FLOWS FROM OPERATING ACTIVITIES	(13,752)	-
FINANCING ACTIVITIES		
Issue of ordinary share capital	15,000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	15,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,248	-
Currency translation differences on FX currency cash balances	(1)	(2)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12	14
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,259	12

The notes on pages 7 to 20 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 November 2008

1. CORPORATE INFORMATION

The Company is incorporated and domiciled in The Netherlands, at the following address:

Locatellikade 1, Parnassustoren, 1076 AZ, Amsterdam, The Netherlands.

The Company is engaged in the issuance of financial instruments and the hedging of obligations pursuant to such issuances.

2. BASIS OF PREPARATION

Statement of compliance

The Company has prepared its annual financial statements in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union ("EU"). The primary financial statements in this document are presented in accordance with International Accounting Standards ("IAS") 1 *'Presentation of Financial Statements'*.

New Standards and interpretations adopted during the year

The Amendment to IAS 1 *'Presentation of Financial Statements' on capital disclosures* was issued by the IASB in August 2005 for application in accounting periods beginning on or after 1 January 2007. The Company adopted the amended IAS 1 during the year. The required disclosure is provided in Note 15.

An Amendment to IAS 39 *'Financial Instruments: Recognition and measurement'* and IFRS 7 *'Financial Instruments: Disclosure'* was issued by the IASB in October 2008 for application from July 2008. The Company adopted the amended standards during the year. There has been no impact on the financial statements following the adoption of the amended standards as the Company has opted not to take advantage of the increased flexibility in reclassifying its financial assets.

IFRS 8 *'Operating Segments'* was issued by the IASB in November 2006 for application in accounting periods beginning on or after 1 January 2009. The Company chose to early adopt IFRS 8 with effect from 1 December 2006, resulting in minor changes to disclosure.

New Standards and Interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company's operations were in issue by the IASB but not yet mandatory:

The Company does not expect that the adoption of these standards and interpretations will have a material impact on the Company's financial statements.

IAS 1 *'Presentation of Financial Statements'*. This was revised by the IASB in September 2007 for application in accounting periods beginning on or after 1 January 2009. The revised standard will be adopted by the Company following endorsement under the EU Regulation.

IAS 32 *'Financial Instruments: Presentation'*. This was amended by the IASB in February 2008 for application in accounting periods beginning on or after 1 January 2009. The amended standard will be adopted by the Company following endorsement under the EU Regulation.

IAS 39 *'Financial Instruments: Recognition and Measurement'*. This was amended by the IASB in July 2008 for application in accounting periods beginning on or after 1 July 2009. The amended standard will be adopted by the Company following endorsement under the EU Regulation.

As part of the Annual Improvements to IFRS, the IASB made amendments to the following standards that are relevant to the Company's operations: IAS 1 *'Presentation of Financial Statements'* and IAS 39 *'Financial Instruments: Recognition and Measurement'*. The amendments were made in May 2008, for application in accounting periods beginning on or after 1 January 2009.

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement

The financial statements of the Company are prepared under the historical cost convention modified by the inclusion of certain financial instruments at fair value.

Use of estimates and sources of uncertainty

The preparation of financial information requires the Company to make estimates and assumptions regarding the valuation of certain financial instruments and other matters that affect the financial statements and related disclosures. The Company believes that the estimates utilised in preparing the financial statements are prudent and reasonable. Actual results could differ materially from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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.

b. 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 income statement and are presented in 'Other income' or 'Other expense' except where noted in 3(c) below.

c. Financial instruments

The Company classifies its financial assets in the following categories on initial recognition: financial assets held for trading, financial assets designated at fair value through profit or loss, and loans and receivables.

The Company classifies its financial liabilities in the following categories on initial recognition: financial liabilities held for trading, financial liabilities designated at fair value through profit or loss, and financial liabilities at amortised cost.

i) Financial instruments classified as held for trading

Financial instruments classified as held for trading, including derivatives, are initially recorded on trade date at fair value. All subsequent related gains and losses, including foreign exchange differences, are reflected in the income statement in 'Net gains on financial instruments held for trading'.

ii) Financial instruments designated at fair value through profit or loss

The Company has designated financial assets and financial liabilities at fair value through profit or loss when either

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation at fair value eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

From the date the transaction in a financial instrument designated at fair value is entered into (trade date) until settlement date, the Company recognises any unrealised fair value changes in the contract as financial instruments designated at fair value through profit or loss. On settlement date, the fair value of consideration given or received is recognised as a financial instrument designated at fair value through profit or loss. Following settlement date, all related gains and losses, including foreign exchange differences, are reflected in the income statement in 'Net gains from financial instruments designated at fair value through profit or loss'.

iii) 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 and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the income statement using the effective interest rate method in 'Interest income'.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or 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 liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. 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.

Impairment losses and reversals of impairment losses and foreign exchange differences on financial assets classified as loans and receivables are recognised in the income statement in either 'Other expense' or 'Other income.'

Financial liabilities held at amortised cost are initially recognised on settlement date at fair value and subsequently measured at amortised cost. Interest is recognised in the income statement in 'Interest expense' using the effective interest rate method as described above.

d. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

In determining fair value, the Company uses various valuation approaches depending on how observable the inputs to the valuation are. The Company maximises the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 November 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair values of many financial instruments, including over-the-counter ('OTC') financial instruments, are derived using pricing models. Pricing models take into account the contract terms (including the maturity), as well as multiple inputs, including where applicable, commodity prices, equity prices, interest rate yield curves, credit curves, the creditworthiness of the counterparty, option volatility and currency rates. The impact of own credit spreads is also considered when measuring the fair value of liabilities, including OTC derivative contracts. Where appropriate, valuation adjustments are made to account for various factors such as liquidity risk (bid-ask adjustments), credit quality, concentration risk and model risk. These adjustments are subject to judgement, are applied on a consistent basis and are based upon observable inputs where available. The Company subjects all valuations and models to a review process on a periodic basis.

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). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repacking, or on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises a gain or loss on inception of the transaction. When unobservable market data has a significant impact on determining fair value at the inception of the transaction, the entire initial change in fair value indicated by the valuation technique as at the transaction date, is not recognised immediately in the income statement. It is recognised instead when the market data becomes observable.

Fair Value Hierarchy: Financial instruments recognised at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.

- Valuation techniques using observable inputs (Level 2) – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Valuation techniques with significant non-observable inputs (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair Value Control Processes: The Company employs control processes to validate the fair value of its financial instruments, including those derived from pricing models. These control processes are designed to assure that the values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. These control processes include reviews of the pricing model's theoretical soundness and appropriateness by Company personnel with relevant expertise who are independent from the trading desks. Additionally, groups independent from the trading divisions within the Financial Control, Market Risk and Credit Risk Departments participate in the review and validation of the fair values generated from pricing models, as appropriate. Where a pricing model is used to determine fair value, recently comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. 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 a financial asset classified as loans and receivables. Impairment losses are recognised if there is an adverse impact expected to the future cash flows of an asset and the expected impact can be reliably estimated.

Impairment losses on loans and receivables carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the asset's original effective interest rate. Such impairment losses are recognised in the income statement within 'Other expenses' and are reflected against the carrying amount of the impaired asset on the balance sheet. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed as detailed by financial asset in note 3(c)(iii).

f. Income Tax

The tax expense represents the sum of the tax currently paid and payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax is charged or credited in the income statement, except when it relates to items charged or credited directly in equity, in which case the current tax is also dealt with in equity.

4. INTEREST INCOME AND INTEREST EXPENSE

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed as 'Interest income' within the income statement.

No other gains or losses have been recognised in respect of financial liabilities measured at amortised cost other than as disclosed as 'Interest expense' within the income statement.

5. OTHER INCOME

	2008 €'000	2007 €'000
Other income	5,170	2,573

Other income relates to fees earned from issuances of financial instruments to other Group undertakings.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 November 2008

6. OTHER EXPENSE

	2008 €'000	2007 €'000
Auditors remuneration:		
Audit Fees:		
Audit fees Deloitte Accountants B.V.	5	5
Audit fees Deloitte network	3	3
Audit of the Company's financial statements	8	8

The Company employed no staff during the year (2007: nil).

7. INCOME TAX EXPENSE

	2008 €'000	2007 €'000
Dutch corporation tax at 25.50% (2007: 25.84%)		
Current year	1,591	765
Adjustments in respect of prior years	(2)	-
Current year	1,589	765

	2008 €'000	2007 €'000
Reconciliation of effective tax rate		
Profit before income tax	6,237	2,962
Income tax using the standard rate of corporation tax in the Netherlands of 25.50% (2007: 25.84%)	1,591	765
Impact on tax of:		
(Over) provided in prior years	(2)	-
Total income tax expense in the income statement	1,589	765

8. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Financial assets and financial liabilities categorised as held for trading are summarised in the table below:

	2008		2007	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Derivatives	4,301	317,337	-	-

There are no financial assets or financial liabilities classified as held for trading that are expected to be settled after more than twelve months.

9. FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments designated at fair value through profit and loss consist primarily of the following classes of assets and liabilities:

Issued structured notes - These instruments contain an embedded derivative which significantly modifies the cash flows of the issuance. The return on the instrument is linked to an underlying that is not clearly and closely related to the debt host including, but not limited to, equity, credit or commodity-linked notes. Using the fair value option, the entire instrument is measured at fair value through profit or loss.

Prepaid equity securities contracts - These contracts involve derivatives for which an initial payment is paid at inception. These financial instruments, along with the loans designated at fair value and the derivative contracts categorised as held for trading, are part of the hedging strategy for the obligations arising pursuant to the issuance of the structured notes. Using the fair value option, the entire instrument is measured at fair value through profit or loss.

Designated Loans: These are loans to other Group companies that, along with the prepaid equity securities contracts and the derivative contracts categorised as held for trading, are part of the hedging strategy for the obligations arising pursuant to the issuance of the structured notes. Using the fair value option, the entire instrument is measured at fair value through profit or loss.

	2008		2007	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Prepaid equity securities contracts	1,270,316	-	10,104,646	-
Designated loans	824,696	-	-	-
Issued notes	-	1,806,052	-	10,058,081
	2,095,012	1,806,052	10,104,646	10,058,081

Included within 'Financial assets designated at fair value' is an amount of €301,240,000 (2007 €2,331,580,000) and within financial liabilities designated at fair value is an amount of €301,240,000 (2007 €2,331,580,000) that is expected to be settled after more than twelve months.

The cumulative change in fair value of prepaid derivatives and designated loans attributable to changes in credit risk amounts to a gain of €172,997,000 (2007: €104,980,000) and the change in the fair value of issued notes attributable to changes in credit risk amounts to a loss of €156,511,000 (2007: €104,980,000). The change for the current year is a net gain of €16,486,000 (2007: nil), which is offset by a net loss of €16,486,000 due to changes in fair value of financial instruments held for trading attributable to changes in credit risk.

The carrying amount of financial liabilities designated at fair value was €42,100,000 lower than the contractual amount due at maturity (2007: nil).

There were no significant gains or losses attributable to changes in own credit risk for financial liabilities designated at fair value for year ended 30 November 2008 (2007: nil).

The above change in fair value of financial assets designated at fair value through profit or loss and financial liabilities designated at fair value through profit or loss this is attributable to changes in the credit risk is determined as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk.

10. EQUITY

Ordinary share capital

	Ordinary shares of €100 each: Number	Total Ordinary shares: Number
Authorised:		
At 1 December 2006	900	900
Increases in the year	-	-
At 30 November 2007	900	900
Increases in the year 2 July 2008	399,100	399,100
At 30 November 2008	400,000	400,000

	Ordinary shares of €100 each: €'000	Total Ordinary shares: €'000
Issued and fully paid:		
At 1 December 2006	18	18
Issued in the year	-	-
At 30 November 2007	18	18
Issued in the year 2 July 2008	15,000	15,000
At 30 November 2008	15,018	15,018

On 2 July 2008 the Company increased its authorised share capital by 399,100 ordinary shares of €100 each and issued 150,000 ordinary shares of €100 each in the Company to its sole shareholder. The issued shares rank pari passu with the existing ordinary shares.

11. SEGMENTAL REPORTING

The Company has only one business segment as described in the Directors' Report and operates in one geographic market, Europe.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 November 2008

12. 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 Group. The 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 Group.

The principal activity of the Company continues to be the issuance of financial instruments and the economic hedging of the obligations arising pursuant to such issuances. It is the policy and objective of the Company not to be exposed to market risk. On issuance of each financial instrument, the Company enters into economic hedges of its obligations by purchasing financial instruments from another Group entity.

Credit risk

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

The 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 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 Group and include escalation to appropriate key management personnel of the Company.

The maximum exposure to credit risk of the Company as at 30 November 2008 is the carrying amount of the financial assets held in the balance sheet without taking account of any collateral held or any other credit enhancement.

As the Company enters into all of its financial asset transactions with Group entities, the Company's credit risk related to this concentration is mitigated as both the Company and Group entities are wholly owned indirect subsidiaries of the same Group parent company, Morgan Stanley.

Liquidity risk

Liquidity is the risk that the entity may encounter difficulty in realising financial assets or otherwise raising funds to satisfy its financial liabilities.

The Group's senior management establishes the overall liquidity and funding policies of the Group and the liquidity risk management policies and procedures conducted within the Company are consistent with those of the Group. The Group's liquidity and funding risk management policies are designed to mitigate the potential risk that entities within the Group, including those of 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 Group's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of financial difficulty.

The Company hedges all of its fair value financial liability transactions with Group companies. The Company's liquidity risk related to this concentration is mitigated as both the Company and its Group companies are wholly owned subsidiaries of the same group parent company, Morgan Stanley.

In the following contractual maturity analysis, derivative contracts are disclosed as on demand; financial liabilities designated at fair value through profit or loss are disclosed according to their earliest contractual maturity. All such amounts are presented at their fair value. All other amounts represent the undiscounted cash flows payable by the Company arising from its financial liabilities to contractual maturities as at 30 November 2008. Repayments that are subject to notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from those financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial liabilities is managed by the Company.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

	On demand	In less than one year	In more than one year but not more than two years	More than two years but less than five years	More than five years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
2008						
Financial liabilities						
Financial liabilities at amortised cost:						
- Trade payables	3,818	-	-	-	-	3,818
- Other payables	245	-	-	-	-	245
Financial liabilities held for trading	317,337	-	-	-	-	317,337
Financial liabilities designated at fair value through profit or loss	-	1,504,812	7,316	205,902	88,022	1,806,052
Current tax	-	699	-	-	-	699
Total financial liabilities	321,400	1,505,511	7,316	205,902	88,022	2,128,151
2007						
Financial liabilities						
Financial liabilities at amortised cost:						
- Trade payables	119,030	-	-	-	-	119,030
Financial liabilities designated at fair value through profit or loss	-	7,726,501	21,267	2,070,542	239,771	10,058,081
Total financial liabilities	119,030	7,726,501	21,267	2,070,542	239,771	10,177,111

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.

Sound market risk management is an integral part of the Company's and the 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.

The Company hedges all of its fair value financial liability transactions with Group companies. The Company is managed within the Group's global framework. The market risk management policies and procedures of the Company are consistent with those of the Group, including reporting of material risks identified to appropriate key management personnel of the Company.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Price risk, interest rate risk and foreign currency risk

The issued Structured notes expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than Euros, the risk of changes in rates of exchange between the Euro and the other relevant currencies. The Company uses the risk-mirroring contracts that it purchases from other Group companies to hedge the price, interest rate and foreign currency risks associated with the issuance of the Structured notes consistent with the Company's risk management strategy.

13. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value hierarchy

The Company's financial assets and liabilities recognised at fair value have been broken down into a three level hierarchy based on the observability of inputs as described in note 3(d). The following table presents the carrying value of the Company's financial assets and liabilities across the fair value hierarchy.

	2008 Quoted prices in active market €000s	2008 Valuation techniques using observable inputs €000s	2008 Valuation techniques with significant non-observable inputs €000s	2008 Total €000s
Financial assets held for trading:				
- Derivatives	-	4,301	-	4,301
Financial assets designated at fair value through profit or loss	-	2,095,012	-	2,095,012
Total financial assets held at fair value	-	2,099,313	-	2,099,313
Financial liabilities held for trading:				
- Derivatives	-	317,337	-	317,337
Financial liabilities designated at fair value through profit or loss	-	1,796,481	9,571	1,806,052
Total financial liabilities at fair value	-	2,113,818	9,571	2,123,389

14. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

For all financial assets and financial liabilities not recognised at fair value, the carrying amount is considered to be a reasonable approximation of fair value due to the short term nature of these financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 November 2008

15. CAPITAL MANAGEMENT

The Group manages its capital on a global basis with consideration for individual legal entities within the Group. The capital managed by the Group broadly includes ordinary share capital, preference share capital, subordinated loans and reserves.

The Group also uses an economic capital framework. The methodology is based on a going-concern approach that assigns equity to each business based on regulatory capital usage plus additional capital for stress losses, including principal investment risk. Regulatory capital, including additional capital assigned for certain goodwill, intangible assets and net deferred tax assets, is a minimum requirement to ensure the Group's access to funding in the market. The Group believes it must be able to sustain stress losses and maintain capital substantially above regulatory minimums while supporting ongoing business activities.

The Group's objectives when managing global capital are:

- to comply with the requirements set by the Board of Governors of the Federal Reserve System ("Fed"), 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 Group.

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

As described in the Financial Risk Management note (note 12), the Company's exposure to liquidity and market risk is closely managed and this is reflected in the Company's capital structure. The Company may manage its capital by adjusting the amount of dividends paid, returning capital to shareholders or issuing new shares as required.

The Company's managed capital includes the following:

	2008 €'000	2007 €'000
Ordinary share capital	15,018	18
Reserves	9,998	5,350
	25,016	5,368

16. RELATED PARTY DISCLOSURES

Parent and ultimate controlling entity

The Company's immediate parent undertaking is Morgan Stanley International Holdings Inc, which is registered in Delaware, the United States of America. Copies of its financial statements can be obtained from 25 Cabot Square, Canary Wharf, London E14 4QA.

The ultimate parent undertaking and controlling entity and the smallest and largest group of which the Company is a member and for which group accounts 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.

16. RELATED PARTY DISCLOSURES (CONTINUED)

Key Management Compensation

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel includes the Board of Directors plus key business unit management.

Compensation paid to key management personnel in respect of their services rendered to the Company is:

	2008 €'000	2007 €'000
Short-term employee benefits	31	40
Post-employment benefits	-	-
Share-based payment	5	5
Other long-term employee benefits	1	1
Termination benefits	2	-
Management fees	219	118
	258	164

Key management personnel compensation is borne by other Group undertakings.

Transactions with related parties

The Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, the Company is closely integrated with the operations of the Group and enters into transactions with other Group undertakings for the purposes of utilising financing, trading and risk management, and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below. The Company has not recognised any expense and has made no provision for bad and doubtful debts related to the amount of outstanding balances from related parties (2007: nil).

Financing

The Company receives financing from and provides financing to other Group undertakings in the following forms:

General funding

General funding is undated, unsecured, floating rate lending. Funding may be received or provided for specific transaction related financing requirements, or for general intra group financing purposes. The interest rates are established by the Group Treasury function for all entities within the Group and approximate the market rate of interest that the Group incurs in financing its business.

Details of the outstanding balances on these financing arrangements and interest receivable/payable during the year are shown in the table below:

	2008		2007	
	Interest €'000	Balance €'000	Interest €'000	Balance €'000
Amounts due from other Group undertakings	963	29,808	248	46,356
Amounts due to other Group undertakings	6	245	-	-

16. RELATED PARTY DISCLOSURES (CONTINUED)

Trading and risk management

The Company issues structured notes and hedges the obligations arising from the issuance by entering into prepaid equity securities contracts, derivative contracts and designated loans with other Group companies. All such transactions are entered into on an arm's length basis. These transactions may give rise to credit risk either for the Company, or to a related party towards the Company. The total amounts receivable and payable on issued notes, prepaid equity securities, derivative contracts and designated loans were as follows:

	2008 €'000	2007 €'000
Amounts due from other Group undertakings	2,122,100	10,135,875
Amounts due to other Group undertakings	1,630,000	6,471,291

In addition, the management and execution of business strategies on a global basis results in many Morgan Stanley transactions impacting a number of Group entities. The Group operates a number of intra-group policies to ensure that, where possible, revenues and related costs are matched. For the year ended 30 November 2008 a net gain of €5,170,000 was recognised in the income statement arising from such policies (2007: €2,573,000).

Infrastructure services

The Company uses infrastructure services, including the provision of office facilities, operated by other Group undertakings at no charge (2007: nil).

ADDITIONAL INFORMATION

Auditors' report

The auditors' report is recorded on the next page.

Statutory rules concerning appropriation of the net result

The Articles of Incorporation of the Company provide that the net result for the year is at the disposition of the Annual General Meeting of Shareholders.

Appropriation of the net result for the period

The balance sheet is presented after the proposed appropriation of the net result for the period ended 30 November 2008. The directors propose to add the result for the year to the Retained Earnings as part of the equity.

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 annual report now presented.

Deloitte.

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To the shareholders of
Morgan Stanley B.V.
Amsterdam

Date	From	Reference
March 23, 2009	R. Koppen	3100054184/OP9984/nv

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements for the year ended November 30, 2008 of Morgan Stanley B.V., Amsterdam, which comprise the balance sheet as at November 30, 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, 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.

Deloitte.

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 Morgan Stanley B.V. as at November 30, 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

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.

R. Koppen