Registered number: 02131430

Registered office:
25 Cabot Square
Canary Wharf
London, E14 4QA
United Kingdom

MORGAN STANLEY (DWRRBS) LIMITED

Report and financial statements

31 December 2019

MORGAN STANLEY (DWRRBS) LIMITED

CONTENTS

MORGAN STANLEY (DWRRBS) LIMITED

STRATEGIC REPORT

The Directors present their Strategic report for Morgan Stanley (DWRRBS) Limited (the "Company") for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as the sponsoring employer for the Dean Witter Reynolds Retirement Benefits Plan (the "Plan"). No significant changes in the Company's principal activity are expected in 2020. Further details regarding this Plan are included within note 12 to the financial statements.

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 Company's immediate parent undertaking is Morgan Stanley Dean Witter International Incorporated.

BUSINESS REVIEW

The Company leverages the risk management policies and procedures of the Morgan Stanley Group. The Company manages the risk of potential impact on its business (including but not limited to the impact of the United Kingdom's ("UK") decision to leave the European Union (the "EU")). The Company maintains a constant planning dialogue with the wider Morgan Stanley Group and accordingly management does not expect any significant impact on the operations and business of the Company arising from these external factors.

Overview of 2019

The income statement for the year is set out on page 10. The Company's loss after tax for the year was £412,000 compared with a loss after tax of £362,000 in the prior year.

The loss is primarily driven by pension scheme administration costs which increased by £163,000 mainly due to a triennial valuation of the Plan as at 31 December 2018. In the prior year, a pension past service charge of £141,000 was made in response to the High Court ruling published on 26 October 2018 that defined benefit schemes are required to be equalised for male and female members' to comply with sex discrimination legislation. The remainder is primarily driven by deferred tax expense arising on recognition of a post-employment benefit asset as set out below of £20,000.

The statement of financial position for the Company is set out on page 13. The Company's total assets have increased by £639,000 to £2,854,000 mainly due to recognition of a post-employment benefit asset of £591,000 and an increase in amounts due to other Morgan Stanley Group undertakings of £47,000. Total liabilities have increased by £657,000 to £1,971,000. This relates primarily to an increase in amounts due to other Morgan Stanley Group undertakings of £571,000 and in deferred tax liabilities of £101,000. The remainder relates to a decrease in post-employment benefit obligations of £24,000 and increase in accruals of £9,000.

The Company considers that it has an unconditional right to an economic benefit in the form of a refund from the defined benefit section of the Dean Witter Reynolds Retirement Benefits Plan. Based on the Plan rules, and external legal counsel guidance received in prior years, the Company has recognised a net surplus in the current year in respect of the Plan of £591,000 (2018: £24,000 deficit). The related actuarial gain and return on Plan assets has been reported in the statement of comprehensive income of £475,000. The remainder relates to Plan contributions of £140,000. See note 12 to the financial statements for more detail.

The performance of the Company is included in the results of the Morgan Stanley Group. The Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company.

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Emergence of COVID-19

The coronavirus disease (COVID-19) pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets, increased unemployment, and operational challenges such as the temporary closures of businesses, sheltering-in-place directives and increased remote work protocols. Governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, though it is unclear whether these or future actions will be successful in countering the economic disruption. If the pandemic is prolonged or the actions of governments and central banks are unsuccessful, the adverse impact on the global economy will deepen, and the future results of operations and financial condition of Morgan Stanley and the Company will be adversely affected.

Since the emergence of the pandemic each business segment of Morgan Stanley and the business of the Company has been impacted and such impact will likely be greater in the future if conditions persist (e.g., decline and volatility of asset prices, reduction in interest rates, widening of credit spreads, credit deterioration, market volatility and reduced investment banking advisory activity). Operationally, although the Morgan Stanley Group have initiated a work remotely protocol and restricted business travel and have not experienced any significant loss of operational capability, if significant portions of Morgan Stanley Group's workforce, including key personnel, are unable to work effectively because of illness, government actions, or other restrictions in connection with the pandemic, the business impact of the pandemic could be exacerbated

While the emergence of the COVID-19 pandemic has negatively impacted the results of Morgan Stanley, the extent to which it, and the related global economic crisis, affects the businesses, the results of operations and financial condition, as well as the regulatory capital and liquidity ratios of Morgan Stanley, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on our customers, counterparties, employees and third-party service providers. Morgan Stanley and the Company continue to use their Risk Management framework, including Stress testing, to understand the attendant uncertainties and their potential impact on our operations, liquidity and capital. Morgan Stanley is maintaining an active dialogue with all its relevant global regulators during this period.

The risk management section below sets out the Company's and the Morgan Stanley Group's policies for the management of liquidity and cash flow risk and other significant business risks.

Risk management

Risk is an inherent part of the Company's business activity. The Company 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 has developed its own risk management policy framework, which leverages the risk management policies and procedures of the Morgan Stanley Group, and which include escalation to appropriate senior management personnel of the Company.

Market risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

The Company is exposed to market risk as a result of the underlying investments of the defined benefit section of the Dean Witter Reynolds Retirement Benefits Plan as outlined in note 12.

Market risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to the Company's Board of Directors and appropriate senior management personnel.

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Credit risk
Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. The Company primarily incurs credit risk through its exposure to other Morgan Stanley Group undertakings.

Credit risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to appropriate senior management personnel.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group.

Liquidity risk
Liquidity risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity risk encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company's viability as a going concern as well as the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding. Generally, the Company incurs liquidity and funding risk as a result of its exposure to Morgan Stanley Group undertakings.

The Morgan Stanley Group's senior management establishes the liquidity and funding policies of the Morgan Stanley Group and the liquidity risk management policies and procedures conducted within the Company are consistent with those of the Morgan Stanley Group. The primary goal of the Morgan Stanley Group's liquidity risk management framework is to ensure that the Morgan Stanley Group, including the Company, has access to adequate funding across a wide range of market conditions and time horizons. The framework is designed to enable the Morgan Stanley Group to fulfil its financial obligations and support the execution of the Company's business strategies.

The Company continues to actively manage its capital and liquidity position to ensure adequate resources are available to support its activities, to enable it to withstand market stresses.

Operational risk
Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, from human factors or from external events (e.g. fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management. Legal, regulatory and compliance risk is discussed below under "Legal, regulatory and compliance risk".

Legal, regulatory and compliance risk
Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss; including fines, penalties, judgements, damages and/ or settlements or loss to reputation which the Company may suffer as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with Anti-Money Laundering, anti-corruption and terrorist financing rules and regulations.

The Company, principally through the Morgan Stanley Group's Legal and Compliance Division, has established procedures based on legal and regulatory requirements on a worldwide basis that are designed to facilitate compliance with applicable statutory and regulatory requirements and to require that the Company's policies relating to business conduct, ethics and practices are followed globally.

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Legal, regulatory and compliance risk (continued)
In addition, the Company has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The heightened legal and regulatory focus on the financial services and banking industries globally presents a continuing business challenge for the Company.

Going concern

Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Company. Retaining sufficient capital and liquidity to withstand these market pressures remains central to the Company's strategy. The existing and potential effects of COVID-19 (coronavirus) on the business of the Company have been considered as part of the going concern analysis, including impact on operational capacity, access to liquidity and capital, contractual obligations, asset valuations and other critical accounting judgements and key sources of estimation uncertainty. The Company has access to further Morgan Stanley capital and liquidity as required.

Although the Company has net liabilities payable within the next 12 months, the Company is performing in line with expectations and the net liabilities payable within the next 12 months are due to amounts owing to fellow Morgan Stanley Group undertakings, the demand for repayment of which is wholly within the control of the Morgan Stanley Group.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

SECTION 172(1) STATEMENT

The Directors are aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act 2006. When making decisions, Directors have regard to the interests of stakeholders relevant to the Company, as the sponsoring employer for the Dean Witter Reynolds Retirement Benefits Plan, as well as the need to maintain a reputation for high standards of business conduct and the long term consequences of decisions. They also fulfil their responsibilities through the application of Morgan Stanley Group policies and practices, underpinned by Morgan Stanley's five core values of: do the right thing, put clients first, lead with exceptional ideas, commit to diversity and inclusion and give back.

Approved by the Board and signed on its behalf by

DocuSigned by:
Kieran.O'Regan
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K P O'Regan – Director
16 September 2020

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of financial position, and the related notes, 1 to 13) for the Company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The loss for the year, after tax, was £412,000 (2018: £362,000).

During the year, no dividends were paid or proposed (2018: £nil).

RISK MANAGEMENT AND FUTURE DEVELOPMENTS

Information regarding risk management and future developments has been included in the Strategic report.

DIRECTORS

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

J D Bendall	(resigned 31 January 2020)
M P F Brignell	
K P O'Regan	

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and Officers' Liability Insurance is taken out by Morgan Stanley, the Company's ultimate parent undertaking, for the benefit of the Directors and Officers of the Company.

DIRECTORS' INDEMNITY

Qualifying third party indemnity provisions (as defined in Section 234 of the Companies Act 2006) were in force during the year and up to and including the date of the Directors' report for the benefit of the Directors of the Company.

EVENTS AFTER THE REPORTING DATE

Since the balance sheet date the coronavirus disease (COVID-19) pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets and operational challenges. The extent of the impact is highly uncertain and cannot be predicted and could adversely affect the future operations and financial condition of Morgan Stanley and the Company. For further detail, refer to 'Emergence of COVID-19' section on page 2 of the Strategic Report.

DIRECTORS' REPORT

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and, under Sections 485 to 488 of the Companies Act 2006, will be deemed to be re-appointed.

Statement as to disclosure of information to the auditor

Each of the persons who are Directors of the Company 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 Company's auditor in connection with preparing their report) of which the Company's auditor is 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 Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (UK Accounting Standards and applicable law), including Financial Reporting Standard ("FRS") 101 '*Reduced Disclosure Framework*' ("FRS 101"). Under 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed; 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 Act 2006. 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

DocuSigned by:
Kieran.O'Regan
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K P O'Regan – Director

16 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY (DWRRBS) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morgan Stanley (DWRRBS) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced disclosure framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced disclosure framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY (DWRRBS) LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY (DWRRBS) LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

P Cawley

Paul Cowley, C.A. (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
16 September 2020

MORGAN STANLEY (DWRRBS) LIMITED

INCOME STATEMENT
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Interest income	4	46	45
Interest expense	4	(30)	(21)
Net interest income		16	24
Other income	5	1	6
Other expense	6	(409)	(392)
LOSS BEFORE TAXATION		(392)	(362)
Income tax	7	(20)	-
LOSS FOR THE YEAR		(412)	(362)

All results were derived from continuing operations.

The notes on pages 14 to 27 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
LOSS FOR THE YEAR		(412)	(362)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension	7	394	215
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		394	215
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(18)	(147)

The notes on pages 14 to 27 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Note	Share capital £'000	Capital contri-bution reserve £'000	Pension reserve £'000	Retained losses £'000	Total equity £'000
Balance at 1 January 2018		6,270	2,000	(1,599)	(5,623)	1,048
Loss for the year		-	-	-	(362)	(362)
Other comprehensive income for the year:						
Remeasurement of net defined benefit pension	7	-	-	215	-	215
Total comprehensive income for the year		-	-	215	(362)	(147)
Balance at 31 December 2018		6,270	2,000	(1,384)	(5,985)	901
Loss for the year		-	-	-	(412)	(412)
Other comprehensive income for the year:						
Remeasurement of net defined benefit pension	7	-	-	394	-	394
Total comprehensive income for the year		-	-	394	(412)	(18)
Balance at 31 December 2019		6,270	2,000	(990)	(6,397)	883

The notes on pages 14 to 27 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Cash and short-term deposits		98	98
Loans and advances	9	2,154	2,107
Other receivables	9	11	10
Post-employment benefit asset	12	591	-
TOTAL ASSETS		2,854	2,215
LIABILITIES AND EQUITY			
Other payables	9	1,814	1,243
Accruals and deferred income		56	47
Deferred tax liabilities	10	101	-
Post-employment benefit obligations	12	-	24
TOTAL LIABILITIES		1,971	1,314
EQUITY			
Share capital	8	6,270	6,270
Capital contribution reserve	8	2,000	2,000
Pension reserve	8	(990)	(1,384)
Retained losses		(6,397)	(5,985)
Equity attributable to owners of the Company		883	901
TOTAL EQUITY		883	901
TOTAL LIABILITIES AND EQUITY		2,854	2,215

These financial statements were approved by the Board and authorised for issue on 15 September 2020.

Signed on behalf of the Board

DocuSigned by:
Kieran.O'Regan
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K P O'Regan – Director

The notes on pages 14 to 27 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

1. CORPORATE INFORMATION

The Company is incorporated and domiciled in England and Wales, UK, at the following registered address: 25 Cabot Square, Canary Wharf, London, E14 4QA. The Company is a private company and is limited by shares. The registered number of the Company is 02131430.

The Company's immediate parent undertaking is Morgan Stanley Dean Witter International Incorporated, which has its registered office c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the state of Delaware, in the United States of America.

The Company's ultimate parent undertaking and controlling entity and the largest and smallest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the Morgan Stanley Group. Morgan Stanley has its registered office c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the state of Delaware, in the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

2. BASIS OF PREPARATION

Statement of compliance

These financial statement are prepared in accordance with UK GAAP (UK Accounting Standards and applicable law), including FRS 101.

The Company meets the definition of a qualifying entity as defined in FRS 100 '*Application of financial reporting requirements*'. The Company has taken advantage of certain disclosure exemptions available under FRS 101 in relation to financial instruments, capital management, presentation of a cash-flow statement, accounting standards not yet effective and related party transactions.

Where relevant, equivalent disclosures have been provided in the group accounts of Morgan Stanley, in which the Company is consolidated. Copies of Morgan Stanley's accounts can be obtained as detailed at note 1.

New standards and interpretations adopted during the year

The following standards, amendments to standards and interpretations relevant to the Company's operations were adopted during the year. Except where otherwise stated, these standards, amendments to standards and interpretations did not have a material impact on the Company's financial statements.

An amendment to IAS 19 '*Plan Amendment, Curtailment or Settlement*' was issued by the IASB in February 2018, for retrospective application to plan amendments, curtailments or settlements occurring on or after 1 January 2019. The amendment was endorsed by the EU in March 2019.

As part of the 2015-2017 Annual Improvements Cycle published in December 2017, the IASB made amendments to the following standards that are relevant to the Company's operations: IAS 12 '*Income Taxes*' and IAS 23 '*Borrowing Costs*', for application in accounting periods beginning on or after 1 January 2019. The amendments were endorsed by the EU in March 2019.

International Financial Reporting Interpretations Committee ("IFRIC") 23 '*Uncertainty over Income Tax Treatments*' was issued by the IASB in June 2017 for application in accounting periods beginning on or after 1 January 2019. The interpretation was endorsed by the EU in October 2018.

There were no other standards, amendments to standards or interpretations relevant to the Company's operations which were adopted during the year.

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement

The financial statements of the Company are prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value as explained in the accounting policies below and in accordance with applicable UK Accounting Standards, including FRS 101, and UK company law.

Critical judgements in applying the Company's accounting policies

In preparing the financial statements, the Company makes judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Company's accounting policies, other than those involving estimations, which have the most significant effects on the amounts recognised in the financial statements.

Critical judgements

The critical judgement made by management in applying the Company's accounting policies is the determination of whether an asset ceiling exists which may limit the measurement of any surplus in the defined benefit section of the Plan. Based on the Plan rules, and following consultation with external legal counsel, management's judgement is that the Company has an unconditional right to economic benefit in the form of a refund from the Plan and no limit is applied to the measurement of any surplus arising in the defined benefit section of the Plan on the Company's statement of financial position. The Company therefore recognised a surplus of £591,000 at 31 December 2019 (2018: £24,000 deficit).

Key sources of estimation uncertainty

Significant estimate is also required when determining the key assumptions such as discount rate, inflation and mortality and a change in these assumptions will have a material impact on the carrying value of the defined benefit obligation. For further details on specific assumptions used in determining the carrying amount of the defined benefit pension obligation, see note 12.

The Company believes that the judgements and estimates used in preparing the financial statements are reasonable, relevant and reliable.

The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Business review section of the Strategic report on pages 1 to 4.

As set out in the Strategic Report, retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan's Stanley Group's and the Company's strategy.

Although the Company has net liabilities payable within the next 12 months, the Company is performing in line with expectations and the net liabilities payable within the next 12 months are due to amounts owing to fellow Morgan Stanley Group undertakings, the demand for repayment of which is wholly within the control of the Morgan Stanley Group.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional currency

Items included in the financial statements are measured and presented in Pounds Sterling, the currency of the primary economic environment in which the Company operates.

All currency amounts in the financial statements and Strategic and Directors' reports are rounded to the nearest thousand Pounds Sterling.

b. Foreign currencies

All monetary assets and liabilities denominated in currencies other than Pounds Sterling are translated into Pounds Sterling at the rates ruling at the reporting date. Transactions denominated in currencies other than Pounds Sterling are recorded at the rates prevailing at the dates of the transactions. All translation differences are recognised through the income statement. Exchange differences recognised in the income statement are presented in 'Other income' or 'Other expense'.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks, with original maturities of three months or less, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

d. Financial instruments

Financial assets and financial liabilities at amortised cost

Financial assets and liabilities primarily comprise loans and advances and other receivables and payables.

Loans and advances and other receivables and payables are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value and subsequently measured at amortised cost (less allowance for impairment on financial assets). Interest is recognised in the income statement using the effective interest rate ("EIR") method.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

e. Impairment of financial assets

The Company recognises loss allowances for expected credit losses ("ECL") for its financial assets classified at amortised cost. ECL are the present value of cash shortfalls over the expected life of the financial instrument, discounted at the asset's EIR. ECL are recognised in the income statement within 'Net impairment loss on financial instruments' and is reflected against the carrying amount of the impaired asset on the statement of financial position as an ECL allowance. Where there has been a reduction in ECL, this will be recognised within 'Net reversal of impairment loss on financial instruments'.

f. Income tax

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

The tax currently payable is calculated based on taxable profit for the year. Taxable profit may differ from profit/(loss) before taxation 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 reporting date. Current tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the current tax is also recorded within other comprehensive income or equity respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Income tax (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and limited to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is reflected within other comprehensive income or equity, respectively.

g. Post-employment benefits

The Company operates a defined benefit pension plan, the Dean Witter Reynolds Retirement Benefits Plan (the "Plan"), which requires contributions to be made to funds held in trust, separate from the assets of the Company, under the control of Trustees.

The Plan contains a defined benefit section and a defined contribution section with a Guaranteed Minimum Pension ("GMP") underpin. Both sections of the Plan were closed in April 1998 to both new entrants and future accrual.

The GMP underpin represents a defined benefit obligation. Only the GMP liabilities in excess of individual defined contribution fund values have been included in the defined benefit section liabilities. Assets held to fund GMP underpin liabilities in excess of members' funds have been included in the defined benefit section assets.

For the Company's defined benefit post-employment section, the Plan obligations are measured on an actuarial basis in accordance with the advice of an independent qualified actuary using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the Plan liabilities. Plan assets are measured at their fair value at the reporting date. A surplus or deficit of Plan assets over liabilities is recognised in the statement of financial position as an asset or a liability respectively. If the fair value of the Plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the Plan or reductions in future contributions to the Plan.

Past service costs together with the net interest on the net defined benefit obligation/asset are charged to 'Pension costs' within 'Other expense' in the income statement. Remeasurements that arise in calculating the Company's obligation in respect of the Plan are recognised in other comprehensive income, in the period in which they occur.

Details of the Plan are given in note 12 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Offsetting of financial assets and financial liabilities

Where there is a currently legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the statement of financial position. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

4. INTEREST INCOME AND INTEREST EXPENSE

'Interest income' and 'Interest expense' represent total interest income and total interest expense for financial assets and financial liabilities that are not carried at fair value.

5. OTHER INCOME

	2019 £'000	2018 £'000
Net foreign exchange gains	1	6

6. OTHER EXPENSE

	2019 £'000	2018 £'000
Pension costs	399	382
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	10	10
	409	392

'Pension costs' include the Plan administration expenses of £399,000 (2018: £236,000), net interest expense of £nil (2018: £5,000) and past service cost of £nil (2018: £141,000) on the post-employment benefit obligation.

Included in Plan administration expense is £23,000 (2018: £13,000) in relation to Deloitte LLP's fee for the audit of the Dean Witter Reynolds Retirement Benefit Plan.

The Company employed no staff during the year (2018: £nil).

The Company has 3 Directors during the year who are employed by other Morgan Stanley Group entities. The Directors' services to the Company are considered to be incidental to their other responsibilities within the Morgan Stanley Group and as such, Directors' remuneration is £nil for the current year (2018: £nil).

7. INCOME TAX

	2019 £'000	2018 £'000
Current tax		
UK corporation tax at 19% (2018: 19%)		
Current year	-	-
Total current tax	-	-
Deferred tax expense		
Origination and reversal of temporary differences	22	-
Effect of changes in tax rates	(2)	-
Total deferred tax	20	-
Income tax expense	20	-

Finance (No.2) Act 2015 reduced the UK main rate of corporation tax to 17% with effect from 1 April 2020. However, following the UK Budget on 11 March 2020 and subsequent resolutions given statutory effect under the Provisional Collection of Taxes Act 1968, for the financial year 2020 the UK statutory rate is 19%. While this change does not affect the income tax charge for the year, it will affect future periods. See note 10 Deferred tax liabilities for further details.

Reconciliation of effective tax rate

The current year income tax is lower (2018: lower) than that resulting from applying the average standard rate of corporation tax in the UK for the year of 19% (2018: 19%). The main differences are explained below:

The main differences are explained below:

	2019 £'000	2018 £'000
Loss before taxation	(392)	(362)
Income tax using the average standard rate of corporation tax in the UK of 19% (2018: 19%)	(74)	(69)
Impact on tax of:		
Group relief surrendered for no cash consideration	74	61
Other permanent differences	110	8
Remeasurement of net defined benefit pension	(90)	-
Total income tax expense in the income statement	20	-

7. INCOME TAX (CONTINUED)

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to each component of other comprehensive income was as follows:

	2019			2018		
	Before tax £'000	Tax expense £'000	Net of tax £'000	Before tax £'000	Tax expense £'000	Net of tax £'000
Remeasurement of net defined benefit pension (note 12)	475	(81)	394	215	-	215
Other comprehensive income	475	(81)	394	215	-	215

8. EQUITY

	Total ordinary shares Number
Authorised	
At 1 January 2019 and 31 December 2019	15,000,000

	Ordinary shares of £1 each Number	Ordinary shares of £1 each £'000
Allotted and fully paid		
At 1 January 2019 and 31 December 2019	6,269,930	6,270

Reserves

Pension reserve

The 'Pension reserve' of £990,000 (2018: £1,384,000) comprises the cumulative actuarial gains and losses on the Company's defined benefit section of the Dean Witter Reynolds Retirement Benefit Plan net of current tax.

Capital contribution reserve

The 'Capital contribution reserve' of £2,000,000 (2018: £2,000,000) comprises contributions of capital to the Company from its immediate parent, Morgan Stanley Dean Witter International Incorporated.

9. EXPECTED MATURITY OF ASSETS AND LIABILITIES

Loans and advances and other receivables and payables relates wholly to amounts due from and to group undertakings respectively.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered, realised or settled.

At 31 December 2019	Less than or equal to twelve months £'000	More than twelve months £'000	Total £'000
ASSETS			
Cash and short-term deposits	98	-	98
Loans and advances	-	2,154	2,154
Other receivables	11	-	11
Post-employment benefit asset	-	591	591
	109	2,745	2,854
LIABILITIES			
Other payables	1,814	-	1,814
Accruals and deferred income	56	-	56
Deferred tax liabilities	-	101	101
	1,870	101	1,971

At 31 December 2018	Less than or equal to twelve months £'000	More than twelve months £'000	Total £'000
ASSETS			
Cash and short-term deposits	98	-	98
Loans and advances	-	2,107	2,107
Other receivables	10	-	10
	108	2,107	2,215
LIABILITIES			
Other payables	1,243	-	1,243
Accruals and deferred income	47	-	47
Post-employment benefit obligations	-	24	24
	1,290	24	1,314

10. DEFERRED TAX LIABILITIES

Deferred taxes are calculated on all temporary differences under the liability method. The movement in the deferred tax account is as follows:

	2019 Deferred tax liability $'000	2018 Deferred tax liability $'000
At 1 January	-	-
Amount recognised in the income statement (note 7)	(20)	-
Amount recognised in other comprehensive income:		
Remeasurement of net defined benefit pension	(81)	-
At 31 December	(101)	-

Finance (No.2) Act 2015 reduced the UK main rate of corporation tax to 17% with effect from 1 April 2020. However, following the UK Budget on 11 March 2020 and subsequent resolutions given statutory effect under the Provisional Collection of Taxes Act 1968, for the financial years 2020 and 2021 the UK statutory rate is 19%. Had this change in rate been effective at the balance sheet date for 2020 and subsequent years, due to revaluation the net deferred tax liability recognised at 31 December 2019 would have been £112,000.

In the prior year, a potential deferred tax asset relating to deductible temporary differences of £4,000 was not recognised due to uncertainty over future profits of the Company.

11. SEGMENT REPORTING

The Company has only one class of business as described in the Strategic report and operates in one geographic market, Europe, Middle East and Africa ("EMEA").

12. POST-EMPLOYMENT BENEFITS

The Company operates the Dean Witter Reynolds Retirement Benefits Plan (the "Plan"), which requires contributions to be made to funds held in trust, separate from the assets of the Company, under the control of Trustees. The Trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of Trustees to the Plan is determined by the Plan's trust documentation. In accordance with the Pensions Act 2004, at least one third of the Plan's Trustee Board comprises member nominated Trustee directors.

The Plan contains a defined benefit section (the "DB Plan") and a defined contribution section with a Guaranteed Minimum Pension ("GMP") underpin. Both sections of the Plan have been closed to new members and future accrual since April 1998. The Plan provides post-employment benefits to members on retirement which are dependent on years of service and salary at the time of the closure of the Plan.

The GMP underpin represents a defined benefit obligation. Only the GMP liabilities in excess of individual defined contribution fund values have been included in the defined benefit section liabilities. DB Plan and GMP underpin liabilities are calculated using a discount rate with reference to corporate bond yields.

The assets relating to the DB plan are held in a separate Trustee-administered fund which are held in government bonds to meet long-term pension liabilities to past employees. Assets held to fund GMP underpin liabilities in excess of members' funds have also been included in the defined benefit section assets.

12. POST-EMPLOYMENT BENEFITS (CONTINUED)

The DB Plan exposes the Company to actuarial risks such as: investment risk, interest rate risk, inflation risk, longevity risk, liquidity risk and credit risk. As a result of the DB Plan's investment strategy (outlined on page 26) the interest rate and inflation risks are largely hedged for the majority of the DB plan liabilities on a funding basis (described below). The GMP underpin liabilities are volatile because they represent the difference between a defined benefit liability and the value of members' defined contribution assets (which depends on how the individual invests) and are only approximately hedged.

A full actuarial valuation of the DB Plan is conducted at least every three years on a funding basis ("triennial valuation"). The funding basis uses assumptions reflective of the cost of securing the benefits built up in the DB Plan with an insurance company and is reviewed each year as part of the annual funding update. The most recent triennial valuation of the DB Plan, carried out at 31 December 2018, showed a funding shortfall of plan liabilities over assets of £269,000. Accordingly a new schedule of contributions was agreed with contributions of £140,000 paid and payable during 2019 and 2020 respectively (2018: £106,000). No liability has been recognised for contributions payable as the Company has determined that the contributions will be available as a refund after they are paid into the Plan.

An actuarial valuation of the DB Plan is carried out annually on an accounting basis by a qualified actuary. Under the accounting basis, the obligations are measured by discounting the best estimate of future cash flows to be paid out by the DB Plan using the projected unit credit method. As accrual of future benefits ceased in 1998, no further benefit has been attributed to service during subsequent reporting periods and the accumulated benefit obligation is therefore an actuarial measure of the present value of benefits for service already rendered.

On an accounting basis, the DB Plan has a surplus of plan assets over liabilities.

The following table provides a summary of the present value of the defined benefit obligation and fair value of DB Plan assets included in the statement of financial position:

	2019 £'000	2018 £'000
Present value of total obligation	(2,615)	(2,868)
Fair value of Plan assets	3,206	2,844
Net defined benefit asset/ (obligation)	591	(24)

The Trust Deed provides the Company with an unconditional right to a refund upon wind up of the Plan, once all liabilities have been settled. The pension surplus is therefore, recognised in full on the statement of financial position.

Of the defined benefit obligation £2,247,000 (2018: £2,488,000) relates to deferred members and £368,000 (2018: £380,000) relates to retired members. Upon reaching retirement, the majority of individual plan holdings have been bought out via an annuity in the name of the retiree with the Company having no further obligation. The Trustees have temporarily suspended the practice of individually buying out members' benefits until the legal position and benefit entitlements with respect to GMP equalisation are clearer. Since the end of 2018, individuals who have reached benefit age have been retained as members in the plan.

The weighted average duration of the defined benefit obligation at 31 December 2019 is 40 years (2018: 40 years). The duration of 40 years is a reflection as at 31 December of how the balance sheet liabilities vary due to discount rate changes, as a significant portion of the liability is in respect of defined contribution/ defined benefit underpin members the duration is higher than the average timing of benefits out the scheme.

Details of the Plan's impact on the pension reserve are given in note 8 to these financial statements.

12. POST-EMPLOYMENT BENEFITS (CONTINUED)

Movement in the net defined benefit obligation

2019	**Present value of obligation £'000**	**Fair value of Plan assets £'000**	**Total £'000**
At 1 January 2019	(2,868)	2,844	(24)
Net interest (expense)/ income	(71)	71	-
Amounts recognised in the income statement	(71)	71	-
Remeasurements:			
The return on Plan assets (excluding amounts included in net interest expense)	-	173	173
Actuarial gain arising from changes in demographic assumptions	229	-	229
Actuarial (loss) arising from changes in financial assumptions	(769)	-	(769)
Actuarial gain arising from effect of experience adjustments	842	-	842
Amounts recognised in the statement of comprehensive income (note 7)	302	173	475
Contributions:			
Employer	-	140	140
Benefit payments	22	(22)	-
At 31 December 2019	(2,615)	3,206	591

2018	**Present value of obligation £'000**	**Fair value of Plan assets £'000**	**Total £'000**
At 1 January 2018	(2,983)	2,784	(199)
Net interest (expense)/ income	(67)	62	(5)
Past service cost	(141)	-	(141)
Amounts recognised in the income statement	(208)	62	(146)
Remeasurements:			
The return on Plan assets (excluding amounts included in net interest expense)	-	(72)	(72)
Actuarial gain arising from changes in financial assumptions	165	-	165
Actuarial gain arising from effect of experience adjustments	122	-	122
Amounts recognised in the statement of comprehensive income (note 7)	287	(72)	215
Contributions:			
Employer	-	106	106
Benefit payments	36	(36)	-
At 31 December 2018	(2,868)	2,844	(24)

12. POST-EMPLOYMENT BENEFITS (CONTINUED)

Movement in the net defined benefit obligation (continued)

A past service cost of £141,000 was recognised in 2018 to incorporate the estimated impact of a High Court ruling on 26 October 2018 which confirmed that pension schemes are required to equalise male and female members' GMP benefits.

Actuarial assumptions

The following table presents the principal weighted average actuarial assumptions at the end of the reporting period:

	2019 %	2018 %
Discount rate pre-retirement	1.80%	2.50%
Discount rate post-retirement	1.50%	2.00%
Pension increases in deferment	2.10%	2.45%
Rate of post-retirement increase for post 1988 GMP	3.00% (based on typical market conditions)	2.40%
Inflation assumption ("RPI")	3.10%	3.45%

In September 2019, the UK Government announced a proposal to replace Retail Price Index "RPI" with Consumer Price Inflation Including Owner-Occupiers' Housing costs "CPIH", which will come into effect at a point in time between 2025 and 2030. The Government intends to consult on this during 2020. It is not known what the final changes to RPI will be and therefore what impact this may have on the net pension asset/obligation. No adjustment has been made to the 31 December 2019 RPI or Consumer Price Index "CPI" assumptions to reflect this, beyond any market reaction to the Government announcement, given the uncertainty around how this reform will be implemented.

The mortality assumptions used give the following life expectancy:

	Life expectancy at age 65 for a male member currently:		Life expectancy at age 65 for a female member currently:	
	Aged 65	Aged 45	Aged 65	Aged 45
31 December 2019				
UK	88.7	90.0	90.6	92.1
31 December 2018				
UK	89.7	91.8	91.9	94.2

12. POST-EMPLOYMENT BENEFITS (CONTINUED)

The sensitivities regarding the principal assumptions used to measure the defined benefit obligation are as follows:

2019

Assumption	Change in assumption	Impact on present value of obligation
Discount rate (Pre-Retirement/Post-Retirement Combined)	Increase/ decrease by 0.25%	Decrease/ increase by 9.00%/11.00%
Inflation assumption (CPI/RPI Combined)	Increase/ decrease by 0.25%	Increase/ decrease by 0.04%
Mortality Age rating	Increase/ decrease by 1 year	Decrease/ increase by 8.00%/7.50%

2018

Assumption	Change in assumption	Impact on present value of obligation
Discount rate (Pre-Retirement/Post-Retirement Combined)	Increase/ decrease by 0.25%	Decrease/ increase by 9.00%/10.00%
Inflation assumption (CPI/RPI Combined)	Increase/ decrease by 0.25%	Increase/ decrease by 6.00%/5.00%
Mortality Age rating	Increase/ decrease by 1 year	Decrease/ increase by 5.00%/6.00%

The sensitivity analysis presented above has been determined based on reasonably possible changes of the assumptions occurring at 31 December 2019 and 31 December 2018 assuming that all other assumptions are held constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

DB Plan assets

The major categories and fair values of Plan assets at the end of the reporting period are as follows:

	Fair value of assets					
	2019			2018		
	Quoted in an active market £'000	Other £'000	Total £'000	Quoted in an active market £'000	Other £'000	Total £'000
Cash and cash equivalents	-	150	150	-	118	118
Government bonds	3,056	-	3,056	2,726	-	2,726
	3,056	150	3,206	2,726	118	2,844

The actual return on Plan assets was £244,000 gain (2018: £10,000 loss).

12. POST-EMPLOYMENT BENEFITS (CONTINUED)

DB Plan assets (continued)

The investment strategy is set by the Trustees in consultation with their Investment consultant and the Company. The Company and the Trustees conducted a full asset-liability review for the DB plan during 2019 with underlying investments updated in January 2020. Overall investment strategies remain largely unchanged with the primary objective being to invest the DB Plan's assets to minimise the volatility of the DB Plan's deficit on a funding basis.

The long term investment strategy allocates 100% of assets to funds investing in UK Government bonds. The asset-liability review occurs every three years with the next scheduled review due to take place in 2022. These studies are used to assist the Trustees and the Company in determining the optimal long-term asset allocation with regard to the structure of liabilities within the plan.

Subject to complying with the agreed investment strategy, the day to day management of the Plan's portfolio is the responsibility of the investment managers. The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently.

13. EVENTS AFTER THE REPORTING DATE

Since the balance sheet date the coronavirus disease (COVID-19) pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets and operational challenges. The extent of the impact is highly uncertain and cannot be predicted and could adversely affect the future operations and financial condition of Morgan Stanley and the Company. For further detail, refer to the 'Emergence of COVID-19' section on page 2 of the Strategic Report.