

**Registered number: 06737611**

Registered office:  
20 Bank Street  
Canary Wharf  
London  
E14 4AD  
United Kingdom

**MORGAN STANLEY INVESTMENTS (UK)**

**Report and financial statements**

**31 December 2019**

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# MORGAN STANLEY INVESTMENTS (UK)

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MORGAN STANLEY INVESTMENTS (UK)

Report and financial statements

31 December 2019

## **MORGAN STANLEY INVESTMENTS (UK)**

### **STRATEGIC REPORT**

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

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company is to act as an intermediate holding company, with no significant changes expected in 2020.

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 International Limited ("MSI") which together with its subsidiaries forms the "MSI Group".

#### **REGULATION**

The Company itself is not regulated, but the MSI Group contains United Kingdom ("UK") subsidiaries that are either authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA"), or are authorised and regulated by the FCA.

#### **BUSINESS REVIEW**

##### **Overview of 2019 performance**

The Company's principal activity includes the provision of funding and liquidity to other Morgan Stanley Group undertakings which is monitored at a firm level.

The Company's profit after tax for the year amounted to \$278,741,000 compared to \$194,616,000 in the prior year.

The profit for the current year mainly comprised reductions in impairment provisions in investments in subsidiaries by \$146,508,000, dividend income of \$120,000,000 and net interest income of \$11,987,000 from Morgan Stanley undertakings. In the prior year, the profit was generated by dividend income of \$145,000,000 and net interest income of \$49,565,000 from Morgan Stanley undertakings. Net interest income has decreased due to lower average net intercompany balances, driven primarily by payment of dividends during the year totalling \$1,644,000,000.

Total assets have increased by \$13,775,907,000 to \$58,280,149,000 and total liabilities by \$15,141,166,000 to \$42,857,275,000 primarily due to an increase in funding provided to the Company's subsidiaries and payment of dividends during the year totalling \$1,644,000,000.

##### **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 closure 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 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 Morgan Stanley 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'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.

## **MORGAN STANLEY INVESTMENTS (UK)**

### **STRATEGIC REPORT**

#### **BUSINESS REVIEW (CONTINUED)**

##### **Emergence of COVID-19 (continued)**

While the emergence of the COVID-19 (coronavirus) 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 UK's withdrawal from the European Union (the "EU")**

The Morgan Stanley Group has prepared its European operations to be able to do business with its clients in the EU regardless of whether or not equivalence (or an alternative arrangement for financial services) is granted. Changes have been made to European operations in an effort to ensure that the Morgan Stanley Group can continue to provide banking and investment and other services in EU member states from within the EU where necessary. As part of this, the Company has engaged in legal entity reorganisations which are disclosed in Note 13. The Company's principal activity remains unchanged.

#### **RISK MANAGEMENT**

The Directors consider that the Company's key financial risks are credit risk, primarily its concentration of exposure to other Morgan Stanley Group undertakings, and liquidity risk arising through its exposure to other Morgan Stanley Group undertakings presented within loans and advances, debt and other borrowings, other receivables and payables and subordinated loans. The Company leverages the Morgan Stanley Group's credit and liquidity risk frameworks to identify, measure, monitor and control credit risk and to ensure that the Company has access to adequate funding.

As an intermediate holding company, the Company is also exposed to the risk of decline in value of its investments in subsidiary undertakings. Due to the current financial strength of its subsidiary undertakings, the Directors consider that the actual risk the Company is exposed to is minimal.

The Company also has some limited exposure to country, operational and legal, regulatory and compliance risks.

The Company leverages the risk management policies and procedures of the Morgan Stanley Group and the MSI Group.

#### **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. In particular, the Company's capital and liquidity is deemed sufficient to exceed regulatory minimums under both a normal and in a stressed market environment, including the current and potential stresses of COVID 19 (coronavirus) and Brexit for the foreseeable future. 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. Additionally, the specific impact of Brexit on the business of the Company has been considered. The Company has access to further Morgan Stanley capital and liquidity as required.

## MORGAN STANLEY INVESTMENTS (UK)

### STRATEGIC REPORT

#### GOING CONCERN (CONTINUED)

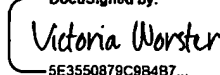
Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual reports 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 an intermediate holding company, 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 four core values of: putting clients first, doing the right thing, leading with exceptional ideas and giving back.

A principal decision of the Board in 2019 was the decision to implement an MSI Group reorganisation to facilitate the changes needed to Morgan Stanley's European operations in preparation for the UK's withdrawal from the European Union. When making this decision, the interests of key stakeholders were considered, including MSI Group clients and the Firm's ability to be able to meet their needs post-Brexit, as were the long term consequences to the Company of proceeding with the restructure and the long term consequences to the MSI Group of not proceeding with the restructure, including the potential impact this could have on the reputation of the Company, MSI Group and Morgan Stanley.

Approved by the Board and signed on its behalf by

DocuSigned by:  
  
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V Worster - Director

29 April 2020

## **MORGAN STANLEY INVESTMENTS (UK)**

### **DIRECTORS' REPORT**

The Directors present their report and financial statements for the Company for the year ended 31 December 2019.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after tax, was \$278,741,000 (2018: \$194,616,000).

During the year, dividends of \$1,644,000,000 were paid to the Company's immediate parent, MSI (2018: \$nil). In addition \$531,059,000 (2018:\$nil) was paid to MSI by way of a dividend in specie representing all of the Company's shares in Morgan Stanley Europe SE ("MSESE") and Morgan Stanley Europe Holding SE ("MSEHSE), that were received by way of a dividend in specie from Morgan Stanley & Co. International plc ("MSIP").

#### **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):

L Bainbridge

K M Lazaroo

S E Watts

V Worster

(resigned 10 June 2019)

(appointed 25 February 2019)

#### **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 and its subsidiary undertakings.

#### **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 and its subsidiary undertakings.

#### **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 pages 1 and 2 of the Strategic report.

## MORGAN STANLEY INVESTMENTS (UK)

### 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 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 UK 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 the 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

V Worster - Director  
29 April 2020

DocuSigned by:  
*Victoria Worster*  
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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INVESTMENTS (UK)**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Morgan Stanley Investments (UK) (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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 statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the related notes 1 to 21; and
- appendix to the financial statements

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 INVESTMENTS (UK) (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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INVESTMENTS (UK) (CONTINUED)**

### **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.

#### **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.

29 April 2020

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

**MORGAN STANLEY INVESTMENTS (UK)****STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2019**

|   | Note | 2019<br>\$'000     | 2018<br>\$'000     |
|---|------|--------------------|--------------------|
| Net gains on investments in subsidiaries                  | 4    | 266,508            | 145,000            |
| Interest income   | 5    | 1,207,746          | 1,150,758          |
| Interest expense  | 5    | <u>(1,195,759)</u> | <u>(1,101,193)</u> |
| Net interest income                                       |      | 11,987             | 49,565             |
| Other income  | 6    | 124                | 295                |
| Other expense   | 7    | (15)               | (10)               |
| Net reversal of impairment loss on financial assets       | 8    | 137                | 239                |
| <b>PROFIT BEFORE TAXATION</b>                             |      | <u>278,741</u>     | <u>195,089</u>     |
| Income tax expense  | 9    | -                  | (473)              |
| <b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> |      | <u>278,741</u>     | <u>194,616</u>     |

All results were derived from continuing operations.

The notes on pages 12 to 20 form an integral part of the financial statements.

**MORGAN STANLEY INVESTMENTS (UK)****STATEMENT OF CHANGES IN EQUITY****Year ended 31 December 2019**

|   | Note | Share<br>capital<br>\$'000 | Capital<br>contribution<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Total equity<br>\$'000   |
|---|------|----------------------------|--|--------------------------------|--------------------------|
| <b>Balance at 1 January 2018</b>                      |      | 2,272,001                  | 12,928,831                                   | 1,393,130                      | 16,593,962               |
| Impact of adoption of new<br>accounting standards     |      | -                          | -  | (445)                          | (445)                    |
| Profit and total comprehensive<br>income for the year |      | -                          | -  | 194,616                        | 194,616                  |
| <b>Balance at 31 December 2018</b>                    |      | <u>2,272,001</u>           | <u>12,928,831</u>                            | <u>1,587,301</u>               | <u>16,788,133</u>        |
| Profit and total comprehensive<br>income for the year |      | -                          | -  | 278,741                        | 278,741                  |
| <b>Transactions with owners:</b>                      |      |                            |  |                                |                          |
| Dividends   | 18   | -                          | -  | (1,644,000)                    | (1,644,000)              |
| <b>Balance at 31 December 2019</b>                    |      | <u><u>2,272,001</u></u>    | <u><u>12,928,831</u></u>                     | <u><u>222,042</u></u>          | <u><u>15,422,874</u></u> |

The notes on pages 12 to 20 form an integral part of the financial statements.

**MORGAN STANLEY INVESTMENTS (UK)***Registered number: 06737611***STATEMENT OF FINANCIAL POSITION****As at 31 December 2019**

|   | Note | 2019<br>\$'000           | 2018<br>\$'000           |
|---|------|--------------------------|--------------------------|
| <b>ASSETS</b>                                       |      |                          |                          |
| Loans and advances                                  | 10   | 37,442,540               | 23,810,535               |
| Other receivables                                   | 11   | 35,763                   | 51,319                   |
| Subordinated loans receivable                       | 12   | 5,382,575                | 5,369,625                |
| Investments in subsidiaries                         | 13   | <u>15,419,271</u>        | <u>15,272,763</u>        |
| <b>TOTAL ASSETS</b>                                 |      | <u><b>58,280,149</b></u> | <u><b>44,504,242</b></u> |
| <b>LIABILITIES AND EQUITY</b>                       |      |                          |                          |
| Other payables                                      | 14   | 49,064                   | 54,361                   |
| Debt and other borrowings                           | 15   | 37,425,636               | 22,282,615               |
| Subordinated loans payable                          | 16   | 5,382,575                | 5,369,625                |
| Current tax liabilities                             |      | <u>-</u>                 | <u>9,508</u>             |
| <b>TOTAL LIABILITIES</b>                            |      | <u><b>42,857,275</b></u> | <u><b>27,716,109</b></u> |
| <b>EQUITY</b>                                       |      |                          |                          |
| Share capital                                       | 17   | 2,272,001                | 2,272,001                |
| Capital contribution reserve                        | 17   | 12,928,831               | 12,928,831               |
| Retained earnings                                   |      | <u>222,042</u>           | <u>1,587,301</u>         |
| <b>Equity attributable to owners of the Company</b> |      | <u><b>15,422,874</b></u> | <u><b>16,788,133</b></u> |
| <b>TOTAL EQUITY</b>                                 |      | <u><b>15,422,874</b></u> | <u><b>16,788,133</b></u> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 |      | <u><b>58,280,149</b></u> | <u><b>44,504,242</b></u> |

These financial statements were approved by the Board and authorised for issue on 28 April 2020.

Signed on behalf of the Board

V Worster - Director  SE3550879C984B7...

The notes on pages 12 to 20 form an integral part of the financial statements.

## **MORGAN STANLEY INVESTMENTS (UK)**

### **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: 20 Bank Street, Canary Wharf, London, E14 4AD, UK. The Company is a private company and is unlimited by shares. The registered number of the Company is 06737611.

The Company's immediate parent undertaking is Morgan Stanley International Limited, which has its registered office at 25 Cabot Square, Canary Wharf, London, E14 4QA, UK. Copies of the financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ, UK.

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](http://www.morganstanley.com/investorrelations).

#### **2. BASIS OF PREPARATION**

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 401 of the Companies Act 2006.

##### **Statement of compliance**

These financial statements are prepared on a going concern basis as explained in the Strategic report and under the historical cost convention in accordance with UK GAAP (United Kingdom Accounting Standards and applicable law), including FRS 101.

The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to financial instruments, fair value measurement, 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 in note 1.

##### **New standards and interpretations adopted during the year**

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

As part of the 2015-2017 Annual Improvements Cycle published in December 2017, the International Accounting Standards Board ("IASB") made amendments to International Accounting Standard 12 '*Income Taxes*' 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 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 March 2019.

##### **Critical accounting judgements and key sources of uncertainty**

No critical judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements. The Company has not made any key assumptions and there are no other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

## **MORGAN STANLEY INVESTMENTS (UK)**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2019**

#### **2. BASIS OF PREPARATION (CONTINUED)**

##### **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 and 2.

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

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 US dollars, the currency of the primary economic environment in which the Company operates.

##### **b. Foreign currencies**

Monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the reporting date. Transactions and non-monetary assets and liabilities denominated in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions. All translation differences are recognised through the statement of comprehensive income.

##### **c. Financial instruments**

Financial assets and liabilities primarily comprise investments in subsidiaries, loans and advances, other receivables and payables, debt and other borrowings and subordinated loans receivable and payable.

Investments in subsidiaries are stated at cost, less provision for any impairment. Dividends, impairment losses and reversals of impairment losses are recognised in the statement of comprehensive income in 'Net gains on investments in subsidiaries'.

Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Loans and advances, other receivables and payables, debt and other borrowings and subordinated loans 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 statement of comprehensive income 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.

**MORGAN STANLEY INVESTMENTS (UK)****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****d. 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 statement of comprehensive income 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'.

Impairment losses on investment in subsidiaries are measured as the difference between cost and the current estimated recoverable amount. When the recoverable amount is less than the cost, an impairment is recognised within the statement of comprehensive income in 'Net losses on investment in subsidiaries,' and is reflected against the carrying amount of the impaired asset on the statement of financial position.

**e. Income tax**

The tax expense represents the sum of the tax currently payable and is calculated based on taxable profit for the year. Taxable profit may differ from profit before taxation as reported in the statement of comprehensive income 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.

**4. NET GAINS ON INVESTMENTS IN SUBSIDIARIES**

|   | <b>2019</b>    | <b>2018</b>    |
|---|----------------|----------------|
|   | <b>\$'000</b>  | <b>\$'000</b>  |
| Reversal of impairment losses           | 146,508        | -              |
| Income from investments in subsidiaries | 120,000        | 145,000        |
|   | <u>266,508</u> | <u>145,000</u> |

**5. 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.

**6. OTHER INCOME**

|                            | <b>2019</b>   | <b>2018</b>   |
|----------------------------|---------------|---------------|
|                            | <b>\$'000</b> | <b>\$'000</b> |
| Net foreign exchange gains | 124           | 295           |



**MORGAN STANLEY INVESTMENTS (UK)****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****7. OTHER EXPENSE**

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Auditor's remuneration   |               |               |
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | 15            | 10            |

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

The Company's Directors are employed by other Morgan Stanley Group companies. 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).

**8. NET REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS**

|                    | <b>2019</b>   | <b>2018</b>   |
|--------------------|---------------|---------------|
|                    | <b>\$'000</b> | <b>\$'000</b> |
| ECL relating to:   |               |               |
| Loans and advances | 137           | 239           |

**9. INCOME TAX EXPENSE**

|                                       | <b>2019</b>   | <b>2018</b>   |
|---------------------------------------|---------------|---------------|
|                                       | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current tax expense</b>            |               |               |
| UK corporation tax at 19% (2018: 19%) |               |               |
| - Adjustment in respect of prior year | -             | 473           |
| <b>Total current tax</b>              | -             | 473           |
| <b>Income tax expense</b>             | -             | 473           |

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.

**Reconciliation of effective tax rate**

The current year income tax expense 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:

**MORGAN STANLEY INVESTMENTS (UK)****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****9. INCOME TAX EXPENSE (CONTINUED)**

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Profit before taxation   | 278,741       | 195,089       |
| Income tax using the average standard rate of corporation tax in the UK of 19% (2018: 19%) | 52,961        | 37,067        |
| Impact on tax of:  |               |               |
| Adjustment in respect of prior years   |               | 473           |
| Expenses not deductible for tax purposes   | 9             | (106)         |
| Group relief received for no cash consideration  | (2,333)       | (9,411)       |
| Impairment provision against investments reversal  | (27,837)      | -             |
| Tax exempt dividends   | (22,800)      | (27,550)      |
| <b>Total income tax expense in the statement of comprehensive income</b>                   | <b>-</b>      | <b>473</b>    |

**10. LOANS AND ADVANCES**

|   | <b>2019</b>       | <b>2018</b>       |
|---|-------------------|-------------------|
|   | <b>\$'000</b>     | <b>\$'000</b>     |
| <b>Loans and advances at amortised cost</b>                             |                   |                   |
| Senior subordinated loans receivable                                    | 6,000,670         | 6,000,735         |
| Amounts due from other Morgan Stanley Group undertakings <sup>(1)</sup> | 31,441,870        | 17,809,800        |
|   | <u>37,442,540</u> | <u>23,810,535</u> |

(1) MSIP has entered into a security assignment in favour of the Company to secure certain intercompany loans which the Company has provided to MSIP. The value of assets in MSIP subject to this security assignment at 31 December 2019 was \$27,137,000,000 (2018: \$16,129,000,000).

The amounts subject to senior subordinated loan agreements are wholly repayable as shown below:

| Repayment date                 | Interest rate           | Counterparty | 2019            |                | 2018            |                |
|--------------------------------|-------------------------|--------------|-----------------|----------------|-----------------|----------------|
|                                |                         |              | Interest \$'000 | Balance \$'000 | Interest \$'000 | Balance \$'000 |
| 29 January 2021 <sup>(1)</sup> | MS Proxy <sup>(2)</sup> | MSIP         | 230,137         | 6,000,670      | 11,426          | 6,000,735      |

(1) The repayment date can be extended by 395 days on each business day, but no later than 49 years from utilisation date, and unless a term-out notice is sent.

(2) Interest rate at which Morgan Stanley is offering loans, in the relevant currency, to members of the Morgan Stanley Group, on such day, which counterparties have acknowledged and agreed to apply to any loan, acting on an arm's length basis.

**MORGAN STANLEY INVESTMENTS (UK)****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****11. OTHER RECEIVABLES**

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Amounts due from other Morgan Stanley Group undertakings | <u>35,763</u> | <u>51,319</u> |

**12. SUBORDINATED LOANS RECEIVABLE**

| Repayment date   | Interest rate               | Counterparty | 2019            |                  | 2018            |                  |
|------------------|-----------------------------|--------------|-----------------|------------------|-----------------|------------------|
|                  |                             |              | Interest \$'000 | Balance \$'000   | Interest \$'000 | Balance \$'000   |
| 22 December 2025 | OBFR <sup>(1)</sup> 2.300%  | MSIP         | 225,356         | 5,000,000        | 209,458         | 5,000,000        |
| 22 December 2025 | SONIA <sup>(2)</sup> 2.121% | MSBIL        | 9,031           | 331,575          | 8,904           | 318,625          |
| 22 December 2025 | OBFR <sup>(1)</sup> 2.086%  | MSIM         | <u>2,188</u>    | <u>51,000</u>    | <u>2,026</u>    | <u>51,000</u>    |
|                  |                             |              | <u>236,575</u>  | <u>5,382,575</u> | <u>220,388</u>  | <u>5,369,625</u> |

(1) Overnight Bank Funding Rate ("OBFR")

(2) Sterling Over Night Index Average ("SONIA")

The par value of the subordinated loans with MSIP, Morgan Stanley Investment Management Limited ("MSIM") and Morgan Stanley Bank International Limited ("MSBIL") is \$5,382,575,000 at 31 December 2019 (2018: \$5,369,625,000). Movement in the year reflects the revaluation of the foreign currency denominated subordinated loan.

**MORGAN STANLEY INVESTMENTS (UK)****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****13. INVESTMENTS IN SUBSIDIARIES**

|                              | <b>Subsidiary<br/>undertakings<br/>\$'000</b> |
|------------------------------|---|
| <b>Cost</b>                  |   |
| At 1 January 2019            | 15,856,231                                    |
| Additions                    | 531,059                                       |
| Disposals                    | <u>(531,059)</u>                              |
| At 31 December 2019          | <u>15,856,231</u>                             |
| <b>Impairment provisions</b> |   |
| At 1 January 2019            | (583,468)                                     |
| Reversal of provisions       | <u>146,508</u>                                |
| At 31 December 2019          | <u><u>(436,960)</u></u>                       |
| <b>Carrying amounts</b>      |   |
| At 31 December 2018          | <u>15,272,763</u>                             |
| At 31 December 2019          | <u>15,419,271</u>                             |

On 1 March 2019, the Company received 451,000,000 €1 ordinary shares in MSESE and 120,000 €1 ordinary shares in MSEHSE from MSIP, by way of a dividend in specie of \$531,059,000. On the same day, a dividend was declared and paid by the Company to MSI by way of a dividend in specie of \$531,059,000 representing all of the Company's shares in MSESE and MSEHSE.

An impairment review of the investment held in MSIM was undertaken on 31 December 2019. Following an assessment of business performance, forecasts and market environment, it was calculated that the recoverable amount of \$1,681,000,000, based on MSIM's value in use using a discount rate of 11.5%, was higher than the carrying value. Subsequently the Company reduced its impairment provision by \$146,508,000 from \$565,508,000 to \$419,000,000.

Details of all subsidiary undertakings (including indirect subsidiaries) of the Company at 31 December 2019 and 31 December 2018 are provided in the appendix to the financial statements.

**14. OTHER PAYABLES**

|   | <b>2019<br/>\$'000</b> | <b>2018<br/>\$'000</b> |
|---|------------------------|------------------------|
| Amounts owed to other Morgan Stanley Group undertakings | <u>49,064</u>          | <u>54,361</u>          |

**MORGAN STANLEY INVESTMENTS (UK)****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****15. DEBT AND OTHER BORROWINGS**

|   | 2019              | 2018              |
|---|-------------------|-------------------|
|   | \$'000            | \$'000            |
| Senior subordinated loans payable                                     | 6,000,670         | 6,000,735         |
| Amounts due to other Morgan Stanley Group undertakings <sup>(1)</sup> | 31,424,966        | 16,281,880        |
|   | <u>37,425,636</u> | <u>22,282,615</u> |

(1) The Company has entered into a security assignment in favour of MSI to secure certain intercompany loans which MSI has provided to the Company. The value of assets subject to this security assignment at 31 December 2019 was \$27,137,000,000 (2018: \$16,129,000,000).

| Repayment date                 | Interest rate           | Counterparty | 2019            |                | 2018            |                |
|--------------------------------|-------------------------|--------------|-----------------|----------------|-----------------|----------------|
|                                |                         |              | Interest \$'000 | Balance \$'000 | Interest \$'000 | Balance \$'000 |
| 29 January 2021 <sup>(1)</sup> | MS Proxy <sup>(2)</sup> | MSI          | 230,137         | 6,000,670      | 11,426          | 6,000,735      |

(1) The repayment date can be extended by 395 days on each business day but no later than 49 years from utilisation date, and unless a term-out notice is sent.

(2) Interest rate at which Morgan Stanley is offering loans, in the relevant currency, to members of the Morgan Stanley Group, on such day, which counterparties have acknowledged and agreed to apply to any loan, acting on an arm's length basis.

**16. SUBORDINATED LOANS PAYABLE**

The amounts subject to subordinated loan agreements are wholly repayable as shown below:

| Repayment date   | Interest rate               | Counterparty | 2019            |                  | 2018            |                  |
|------------------|-----------------------------|--------------|-----------------|------------------|-----------------|------------------|
|                  |                             |              | Interest \$'000 | Balance \$'000   | Interest \$'000 | Balance \$'000   |
| 22 December 2025 | OBFR <sup>(1)</sup> 2.300%  | MSI          | 225,356         | 5,000,000        | 209,458         | 5,000,000        |
| 22 December 2025 | SONIA <sup>(2)</sup> 2.121% | MSI          | 9,031           | 331,575          | 8,904           | 318,625          |
| 22 December 2025 | OBFR <sup>(1)</sup> 2.086%  | MSI          | 2,188           | 51,000           | 2,026           | 51,000           |
|                  |                             |              | <u>236,575</u>  | <u>5,382,575</u> | <u>220,388</u>  | <u>5,369,625</u> |

(1) Overnight Bank Funding Rate ("OBFR")

(2) Sterling Over Night Index Average ("SONIA")

Movement in the year reflects the revaluation of the foreign currency denominated subordinated loan.

All amounts outstanding under the subordinated loan agreements are repayable at any time at the Company's option, subject to appropriate notice to the lender and at least three months' notice to the Prudential Regulation Authority.

The Company has not defaulted on principal, interest or made any other breaches with respect to its subordinated loans during the year.

**MORGAN STANLEY INVESTMENTS (UK)****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****17. EQUITY**

|   | <b>2019</b>      | <b>2018</b>      |
|---|------------------|------------------|
|   | <b>\$'000</b>    | <b>\$'000</b>    |
| <b>Allotted and fully paid</b>            |                  |                  |
| 2,272,001,000 ordinary shares of \$1 each | <u>2,272,001</u> | <u>2,272,001</u> |

**Reserves**

The 'Capital contribution reserve' of \$12,928,831,000 (2018: \$12,928,831,000) comprises contributions of capital from the Company's parent company.

**18. DIVIDENDS**

On 1 March 2019, a dividend of \$1,515,000,000 was approved and paid to the Company's immediate parent, MSI and \$531,059,000 was approved and paid by the Company to MSI by way of a dividend in specie representing all of the Company's shares in MSESE and MSEHSE, that were received on the same day by way of a dividend in specie from MSIP.

On 14 October 2019, a dividend of \$129,000,000 was approved and paid to the Company's immediate parent, MSI.

No cash dividends were paid during the year ended 31 December 2018.

**19. EXPECTED MATURITY OF ASSETS AND LIABILITIES**

Subordinated loans, loans and advances, other receivables and payables and debt and other borrowings relate wholly to amounts due from and to group undertakings respectively.

Loans and advances of \$23,414,315,000 (2018: \$3,246,831,000), other receivables of \$35,763,000 (2018: \$51,319,000), debt and other borrowings of \$23,200,452,000 (2018: \$2,966,258,000), other payables of \$49,064,000 (2018: \$54,361,000) and current tax liabilities of \$nil (2018: \$9,508,000) are expected to be settled no more than twelve months after the reporting period, with all other amounts expected to be settled more than twelve months after the reporting period end.

**20. 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") and accordingly no segmental analysis has been provided.

**21. EVENTS AFTER THE REPORTING DATE**

Since the balance sheet date the emergence of 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 pages 1 and 2 of the Strategic report.

**MORGAN STANLEY INVESTMENTS (UK)****APPENDIX TO THE FINANCIAL STATEMENTS  
Year ended 31 December 2019**

Details of all investments in subsidiaries (including indirect subsidiaries) of the Company at 31 December 2019 and 31 December 2018 are shown in the table below.

All shares held are ordinary shares and relate to 100% holdings and 100% proportion of voting rights held (except where noted).

| <b>Name of Company</b>                             | <b>Address of undertaking's registered office</b>    | <b>Type of shares held</b>             | <b>Nature of business</b> |
|--|--|--|---------------------------|
| Morgan Stanley & Co. International plc.**          | 25 Cabot Square<br>Canary Wharf<br>London<br>E14 4QA | Ordinary and Additional Tier 1 Capital | Financial Services        |
| Morgan Stanley & Co Limited**                      |  | Ordinary                               | Financial Services        |
| Morgan Stanley Bank International Limited**        |  | Ordinary                               | Financial Services        |
| Morgan Stanley Investment Management Limited**     |  | Ordinary                               | Investment Management     |
| Morgan Stanley Securities Limited**                |  | Ordinary                               | Financial Services        |
| Morgan Stanley Investment Management (ACD) Limited |  | Ordinary                               | Investment Management     |
| Morgan Stanley Client Securities Nominees Limited  |  | Ordinary                               | Nominee Company           |
| Morstan Nominees Limited                           |  | Ordinary                               | Nominee Company           |
| Morgan Stanley Strategic Investments Limited       | 20 Bank Street<br>Canary Wharf<br>London<br>E14 4AD  | Ordinary                               | Financial Services        |
| Morgan Stanley Turnberry Limited                   |  | Ordinary                               | Holding Company           |
| Morgan Stanley Mallard Investments Limited         |  | Ordinary                               | Holding Company           |

**MORGAN STANLEY INVESTMENTS (UK)****APPENDIX TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2019**

| <b>Name of Company</b>   | <b>Address of undertaking's registered office</b>   | <b>Type of shares held</b>             | <b>Nature of business</b> |
|--|---|--|---------------------------|
| Morgan Stanley Montgomerie Investments Limited                   | 20 Bank Street<br>Canary Wharf<br>London<br>E14 4AD   | Ordinary                               | Holding Company           |
| Morgan Stanley Northcote Investments Limited                     |   | Ordinary                               | Holding Company           |
| Morgan Stanley Silvermere Limited                                |   | Ordinary                               | Holding Company           |
| Morgan Stanley Humboldt Investments Limited                      |   | Ordinary                               | Financial Services        |
| Morgan Stanley Rivelino Investments Limited                      |   | Ordinary                               | Holding Company           |
| Morgan Stanley Langtree Investments B.V.                         |   | Ordinary                               | Financial Services        |
| Cabot 38 Limited   |   | Ordinary                               | Holding Company           |
| Morgan Stanley Millbrae Investments B.V.                         |   | Ordinary and Preference Shares         | Financial Services        |
| Morgan Stanley Longcross Limited                                 |   | Ordinary                               | Holding Company           |
| Morgan Stanley Langton Limited                                   |   | Ordinary                               | Holding Company           |
| Morgan Stanley Equity Financing Limited                          |   | Ordinary                               | Financial Services        |
| Morgan Stanley Equity Investments (Luxembourg) Unlimited Company | Custom House, Plaza Block 6<br>International Financial Services Centre<br>Dublin<br>Dublin 1<br>Ireland | Ordinary (99% shareholding and rights) | Holding Company           |
| Morgan Stanley Corporate Holdings (Luxembourg) Unlimited Company |   | Ordinary                               | Holding Company           |
| Morgan Stanley Heythorp Investments Unlimited Company            |   | Ordinary                               | Holding Company           |



**MORGAN STANLEY INVESTMENTS (UK)****APPENDIX TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2019**

| Name of Company  | Address of undertaking's registered office                                     | Type of shares held | Nature of business |
|--|--|---------------------|--------------------|
| East Sussex Financing Limited                                  | IFC5<br>St. Helier   | Ordinary            | Financial Services |
| Cottenden Financing Limited*                                   | JE1 1ST<br>Jersey  | Unlimited Ordinary  | Holding Company    |
| Morgan Stanley Dolor Limited                                   | Maples Corporate Services Limited  | Ordinary            | Holding Company    |
| Morgan Stanley Tostao Limited*                                 | PO Box 309<br>Ugland House<br>Grand Cayman                                     | Ordinary            | Financial Services |
| Morgan Stanley Equity Investments (UK) Limited                 | KY1-1104<br>Cayman Islands   | Ordinary            | Financial Services |
| Drake II Investments Limited                                   |  | Ordinary            | Financial Services |
| Morgan Stanley Kochi Limited*                                  |  | Ordinary            | Holding Company    |
| Morgan Stanley Europe Holding SE*                              | Grosse Gallusstrasse 18<br>60312<br>Frankfurt am Main<br>Germany               | Ordinary            | Holding Company    |
| Morgan Stanley Havel GmbH                                      |  | Ordinary            | Holding Company    |
| Morgan Stanley Europe SE*                                      |  | Ordinary            | Financial Services |
| Morgan Stanley Derivative Products (Netherlands) B.V.          | Luna Arena<br>Herikerbergweg 238, 1101 CM<br>Amsterdam<br>Netherlands          | Ordinary            | Financial Services |
| Morgan Stanley Equity Holdings (Netherlands) B.V.              |  | Ordinary            | Financial Services |
| Morgan Stanley Equity Financing Services (Sweden) AB*          | Hovslagargatan 5a, 111 48<br>Stockholm, Sweden                                 | Ordinary            | Financial Services |
| Clearcreek S.L.U.  | Travessera de Gracia No.11 5 <sup>th</sup><br>Floor, 08021<br>Barcelona, Spain | Ordinary            | Financial Services |
| Morgan Stanley Derivative Products Spain S.L.                  | Serrano 55, 28006<br>Madrid, Spain   | Ordinary            | Financial Services |
| Morgan Stanley Equity Derivative Services (Luxembourg) S.a.r.l | 20 Rue de la Poste, L-2346<br>Luxembourg                                       | Ordinary            | Financial Services |

**MORGAN STANLEY INVESTMENTS (UK)****APPENDIX TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019**

| Name of Company   | Address of undertaking's registered office  | Type of shares held | Nature of business |
|---|---|---------------------|--------------------|
| Morgan Stanley Grund S.a r.l  | 46A, Avenue J.F. Kennedy<br>L-1855, Luxembourg  | Ordinary            | Financial Services |
| Morgan Stanley Bank International (China) Limited   | Rooms 2801-2807 & 2816<br>Yuecai Building<br>No. 188 Jingshan Road<br>Jida, Zhuhai<br>Guangdong Province, China | Registered Capital  | Financial Services |
| Morgan Stanley Taiwan Limited   | 14th & 22nd Floors<br>Taipei Metro<br>07 Tun Hwa South Road<br>Sec. 2, Taipei, 106<br>Taiwan                    | Common Shares       | Financial Services |
| Morgan Stanley Equity Finance (Malta) Limited   | Smart City Malta,<br>SCM 01 TMF Group (Malta)<br>401<br>Ricasoli, Kalkara SCM 1001<br>Malta                     | Ordinary            | Financial Services |
| Morgan Stanley Equity Finance (Denmark) ApS*  | Bech-Brun Dragsted<br>Langelinie Alle 35, 2100<br>Kobenhaven<br>Denmark   | Ordinary            | Financial Services |
| Morgan Stanley Cooper Investments Limited (in Members Voluntary Liquidation 23/09/2019)   | 25 Farringdon Street<br>London<br>EC4A 4AB  | Ordinary            | Financial Services |
| Morgan Stanley Montrose Investments Limited (in Members Voluntary Liquidation 23/09/2019) |   | Ordinary            | Financial Services |
| Global Equity High Yield Fund B.V.  | Weena 210-212, 3012NJ<br>Rotterdam, Netherlands   | Ordinary            | Financial Services |

\*\* Direct subsidiaries.

\* Subsidiaries in 2018. No investment held in 2019