

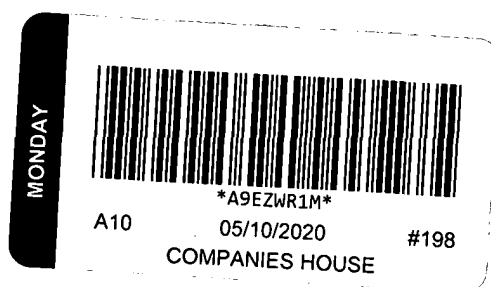
Registered number: 02164628

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

MORGAN STANLEY & CO. LIMITED

Report and financial statements

31 December 2019



MORGAN STANLEY & CO. LIMITED

CONTENTS

PAGE

Strategic report	1
Directors' report	3
Independent auditor's report	5
Statement of comprehensive income	8
Statement of changes in equity	8
Statement of financial position	9
Notes to the financial statements	10
Appendix to the financial statements	16

MORGAN STANLEY & CO. LIMITED

STRATEGIC REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Company is to enter into financing transactions and investments, 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".

BUSINESS REVIEW

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 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.

Overview of 2019 performance and key performance indicators

The Company's main key performance indicators are profit after tax, total assets and total liabilities.

The Company reported a profit after tax for the year of \$372,000, compared to a profit after tax of \$339,000 in the prior year. The profit for the current year mainly comprises net interest income of \$386,000 from other Morgan Stanley Group undertakings (2018: \$365,000).

Total assets have reduced by \$1,628,000 to \$10,154,000 and total liabilities by \$2,000,000 to \$33,000. This is primarily due to the settlement of a tax liability of \$1,999,000 by another Morgan Stanley Group undertaking on behalf of the Company, which has resulted in a decrease in loans and advances and a decrease in current tax liabilities.

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 primarily through its exposure to other Morgan Stanley Group undertakings presented within other receivables, other payables and loans and advances. 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.

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. The Company also manages the risk of potential impact on its business (including but not limited to the impact of the United Kingdom's (the "UK") decision to leave the European Union (the "EU")) by maintaining a constant planning dialogue with the wider Morgan Stanley Group.

MORGAN STANLEY & CO. LIMITED

STRATEGIC REPORT (CONTINUED)

GOING CONCERN

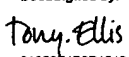
Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Morgan Stanley Group and the Company. Retaining sufficient capital and liquidity to withstand these market pressures remains central to the Morgan Stanley Group and the Company's strategy. The existing and potential effects of COVID-19 on the business of the Morgan Stanley Group and the Company have been considered as part of the going concern analysis, including impact on operational capacity, access to liquidity and capital and contractual obligations. Additionally, the specific impact of Brexit on the business of the Group has been considered. The Company has access to further Morgan Stanley Group capital and liquidity as required.

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 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 on 30 September 2020 and signed on its behalf by

DocuSigned by:

91850F4B9B15491
AJ Ellis - Director
1 October 2020

MORGAN STANLEY & CO. LIMITED

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 \$372,000 (2018: \$339,000).

No dividends were paid or proposed during the year (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):

L Bainbridge

A J Ellis (appointed 26 September 2019)

K M Lazaroo (resigned 10 June 2019)

S E Watts

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.

MORGAN STANLEY & CO. LIMITED

DIRECTORS' REPORT (CONTINUED)

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

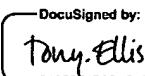
The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

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 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 on 30 September 2020 and signed on its behalf by

DocuSigned by:

91850F4B9B15491...
A J Ellis - Director
1 October 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY & CO. LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morgan Stanley & Co. 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 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 13; and
- the 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 & CO. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY & CO. LIMITED (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.



Paul Cowley, C.A. (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Glasgow, United Kingdom

1 October 2020

MORGAN STANLEY & CO. LIMITED**STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2019**

	Note	2019 \$'000	2018 \$'000
Interest income	4	624	2,051
Interest expense	4	(238)	(1,686)
Net interest income		<u>386</u>	<u>365</u>
Other income	5	12	-
Other expense	6	(12)	(23)
PROFIT BEFORE TAXATION		386	342
Income tax expense	7	(14)	(3)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>372</u>	<u>339</u>

All results were derived from continuing operations.

STATEMENT OF CHANGES IN EQUITY**Year ended 31 December 2019**

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2018	1,001	8,409	9,410
Profit and total comprehensive income for the year	-	339	339
Balance at 31 December 2018	1,001	8,748	9,749
Profit and total comprehensive income for the year	-	372	372
Balance at 31 December 2019	<u>1,001</u>	<u>9,120</u>	<u>10,121</u>

The notes on pages 10 to 15 form an integral part of the financial statements.

MORGAN STANLEY & CO. LIMITED

Registered number: 02164628

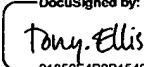
STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Cash and short term deposits		530	570
Loans and advances	11	9,380	10,785
Other receivables	11	244	413
Deferred tax assets	9	-	14
Investments in subsidiaries	8	-	-
TOTAL ASSETS		10,154	11,782
LIABILITIES AND EQUITY			
Other payables	11	33	34
Current tax liabilities		-	1,999
TOTAL LIABILITIES		33	2,033
EQUITY			
Share capital	10	1,001	1,001
Retained earnings		9,120	8,748
Equity attributable to owners of the Company		10,121	9,749
TOTAL EQUITY		10,121	9,749
TOTAL LIABILITIES AND EQUITY		10,154	11,782

These financial statements were approved by the Board on 30 September 2020 and authorised for issue on 1 October 2020.

Signed on behalf of the Board

DocuSigned by:

 91850F489B15491...
 A J Ellis - Director

The notes on pages 10 to 15 form an integral part of the financial statements.

MORGAN STANLEY & CO. LIMITED

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, UK. The Company is a private company and is limited by shares. The registered number of the Company is 02164628.

The Company's immediate parent undertaking is Morgan Stanley Investments (UK) which has its registered office at 20 Bank Street, Canary Wharf, London, E14 4AD, UK. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff CF14 3UZ.

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

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 400 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 (UK 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 at 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 IAS 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.

MORGAN STANLEY & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. BASIS OF PREPARATION (CONTINUED)

Critical accounting judgements and sources of estimation 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.

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 page 1.

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. Cash and cash equivalents

Cash and cash equivalents comprise cash 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 liabilities primarily comprise investments in subsidiaries, loans and advances and other receivables and payables.

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/(losses) on investments in subsidiaries'.

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 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 & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 investments 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 investments in subsidiaries,' and is reflected against the carrying amount of the impaired asset on the statement of financial position.

f. 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.

Deferred tax is accounted for using the balance sheet liability method. 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 generally recognised for taxable temporary differences, except where they relate to investments in subsidiaries and 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. Deferred tax is charged or credited to the statement of comprehensive income, 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.

MORGAN STANLEY & CO. LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2019**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	2018
	\$'000	\$'000
Net foreign exchange gains	<u>12</u>	<u>-</u>

6. OTHER EXPENSE

	2019	2018
	\$'000	\$'000
Net foreign exchange losses	-	5
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	11	6
Other expense	<u>1</u>	<u>12</u>
	<u>12</u>	<u>23</u>

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

The Company's Directors 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 EXPENSE

	2019	2018
	\$'000	\$'000
Deferred tax		
Origination and reversal of temporary differences	<u>14</u>	<u>3</u>
	14	3
Income tax expense	<u>14</u>	<u>3</u>

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.

MORGAN STANLEY & CO. LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****7. INCOME TAX EXPENSE (CONTINUED)****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:

	2019	2018
	\$'000	\$'000
Profit before taxation	<u>386</u>	<u>342</u>
Income tax using the average standard rate of corporation tax in the UK of 19% (2018: 19%)	73	65
Impact on tax of		
Expenses not deductible for tax purposes	-	(23)
Capital allowances for the year in excess of depreciation	-	3
Group relief received for no cash consideration	(71)	(39)
Other permanent differences	<u>12</u>	<u>(3)</u>
Total income tax expense in the statement of comprehensive income	<u>14</u>	<u>3</u>

8. INVESTMENTS IN SUBSIDIARIES

**Subsidiary
undertakings
\$'000**

Cost and carrying amounts

At 1 January 2019 and 31 December 2019

-

Details of all investments in subsidiaries (including indirect subsidiaries) of the Company at 31 December 2019 and 31 December 2018 can be found in the Appendix to the financial statements.

9. DEFERRED TAX ASSETS

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

	2019		2018	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	\$'000	\$'000	\$'000	\$'000
At 1 January	14	-	49	(32)
Amount recognised in the statement of comprehensive income	<u>(14)</u>	<u>-</u>	<u>(35)</u>	<u>32</u>
At 31 December	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>

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%. Had this change in rate been effective at the balance sheet date for 2020 and subsequent years, there would have been no impact on the net deferred tax asset recognised at 31 December 2019, the balance would still be \$nil.

MORGAN STANLEY & CO. LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****10. EQUITY****Ordinary share capital**

	2019	2018
	\$'000	\$'000

Authorised and allotted and fully paid:

1,001,000 ordinary shares of \$1 each

<u>1,001</u>	<u>1,001</u>
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11. EXPECTED MATURITY OF ASSETS AND LIABILITIES

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

Other receivables of \$244,000 (2018: \$413,000), other payables of \$33,000 (2018: \$34,000), current tax liabilities of \$nil (2018: \$1,999,000) 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.

12. SEGMENT REPORTING

The Company has only one class of business, operating in a single geographic market, Europe, Middle East and Africa ("EMEA") and accordingly no segmental analysis has been provided.

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.

MORGAN STANLEY & CO. LIMITED**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.

Name of Company	Address of undertaking's registered office	Type of shares held	Nature of business
East Sussex Financing Limited*	IFC5 St Helier	Ordinary	Holding Company
Cottenden Financing Unlimited** ^	JE1 1ST Jersey	Ordinary	Financial Services

* The cost and carrying value of this investment is \$100 (2018: \$100). In the opinion of the Directors, neither the results nor the financial position of the Company's subsidiary undertaking has a significant effect on the figures shown in these financial statements.

** Denotes shareholding attributed to the Company which is not held directly by the Company.

^ Subsidiary in 2018, no investment held in 2019.