Registered number: 04091675

Registered office:
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Canary Wharf
London
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MORGAN STANLEY MALLARD INVESTMENTS LIMITED

Report and financial statements

31 December 2013

MORGAN STANLEY MALLARD INVESTMENTS LIMITED

CONTENTS **PAGE**

MORGAN STANLEY MALLARD INVESTMENTS LIMITED

STRATEGIC REPORT

The Directors present their Strategic report for Morgan Stanley Mallard Investments Limited (the "Company") for the year ended 31 December 2013.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as an intermediate holding company.

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".

There have not been any significant changes in the Company's principal activity in the year under review and no significant change in the Company's principal activity is expected.

BUSINESS REVIEW

During 2013, global market and economic conditions showed improvement from 2012 although have remained challenging with continuing concerns about the United States ("US") longer term budget outlook and the scaling back of the monetary stimulus, the remaining European sovereign debt issues and slowing economic growth in emerging markets. Whilst the US Economy continued its moderate growth pace, and as a whole the recession in the euro-area came to an end, significant pockets of slow or negative growth remained in Europe. These ongoing conditions present difficulties and uncertainty for the business outlook that may adversely impact the financial performance of the Company in the future.

The profit and loss account for the Company is set out on page 8. The Company made a loss, after tax, of $47,850,000 compared to a loss, after tax, in the prior year of $57,766,000. The decrease in the loss is primarily due to a deferred tax asset of $12,309,000 recognised in the current year.

The balance sheet of the Company is set out on page 9. The Company's net assets at the end of the year were $141,107,000 compared to net assets of $188,957,000 in the prior year. The decrease in the net asset position is mainly due to interest paid on the intercompany creditors during the year of $88,602,000 partially offset by the dividend receivable of $28,451,000 on preference shares from its investments in a subsidiary undertaking and a deferred tax asset of $12,309,000 recognised in the current year.

The Company is in a net current liability position. The net current liability position is due to amounts owing to fellow Morgan Stanley Group undertakings within the next 12 months, the demand for repayment of which is wholly within the control of the Morgan Stanley Group. As discussed in the Risk Management section below, and in note 1(b) to the Company financial statements, the Company operates within the global liquidity management framework of the Morgan Stanley Group and relies on this framework to provide sufficient liquidity to meet its obligations.

The performance of the Company is included in the results of the Morgan Stanley Group which are disclosed in the Morgan Stanley Group's Annual Report on Form 10-K to the US Securities and Exchange Commission. The Morgan Stanley Group manages its key performance indicators on a global basis but in consideration of individual legal entities. For this reason, the Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company.

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

Risk management

Risk is an inherent part of both Morgan Stanley's and the Company's business activity and is managed within the context of the broader Morgan Stanley Group's business activities. The Morgan Stanley Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its activities on a global basis, in accordance with defined policies and procedures and in consideration of the individual legal entities. The Company's own risk management policies and procedures are consistent with those of the Morgan Stanley Group.

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Market risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as liquidity, will result in losses for a position or portfolio.

The Morgan Stanley Group manages the market risk associated with its trading activities on a global basis, at both a trading division and an individual product level, which includes consideration of market risk for each individual legal entity. .

Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its obligations to the Company.

The Morgan Stanley Group manages credit risk exposure on a global consolidated basis and in consideration of individual legal entities. The credit risk management policies and procedures of the Morgan Stanley Group establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, ensuring compliance with established limits and escalating risk concentrations to appropriate senior management. Credit risks management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to appropriate key management personnel of the Company.

Liquidity and capital resources

Liquidity and funding risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity and funding risk also encompasses the Company's ability to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

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

Morgan Stanley continues to actively manage its capital and liquidity position to ensure adequate resources are available to support the activities of the Morgan Stanley Group, including the Company, to enable the Morgan Stanley Group to withstand market stresses, and to meet regulatory stress testing requirements proposed by regulators globally.

Operational risk

Operational risk refers to the risk of loss, or of damage to the Company's or the Morgan Stanley Group's reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g. fraud, legal and compliance risks or damage to physical assets). Legal and regulatory risk is included in the scope of operational risk and is discussed below under "Legal and regulatory risk".

The Morgan Stanley Group has established an operational risk management process that operates on a global and regional basis to identify, measure, monitor and control risk. Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal, regulatory, and reputational risks.

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Legal and regulatory risk

Legal risk includes the risk of exposure to fines, penalties, judgements, damages and/or settlements in connection with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements and standards or litigation. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. The Morgan Stanley Group is generally subject to extensive regulation in the different jurisdictions in which it conducts its business. In the current environment of rapid and possibly transformational regulatory change, the Morgan Stanley Group also views regulatory change as a component of legal risk.

The Morgan Stanley Group has established procedures based on legal and regulatory requirements on a worldwide basis that are designed to foster compliance with applicable statutory and regulatory requirements. The Morgan Stanley Group, principally through the Legal and Compliance Division, also has established procedures that are designed to require that the Morgan Stanley Group's policies relating to business conduct, ethics and practices are followed globally. In connection with its businesses, the Morgan Stanley Group has and continuously develops various procedures addressing issues such as regulatory capital requirements, sales and trading practices, new products, information barriers, potential conflicts of interest, structured transactions, use and safekeeping of customer funds and securities, lending and credit granting, anti-money laundering, privacy and recordkeeping. In addition, the Morgan Stanley Group has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The legal and regulatory focus on the financial services industry presents a continuing business challenge for the Morgan Stanley Group.

Significant changes in the way that major financial services institutions are regulated are occurring in the United Kingdom ("UK"), Europe, the US and worldwide. The reforms being discussed and, in some cases, already implemented, include several that contemplate comprehensive restructuring of the regulation of the financial services industry. Such measures will likely lead to stricter regulation of financial institutions generally, and heightened prudential requirements for systemically important firms in particular. Such measures could include reforms of the over-the-counter derivatives markets, such as mandated exchange trading and clearing, position limits, margin, capital and registration requirements. Changes in tax legislation in the UK and worldwide, such as taxation of financial transactions, liabilities and employees' compensation, are also possible.

Approved by the Board and signed on its behalf by

Director

S. Merry

7 August 2014.

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the profit and loss account, the balance sheet, and the related notes, 1 to 16) for the Company for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The loss for the year, after tax, was $47,850,000 (2012: $57,766,000 loss after tax).

During the year, no dividends were paid or proposed (2012: $nil).

DIRECTORS

The following Directors held office throughout the year and to the date of approval of this report:

S I Merry
J E Iragorri Rizo

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INDEMNITY

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

POST BALANCE SHEET EVENTS

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

DIRECTORS' REPORT

AUDITOR

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

Statement as to disclosure of information to the auditor

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

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

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK accounting standards and applicable law). 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 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

Director

S. Merry.

7 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY MALLARD INVESTMENTS LIMITED

We have audited the financial statements of Morgan Stanley Mallard Investments Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Dawn Johnston

Dawn Johnston FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom

7 August 2014

MORGAN STANLEY MALLARD INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Net gains on fixed asset investments:			
- Subsidiary undertakings	2	28,451	28,528
Interest expense	3	(88,602)	(86,294)
Other expense	4	(8)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(60,159)	(57,766)
Tax on loss on ordinary activities	6	12,309	-
LOSS FOR THE FINANCIAL YEAR		(47,850)	(57,766)

All operations were continuing in the current and prior year.

There were no recognised gains or losses during the current or prior year other than those disclosed above. Accordingly no statement of total recognised gains and losses has been prepared.

A reconciliation of the movement in shareholders' funds is disclosed in note 13 to the financial statements.

The notes on pages 10 to 17 form an integral part of the financial statements.

MORGAN STANLEY MALLARD INVESTMENTS LIMITED
Registered number: 04091675

BALANCE SHEET
As at 31 December 2013

	Note	2013 $'000	2012 $'000
FIXED ASSETS			
Investments:			
- Subsidiary undertakings	7	3,812,709	3,812,709
CURRENT ASSETS			
Loans and receivables:			
- Debtors	8	9,509	44,586
Other assets	9	12,309	-
		21,818	44,586
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial liabilities at amortised cost	11	(3,693,420)	(3,668,338)
NET CURRENT LIABILITIES		(3,671,602)	(3,623,752)
TOTAL ASSETS LESS CURRENT LIABILITIES		141,107	188,957
NET ASSETS		141,107	188,957
CAPITAL AND RESERVES			
Called up share capital	12	296,200	296,200
Profit and loss account	13	(155,093)	(107,243)
SHAREHOLDERS' FUNDS		141,107	188,957

These financial statements were approved by the Board and authorised for issue on 7 August 2014.

Signed on behalf of the Board

Director
S.Merry

The notes on pages 10 to 17 form an integral part of the financial statements.

1. ACCOUNTING POLICIES

The Company's principal accounting policies are summarised below and have been applied consistently throughout the current and prior year.

a) Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the inclusion of financial instruments at fair value as described in note 1(e) below, and in accordance with applicable UK company law and accounting standards.

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 400 of the Companies Act 2006. The results of the Company are included within the financial statements of Morgan Stanley & Co. International plc, a company registered in England and Wales, which will prepare consolidated financial statements for the year ended 31 December 2013. The financial statements therefore present information about the Company as an individual entity and not about its group.

The Company's UK parent undertaking, Morgan Stanley & Co. International plc, presents information in accordance with Financial Reporting Standard ("FRS") 29 *Financial instruments: Disclosures* ("FRS 29"). Accordingly, the Company is exempt from the disclosure requirements of FRS 29.

b) 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 Strategic report on pages 1 to 3.

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

Taking all of these 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.

c) 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.

All currency amounts in the financial statements, Directors' report and Strategic report are rounded to the nearest thousand US dollars.

d) Foreign currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Transactions in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions. All translation differences are taken through the profit and loss account. Exchange differences recognised in the profit and loss account are presented in 'Other income' or 'Other expense'.

1. ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments

The Company classifies its financial assets into the following categories on initial recognition: investments in subsidiaries undertakings and loans and receivables.

The Company classifies its financial liabilities as financial liabilities at amortised cost.

More information regarding these classifications is included below:

i) Investments in subsidiary undertakings

Investments in subsidiary undertakings outside the scope of FRS 26 *Financial instruments: Recognition and measurement* are recorded within 'Investments in subsidiary undertakings' and are stated at cost, less provision for any impairment. Interest (recognised on an accruals basis), dividend income (recognised when the Company's right to receive payment is established), impairment losses and reversals of impairment losses are all reported in the profit and loss account in 'Net gains on fixed asset investments in subsidiary undertakings'.

ii) Loans and receivables and financial liabilities at amortised cost

Financial assets classified as loans and receivables are initially recognised on settlement date at fair value (see note 1(f) below) and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the profit and loss account in 'Interest income', using the effective interest rate method as described below. Transaction costs that are directly attributable to the acquisition of the financial asset are added to or deducted from the fair value on initial recognition. Impairment losses and reversals of impairment losses on financial assets classified as loans and receivables are recognised in the profit and loss account in 'Other expense'.

Financial liabilities at amortised cost are initially recognised on settlement date at fair value (see note 1(f) below) and subsequently measured at amortised cost. Interest is recognised in the profit and loss account in 'Interest expense' using the effective interest rate method as described below. Transaction costs that are directly attributable to the issue of the financial liability are added to or deducted from the fair value on initial recognition.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument (or a group of financial instruments) and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate a shorter period) to the carrying amount of the financial instrument. The effective interest rate is established on initial recognition of the financial instrument. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument.

f) Fair value of financial instruments

Fair value measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

The fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

1. ACCOUNTING POLICIES (CONTINUED)

g) Derecognition of financial assets and liabilities

The Company derecognises a financial asset only 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.

h) Impairment of financial assets

At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment in the value of financial assets classified as fixed asset investments or loans and receivables. Impairment losses are recognised if an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated.

Impairment losses on fixed asset investments in subsidiary undertakings 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 profit and loss account in 'Net gains on fixed asset investments in subsidiary undertakings' and is reflected against the carrying amount of the impaired asset on the balance sheet.

Impairment losses on loans and receivables are measured as the difference between the carrying amount of the loans and receivables and the present value of estimated cash flows discounted at the asset's original effective interest rate. Such impairment losses are recognised in the profit and loss account within 'Other expense' and are recognised against the carrying amount of the impaired asset on the balance sheet. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

i) Taxation

UK corporation tax is provided at amounts expected to be paid/ recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Full provision has been made for deferred tax assets and liabilities arising from timing differences. Deferred tax is measured using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its current tax assets and current tax liabilities on a net basis. Deferred tax assets are offset against deferred tax liabilities to the extent that they relate to taxes levied by the same tax authority and arise in the same taxable entity.

j) Cash flow statement

The Company's ultimate parent undertaking produces consolidated financial statements in which the Company is included and which are publicly available. Accordingly, the Company, which is a wholly-owned subsidiary, has elected to avail itself of the exemption provided in FRS 1 (Revised 1996) *Cash flow statements* and not present a cash flow statement.

2. NET GAINS ON INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2013 $'000	2012 $'000
Income from investments in subsidiary undertakings	28,451	28,528

3. INTEREST EXPENSE

	2013 $'000	2012 $'000
Interest expense on loans from Morgan Stanley Group undertakings	88,602	86,294

4. OTHER EXPENSE

	2013 $'000	2012 $'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	8	-

The fees for the audit of the Company's financial statements of $8,000 were borne by another Morgan Stanley Group undertaking in the prior year.

The Company employed no staff during the year (2012: nil).

5. DIRECTORS BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2012: $nil).

6. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of benefit in the year

	2013 $'000	2012 $'000
UK corporation tax at 23.25% (2012: 24.50%)		
- Current year	-	-
Total current tax	-	-
Deferred taxation		
- Current year	(12,309)	-
Total deferred tax	(12,309)	-
Tax on loss on ordinary activities	(12,309)	-

Factors affecting the current tax benefit for the year

The current year UK taxation benefit is lower (2012: lower) than that resulting from applying the average standard UK corporation tax rate for the year of 23.25% (2012: 24.50%). The main differences are explained below:

	2013 $'000	2012 $'000
Loss on ordinary activities before tax	(60,159)	(57,766)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	(13,987)	(14,153)
Effects of:		
Group relief surrendered for no cash consideration	6,469	21,143
Tax exempt dividends	(6,615)	(6,990)
Carry forward of tax losses	14,133	-
Current tax benefit for the year	-	-

Finance Act 2012 enacted a reduction to the UK corporation tax rate to 23% with effect from April 2013. This reduction in the tax rate did not impact the current tax charge in 2013 as the Company surrendered group relief for no cash consideration.

Finance Act 2013 received Royal Assent on 17 July 2013 and enacted a reduction to the UK corporation tax rate to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The reduction in the rate may impact the current tax charge in 2014 and 2015.

7. FIXED ASSET INVESTMENTS

Fixed asset investments in subsidiary undertaking

	Subsidiary undertaking $'000
Cost and net book value	
At 1 January 2013 and 31 December 2013	3,812,709

Subsidiaries and significant holdings

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital, and investments with a book value greater than 20% of the Company's own assets at 31 December 2013, are as follows:

Name of company	Country of incorporation	Type of shares held	Proportion of shares held	Proportion of voting rights	Nature of business
Morgan Stanley Millbrae Investments B.V.	Netherlands	Class A shares	100%	67%	Financial services
Morgan Stanley Millbrae Investments B.V.	Netherlands	Redemable preference shares	100%	33%	Financial services

8. DEBTORS

	2013 $'000	2012 $'000
Debtors classified within loans and receivables at amortised cost		
Amounts due from Morgan Stanley Group undertakings	9,509	44,586

Amounts due from Morgan Stanley Group undertakings represents dividends receivable of $9,509,000 (2012: $ 44,586,000).

9. OTHER ASSETS

	2013 $'000	2012 $'000
Deferred taxation (see note 10)	12,309	-

10. DEFERRED TAX

	2013 Asset $'000	2012 Asset $'000
Tax losses carried forward	12,309	-

The movement in the provision for deferred tax asset during the year is analysed as follows:

	Asset $'000
At 1 January 2013	-
Amounts recognised in the profit and loss account:	
- Current year timing differences	12,309
At 31 December 2013	12,309

The Company has recognised a deferred tax asset in respect of unutilised tax losses carried forward, which are expected to be utilised against future taxable profits arising in the Company.

11. FINANCIAL LIABILITIES AT AMORTISED COST

	2013 $'000	2012 $'000
Financial liabilities at amortised cost falling due within one year		
Amounts owing to Morgan Stanley Group undertakings	3,693,420	3,668,338

12. CALLED UP SHARE CAPITAL

	2013 $'000	2012 $'000
Allotted and fully paid:		
296,200,000 ordinary shares of $1 each	296,200	296,200
1 ordinary shares of £1 each	-	-
	296,200	296,200

The 1 ordinary share of £1 is recorded at the rates of exchange ruling at the date the share was paid up.

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital $'000	Profit and loss account $'000	Total $'000
At 1 January 2012	296,200	(49,477)	246,723
Loss for the financial year	-	(57,766)	(57,766)
At 1 January 2013	296,200	(107,243)	188,957
Loss for the financial year	-	(47,850)	(47,850)
At 31 December 2013	296,200	(155,093)	141,107

14. SEGMENTAL 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).

15. RELATED PARTY TRANSACTIONS

The Company is exempt from the requirement to disclose transactions with fellow wholly owned Morgan Stanley Group undertakings under paragraph 3(c) of FRS 8 *Related party disclosures*. There were no other related party transactions requiring disclosure.

16. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley. Morgan Stanley is incorporated in the state of Delaware, the United States of America and copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

The Company's immediate controlling party is Morgan Stanley Montgomerie Investments Limited which is registered in England and Wales. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff CF14 3UZ.

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