Registered number: 02131430

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

MORGAN STANLEY (DWRRBS) LIMITED

Report and financial statements

31 December 2013

MORGAN STANLEY (DWRRBS) LIMITED

CONTENTS **PAGE**

STRATEGIC REPORT

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

The principal activity of the Company is to act as the sponsoring employer for the Dean Witter Reynolds Retirement Benefits Scheme (the "Scheme"). Further details regarding this Scheme are included within note 13 to the financial statements.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the "Morgan Stanley Group".

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.

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 year is set out on page 8. The Company's loss for the year was £251,000, an increase of £24,000 from the prior year. The movement can be attributed to an increase of £36,000 in administration expenses offset by a decrease of £12,000 in net pension finance costs, relating to the Dean Witter Reynolds Retirement Benefits Scheme.

The balance sheet for the Company is set out on page 10. The Company's net assets as at 31 December 2013 were £535,000, a decrease of £359,000 compared to the prior year. The decrease was primarily due to a £184,000 reduction in cash at bank relating to pension contributions and expenses paid during the year and an increase of £189,000 in amounts payable to another Morgan Stanley Group undertaking relating to expenses paid on behalf of the Company. At 31 December 2013, the Company's pension Scheme surplus calculated in accordance with FRS 17 *Retirement Benefits* was £274,000 and consistent with prior years this asset has not been recognised on the Company's balance sheet as it is not recoverable by the Company.

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.

Note 11 to the financial statements provides qualitative and quantitative disclosures about the Company's management of and exposure to financial risks, including liquidity risk.

STRATEGIC REPORT

Risk management (continued)

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 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 Morgan Stanley Group to fulfil its financial obligations and support the execution of the Company's business strategies. The Company's capital management framework is further described in note 12.

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.

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.

STRATEGIC REPORT

Risk management (continued)

Legal and regulatory risk (continued)

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 K P O'REGAN

19 SEPTEMBER 2014

MORGAN STANLEY (DWRRBS) LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes, 1 to 15) for the Company for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The loss for the year, after tax, was £251,000 (2012: £227,000 loss after tax).

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

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:

J.D. Bendall
M.P.F. Brignell
K.P. O'Regan

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INDEMNITY

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

POST BALANCE SHEET EVENTS

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

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' REPORT

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 K P O'REGAN

19 SEPTEMBER 2014

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

We have audited the financial statements of Morgan Stanley (DWRRBS) Limited for the year ended 31 December 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 15. 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 (DWRRBS) 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.

David Claxton

David Claxton ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom

22 September 2014

MORGAN STANLEY (DWRRBS) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Interest income	2	-	1
Interest expense	3	(6)	(18)
Scheme administration expense	13	(245)	(209)
Other expense	4	-	(1)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(251)	(227)
Tax on loss on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL YEAR		(251)	(227)

All operations were continuing in the current and prior year.

A reconciliation of the movement in shareholders' funds is disclosed in note 9 to the financial statements.

The notes on pages 11 to 27 form an integral part of the financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
LOSS FOR THE FINANCIAL YEAR		(251)	(227)
Pension reserve:			
- Actuarial (loss)/gain on post employment benefit Scheme	9	(108)	18
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		(359)	(209)

The notes on pages 11 to 27 form an integral part of the financial statements.

MORGAN STANLEY (DWRRBS) LIMITED
Registered number: 02131430

BALANCE SHEET
As at 31 December 2013

	Note	2013 £'000	2012 £'000
CURRENT ASSETS			
Cash at bank		758	942
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial liabilities at amortised cost	7	(189)	-
Accruals		(34)	(48)
		(223)	(48)
NET CURRENT ASSETS		535	894
NET ASSETS		535	894
CAPITAL AND RESERVES			
Called up share capital	8	6,270	6,270
Pension reserve	9	(969)	(861)
Profit and loss account	9	(4,766)	(4,515)
SHAREHOLDERS' FUNDS		535	894

These financial statements were approved by the Board and authorised for issue on 19 SEPTEMBER 2014

Signed on behalf of the Board

Director K P O'REGAN

The notes on pages 11 to 27 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 and pension Scheme assets at fair value as described respectively in note 1(e) and 1(i) below, and in accordance with applicable UK company law and accounting standards.

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. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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. The Company is performing in line with expectations and the Company's liabilities are primarily 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 Pounds Sterling, 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 Pounds Sterling.

d) Foreign currencies

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

e) Financial instruments

The Company classifies its financial liabilities as financial liabilities at amortised cost on initial recognition.

More information regarding this classification is included below:

Financial liabilities at amortised cost

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.

1. ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Financial liabilities at amortised cost (continued)

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).

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) 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.

1. ACCOUNTING POLICIES (CONTINUED)

i) Retirement benefits

The Company operates the Dean Witter Reynolds Retirement Benefits Scheme (the "Scheme") which includes a defined contribution section and a closed defined benefit pension section.

The defined contribution section of the Scheme is subject to a contracting out underpin. In effect this gives the deferred member a Guaranteed Minimum Pension ("GMP") based on the contracted-out national insurance contributions paid by the member whilst an employee of the Company. The Company therefore has an obligation to make good any shortfall between a participants' individual defined contribution asset value and the respective GMP of that individual. Any shortfall in the GMP liability is included in the defined benefit obligation disclosed for the Scheme.

For the defined benefit section of the Scheme, liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the Scheme liabilities. Scheme assets are measured at their fair value. A surplus of Scheme assets over liabilities is recognised in the balance sheet as an asset where recoverable and where deemed irrecoverable, the asset is reduced to nil and the related adjustment recognised in the 'Pension reserve'. Where Scheme liabilities exceed Scheme assets, the deficit is recognised in the balance sheet as a liability. The current service cost and any past service costs are charged to the profit and loss account. The expected return on Scheme assets and the unwinding of the discount on the Scheme liabilities are presented net and recognised either within 'Interest income' or 'Interest expense' in the profit and loss account. Where the surplus of Scheme assets over liabilities is not recognised by the Company, the expected return on the scheme assets is restricted so that it does not exceed the interest cost. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of total recognised gains and losses.

Details of the Scheme are given in note 13 to these financial statements.

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. INTEREST INCOME

	2013 £'000	2012 £'000
Interest income from loans to Morgan Stanley Group undertakings	-	1

'Interest income' represents total interest income for financial assets that are not carried at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. INTEREST EXPENSE

	2013 £'000	2012 £'000
Net pension scheme finance cost (note 13)	6	18

4. OTHER EXPENSE

	2013 £'000	2012 £'000
Other expenses	-	1

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

The fees for the audit of the Company's financial statements of £5,000 (2012: £5,000) have been borne by another Morgan Stanley Group undertaking in both the current and prior year. Included in 'Scheme administration expense' is £12,000 (2012: £12,000), in relation to Deloitte LLP's fee for the audit of the Dean Witter Reynolds Retirement Benefit Scheme.

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 expense in the year

	2013 £'000	2012 £'000
UK corporation tax at 23.25% (2012: 24.50%)		
- Current year	-	-
Tax on loss on ordinary activities	-	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

6. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the current tax expense for the year

The current year UK taxation charge is higher (2012: higher) 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	(251)	(227)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	(58)	(56)
Effects of:		
Group relief surrendered for no cash consideration	58	52
Timing differences relating to pensions	-	4
Current tax expense 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.

A potential deferred tax asset of £452,000 (2012: £520,000) relating to losses carried forward has not been recognised due to uncertainty over timing of the use of the asset.

7. 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	189	-

8. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted and fully paid:		
6,269,930 ordinary shares of £1 each	6,270	6,270

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital £'000	Pension reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	6,270	(879)	(4,288)	1,103
Loss for the financial year	-	-	(227)	(227)
Actuarial gain on post employment benefit Scheme (note 13)	-	18	-	18
At 1 January 2013	6,270	(861)	(4,515)	894
Loss for the financial year	-	-	(251)	(251)
Actuarial loss on post employment benefit Scheme (note 13)	-	(108)	-	(108)
At 31 December 2013	6,270	(969)	(4,766)	535

Pension reserve

The 'Pension reserve' comprises the cumulative actuarial gains and losses on the Company's defined benefit section of the Dean Witter Reynolds Retirement Benefit Scheme, including the impact of the asset surplus ceiling.

10. 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).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

11. FINANCIAL RISK MANAGEMENT

Risk management procedures

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

Significant risks faced by the Company resulting from its activities are set out below.

Credit risk

Credit risk refers to the risk of loss arising when an obligor does not meet its financial 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 while ensuring transparency of material credit risks, ensuring compliance with established limits and escalating risk concentrations to appropriate senior management. Credit risk 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.

The maximum exposure to credit risk of the Company at the reporting date is the carrying amount of the financial assets held in the balance sheet. The Company has not entered into any credit enhancements to manage its exposure to credit risk.

The Company does not have any significant exposure arising from items not recognised on the balance sheet.

Credit rating	Gross credit exposure(1) 2013 £'000	2012 £'000
AA-	758	942

(1) Internal credit ratings derived using methodologies generally consistent with those used by external rating agencies.

At 31 December 2013 there were no financial assets past due but not impaired or individually impaired (2012: £none).

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk

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. Liquidity risk is the risk that the Company's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations.

The Morgan Stanley Group's senior management establishes the overall 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.

Liquidity management policies

The core components of the Morgan Stanley Group's liquidity management framework, which includes consideration of the liquidity risk for each individual legal entity, are the Contingency Funding Plan ("CFP"), Liquidity Stress Tests and the Global Liquidity Reserve, which support the Morgan Stanley Group's target liquidity profile.

Contingency Funding Plan. The CFP describes the data and information flows, limits, targets, operating environment indicators, escalation procedures, roles and responsibilities, and available mitigating actions in the event of a liquidity stress. The CFP also sets forth the principal elements of the Morgan Stanley Group's liquidity stress testing which identifies stress events of different severity and duration, assesses current funding sources and uses and establishes a plan for monitoring and managing a potential liquidity stress event.

Liquidity Stress Tests. The Morgan Stanley Group uses Liquidity Stress Tests to model liquidity outflows across multiple scenarios over a range of time horizons.

The assumptions underpinning the Liquidity Stress Tests include, but are not limited to, the following: (i) no government support; (ii) no access to unsecured debt markets; (iii) repayment of all unsecured debt maturing within the stress horizon; (iv) higher haircuts and significantly lower availability of secured funding; (v) additional collateral that would be required by trading counterparties and certain exchanges and clearing organisations related to credit rating downgrades; (vi) additional collateral that would be required due to collateral substitutions, collateral disputes and uncalled collateral; (vii) discretionary unsecured debt buybacks; (viii) drawdowns on unfunded commitments provided to third parties; (ix) client cash withdrawals and reduction in customer short positions that fund long positions; (x) limited access to the foreign exchange swap markets; (xi) return of securities borrowed on an uncollateralised basis; and (xii) maturity roll-off of outstanding letters of credit with no further issuance.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk (continued)

The Liquidity Stress Tests are produced for Morgan Stanley and the major operating subsidiaries, as well as at major currency levels, to capture specific cash requirements and cash availability at various legal entities. The Liquidity Stress Tests assume that subsidiaries will use their own liquidity first to fund their obligations before drawing liquidity from Morgan Stanley. It is also assumed that Morgan Stanley will support its subsidiaries and will not have access to cash that may be held at certain subsidiaries that are subject to regulatory, legal or tax constraints.

The Company is not considered a major operating subsidiary for the purposes of liquidity risk. However, the Company would have access to the cash or liquidity reserves held by Morgan Stanley in the unlikely event they were unable to access adequate financing to service their financial liabilities when they become payable.

The CFP and Liquidity Stress Tests are evaluated on an ongoing basis and reported to the Firm Risk Committee, Asset/ Liability Management Committee, and other appropriate risk committees.

Global Liquidity Reserve. The Morgan Stanley Group maintains sufficient liquidity reserves ("the Global Liquidity Reserve") to cover daily funding needs and meet strategic liquidity targets sized by the CFP and Liquidity Stress Tests. The size of the Global Liquidity Reserve is actively managed by the Morgan Stanley Group. The following components are considered in sizing the Global Liquidity Reserve; unsecured debt maturity profile, statement of financial position size and composition, funding needs in a stressed environment inclusive of contingent cash outflows and collateral requirements. Additionally, the Global Liquidity Reserve includes an additional reserve, which is primarily a discretionary surplus based on the Morgan Stanley Group's risk tolerance and is subject to change dependent on market and firmspecific events.

The Global Liquidity Reserve, to which the Company has access, is held within Morgan Stanley and the Morgan Stanley Group's major operating subsidiaries and is composed of diversified cash and cash equivalents and highly liquid unencumbered securities.

Eligible unencumbered securities include US government securities, US agency securities, US agency mortgage-backed securities, non-US government securities and other highly liquid investment grade securities).

The ability to monetise assets during a liquidity crisis is critical. The Morgan Stanley Group believes that the assets held in the Global Liquidity Reserve can be monetised within five business days in a stressed environment given the highly liquid and diversified nature of the reserves.

Funding management policies

The Morgan Stanley Group manages its funding in a manner that reduces the risk of disruption to the Morgan Stanley Group's and the Company's operations. The Morgan Stanley Group pursues a strategy of diversification of secured and unsecured funding sources (by product, by investor and by region) and attempts to ensure that the tenor of the Morgan Stanley Group's, and the Company's, liabilities equals or exceeds the expected holding period of the assets being financed.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and funding risk (continued)

Funding management policies (continued)

The Morgan Stanley Group funds its statement of financial position on a global basis through diverse sources, which includes consideration of the funding risk of each legal entity. These sources may include the Morgan Stanley Group's equity capital, long-term debt, securities sold under agreements to repurchase, securities lending, deposits, commercial paper, letters of credit and lines of credit. The Morgan Stanley Group has active financing programmes for both standard and structured products, targeting global investors and currencies.

Balance sheet management

In managing both the Morgan Stanley Group's and the Company's funding risk the composition and size of the entire balance sheet, not just financial liabilities, is monitored and evaluated. A substantial portion of the Morgan Stanley Group's total assets consists of liquid marketable securities and short-term receivables arising from its Institutional Securities business segment's sales and trading activities. The liquid nature of these assets provides the Morgan Stanley Group and the Company with flexibility in managing the size of its balance sheet.

Maturity analysis

In the following maturity analysis of financial assets and financial liabilities, all amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2013. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from those financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

All financial assets and liabilities at 31 December 2013 and 31 December 2012 are classified as repayable on demand. Financial liabilities repayable on demand of £189,000 (2012: £nil) are due to other another Morgan Stanley Group entity and the demand for repayment of which is wholly within control of the Morgan Stanley Group.

Market risk

Market risk is defined by FRS 29 *Financial instruments: disclosures* as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Sound market risk management is an integral part of the Company's and the Morgan Stanley Group's culture. The Company is responsible for ensuring that market risk exposures are well-managed and prudent and more broadly for ensuring transparency of material market risks, monitoring compliance with established limits, and escalating risk concentrations to appropriate senior management.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

To execute these responsibilities, the Morgan Stanley Group monitors the market risk of the firm against limits on aggregate risk exposures, performs a variety of risk analyses, routinely reports risk summaries and maintains the VaR and scenario systems. The Company is managed within the Morgan Stanley Group's global framework. The market risk management policies and procedures of the Company include performing risk analyses and reporting material risks identified to appropriate key management personnel of the Company.

The Company is exposed to interest rate risk under this definition.

Interest rate risk

Interest rate risk is defined by FRS 29 as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk under this definition as a result of changes in the future cash flows of floating rate intercompany loans held at amortised cost. The Company's exposure to interest rate movements is not material and therefore an interest rate sensitivity analysis has not been presented.

12. CAPITAL MANAGEMENT

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

The Morgan Stanley Group's required capital estimation is based on the Required Capital Framework, an internal capital adequacy measure. The framework is a risk-based use of capital measure, which is compared with the Morgan Stanley Group's regulatory capital to ensure the Morgan Stanley Group maintains an amount of going concern capital after absorbing potential losses from extreme stress events where applicable, at a point in time. The Morgan Stanley Group defines the difference between its regulatory capital and aggregate Required Capital as its Parent capital.

The Required Capital Framework will evolve over time in response to changes in the business and regulatory environment and to incorporate enhancements in modelling techniques.

The Morgan Stanley Group actively manages its consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines and, therefore, in the future may expand or contract its capital base to address the changing needs of its businesses.

The Morgan Stanley Group also aims to adequately capitalise at a legal entity level whilst safeguarding that entity's ability to continue as a going concern and ensuring that it meets all regulatory capital requirements, so that it can continue to provide returns for the Morgan Stanley Group.

In order to maintain or adjust the capital structure as described above, the Company may adjust the amount of dividends paid, return capital to shareholders or issue new shares.

12. CAPITAL MANAGEMENT (CONTINUED)

The Company manages the following items as capital:

	2013	2012
	£'000	£'000
Called up share capital	6,270	6,270
Pension reserve	(969)	(861)
Profit and loss account	(4,766)	(4,515)
	535	894

13. RETIREMENT BENEFITS

The Company operates the Dean Witter Reynolds Retirement Benefits Scheme (the "Scheme"), which requires contributions to be made to funds held separately from the assets of the Company, under the control of Trustees.

The Scheme, which was closed in April 1998 to both new entrants and future accrual, has both a defined contribution section and a defined benefit section.

Defined contribution section

The defined contribution section is subject to a contracting-out underpin. Only the defined contribution Scheme liabilities in excess of individual fund values have been included in the Scheme liabilities. Assets held to fund Guaranteed Minimum Pension ("GMP") underpin liabilities in excess of members' defined contribution funds have been included in the Scheme assets.

Defined benefit section

The assets relating to the defined benefit section of the Scheme are held in a separate Trustee-administered fund to meet long-term pension liabilities to past employees. The Trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of Trustees to the Scheme is determined by the Scheme's trust documentation. In accordance with the Pensions Act 2004, at least one third of the Scheme's Trustee Board comprises member nominated trustee directors.

The most recent full actuarial valuation of the defined benefit section of the Scheme was carried out at 31 December 2012 and updated by a qualified actuary at 31 December 2013. The FRS 17 *Retirement Benefits* ("FRS 17") valuation differs from the full formal funding actuarial valuation due to differences in valuation methodology. The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit method. The projected unit method is an accrued benefits valuation method in which the Scheme liabilities make allowance for projected earnings. The accumulated benefit obligation is an actuarial measure of the present value of benefits for service already rendered but differs from the projected unit method in that it includes no assumption for future salary increases. As the Scheme is closed to future accrual with no salary linkage the accumulated benefit obligation of £1,368,000 (2012: £1,340,000) is the same as the value under the projected unit method as described above.

13. RETIREMENT BENEFITS (CONTINUED)

The defined benefit obligation includes any obligation incurred in respect of the GMP obligation within the defined contribution section of the Scheme, where participants' individual defined contribution assets are insufficient. As such, the underlying defined contribution asset performance can impact the defined benefit obligation and the experience adjustments incurred.

Defined benefit Scheme expense

The amounts recognised in profit or loss in respect of the Scheme are as follows:

	2013 £'000	2012 £'000
Expected return on scheme assets	51	51
Interest on obligation	(57)	(69)
Total defined benefit Scheme expense	(6)	(18)

For the year ended 31 December 2013, a charge of £6,000 (2012: £18,000) has been included in 'Interest expense'. An actuarial loss of £157,000 (2012: £205,000 gain) and a surplus ceiling reduction of £49,000 (2012: surplus ceiling increase of £187,000) have been recognised in the statement of total recognised gains and losses.

The cumulative amount of actuarial gains and losses, excluding the surplus ceiling, recognised in the statement of total recognised gains and losses is a cumulative loss of £695,000 (2012: £538,000). The surplus ceiling restricts the surplus recognised on the balance sheet to the amount that is recoverable by the Company in accordance with FRS 17 and the Scheme rules prohibit the Company from recovering any surplus money paid over to the Pension scheme.

Retirement benefit asset

The following table provides a reconciliation of the present value of Scheme liabilities and fair value of Scheme assets included in the balance sheet, as well as a summary of the funded status of the Scheme:

	2013 £'000	2012 £'000
Present value of funded defined benefit obligation for pensioners and deferred pensioners with defined benefits only	(380)	(295)
Present value of funded GMP obligation in respect of the defined contribution section of the Plan included in the total defined benefit obligation	(988)	(1,045)
Present value of total funded obligation	(1,368)	(1,340)
Fair value of scheme assets	1,642	1,663
	274	323
Effect of surplus ceiling	(274)	(323)
Retirement benefit asset/(liability) recognised in the balance sheet	-	-

13. RETIREMENT BENEFITS (CONTINUED)

Employer contributions for the year to the closed defined benefit section of the Scheme totalled £114,000 (2012: £nil), of which £nil was accrued at 31 December 2013 (2012: £nil). All scheme costs are settled by the Company, and during the year these costs amounted to £245,000 (2012: £209,000) and have been included in 'Scheme administration expense' in the profit and loss account. The costs for 2014 are estimated to be £245,000.

The full actuarial valuation at 31 December 2012 indicated a deficit on a funding basis of £342,000. The Trustees and the Company have agreed that any funding shortfalls should be eliminated as quickly as the Company can reasonably afford. The contributions are reviewed each year as part of the annual funding update and are increased or reduced as appropriate to eliminate the funding deficit by the end of the agreed recovery period. A schedule of contributions was agreed by the Trustees and the Company on 22 July 2013 which is expected to eliminate the funding deficit by 31 July 2015. The Company expects to contribute £114,000 in the next financial year and a further £114,000 in the following financial year.

Changes in the present value of the Scheme obligations were as follows:

	2013 £'000	2012 £'000
Obligation at 1 January	1,340	1,513
Interest cost	57	69
Actuarial gain	-	(211)
Benefits paid	(29)	(31)
Obligation at 31 December	1,368	1,340

Changes in the fair value of Scheme assets were as follows:

	2013 £'000	2012 £'000
Fair value of Scheme assets at 1 January	1,663	1,649
Expected return on Scheme assets	51	51
Actuarial loss	(157)	(6)
Employer contributions	114	-
Benefits paid	(29)	(31)
Fair value of Scheme assets at 31 December	1,642	1,663

	2013 £'000	2012 £'000
Actual return on Scheme assets	(106)	45

13. RETIREMENT BENEFITS (CONTINUED)

The major categories of Scheme assets and the expected rates of return are as follows:

	Expected return		Fair value of assets	
	2013	2012	2013	2012
	%	%	£'000	£'000
Fixed income securities	3.7	3.1	1,637	1,658
Other – primarily cash	3.7	3.1	5	5
			1,642	1,663

The investment strategy is set by the Trustees after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal asset classes, the day to day management of the Scheme's portfolio is the responsibility of the investment managers. The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently. The Trustees regularly review the suitability of the Scheme's investments, and make changes from time to time.

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of a return on assets of 3.7% as at 31 December 2013 (2012: 3.10%).

The following table presents the principal actuarial assumptions at the balance sheet date:

	2013	2012
Discount rate pre retirement	4.50%	4.30%
Discount rate post retirement	3.85%	4.00%
Rate of pre retirement revaluation for GMP	Fixed	Fixed
Rate of post retirement increase for post 88 GMP	2.70%	2.40%
Inflation assumption	3.55%	3.20%
Expected long-term rate of return on plan assets:		
Rate at the beginning of the year (used for the profit and loss)	3.10%	3.10%
Rate at the end of the year	3.10%	3.10%

MORGAN STANLEY (DWRRBS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

13. RETIREMENT BENEFITS (CONTINUED)

The mortality assumptions used give the following life expectations at 65:

	Life expectancy at age 65 for a male member currently:		Life expectancy at age 65 for a female member currently:	
	Aged 65	Aged 45	Aged 65	Aged 45
31 December 2013				
UK	89.0	91.1	91.1	93.5
31 December 2012				
UK	88.6	91.4	91.1	94.1

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are as follows:

Assumption	**Change in assumption**	**Impact on Scheme liabilities**
Discount rate	Increase/ decrease by 0.5%	Decrease by 19%/increase by 24%
Inflation assumption	Increase/ decrease by 0.5%	Increase by 5%/ decrease by 9%
Life expectancy	Increase/decrease by 1 year	Increase by 4%/decrease by 5%

The five year history of the Scheme surplus/ (deficit) and experience adjustments is as follows:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of obligation	(1,368)	(1,340)	(1,513)	(1,029)	(741)
Fair value of Scheme assets	1,642	1,663	1,649	1,345	704
Surplus/ (deficit)	274	323	136	316	(37)
Experience adjustments on Scheme liabilities:					
- Amount (£'000)	(42)	(135)	(114)	170	66
- Percentage of Scheme liabilities (%)	(3.1%)	(10.1%)	(7.5%)	16.5%	8.9%
Experience adjustments on Scheme assets					
- Amount (£'000)	157	6	(285)	(27)	48
- Percentage of Scheme assets (%)	9.6%	0.4%	(17.3%)	(2.0%)	6.8%

14. 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.

15. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling entity and the smallest and 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 Dean Witter International Incorporated which is registered in the state of Delaware, the United States of America.