

Registered number: 3353454

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

V2 MUSIC (HOLDINGS) LIMITED

Report and financial statements

31 December 2013

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V2 MUSIC (HOLDINGS) LIMITED

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V2 MUSIC (HOLDINGS) LIMITED

STRATEGIC REPORT

The Directors present their Strategic report for V2 Music (Holdings) Limited (the "Company") for the year ended 31 December 2013.

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

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 is set out on page 8. The Company's profit for the year was £2,439,000 compared to a profit of £2,649,000 in the prior year. The decrease is primarily attributable to other income of £261,000 recognised in the prior year relating to the write off of an accrual that is no longer required to be paid. There was a loss on fixed asset investments of £12,000 in the prior year relating to the liquidation of a subsidiary undertaking. Net interest income has increased by £39,000 due to an increase in average interest rates.

The balance sheet for the Company is set out on page 9. The net assets of the Company have increased by £2,439,000 in the year. The increase in net assets is attributable to interest accrued on intercompany balances with other Morgan Stanley Group undertakings.

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.

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.

V2 MUSIC (HOLDINGS) LIMITED

STRATEGIC REPORT

Risk management (continued)

Credit risk (continued)

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 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.

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 Morgan Stanley Group 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.

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.

V2 MUSIC (HOLDINGS) LIMITED

STRATEGIC REPORT

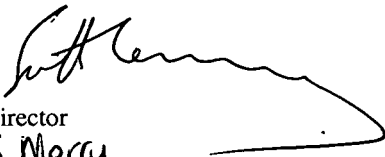
Risk management (continued)

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
S. Merry
9 September 2014.

V2 MUSIC (HOLDINGS) LIMITED

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 profit for the year, after tax, was £2,439,000 (2012: £2,649,000 profit 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 E Iragorri Rizo
S I Merry

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.

V2 MUSIC (HOLDINGS) LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

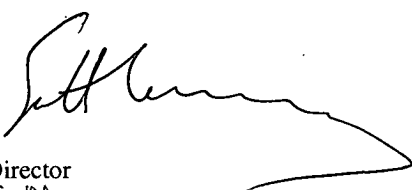
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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
S. Morry
9 September 2014.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF V2 MUSIC (HOLDINGS) LIMITED

We have audited the financial statements of V2 Music (Holdings) 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 profit 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 V2 MUSIC (HOLDINGS) 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

9 September 2014

V2 MUSIC (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2013**

	Note	2013 £'000	2012 £'000
Net losses on fixed asset investments	2	-	(12)
Interest income	3	2,474	2,408
Interest expense	4	(35)	(8)
Other income	5	-	261
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,439	2,649
Tax on profit on ordinary activities	9	-	-
PROFIT FOR THE FINANCIAL YEAR		2,439	2,649

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 14 form an integral part of the financial statements.

V2 MUSIC (HOLDINGS) LIMITED*Registered number: 3353454***BALANCE SHEET****As at 31 December 2013**

	Note	2013 £'000	2012 £'000
CURRENT ASSETS			
Debtors	10	94,330	91,856
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(1,326)	(1,291)
NET CURRENT ASSETS		<u>93,004</u>	<u>90,565</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>93,004</u>	<u>90,565</u>
NET ASSETS		<u><u>93,004</u></u>	<u><u>90,565</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	212,376	212,376
Share premium account	13	34,420	34,420
Other reserves	13	102,280	102,280
Profit and loss account	13	(256,072)	(258,511)
SHAREHOLDERS' FUNDS		<u><u>93,004</u></u>	<u><u>90,565</u></u>

These financial statements were approved by the Board and authorised for issue on 9 September 2014.

Signed on behalf of the Board



Director
S. Merry

The notes on pages 10 to 14 form an integral part of the financial statements.

V2 MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2013**

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 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.

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

Taking 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) Recognition of income and expense

i) Net losses on fixed asset investments

Net losses on fixed asset investments includes interest, dividend income, impairment losses, and reversal of impairment losses on fixed asset investments.

Dividend income from fixed asset investments is recognised when the Company's right to receive payment is established.

ii) Interest income and expense

Interest income and interest expense are recognised on an accruals basis within 'Interest income' and 'Interest expense' in the profit and loss account.

V2 MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2013

1. ACCOUNTING POLICIES (CONTINUED)

f) Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment.

Interest, dividend income, impairment losses and reversal of impairment losses on fixed asset investments are reported in the profit and loss account in 'Net losses on fixed asset investments'.

g) 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.

h) 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 Financial Reporting Standard ("FRS") 1 (Revised 1996) *Cash flow statements* and not present a cash flow statement.

2. NET LOSSES ON FIXED ASSET INVESTMENTS

	2013 £'000	2012 £'000
Loss on disposal of investment	-	(12)

3. INTEREST INCOME

	2013 £'000	2012 £'000
Interest income from loans to Morgan Stanley Group undertakings	2,474	2,408

4. INTEREST EXPENSE

	2013 £'000	2012 £'000
Interest expense on loans from Morgan Stanley Group undertakings	35	8

5. OTHER INCOME

Other income in the previous year represented the reversal of previously accrued social security costs of £261,000 as the Company had determined that they were no longer payable.

V2 MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2013

6. OTHER EXPENSE

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.

7. STAFF COSTS

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

8. DIRECTORS' BENEFITS

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

9. TAX ON PROFIT 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 profit on ordinary activities	-	-

Factors affecting the current tax expense for the year

The current year UK taxation expense 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
Profit on ordinary activities before tax	2,439	2,649
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	567	649
Effects of:		
Group relief received for nil consideration	(567)	(652)
Non-taxable expenses on disposal of fixed assets	-	3
Current tax expense for the year	-	-

V2 MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2013

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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 received group relief for nil 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.

10. DEBTORS

	2013 £'000	2012 £'000
Amounts due from Morgan Stanley Group undertakings	<u>94,330</u>	<u>91,856</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Amounts owed to Morgan Stanley Group undertakings	<u>1,326</u>	<u>1,291</u>

12. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted and fully paid:		
84,950,158,826 ordinary shares of £0.0025 each	<u>212,376</u>	<u>212,376</u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	212,376	34,420	102,280	(261,160)	87,916
Profit for the financial year	-	-	-	2,649	2,649
At 1 January 2013	<u>212,376</u>	<u>34,420</u>	<u>102,280</u>	<u>(258,511)</u>	<u>90,565</u>
Profit for the financial year	-	-	-	2,439	2,439
At 31 December 2013	<u>212,376</u>	<u>34,420</u>	<u>102,280</u>	<u>(256,072)</u>	<u>93,004</u>

V2 MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

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 Angel Limited which is registered in the Cayman Islands. 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 International 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.