Registered number: 04091661

Registered office:
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MORGAN STANLEY SILVERMERE LIMITED

Report and financial statements

31 December 2014

MORGAN STANLEY SILVERMERE LIMITED

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MORGAN STANLEY SILVERMERE LIMITED

STRATEGIC REPORT

The Directors present their Strategic report for Morgan Stanley Silvermere Limited (the "Company") for the year ended 31 December 2014.

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 2014, global market and economic conditions displayed a continued but choppy improvement from 2013, characterised by continued global central bank accommodations, low inflation, geopolitical tensions, and sharply lower oil prices during the final months of the year. The United States ("US") economy, which started 2014 with a weather-impacted first quarter decline in gross domestic product ("GDP"), ended the year with annualised GDP growth. The Eurozone economy, by contrast, stalled in the second quarter before showing some signs of improvement in the second half of the year, as the annexation of the Crimea region in Ukraine by Russia and conflict in Eastern Ukraine raised anxiety and tensions which weighed on regional economies. In the United Kingdom ("UK"), GDP growth continued to accelerate, while the Japanese economy saw substantial volatility surrounding a national sales tax hike, resulting in a GDP growth rate near zero for all of 2014. In China, the government continued reforms to change the structure of the Chinese economy, accepting a somewhat less rapid growth pace as deleveraging is pursued, but targeted easing measures by the Chinese central bank supported a gain in real GDP in 2014.

The profit and loss account for the year is set out on page 8. The Company made a profit after tax of €7,815,000 in the current year compared to a loss of €199,000 in the prior year. This is primarily attributable to gains on fixed asset investments of €7,286,000. Additionally, net interest income for the year was €526,000 compared to net interest expense in the prior year of €199,000. This movement is driven by a reduction in amounts payable to other Morgan Stanley Group undertakings.

The balance sheet on page 9 of the financial statements shows that the Company's net assets at the end of the year were €26,993,000 compared to net assets of €19,178,000 in the prior year. The €7,815,000 movement was driven by a €37,298,000 reduction in amounts owing to Morgan Stanley Group undertakings as a result of dividends received from subsidiary undertakings offset by €30,012,000 of impairments on subsidiary 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.

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management

Risk is an inherent part of the Company's business activity. The Company 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 has developed its own risk management policy framework, which leverages the risk management policies and procedures of the Morgan Stanley Group, and which include escalation to appropriate senior management personnel of the Company.

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 implied from option prices), correlations or other market factors, such as liquidity, will result in losses for a position or portfolio.

Market risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to the appropriate senior management personnel.

The Company manages the market risk associated with its trading activities at both a trading division and an individual product level, which includes consideration of market risk for each significant legal entity within the Group.

Credit risk
Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. Credit risk includes the risk that economic, social and political conditions and events in a foreign country will adversely affect an obligor's ability and willingness to fulfil their obligations.

Credit risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to appropriate senior management personnel.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures 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.

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.

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 and funding 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 continues to actively manage its capital and liquidity position to ensure adequate resources are available to support its activities, to enable it to withstand market stresses.

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Operational risk

Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk, but excludes strategic risk.

The Company is exposed to legal and regulatory risk, including the risk of exposure to fines, penalties, judgements, damages and/or settlements in connection with regulatory or legal actions as a result of noncompliance 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 Company has established procedures designed to foster compliance with applicable statutory and regulatory requirements. The Company, principally through the Morgan Stanley Group's 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 complied with. In connection with its businesses, the Company 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 Company 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 Company.

Culture, Values and Conduct of Employees

All of the Morgan Stanley Group's employees have accountability for risk management. The Morgan Stanley Group strives to establish a culture of effective risk management through its defined core values, governance framework, management oversight, training and development programs, policies, procedures, and defined roles and responsibilities within the Morgan Stanley Group. The actions and conduct of each employee are essential to risk management. The Morgan Stanley Group's Code of Conduct (the "Code") has been established to provide a framework and standards for employee conduct that further reinforces the Morgan Stanley Group's commitment to integrity and high ethical standards. Every new hire and every employee annually must certify to their understanding of and adherence to the Code. The employee annual review process includes evaluation of adherence to the Code. The Global Incentive Compensation Discretion Policy sets forth standards that specifically provide that managers must consider whether the employee effectively managed and supervised the risk control practices of his/her employee reports during the performance year. The Morgan Stanley Group has several mutually reinforcing processes to identify incidents of employee conduct that may have an impact on the employment status, current year compensation or prior year compensation. The Morgan Stanley Group's clawback and cancellation provisions permit recovery of deferred incentive compensation where, for example, an employee's act or omission (included with respect to direct supervisory responsibilities) causes a restatement of the Morgan Stanley Group's consolidated financial results, constitutes a violation of the Morgan Stanley Group's global risk management principles, policies and standards, or causes a loss of revenue associated with a position on which the employee was paid and the employee operated outside of internal control policies.

Approved by the Board and signed on its behalf by SCOTT MCERRY

Director

4 SEPTEMBER 2015

MORGAN STANLEY SILVERMERE 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 2014.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was €7,815,000 (2013: €199,000 loss after tax).

During the year, no dividends were paid or proposed (2013: €nil).

RISK MANAGEMENT AND FUTURE DEVELOPMENTS

Information regarding risk management and future developments has been included in the Strategic report.

DIRECTORS

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

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.

DIRECTORS' REPORT

CHANGE IN ACCOUNTING FRAMEWORK

The Company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100 *Application of Financial Reporting Requirements* and from 1 January 2015, will change its accounting framework to FRS 101 *Reduced Disclosure Framework* ("FRS 101). Although there will be changes to the presentation of the financial statements and disclosure under the new framework, there is not expected to be a significant impact on net assets of the Company as a result of the transition to FRS 101.

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 SCOTT MERRY

4 SEPTEMBER 2015

Director

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

We have audited the financial statements of Morgan Stanley Silvermere Limited for the year ended 31 December 2014 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 2014 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 MORGAN STANLEY SILVERMERE 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

9 September 2015

MORGAN STANLEY SILVERMERE LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Net gains on fixed asset investments:			
- Subsidiary undertakings	2	7,286	-
Interest income	3	598	618
Interest expense	4	(72)	(817)
Other income	5	3	-
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		7,815	(199)
Tax on profit/ (loss) on ordinary activities	8	-	-
PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		7,815	(199)

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 16 form an integral part of the financial statements.

MORGAN STANLEY SILVERMERE LIMITED
Registered number: 04091661

BALANCE SHEET
As at 31 December 2014

	Note	2014 €'000	2013 €'000
FIXED ASSETS			
Investments:			
- Subsidiary undertakings	9	292	30,201
CURRENT ASSETS			
Loans and receivables:			
- Debtors	10	30,058	27,969
- Cash at bank		99	99
		30,157	28,068
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial liabilities at amortised cost	11	(3,456)	(39,091)
		(3,456)	(39,091)
NET CURRENT ASSETS/ (LIABILITIES)		26,701	(11,023)
TOTAL ASSETS LESS CURRENT LIABILITIES		26,993	19,178
NET ASSETS		26,993	19,178
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	26,993	19,178
SHAREHOLDERS' FUNDS		26,993	19,178

These financial statements were approved by the Board and authorised for issue on 4 SEPTEMBER 2015.

Signed on behalf of the Board

SCOTT MERRY

Director

The notes on pages 10 to 16 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 2014. 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.

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 Euros, 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 Euros.

d. Foreign currencies

All monetary assets and liabilities denominated in currencies other than Euros are translated into Euros at the rates ruling at the balance sheet date. Transactions and non-monetary assets and liabilities denominated in currencies other than Euros 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', except where noted in 1(e) below.

1. ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments

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

The Company classifies its financial 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. Dividend income (recognised when the Company's right to receive payment is established), impairment losses, reversals of impairment losses and foreign exchange differences on monetary investments are all reported in the profit and loss account in 'Net gains/ (losses) on fixed asset investments in subsidiary undertakings'.

On disposal of an investment in a subsidiary undertaking, the cumulative gain or loss is reclassified to the profit and loss account and reported in 'Gain/ (loss) on disposal of subsidiary'.

ii) Loans and receivables and financial liabilities at amortised cost

Financial assets classified as loans and receivables are recognised when the Company becomes a party to the contractual provisions of the instrument. They are initially measured 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 recognised when the Company becomes a party to the contractual provisions of the instrument. They are initially measured 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 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 fixed asset investments in subsidiaries 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/ (losses) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

2. NET GAINS ON INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2014	2013
	€'000	€'000
Income from investments in subsidiary undertakings	37,298	-
Impairment of subsidiary undertakings	(30,012)	-
	7,286	-

On 12 December 2014, Morgan Stanley Northcote Investments Limited ("Northcote") declared and paid a dividend amounting to €3,094,000 to the Company. It was subsequently identified that Northcote had distributable reserves of €3,082,000 and as such Northcote will request that the Company repay €12,000, being the amount not covered by distributable reserves.

3. INTEREST INCOME

	2014	2013
	€'000	€'000
Interest income from loans to Morgan Stanley Group undertakings	598	618

4. INTEREST EXPENSE

	2014	2013
	€'000	€'000
Interest expense on loans from Morgan Stanley Group undertakings	72	817

5. OTHER INCOME

	2014	2013
	€'000	€'000
Other income	3	-

6. OTHER EXPENSE

The Company employed no staff during the year (2013: nil).

The fees for the audit of the Company's financial statements of €5,000 (2013: €5,000) have been borne by another Morgan Stanley Group undertaking in both the current and prior year.

7. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2013: €nil).

8. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

Analysis of result in the year

	2014	2013
	€'000	€'000
UK corporation tax at 21.49% (2013: 23.25%)		
- Current year	-	-
Tax on profit/ (loss) on ordinary activities	-	-

8. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the current tax result for the year
The current year UK taxation result is lower (2013: lower) than that resulting from applying the average standard UK corporation tax rate for the year of 21.49% (2013: 23.25%). The main differences are explained below:

	2014 €'000	2013 €'000
Profit/ (loss) on ordinary activities before tax	7,815	(199)
Profit/ (loss) on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	1,679	(46)
Effects of:		
Group relief (received)/ surrendered for no cash consideration	(115)	46
Tax exempt income	(8,015)	-
Impairment of investment	6,451	-
Current tax result for the year	-	-

Finance Act 2013 enacted a reduction to the UK corporation tax to 21% with effect from 1 April 2014. This reduction in the tax rate impacted the current tax result in 2014 as the Company received group relief for no cash consideration.

Finance Act 2013 also enacted a reduction to the UK corporation tax rate to 20% with effect from 1 April 2015. The reduction in the rate may impact the current tax result in future years.

9. FIXED ASSET INVESTMENTS

Fixed asset investments in subsidiary undertakings

	Subsidiary undertakings €'000
Cost	
At 1 January 2014	30,208
Additions	103
At 31 December 2014	30,311
Impairment provisions	
At 1 January 2014	7
Provisions made in the year	30,012
At 31 December 2014	30,019
Net book value	
At 31 December 2013	30,201
At 31 December 2014	292

9. FIXED ASSET INVESTMENTS (CONTINUED)

On 10 February 2014, the Company purchased the entire share capital of Morgan Stanley Penberthy Limited from Morgan Stanley Bowline Limited for total consideration of €103,000.

On 11 December 2014, the Company received €30,000,000 from Morgan Stanley Bowline Limited as a return of capital contributions.

During the year, an impairment provision of €12,000 was made against the investment in Morgan Stanley Northcote Investments Limited. The impairment provision was calculated by comparing cost and the current estimated recoverable amount of each fixed asset investment.

Subsidiaries and significant holdings

Details of the investments in which the Company holds 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 2014, 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 Northcote Investments Limited	England and Wales	Ordinary	100%	100%	Holding company
Morgan Stanley Hampstead Limited	Cayman Islands	Ordinary	100%	100%	Financial Services
Morgan Stanley Bowline Limited	England and Wales	Ordinary	100%	100%	Holding company
Morgan Stanley Penberthy Limited	England and Wales	Ordinary	100%	100%	Financial Services
Shavano Cooperatieve U.A. (in liquidation)	Netherlands	C Membership	100%*	100%	Financial Services

An * denotes shareholdings attributed to the Company which are not all held directly by the Company.

10. DEBTORS

	2014	2013
	€'000	€'000
Debtors classified within loans and receivables at amortised cost		
Other amounts due from Morgan Stanley Group undertakings	30,058	27,969

11. FINANCIAL LIABILITIES AT AMORTISED COST

	2014	2013
	€'000	€'000
Financial liabilities at amortised cost falling due within one year		
Other amounts owing to Morgan Stanley Group undertakings	3,456	39,091

12. CALLED UP SHARE CAPITAL

	2014 €'000	2013 €'000
Allotted and fully paid:		
1 ordinary share of £1 each	-	-

All ordinary shares are recorded at the rates of exchange ruling at the date the shares were 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 2013	-	19,377	19,377
Loss for the financial year	-	(199)	(199)
At 1 January 2014	-	19,178	19,178
Profit for the financial year	-	7,815	7,815
At 31 December 2014	-	26,993	26,993

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 and 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.