

**Registered number: 04091663**

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

**MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

**Report and financial statements**

**31 December 2020**



## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

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## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **STRATEGIC REPORT**

The Directors present their Strategic report for Morgan Stanley Montgomerie Investments Limited (the "Company") for the year ended 31 December 2020.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is to act as an intermediate holding company, with no significant changes expected in 2021.

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". The Company's immediate parent undertaking is Morgan Stanley Turnberry Limited.

### **BUSINESS REVIEW**

#### **Business environment**

During the course of 2020, the Morgan Stanley Group has been impacted by a series of factors in the global environment in which it operates including the emergence of the coronavirus disease ("COVID-19") in early 2020 and the finalisation of the agreement governing the United Kingdom's (UK) withdrawal from the European Union (the "EU") ("Brexit").

#### **COVID-19**

The COVID-19 pandemic and related voluntary and government-imposed social and business restrictions has adversely impacted global economic conditions, resulting in volatility in the global financial markets, increased unemployment, and operational challenges such as the temporary closure of businesses, sheltering-in-place directives and increased remote work protocols.

Governments around the world have been working to develop, manufacture, and distribute COVID-19 vaccines. Moreover, governments and central banks have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates. If the pandemic is further prolonged or the actions of governments and central banks are unsuccessful, including actions to facilitate the comprehensive distribution of effective vaccines, the adverse impact on the global economy will deepen, and the future results of operations and financial condition of Morgan Stanley and the Company may be adversely affected.

Morgan Stanley and the Company continue to use their Risk Management framework, to manage the significant uncertainty in the present economic and market conditions.

#### **UK withdrawal from the EU ('Brexit')**

On 31 January 2020, the UK withdrew from the EU under the terms of a withdrawal agreement between the UK and the EU. The withdrawal agreement provided for a transition period to the end of December 2020, during which time the UK would continue to apply EU law as if it were a member state, and UK firms' passporting rights to provide financial services in EU jurisdictions continued.

On 24 December 2020, the UK and the EU announced they had reached agreement on the terms of a trade and cooperation agreement to govern the future relationship between the parties. The agreement is provisionally applicable with effect from 1 January 2021 pending formal ratification by the EU. The Company's results of operations are not expected to be negatively affected.

#### **Overview of 2020 performance and key performance indicators**

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

The Company's loss after tax for the year amounted to \$16,541,000 compared to \$28,645,000 in the prior year. The loss for the current year mainly comprises of net interest expense of \$16,424,000 (2019: \$28,638,000) and impairment loss of \$110,000 (2019: \$nil) on receivables from Morgan Stanley undertakings. The decrease in interest expense is driven by a decline in the average interest rate in the year.

## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **BUSINESS REVIEW (CONTINUED)**

##### **Overview of 2020 performance and key performance indicators (Continued)**

The Company's total assets at 31 December 2020 were \$825,961,000 compared to \$620,442,000 at 31 December 2019. The increase of \$205,519,000 is attributable to the increase in funding provided to other Morgan Stanley Group undertakings in the year. The Company's total liabilities at 31 December 2020 were \$983,004,000 compared to \$760,944,000 at 31 December 2019 with the increase reflecting loans received from Morgan Stanley undertakings.

##### **RISK MANAGEMENT**

As an intermediate holding company, the Company is exposed to the risk of decline in value of its investments in subsidiary undertakings. Due to the current financial strength of its subsidiary undertakings, the Directors consider that the actual risk the Company is exposed to is minimal.

The Directors consider that the Company's key financial risks are credit risk, primarily its concentration of exposure to other Morgan Stanley Group undertakings and liquidity risk arising primarily through its exposure to other Morgan Stanley Group undertakings presented within debt and other borrowings, loans and advances and other payables. The Company leverages the Morgan Stanley Group's credit and liquidity risk frameworks to identify, measure, monitor and control credit risk and to ensure that the Company has access to adequate funding.

The Company also has some limited exposure to country, operational and legal, regulatory and compliance risks.

The Company leverages the risk management policies and procedures of the Morgan Stanley Group.

##### **GOING CONCERN**

Retaining sufficient liquidity and capital to withstand market pressures remains central to the Company's strategy. The Company's ultimate parent undertaking and controlling entity, Morgan Stanley, has confirmed its intent to provide financial support to the Company to meet its obligations.

Although the Company has net liabilities, the Company is performing in line with expectations and the net liabilities are due to amounts owing to fellow Morgan Stanley Group undertakings, the demand for repayment of which is wholly within the control of the Morgan Stanley Group. In addition, the Company's ultimate parent undertaking and controlling entity, Morgan Stanley, has confirmed its intent to provide financial support to the Company to meet its obligations. Having assessed these factors, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The existing and potential effects of COVID-19 on the business of the Company have been considered as part of the going concern analysis, including impact on operational capacity, access to liquidity and capital, contractual obligations, asset valuations and other critical accounting judgements and key sources of estimation uncertainty. Additionally, the specific impact of Brexit on the business of the Company has been considered.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

##### **Section 172 (1) Statement**

The Directors are aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act 2006. When making decisions, Directors have regard to the interests of stakeholders relevant to the Company, as an intermediate holding company, as well as the need to maintain a reputation for high standards of business conduct and the long term consequences of decisions. They also fulfil their responsibilities through the application of Morgan Stanley Group policies and practices, underpinned by Morgan Stanley's five core values of: Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion and Give Back.

Approved by the Board and signed on its behalf by

DocuSigned by:  
  
S I Merry

Director

13 August 2021

## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and financial statements for the Company for the year ended 31 December 2020.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after tax, was \$16,541,000 (2019: \$28,645,000).

During the year, no dividends were paid or proposed (2019: \$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:

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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 and its subsidiary undertakings.

#### **DIRECTORS' INDEMNITY**

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

#### **EVENTS AFTER THE REPORTING DATE**

There have been no significant events after the reporting date.

#### **GOING CONCERN**

The Directors' assessment of the Company as a going concern has been included within the Strategic report on page 2.

#### **AUDITOR**

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

#### **Statement as to disclosure of information to the auditor**

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

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

## MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### DIRECTORS' RESPONSIBILITIES STATEMENT

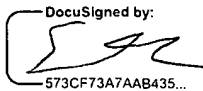
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 '*Reduced Disclosure Framework*' ("FRS 101"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by

DocuSigned by:  


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S I Merry

Director

13 August 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, the financial statements of Morgan Stanley Montgomerie Investments Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "*Reduced Disclosure Framework*"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the related notes 1 to 12; and
- Appendix to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "*Reduced Disclosure Framework*" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.



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

### **Extent to which the audit was considered capable of detecting irregularities, including fraud (Continued)**

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

### **Matters on which we are required to report by exception**

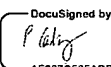
Under the Companies Act 2006, we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
DocuSigned by:  
Paul Cowley, C.A. (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom  
13 August 2021

## MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Interest income	4	2,370	-
Interest expense	4	(18,794)	(28,638)
Net interest expense		<u>(16,424)</u>	<u>(28,638)</u>
Other expense	5	(7)	(7)
Net impairment loss on financial assets	6	<u>(110)</u>	<u>-</u>
<b>LOSS BEFORE TAXATION</b>		<b>(16,541)</b>	<b>(28,645)</b>
Income tax result	7	<u>-</u>	<u>-</u>
<b>LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>(16,541)</u></b>	<b><u>(28,645)</u></b>

All results were derived from continuing operations.

The notes on pages 11 to 16 form an integral part of the financial statements.

## MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital	Retained earnings	Total equity
	\$'000	\$'000	\$'000
<b>Balance at 1 January 2019</b>	100	(111,957)	(111,857)
Loss and total comprehensive income for the year	-	(28,645)	(28,645)
<b>Balance at 31 December 2019</b>	<u>100</u>	<u>(140,602)</u>	<u>(140,502)</u>
Loss and total comprehensive income for the year	-	(16,541)	(16,541)
<b>Balance at 31 December 2020</b>	<u>100</u>	<u>(157,143)</u>	<u>(157,043)</u>

The notes on pages 11 to 16 form an integral part of the financial statements.

# **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

Registered number: 04091663

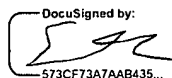
## **STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

	Note	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
Loans and advances	10	205,519	-
Investments in subsidiaries	8	620,442	620,442
<b>TOTAL ASSETS</b>		<b>825,961</b>	<b>620,442</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Other payables	10	72	65
Debt and other borrowings	10	982,932	760,879
<b>TOTAL LIABILITIES</b>		<b>983,004</b>	<b>760,944</b>
<b>EQUITY</b>			
Share capital	9	100	100
Retained earnings		(157,143)	(140,602)
<b>Equity attributable to owners of the Company</b>		<b>(157,043)</b>	<b>(140,502)</b>
<b>TOTAL EQUITY</b>		<b>(157,043)</b>	<b>(140,502)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>825,961</b>	<b>620,442</b>

These financial statements were approved by the Board and authorised for issue on 13 August 2021.

Signed on behalf of the Board

DocuSigned by:  
  
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S I Merry  
Director

The notes on pages 11 to 16 form an integral part of the financial statements.

## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2020**

#### **1. CORPORATE INFORMATION**

The Company is incorporated and domiciled in England and Wales, UK, at the following registered address 20 Bank Street, Canary Wharf, London, E14 4AD, UK. The Company is a private company and is limited by shares. The registered number of the Company is 04091663.

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

The Company's 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 which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the Morgan Stanley Group. Morgan Stanley has its registered office c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the state of Delaware, United States of America. Copies of its financial statements can be obtained from [www.morganstanley.com/investorrelations](http://www.morganstanley.com/investorrelations).

The parent undertaking of the smallest group of Companies for which group financials statements are drawn up and of which the Company is a member is Morgan Stanley & Co. International plc, which has its registered office at 25 Cabot Square, Canary Wharf, London, E14 4QA, UK and is registered in England & Wales, UK. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, United Kingdom, Companies House, Crown Way, Cardiff CF14 3UZ, UK.

#### **2. BASIS OF PREPARATION**

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 400 of the Companies Act 2006.

##### **Statement of compliance**

These financial statements are prepared on a going concern basis as explained in the Strategic report and under the historical cost convention in accordance with UK GAAP (UK Accounting Standards and applicable law), including FRS 101.

The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to financial instruments, fair value measurement, capital management, presentation of a cash-flow statement, accounting standards not yet effective and related party transactions.

Where relevant, equivalent disclosures have been provided in the group accounts of Morgan Stanley & Co. International plc in which the Company is consolidated. Copies of Morgan Stanley & Co. International plc's accounts can be obtained as detailed at note 1.

##### **New standards and interpretations adopted during the year**

The following standards, amendments to standards and interpretations relevant to the Company's operations were adopted during the year. These standards, amendments to standards and interpretations did not have a material impact on the Company's financial statements.

Amendments to IAS 1 '*Presentation of Financial Statements*' and IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*': Definition of Material were issued by the IASB in October 2018, for application in accounting periods beginning on or after 1 January 2020. The amendments were endorsed by the EU in December 2019.

There were no other standards or interpretations relevant to the Company's operations which were adopted during the period.

## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2020**

#### **2. BASIS OF PREPARATION (CONTINUED)**

##### **Critical accounting judgements and sources of estimation uncertainty**

No critical judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements. The Company has not made any key assumptions and there are no other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

The preparation of the Company's financial statements requires management to make judgements involving estimates and other assumptions that affect the financial statements and related disclosures. For further details on the impairment of investments in subsidiaries see note 8.

##### **The going concern assumption**

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Business review section of the Strategic report on pages 1.

Although the Company has net liabilities, the Company is performing in line with expectations and the net liabilities are due to amounts owing to fellow Morgan Stanley Group undertakings, the demand for repayment of which is wholly within the control of the Morgan Stanley Group. In addition, the Company's ultimate parent undertaking and controlling entity, Morgan Stanley, has confirmed its intent to provide financial support to the Company to meet its obligations. Having assessed these factors, the Director's continue to adopt the going concern basis in preparing the annual report and financial statements.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future and the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Functional currency**

Items included in the financial statements are measured and presented in US dollars, the currency of the primary economic environment in which the Company operates.

##### **b. Foreign currencies**

Monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the reporting date. Transactions and non-monetary assets and liabilities denominated in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions. All translation differences are recognised through the statement of comprehensive income.

## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2020**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **c. Financial instruments**

Financial assets and liabilities primarily comprise investments in subsidiaries, loans and advances, other payables and debt and other borrowings.

Investments in subsidiaries are stated at cost, less provision for any impairment. Dividends, impairment losses and reversals of impairment losses are recognised in the statement of comprehensive income in 'Net gains/(losses) on investments in subsidiaries'.

Loans and advances, other payables and debt and other borrowings are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value and subsequently measured at amortised cost (less allowance for impairment on financial assets). Interest is recognised in the statement of comprehensive income using the effective interest rate ("EIR") method.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset. The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

##### **d. Impairment of financial assets**

The Company recognises loss allowances for expected credit losses ("ECL") for its financial assets classified at amortised cost. ECL are the present value of cash shortfalls over the expected life of the financial instrument, discounted at the asset's EIR. ECL is recognised in the statement of comprehensive income within 'Net impairment loss on financial instruments' and is reflected against the carrying amount of the impaired asset on the statement of financial position as an ECL allowance. Where there has been a reduction in ECL, this will be recognised within 'Net reversal of impairment loss on financial instruments'.

Impairment losses on investment in subsidiaries are measured as the difference between cost and the current estimated recoverable amount. When the recoverable amount is less than the cost, an impairment is recognised within the statement of comprehensive income in 'Net losses on investments in subsidiaries,' and is reflected against the carrying amount of the impaired asset on the statement of financial position.

##### **e. Income tax**

The tax expense represents the sum of the tax currently payable and is calculated based on taxable profit for the year. Taxable profit may differ from profit before taxation as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

## MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

#### 4. INTEREST INCOME AND INTEREST EXPENSE

'Interest income' and 'Interest expense' relates to financial assets and financial liabilities recognised at amortised cost and is calculated using the EIR method.

#### 5. OTHER EXPENSE

	2020 \$'000	2019 \$'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>7</u>	<u>7</u>

The Company employed no staff during the year (2019: nil).

The Company's Directors are employed by other Morgan Stanley Group entities. The Directors' services to the Company are considered to be incidental to their other responsibilities within the Morgan Stanley Group and as such, Directors' remuneration is \$nil for the current year (2019: \$nil).

#### 6. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2020 \$'000	2019 \$'000
ECL relating to:		
Loans and advances	<u>110</u>	<u>-</u>



**MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2020****7. INCOME TAX RESULT**

	2020	2019
	\$'000	\$'000
<b>Current tax result</b>		
UK corporation tax at 19% (2019: 19%)		
- Current year	-	-
<b>Income tax result</b>	-	-

Finance (No. 2) Act 2015 reduced the UK main rate of corporation tax to 17% with effect from 1 April 2020. However, Finance Act 2020 removed the reduction to 17% with effect from 1 April 2020 and the UK main rate remains 19% for the financial year 2020, which impacts the current tax charge in the current year. The UK main rate of corporation tax is 19% for the year.

Finance Bill 2021 raised the UK main rate of corporation tax from 19% to 25% with effect from 1 April 2023. While this change does not affect the income tax charge for the year, it will affect future years.

**Reconciliation of effective tax rate**

The current year income tax result is higher (2019: higher) than that resulting from applying the average standard rate of corporation tax in the United Kingdom ("UK") for the year of 19% (2019: 19%). The main differences are explained below:

	2020	2019
	\$'000	\$'000
Loss before taxation	(16,541)	(28,645)
Income tax using the average standard rate of corporation tax in the UK of 19% (2019: 19%)	(3,143)	(5,443)
Impact on tax of		
Group relief surrendered for no cash consideration	3,122	5,443
Other permanent differences	21	-
<b>Total income tax result in the statement of comprehensive income</b>	-	-

**8. INVESTMENT IN SUBSIDIARIES**

	Subsidiary undertakings \$'000
<b>Carrying amounts</b>	
At 31 December 2019 and 31 December 2020	620,442

Details of all investments in subsidiaries (including indirect subsidiaries) of the Company at 31 December 2020 and 31 December 2019 can be found in the Appendix to the financial statements.

## **MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2020**

#### **9. EQUITY**

##### **Ordinary share capital**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Authorised and allotted and fully paid:</b>		
100,000 ordinary shares of \$1 each	100	100
	<u>100</u>	<u>100</u>

#### **10. EXPECTED MATURITY OF ASSETS AND LIABILITIES**

Loans and advances, other payables and debt and other borrowings relate wholly to amounts due from and to group undertakings.

Other payables of \$72,000 (2019: \$65,000) are expected to be settled no more than twelve months after the reporting period, with all other amounts expected to be settled more than twelve months after the reporting period end.

#### **11. SEGMENT REPORTING**

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

#### **12. EVENTS AFTER THE REPORTING DATE**

There have been no significant events after the reporting date.

**MORGAN STANLEY MONTGOMERIE INVESTMENTS LIMITED****APPENDIX TO THE FINANCIAL STATEMENTS****Year ended 31 December 2020**

Details of all investments in subsidiaries (including indirect subsidiaries) of the Company at 31 December 2020 and 31 December 2019 are shown in the table below.

All shares held are ordinary shares and relate to 100% holdings and 100% proportion of voting rights held.

Name of Company	Address of undertaking's registered office	Types of shares held	Proportion of shares held	Proportion of voting rights held	Nature of business
Morgan Stanley Equity Derivative Services (Luxembourg) S.a r.l	20, rue de la Poste, L-2346, Luxembourg	Ordinary	100%	100%	Financial Services
Morgan Stanley Langtree Investments B.V.	20 Bank Street Canary Wharf London, E14 4AD United Kingdom	Class A Ordinary	100%	25%	Financial Services
Morgan Stanley Langtree Investments B.V.	20 Bank Street Canary Wharf London, E14 4AD United Kingdom	Class B Ordinary	100%	75%	Financial Services
Morgan Stanley Mallard Investments Limited	20 Bank Street Canary Wharf London, E14 4AD United Kingdom	Ordinary	100%	100%	Holding Company
Morgan Stanley Millbrae Investments B.V.#	20 Bank Street Canary Wharf London, E14 4AD United Kingdom	Preference	100%	33%	Financial Services
Morgan Stanley Millbrae Investments B.V.#	20 Bank Street Canary Wharf London, E14 4AD United Kingdom	Class A	100%	67%	Financial Services

# Indirect subsidiary.