705877|20

Registered number: MC 161501

UK registration number: FC 026606

Business Office:
20 Bank Street
Canary Wharf
London
United Kingdom
E14 4AD

Registered office:
PO Box 309
Ugland House
Grand Cayman
KYI-1104
Cayman Islands

MORGAN STANLEY SINOPE CAYMAN LIMITED

Report and financial statements

31 December 2016

MORGAN STANLEY SINOPE CAYMAN LIMITED

CONTENTS **PAGE**

MORGAN STANLEY SINOPE CAYMAN LIMITED

STRATEGIC REPORT

The Directors present their Strategic report for Morgan Stanley Sinope Cayman Limited (the "Company") for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The Company is an exempted company incorporated under the laws of the Cayman Islands.

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".

The management and control of the Company is in the United Kingdom ("UK") and the entity is liable to UK Corporation Tax on its taxable profits.

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

On 23 June 2016, the UK electorate voted to leave the European Union (the "EU"). It is difficult to predict the future of the UK's relationship with the EU, which uncertainty may increase the volatility in the global financial markets in the short- and medium-term. On 29 March 2017, the UK formally invoked Article 50 of the Lisbon Treaty, which triggered a two-year period, subject to extension, during which the UK government is expected to negotiate its withdrawal agreement with the EU. Absent any extension, the UK is expected to leave the EU in early 2019. The terms and conditions of the anticipated withdrawal from the EU, and which of the several alternative models of relationship that the UK might ultimately negotiate with the EU, remain uncertain. However, the UK government has stated that the UK will leave the EU single market and will seek a phased period of implementation for the new relationship that may cover the legal and regulatory framework applicable to financial institutions with significant operations in Europe, such as Morgan Stanley. Potential effects of the UK exit from the EU and potential mitigation actions may vary considerably depending on the timing of withdrawal and the nature of any transition or successor arrangements. Any future limitations on providing financial services into the EU from our UK operations could require us to make potentially significant changes to our operations in the UK and Europe and our legal structure there, which could have an adverse effect on our business and financial results.

Overview of 2016

The statement of comprehensive income is set out on page 6. The Company's profit for the year has increased by €1,536,000 to €8,119,000. Interest income includes preference share dividend income of €10,917,000 in the current year compared to €10,887,000 in the prior year. Interest income on loans with other Morgan Stanley Group undertakings has decreased from €3,066,000 in the prior year to €2,076,000 in the current year. Interest expense on loans with other Morgan Stanley Group undertakings has decreased from €7,370,000 in the prior year to €4,874,000 in the current year. The decrease in the net interest expense on the Company's loans to other Morgan Stanley Group undertakings is primarily due to a decrease in average interest rates in the year.

The statement of financial position of the Company is set out on page 8. The Company's net assets at the end of the year were €167,354,000 compared to €159,235,000 in the prior year. The €8,119,000 increase is attributable to interest accrued on the Company's loans to other Morgan Stanley Group companies.

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.

MORGAN STANLEY SINOPE CAYMAN LIMITED

STRATEGIC REPORT

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.

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.

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. Its 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 encompasses the risk that the Company's financial condition or overall soundness is adversely affected by an inability or perceived inability to meet its financial obligations in a timely manner. It also includes the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding.

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 and time horizons. 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.

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 (e.g. fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud, employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management. Legal, regulatory and compliance risk is discussed below under "Legal, regulatory and compliance risk".

MORGAN STANLEY SINOPE CAYMAN LIMITED

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Legal, regulatory and compliance risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss; including fines, penalties, judgements, damages and/ or settlements or loss to reputation the Company may suffer as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with Anti-Money Laundering, anti-corruption and terrorist financing rules and regulations.

The Company, principally through the Morgan Stanley Group's Legal and Compliance Division, has established procedures based on legal and regulatory requirements on a worldwide basis that are designed to facilitate compliance with applicable statutory and regulatory requirements and to require that the Company's policies relating to business conduct, ethics and practices are followed globally.

Going concern

Retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley Group's and the Company's strategy. Additionally, the Company has access to further Morgan Stanley Group capital and liquidity as required.

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

Taking 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.

Approved by the Board and signed on its behalf by BRYN YOUNG

25 OCTOBER 2017

Director

MORGAN STANLEY SINOPE CAYMAN LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position and the related notes, 1 to 13) for the Company for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was €8,119,000 (2015: €6,583,000 profit after tax).

During the year, no dividends were paid or proposed (2015: €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:

S I Merry
B M L Young

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.

EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Company was incorporated as an exempt company under the laws of the Cayman Islands. The Directors and the shareholders of the Company require the financial statements of the Company to be prepared in accordance with Part 15 of the Companies Act 2006 of the UK (that would have applied had these been statutory accounts under the Companies Act 2006) and drawn up in Euros.

MORGAN STANLEY SINOPE CAYMAN LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)

The Directors are required to prepare such financial statements for each financial year which 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 United Kingdom Accounting Standards. including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("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 Part 15 of 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 BRYN YOUNG

Director 25 OCTOBER 2017

MORGAN STANLEY SINOPE CAYMAN LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Interest income	4	12,993	13,953
Interest expense	4	(4,874)	(7,370)
PROFIT BEFORE TAXATION		8,119	6,583
Income tax	6	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR **THE YEAR**		8,119	6,583

All operations were continuing in the current and prior year.

The notes on pages 9 to 18 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Share capital €'000	Share premium €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2015	-	135,000	17,652	152,652
Profit and total comprehensive income	-	-	6,583	6,583
Balance at 31 December 2015	-	135,000	24,235	159,235
Profit and total comprehensive income	-	-	8,119	8,119
Balance at 31 December 2016	-	135,000	32,354	167,354

The notes on pages 9 to 18 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED

Registered number: MC 161501

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 €'000	2015 €'000
ASSETS			
Loans and receivables:			
Other receivables	7	191,554	189,479
Investments in subsidiary	8	403,320	403,320
TOTAL ASSETS		594,874	592,799
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost:			
Other payables	9	427,520	433,564
TOTAL LIABILITIES		427,520	433,564
EQUITY			
Share capital	10	-	-
Share premium account	10	135,000	135,000
Retained earnings		32,354	24,235
Equity attributable to owners of the Company		167,354	159,235
TOTAL EQUITY		167,354	159,235
TOTAL LIABILITIES AND EQUITY		594,874	592,799

These financial statements were approved by the Board and authorised for issue on 25 OCTOBER 2017

Signed on behalf of the Board

Director BRYN YOUNG

The notes on pages 9 to 18 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

1. CORPORATE INFORMATION

The Company is incorporated and domiciled in Cayman Islands, at the following registered address Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company is an exempted company with limited liability. The registered number of the Company is MC 161501.

Details of the parent and ultimate parent of the group are disclosed in the related party disclosures note 13.

2. BASIS OF PREPARATION

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 401 of the Companies Act 2006. The results of the Company are included within the financial statements of Morgan Stanley which has prepared consolidated financial statements for the year ended 31 December 2016, has its registered office at c/o The Corporation Trust Company, The Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the state of Delaware, in the United States of America. The financial statements therefore present information about the Company as an individual entity and not about its group.

The Company is incorporated under the laws of the Cayman Islands, which permits the use of UK company law and the use of UK accounting standards in the preparation of financial statements.

Statement of compliance

These financial statements are prepared in accordance with FRS 101.

The Company meets the definition of a qualifying entity as defined in Financial Reporting Standard *100 Application of Financial Reporting Requirements*. 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 comparative information in respect of certain assets and shares outstanding, 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, in which the Company is consolidated. Copies of Morgan Stanley's accounts can be obtained as detailed at note 13.

New standards and interpretations adopted during the year

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

An amendment to International Accounting Standards ("IAS") 1 'Presentation of financial statements' was issued by the International Accounting Standards Board ("IASB") in December 2014, as part of the Disclosure Initiative project. The amendment is applicable in annual periods beginning on or after 1 January 2016. The amendment was endorsed by the EU in December 2015.

An amendment to IAS 27 *'Separate financial statements'* was issued by the IASB in August 2014, for retrospective application in annual periods beginning on or after 1 January 2016. The amendment was endorsed by the EU in December 2015.

Amendments to IFRS 10 '*Investment entities: Applying the consolidation exemption*' were issued by the IASB in December 2014 for retrospective application in annual periods beginning on or after 1 January 2016. The amendments were endorsed by the EU in September 2016.

As part of the 2012 – 2014 Annual Improvements Cycle published in September 2014, the IASB made amendments to the following standards that are relevant to the Company's operations: IFRS 7 '*Financial instruments: Disclosures*', for application in accounting periods beginning on or after 1 January 2016. The improvements were endorsed by the EU in December 2015.

2. BASIS OF PREPARATION (CONTINUED)

New standards and interpretations adopted during the year (continued)

An amendment to FRS 101 *'Notification of shareholders'* was issued by the Financial Reporting Council in December 2016, for application in accounting periods beginning on or after 1 January 2016.

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

Basis of measurement

The financial statements of the Company are prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value as explained in the accounting policies below, and in accordance with applicable United Kingdom Accounting Standards, including FRS 101, and UK company law.

The Company is incorporated under the laws of the Cayman Islands, which permits the use of UK company law and the use of UK accounting standards in the preparation of financial statements.

Use of estimates and sources of uncertainty

The preparation of the Company's financial statements requires management to make judgements and assumptions regarding matters that affect the financial statements and related disclosures. The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

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 to 3.

As set out in the Strategic report, retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley Group's and the Company's strategy. Although the Company is in a net liability position, the Company is performing in line with expectations and the net liability position is due to amounts owing to fellow Morgan Stanley Group undertakings within the next 12 months, the demand for repayment of which is wholly within the control of the Morgan Stanley Group.

Taking 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *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 and Strategic and Directors' reports are rounded to the nearest thousand Euros.

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

b. Foreign currencies

All monetary assets and liabilities denominated in currencies other than Euros are translated into Euros at the rates ruling at the reporting 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 statement of comprehensive income. Exchange differences recognised in the statement of comprehensive income are presented in 'Other income' or 'Other expense', except where noted in 3(c) below.

c. 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 liabilities as financial liabilities at amortised cost on initial recognition.

More information regarding these classifications is included below:

i) Investments in subsidiaries

Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are stated at cost, less provision for any impairment (see note 3(f) below). Dividends, impairment losses and reversals of impairment losses are recognised in the statement of comprehensive income in 'Net gains/ (losses) on investments in subsidiaries'.

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 3(d) below) and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the statement of comprehensive income 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 statement of comprehensive income in 'Other expense'.

Financial assets classified as loans and receivables include other receivables.

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 3(d) below) and subsequently measured at amortised cost. Interest is recognised in the statement of comprehensive income 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

ii) Loans and receivables and financial liabilities at amortised cost (continued)

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

d. Fair value

Fair value measurement

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

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximises the use of relevant observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability that were developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions the Company believes other market participants would use in pricing the asset or liability, that are developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 – Quoted prices (unadjusted) in an active market for identical assets or liabilities

  Valuations based on quoted prices in active markets that the Morgan Stanley Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.

- Level 2 – Valuation techniques using observable inputs

  Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 – Valuation techniques with significant unobservable inputs

  Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

e. Derecognition of financial assets and liabilities

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.

If the asset has been transferred, and the entity neither transfers nor retains substantially all of the risks and rewards of the asset, then the entity determines whether it has retained control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Derecognition of financial assets and liabilities (continued)

If the entity has retained control of the asset, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the entity has not retained control of the asset, it derecognises the asset and separately recognises any rights or obligation created or retained in the transfer.

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

f. Impairment of financial assets

At each reporting date, an assessment is made as to whether there is any objective evidence of impairment in the value of a financial asset classified as loans and receivables or investments in subsidiaries. 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 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 gains/ (losses) on investment in subsidiaries' and is reflected against the carrying amount of the impaired asset on the statement of financial position.

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 statement of comprehensive income within 'Other expense' and are recognised against the carrying amount of the impaired asset on the statement of financial position. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed as detailed by financial asset in note 3(c). Any reversal is limited to the extent that the value of the asset may not exceed the original amortised cost of the asset had no impairment occurred.

g. Income tax

The tax expense represents the tax currently payable.

The tax currently payable is calculated based on taxable profit for the year. Taxable profit may differ from profit/ (loss) 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. Current tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the current tax is also recorded within other comprehensive income or equity respectively.

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and current tax liabilities on a net basis or to realise the asset and settle the liability simultaneously.

4. INTEREST INCOME AND INTEREST EXPENSE

'Interest income' and 'Interest expense' represent total interest income and total interest expense for financial assets and financial liabilities that are not carried at fair value.

Included in "Interest income" is €10,917,000 (2015: €9,067,000) of preference share dividends.

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed as 'Interest income' within the statement of comprehensive income.

No other gains or losses have been recognised in respect of financial liabilities at amortised cost other than as disclosed as 'Interest expense' within the statement of comprehensive income.

5. OTHER EXPENSE

The Company employed no staff during the year (2015: nil)

The amount of remuneration received by Directors in respect of their qualifying services to the Company is disclosed in the related party disclosures note (note 13).

6. INCOME TAX

Analysis of expense in the year

	2016 €'000	2015 €'000
Current tax expense		
UK corporation tax at 20.00% (2015: 20.25%)		
- Current year	-	-
Income tax	-	-

Reconciliation of effective tax rate

The current year income tax expense is lower (2015: lower) than that resulting from applying the average standard rate of corporation tax in the UK for the year of 20.00% (2015: 20.25%). The main differences are explained below:

	2016 €'000	2015 €'000
Profit before taxation	8,119	6,583
Income tax using the average standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	1,624	1,333
Impact on tax of:		
Non-taxable dividends on preference shares shown as interest expense	(2,184)	(2,205)
Group relief received for no cash consideration	560	872
Total income tax in the statement of comprehensive income	-	-

7. OTHER RECEIVABLES

	2016 €'000	2015 €'000
Amounts due from other Morgan Stanley Group undertakings	191.554	189,479

8. INVESTMENTS IN SUBSIDIARY

	Subsidiary undertaking €'000
Cost and carrying amounts	
At 1 January 2016 and 31 December 2016	403,320

Details of all investments in subsidiary of the Company at 31 December 2016 and 31 December 2015 are as follows:

Name of *Company*	**Address of *undertaking's* registered office**	**Type of *shares held***	**Proportion of *shares held***		**Proportion of *voting rights held***		**Nature of business**
			2016	**2015**	**2016**	**2015**	
Morgan Stanley Adrastea Netherlands B.V.	20 Bank Street,Canary Wharf, London, United Kindom, E14 4AD	Ordinary	100%	100%	23.529%	23.529%	Financial services
Morgan Stanley Adrastea Netherlands B.V.	20 Bank Street,Canary Wharf, London, United Kindom, E14 4AD	Class A Redeemable Preference Shares	100%	100%	76.469%	76.469%	Financial services
Morgan Stanley Adrastea Netherlands B.V.	20 Bank Street,Canary Wharf, London, United Kindom, E14 4AD	Class B Redeemable Preference Shares	100%	100%	0.001%	0.001%	Financial services
Morgan Stanley Adrastea Netherlands B.V.	20 Bank Street,Canary Wharf, London, United Kindom, E14 4AD	Class C Redeemable Preference Shares	100%	100%	0.001%	0.001%	Financial services

9. *OTHER PAYABLES*

	2016 €'000	2015 €'000
Amounts due to other Morgan Stanley Group undertakings	427,520	433,564

10. EQUITY

Ordinary share capital

	Ordinary shares of $1 each Number
Authorised	
At 1 January 2016 and 31 December 2016	50,000

	Ordinary shares of $1 each Number	Ordinary shares of $1 each €'000
Allotted and fully paid		
At 1 January 2016 and 31 December 2016	101	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled, on a show of hands, to one vote and, on a poll, one vote per share at meetings of the shareholders of the Company. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the nominal value of the shares plus any accrued.

Reserves

Share premium

The 'Share premium account' of €135,000,000 (2015: €135,000,000) comprises the capital raised in an issue of shares that exceeds the nominal value of the shares.

11. EXPECTED MATURITY OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered, realised or settled.

At 31 December 2016	Less than or equal to twelve months €'000	More than twelve months €'000	Total €'000
ASSETS			
Loans and receivables:			
Other receivables	191,554	-	191,554
Investments in subsidiary	-	403,320	403,320
	191,554	403,320	594,874
LIABILITIES			
Financial liabilities at amortised cost:			
Other payables	427,520	-	427,520
	427,520	-	427,520

During 2017 there has been a change to the payment terms of assets of €184,245,000 within other receivables and liabilities of €427,491,000 within the other payables, with €184,245,000 and €427,491,000 respectively expected to be settled in more than 12 months.

At 31 December 2015	Less than or equal to twelve months €'000	More than twelve months €'000	Total €'000
ASSETS			
Loans and receivables:			
Other receivables	189,479	-	189,479
Investments in subsidiary	-	403,320	403,320
	189,479	403,320	592,799
LIABILITIES			
Financial liabilities at amortised cost:			
Other payables	433,564	-	433,564
	433,564	-	433,564

12. SEGMENT 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").

13. RELATED PARTY DISCLOSURES

Parent and ultimate controlling entity

The Company's immediate parent undertaking is Morgan Stanley Himalia Cayman Limited, which has its registered office at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and is registered in 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 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 has its registered office c/o The Corporation Trust Company, The Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the state of Delaware in the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

The parent undertaking of the smallest group of companies for which group financial statements are drawn up and of which the Company is a member is Morgan Stanley & Co International plc, which has its registered office at 25 Cabot Square, Canary Wharf, London E14 4QA and 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.

Key management compensation

Directors' remuneration

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2015: €nil).