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MORGAN STANLEY HIMALIA CAYMAN LIMITED ✓

Report and financial statements

31 December 2014

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MORGAN STANLEY HIMALIA CAYMAN LIMITED

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MORGAN STANLEY HIMALIA CAYMAN LIMITED

STRATEGIC REPORT

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

PRINCIPAL ACTIVITY

The Company is an exempted company incorporated under the laws of the Cayman Islands and its principal activity 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

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 6. The Company's loss for the year has increased by €49,000 from €3,668,000 to €3,717,000 and is attributable to net interest expense on the Company's loans from other Morgan Stanley Group undertakings. The increase is due to an increase in average interest rates in the year.

The balance sheet for the Company is set out on page 7. The Company's net liabilities for the year were €34,724,000 compared to €31,007,000 in the prior year. The €3,717,000 increase is attributable to interest accrued on the Company's loans from other Morgan Stanley Group undertakings.

The Company is in a net liability position. 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. As discussed in the Risk Management section below and in note 1(b) to the Company financial statements, the Company operates within the global liquidity management framework of the Morgan Stanley Group and relies on this framework to provide sufficient liquidity to meet its obligations.

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.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management

Risk is an inherent part of the Company's business activity. The Morgan Stanley Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures. The Company's own risk management policy framework leverages the risk management policies and procedures of the Morgan Stanley Group.

Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its 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 the Company's Board of Directors and 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.

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, regulatory and compliance risks but excludes strategic risk. Operational risk relates to the following risk event categories as defined by Basel II: 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.

The Company is exposed to legal, regulatory and compliance risks, which include the risk of legal or regulatory sanctions, material financial loss, such as 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, self-regulatory organisation standards and codes of conduct applicable to business activities. Legal risk also includes contractual and commercial risks in the event that a counterparty's performance obligations will be unenforceable.

MORGAN STANLEY HIMALIA CAYMAN LIMITED

STRATEGIC REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Operational risk (continued)

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 followed globally. In connection with its businesses, the Company 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 M BARRY



2 NOVEMBER 2015

Director

MORGAN STANLEY HIMALIA CAYMAN 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 13) for the Company for the year ended 31 December 2014

RESULTS AND DIVIDENDS

The loss for the year, after tax, was €3,717,000 (2013 €3,668,000 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 (except where otherwise shown)

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 of the UK (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

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

MORGAN STANLEY HIMALIA CAYMAN LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Company was incorporated as an exempted 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

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 those 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 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 *SCOTT MERRY*



2 NOVEMBER 2015

Director

MORGAN STANLEY HIMALIA CAYMAN LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Interest income	2	206	203
Interest expense	3	(3,923)	(3,871)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,717)	(3,668)
Tax on loss on ordinary activities	5	-	-
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		<u>(3,717)</u>	<u>(3,668)</u>

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' deficit is disclosed in note 10 to the financial statements

The notes on pages 8 to 12 form an integral part of the financial statements

MORGAN STANLEY HIMALIA CAYMAN LIMITED*Registered number MC 161513***BALANCE SHEET****As at 31 December 2014**

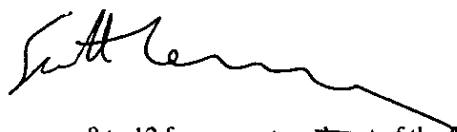
	Note	2014 €'000	2013 €'000
FIXED ASSETS			
Investments	6	135,000	135,000
CURRENT ASSETS			
Debtors	7	9,459	9,233
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(179,183)	(175,240)
NET CURRENT LIABILITIES		(169,724)	(166,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		(34,724)	(31,007)
CAPITAL AND RESERVES			
Called up share capital	9	4,782	4,782
Profit and loss account	10	(39,506)	(35,789)
SHAREHOLDERS' DEFICIT		(34,724)	(31,007)

These financial statements were approved by the Board and authorised for issue on **2 NOVEMBER 2015**

Signed on behalf of the Board

Director

The notes on pages 8 to 12 form an integral part of the financial statements



SCOTT MEARN

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

1. ACCOUNTING POLICIES

The Company's principal accounting policies are summarised below and have been applied consistently throughout the current and prior year

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK company law and accounting standards

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

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, a company registered in Delaware, the United States of America, which has prepared 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

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. 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 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 in currencies other than Euros are recorded at the rates prevailing at the dates of the transactions. Foreign exchange differences on monetary fixed asset investments are taken through the profit and loss account and are presented in 'Net gains/ (losses) on fixed asset investments'. All other translation differences are taken through the profit and loss account and are presented in 'Other income' or 'Other expense'

e) Interest income and expense

Interest income and interest expense are recognised on an accruals basis within 'Interest income' and 'Interest expense' in the profit and loss account, with the exception of interest from fixed asset investments as described in note 1(f)

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

1. ACCOUNTING POLICIES (CONTINUED)

f) Fixed asset investments

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

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

At each balance sheet date, an assessment is made as to whether there is any objective evidence that the carrying amount of the fixed asset investment may not be recoverable

If it is determined that the carrying amount of the fixed asset investment is not recoverable then an impairment loss is recognised within the profit and loss account in 'Net gains/ (losses) on fixed asset investments' and is reflected against the carrying amount of the impaired asset on the balance sheet

g) Taxation

UK corporation tax is provided at amounts expected to be paid/ recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

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

h) Cash flow statement

The Company's ultimate parent undertaking produces consolidated financial statements in which the Company is included and which are publicly available. Accordingly, the Company, which is a wholly owned subsidiary, has elected to avail itself of the exemption provided in Financial Reporting Standard ("FRS") 1 (Revised 1996) *Cash flow statements* and not present a cash flow statement

2. INTEREST INCOME

	2014 €'000	2013 €'000
Interest income from loans to Morgan Stanley Group undertakings	206	203

3. INTEREST EXPENSE

	2014 €'000	2013 €'000
Interest expense on loans from Morgan Stanley Group undertakings	3,923	3,871

4. STAFF COSTS

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

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

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

5. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of benefit in the year

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

Factors affecting the current tax benefit for the year

The current year UK taxation benefit 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
Loss on ordinary activities before tax	(3,717)	(3,668)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	(799)	(853)
Effects of:		
Group relief surrendered for no cash consideration	799	853
Current tax benefit for the year	-	-

Finance Act 2013 enacted a reduction to the UK corporation tax rate to 21% with effect from 1 April 2014. This reduction in the tax rate did not impact the current tax charge in 2014 as the Company surrendered group relief for nil 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 charge in future years.

6. FIXED ASSET INVESTMENTS

Fixed asset investments in subsidiary undertakings

	€'000
Cost and Net Book Value	
At 1 January and 31 December 2014	135,000

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

6. FIXED ASSET INVESTMENTS (CONTINUED)

Subsidiaries and significant holdings

Details of the investments in which the Company holds more than 20% of 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 Sinope Cayman Limited	Cayman Islands	Ordinary Shares	100%	100%	Holding company
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Ordinary Shares	100%*	23 529%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Class A Redeemable Preference Shares	100%*	76 469%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Class B Redeemable Preference Shares	100%*	0 001%	Financial services
Morgan Stanley Adrastea Netherlands B V	The Netherlands	Class C Redeemable Preference Shares	100%*	0 001%	Financial services

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

7. DEBTORS

	2014 €'000	2013 €'000
Amounts due from Morgan Stanley Group undertakings	<u>9,459</u>	<u>9,233</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 €'000	2013 €'000
Amounts owed to Morgan Stanley Group undertakings	<u>179,183</u>	<u>175,240</u>

MORGAN STANLEY HIMALIA CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

9. CALLED UP SHARE CAPITAL

	2014 €'000	2013 €'000
Allotted and fully paid:		
1 ordinary share of \$1 each	-	-
4,781,582 ordinary shares of €1 each	4,782	4,782
	<u>4,782</u>	<u>4,782</u>

All ordinary shares are recorded at the rates of exchange ruling at the date the shares were paid up

10. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	Called up share capital €'000	Profit and loss account €'000	Total €'000
At 1 January 2013	4,782	(32,121)	(27,339)
Loss for the financial year	-	(3,668)	(3,668)
At 1 January 2014	<u>4,782</u>	<u>(35,789)</u>	<u>(31,007)</u>
Loss for the financial year	-	(3,717)	(3,717)
At 31 December 2014	<u>4,782</u>	<u>(39,506)</u>	<u>(34,724)</u>

11. 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')

12. 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.

13. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling entity and the smallest and largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley. Morgan Stanley is incorporated in the state of Delaware, the United States of America and copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

The Company's immediate controlling party is Morgan Stanley Europa LLC, which is registered in Delaware, the United States of America.