

**UK Registered number: FC026646**

**Registered number: 34240261**

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

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

**MORGAN STANLEY MILLBRAE INVESTMENTS B.V.**

**Financial Report and Accounts for the year ended 31 December 2017**

THURSDAY



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24/01/2019  
COMPANIES HOUSE

# **MORGAN STANLEY MILLBRAE INVESTMENTS B.V.**

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# MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

## Directors' report

### Description and principal activity of the Company

The principal activity of Morgan Stanley Millbrae Investments B.V. (the "Company") is to enter into financing transactions and investments.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the "Morgan Stanley Group".

There have not been any significant changes in the Company's principal activity in the year under review and no significant change in the Company's principal activity is expected.

The Company was incorporated under Dutch law on 9 January 2006 and has its statutory seat in Amsterdam, the Netherlands. The business office of the Company is at 20 Bank Street, Canary Wharf, London, E14 4AD, United Kingdom and its financial year end is 31 December.

### Operating results

On 23 June 2016, the United Kingdom (the "UK") electorate voted to leave the European Union (the "EU"). On 29 March 2017, the UK invoked Article 50 of the Lisbon Treaty which triggered a two-year period, subject to extension (which would need the unanimous approval of the EU Member States), 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 March 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. Since any transition or implementation periods and the eventual successor arrangements require agreement of both the UK and the EU, there is a risk that these arrangements may not be agreed by March 2019.

It is difficult to predict the future of the UK's relationship with the EU, which may result in increased volatility in the global financial markets in the short- and medium-term. 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, implementation or successor arrangements. Morgan Stanley is taking steps to make changes to its European operations in an effort to ensure that it can continue to provide cross-border banking and investment services in EU Member States without the need for separate regulatory authorisations in each member state. These changes must be approved by the relevant regulatory authorities and therefore it is currently unclear what the final post-Brexit structure of European operations will be. Depending on the extent to which Morgan Stanley may be required to make material changes to European operations beyond those currently planned, results of Morgan Stanley's operations and business prospects could be negatively affected.

The profit and loss account for the year is set out on page 6. The profit for the year amounts to \$106,416,000, compared to a profit in the prior year of \$91,622,000. The increase is primarily due to a higher principal loan amount and a rise in average interest rates on loans to other group entities.

The balance sheet for the Company is set out on page 5. Total assets have increased by \$106,742,000 during the year, due to interest earned on loans to other Morgan Stanley Group undertakings of \$106,742,000. Shareholders' equity has increased by \$77,966,000 during the year as a result of the transfer to the general reserve of current year profit of \$106,416,000, offset by dividends of \$28,450,000 due to redeemable preference shareholders. Total liabilities have increased by \$28,776,000 during the year, primarily due to additional borrowing from other Morgan Stanley Group undertakings in order to facilitate settlement of preference share dividends. Increased dividends payable is driven by varying settlement dates year on year.

During the year, preference dividends of \$28,450,000 were accrued to the holders of the redeemable preference shares (2016: \$28,529,000). Dividends were paid to the holders of the redeemable preference shares during the year in the amount of \$23,696,000 consisting of \$11,927,000 accrued dividends to 31 December 2016 and \$11,769,000 for the period 1 January 2017 to 31 May 2017 (2016: \$35,700,000).

## **MORGAN STANLEY MILLBRAE INVESTMENTS B.V.**

### **Directors' report (continued)**

#### **Operating results (continued)**

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 10K to the US Securities and Exchange Commission. The Morgan Stanley Group manages its key performance indicators on a global basis but in consideration of individual legal entities. For this reason, the Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company.

The risk management section below sets out the Company's and the Morgan Stanley Group's policies for the management of liquidity and cash flow risk and other significant business risks.

#### **Risk management**

Risk is an inherent part of 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 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 and compliance with established limits and escalating risk concentrations to appropriate senior management.

##### *Liquidity risk*

Liquidity 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 risk encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company's viability as a going concern. Liquidity risk also encompasses 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 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, has 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 MILLBRAE INVESTMENTS B.V.**

### **Directors' report (continued)**

#### **Risk management (continued)**

Conduct risk refers to the risk that the Company's actions or behaviours do not adequately consider the impact on its clients, expected market users or the markets. Conduct risk is managed within the framework set out by the Morgan Stanley International ("MSI") Group (being MSI Limited and its subsidiaries, the Company's ultimate UK parent undertaking), and is managed and owned across business and control functions through policies, processes and controls within a designed framework.

#### *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 which 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. It also includes compliance with Anti-Money Laundering, anti-corruption and terrorist financing rules and regulations. The Company is generally subject to extensive regulation in the different jurisdictions in which it conducts its business.

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 has net liabilities payable within the next 12 months, the Company is performing in line with expectations and the net liabilities payable within 12 months 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.

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

#### **Directors**

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

E T Laino  
S I Merry

The Company has taken notice of legislation effective as of 13 April 2017, as a consequence of which the Company should take into account as much as possible a balanced composition of the Board of Directors, in terms of gender, when nominating or appointing Directors, to the effect that at least 30 percent of the positions should be held by women and at least 30 percent by men. Currently the composition of the Board of Directors meets the gender diversity objectives

#### **Events after the balance sheet date**

The Board of Directors resolved on 01 August 2018 to pay dividends to the holders of Redeemable Preference shares of \$30,789,000, consisting of \$16,681,000 accrued dividends to 31 December 2017 and \$14,108,000 for the period 1 January 2018 to 30 June 2018.

## MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

### Directors' report (continued)

#### Auditor

Deloitte Accountants B.V. have expressed their willingness to continue in office as auditor of the Company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

London, 1 AUGUST 2018

Management:

Two handwritten signatures in black ink. The first signature is on the left and the second is on the right, separated by a small space.

E T Laino

S I Merry

## MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

Registered number: 34240261

UK Registered number: FC026646

### Financial statements

#### Balance sheet as at 31 December 2017

(Including proposed appropriation of net results)

	Note	31 December 2017 USD.000	31 December 2016 USD.000
<b>ASSETS</b>			
Receivable from group undertakings	12	4.344.005	4.237.263
<b>Total assets</b>		<b>4.344.005</b>	<b>4.237.263</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Shareholders' equity</b>			
Called up share capital	1	144	126
Share premium	2	3.812.559	3.812.559
General reserve	4	490.571	412.605
Translation reserve	5	6	24
		<b>4.303.280</b>	<b>4.225.314</b>
Payable to group undertakings	12	24.044	22
Dividends payable	12	16.681	11.927
		<b>40.725</b>	<b>11.949</b>
<b>Total liabilities and equity</b>		<b>4.344.005</b>	<b>4.237.263</b>

See notes to the financial statements.

## MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

### Profit and loss account for the year ended 31 December 2017

	Note	2017 USD,000	2016 USD,000
Interest income and similar income	6	106,742	91 640
Interest expense	7	(307)	(1)
General expenses	8	(19)	(17)
<b>Profit before tax on ordinary activities</b>		<b>106,416</b>	<b>91 622</b>
Corporate income tax	9	-	-
<b>Profit after tax</b>		<b>106 416</b>	<b>91,622</b>

See notes to the financial statements.

There were no recognised gains or losses during the current or prior year other than those disclosed above. Accordingly no statement of other comprehensive income has been prepared.



# MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

## Statement of cash flows for the year ended 31 December 2017

	2017	2016
	USD.000	USD.000
<b>Cash flows from operating activities:</b>		
Profit on ordinary activities after tax	106.416	91.622
Changes in operating assets and liabilities:		
Increase in amounts receivable from group undertakings	(106.742)	(55.897)
Increase/(decrease) in amounts payable to group undertakings	24.022	(25)
<b>Net cash inflow from operating activities</b>	<b>23.696</b>	<b>35.700</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(23.696)	(35.700)
<b>Net cash used in financing activities</b>	<b>(23.696)</b>	<b>(35.700)</b>
<b>Net movement in cash</b>	<b>-</b>	<b>-</b>
Cash at beginning of year	-	-
<b>Cash at end of year</b>	<b>-</b>	<b>-</b>

# **MORGAN STANLEY MILLBRAE INVESTMENTS B.V.**

## **Notes to the financial statements for the year ended 31 December 2017**

### **General**

The financial statements are prepared under the historical cost convention and in accordance with the applicable Dutch Civil Code.

The Company has its legal statutory seat in Amsterdam, the Netherlands, and is currently operating from 20 Bank Street, Canary Wharf, London, E14 4AD, United Kingdom.

### **Activities**

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

### **Reporting currency**

The Company is established in the Netherlands but has not adopted Euro as its measurement currency. The majority of the Company's activities involve transactions in US dollars; therefore the Company has adopted US Dollars as its measurement currency.

### **Accounting principles**

#### **General**

The financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention. Assets and liabilities are stated at nominal value, unless otherwise stated. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable.

#### **Foreign exchange**

All monetary assets, liabilities and share capital denominated in currencies other than US dollars are translated into US dollars at the rate ruling at the balance sheet date. Transactions in currencies other than US dollars are recorded at the rates ruling at the dates of the transaction. All exchange differences are taken to the profit and loss account, except exchange differences arising on translation of called up share capital, which are taken to the translation reserve.

#### **Revenues and expenses**

Revenues and expenses are recorded in the period to which they pertain. Revenues and expenses on financial instruments are accounted for on an accrual basis.

#### **Income taxes**

Tax on profits is computed by applying the current average standard UK taxation rate of 19.25% (2016: 20%), taking into account permanent differences between profit calculations for financial reporting purposes and those for tax purposes.

#### **Principles for preparation of the statement of cash flows**

The statement of cash flows is prepared according to the indirect method

The funds in the statement of cash flows consist of cash and cash equivalents. Cash equivalents can be considered as highly liquid investments.

Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning financing are shown separately in the cash flow statement.

Corporate income taxes and interest received are presented under the cash flow from operating activities.

# MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### Notes to specific items of the balance sheet

#### 1. Called up share capital

	31 December 2017	31 December 2016
	Number	Number
<b>Share capital</b>		
<b>Authorised</b>		
80.000 Class A Shares of €1 each	80.000	80.000
40.000 Class B Shares of €1 each	40.000	40.000
40.000 Redeemable Preference Shares of €1 each	40.000	40.000
	<u>160.000</u>	<u>160.000</u>
<b>Allotted, called up and fully paid</b>	<b>USD.000</b>	<b>USD.000</b>
80.000 Class A Shares of €1 each	100	100
40.000 Redeemable Preference Shares of €1 each	50	50
	<u>150</u>	<u>150</u>
Foreign currency revaluation reserve	(6)	(24)
	<u>144</u>	<u>126</u>

The shares have been translated into US dollars at the rate ruling at the balance sheet date. The rate at 31 December 2017 was €1:\$1.20215 (2016: €1:\$1.05435).

The rights of the holders of the Redeemable Preference Shares in relation to dividends, as defined in the Company's Articles of Association, are set out in the Additional Information section on page 14. The Redeemable Preference Shares can be redeemed with the prior approval of the holders of the Redeemable Preference Shares and rank ahead of the Class A and Class B shares in the event of liquidation. In accordance with the Articles of Association of the Company, each Class A, Class B and Redeemable Preference Share confers the right to cast one vote.

#### 2. Share premium

The balances are detailed as follows:

	31 December 2017	31 December 2016
	USD.000	USD.000
Ordinary share premium	3.292.609	3.292.609
Preference share premium	519.950	519.950
<b>Total share premium</b>	<u>3.812.559</u>	<u>3.812.559</u>

## MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### Notes to specific items of the balance sheet (continued)

#### 3. Dividend reserve account

The movements in the Redeemable Preference Shares dividend account can be specified as follows:

	31 December 2017	31 December 2016
	USD.000	USD.000
<b>Redeemable Preference Shares dividend account:</b>		
Balance at start of year	-	-
Dividend distributions - allocated from the General Reserve	28.450	28.529
Dividends due to Redeemable Preference shareholders	(28.450)	(28.529)
Balance at end of year	-	-

During the year ended 31 December 2017, dividends were paid to the holders of Redeemable Preference shares in the amount of \$23.696.000 consisting of \$11.927.000 accrued dividends to 31 December 2016 and \$11.769.000 for the period 1 January 2017 to 31 May 2017.

During the year ended 31 December 2016, dividends were paid to the holders of Redeemable Preference shares in the amount of \$35.700.000 consisting of \$19.098.000 accrued dividends to 31 December 2015 and \$16.602.000 for the period 1 January 2016 to 31 July 2016.

Dividends on the Redeemable Preference Shares accrue at a dividend rate of 5.39633% per annum (2016: 5.39633% per annum) on the paid up value of the Redeemable Preference Shares (being the nominal value and share premium value), as set out in the Company's Articles of Association.

During the current and prior year, no dividends were declared on the Class A ordinary shares.

#### 4. General reserve

The movements are detailed as follows:

	31 December 2017	31 December 2016
	USD.000	USD.000
Balance at start of year	412.605	349.512
Profit for the year	106.416	91.622
Dividend distributions accrued (note 3)	(28.450)	(28.529)
Balance at end of year	490.571	412.605

#### 5. Translation reserve

##### Translation differences

	31 December 2017	31 December 2016
	USD.000	USD.000
Balance at start of year	24	20
Translation differences on share capital during the year	(18)	4
Balance at end of year	6	24

# MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### Notes to specific items of the profit and loss account

#### 6. Interest income and similar income

	2017	2016
	USD.000	USD.000
Interest income from loans to Morgan Stanley Group undertakings	106 742	91.639
Foreign exchange gains	-	1
	<u>106.742</u>	<u>91.640</u>

#### 7. Interest expense

	2017	2016
	USD.000	USD.000
Interest expense on loans from Morgan Stanley Group undertakings	<u>307</u>	<u>1</u>

#### 8. General expenses

	2017	2016
	USD.000	USD.000
Auditor's remuneration	<u>19</u>	<u>17</u>

#### 9. Corporate income tax

The Company is centrally managed and controlled in the UK and is therefore subject to UK taxation. The average standard tax rate for the year is 19.25% (2016: 20%)

Finance (No.2) Act 2015 enacted a reduction in the UK corporation tax rate to 19% with effect from 1 April 2017. Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17% with effect from 1 April 2020 which will impact the current tax charge in future periods.

##### Factors affecting the tax charge for the year

The current year UK taxation charge is lower (2016: lower) than that resulting from applying the average standard UK corporation tax rate for the year of 19.25% (2016: 20%). The main differences are explained below:

	2017	2016
	USD.000	USD.000
Profit on ordinary activities before tax	<u>106.416</u>	<u>91.622</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	20.485	18.324
Effects of:		
Group relief received for nil consideration	(20 485)	(18.324)
Current tax charge for the year	<u>-</u>	<u>-</u>

# **MORGAN STANLEY MILLBRAE INVESTMENTS B.V.**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **Notes to specific items of the profit and loss account (continued)**

#### **10. Remuneration of management**

Management did not receive any remuneration during the year (2016: \$nil).

#### **11. Employees**

The Company did not employ any employees (2016: nil).

### **Other notes and signing of the financial statements**

#### **12. Related parties**

The related party that controls the Company at 31 December 2017 is Morgan Stanley Mallard Investments Limited.

During the year, the Company accrued preference dividend expense of \$28 450.000 (2016: \$28.529.000) on the Redeemable Preference Shares in the Company owned by Morgan Stanley Mallard Investments Limited

The Company paid dividends to the holders of Redeemable Preference shares in the amount of \$23.696.000 consisting of \$11.927.000 accrued dividends to 31 December 2016 and \$11.769.000 for the period 1 January 2017 to 31 May 2017.

During the year ended 31 December 2016, dividends were paid to the holders of Redeemable Preference shares in the amount of \$35.700.000 consisting of \$19.098.000 accrued dividends to 31 December 2015 and \$16.602.000 for the period 1 January 2016 to 31 July 2016.

At 31 December 2017 dividends payable amounted to \$16.681.000 (2016: \$11.927.000).

The Company did not pay any dividends to the holders of Class A shares during the current and prior year.

At 31 December 2017 a total of \$4.344.005.000 was receivable from other Morgan Stanley Group undertakings and recoverable on demand (2016: \$4.237.263.000). Interest accrued on these loans through the year at variable rates.

At 31 December 2017 a total of \$24.044.000 was owed to other Morgan Stanley Group undertakings (2016: \$22.000)

#### **13. Post balance sheet events**

The Board of Directors resolved on 01 August 2018 to pay dividends to the holders of Redeemable Preference shares of \$30.789.000, consisting of \$16.681.000 accrued dividends to 31 December 2017 and \$14.108.000 for the period 1 January 2018 to 30 June 2018.

#### **14. Parent undertakings**

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, The Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and 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](http://www.morganstanley.com/investorrelations).

The Company's immediate parent undertaking is Morgan Stanley Mallard Investments Limited, which has its registered office at 20 Bank Street, Canary Wharf, London, England, 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.

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, England 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.

# MORGAN STANLEY MILLBRAE INVESTMENTS B.V.

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### Other notes and signing of the financial statements (continued)

#### 15. Appropriation of result

##### Appropriation of result for the financial year 2016

The annual report 2016 was determined in the General Meeting held on 26 July 2017. The General Meeting has determined the appropriation of result in accordance with the proposal being made to that end.

##### Appropriation of result for the financial year 2017


The balance sheet is presented after the proposed appropriation of net result for the year ended 31 December 2017. Management proposes to add the net result for the year to the General reserve. This proposal has been included in the financial statements.


### Signing of the financial statements

London.

1 AUGUST 2018

Management:

  
E T Laino

  
S I Merry

## **MORGAN STANLEY MILLBRAE INVESTMENTS B.V.**

### **Additional Information for the year ended 31 December 2017**

#### **Independent auditor's report**

For the independent auditor's report, reference is made to page 15.

#### **Preference shares**

There are 40.000 Redeemable Preference Shares of €1 each, resulting in dividends payable for 2017 of \$28.450.000.

#### **Ordinary Shares**

There are 80.000 Class A Shares of €1 each.



## Independent auditor's report

To the shareholders of Morgan Stanley Millbrae Investments B.V.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL ACCOUNTS

#### Our opinion

We have audited the accompanying financial statements 2017 of Morgan Stanley Millbrae Investments B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Morgan Stanley Millbrae Investments B.V. as at December 31, 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at December 31, 2017.
2. The profit and loss account for 2017.
3. The notes comprising a summary of the accounting policies and other explanatory information.

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Morgan Stanley Millbrae Investments B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Directors' report
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code



Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## **DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS**

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless *management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.*

Management should disclose events and circumstances that may cast significant doubt on the company's *ability to continue as a going concern in the financial statements.*

### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, August 15, 2018

Deloitte Accountants B.V.

Initials for identification purposes:



M. van Lojik



# OS AA01

## Statement of details of parent law and other information for an overseas company



Companies House

☒ **What this form is for**  
You may use this form to  
accompany your accounts  
disclosed under parent law.

☐ **What this form is NOT for**  
You cannot use this form for  
an alteration of manner of  
with accounting requirements.

### Part 1 Corporate company name

Corporate name of  
overseas company <sup>1</sup>

MORGAN STANLEY MILLBRAE INVESTMENTS B V.

UK establishment  
number

B R 0 0 8 6 9 4

→ **Filling in this form**  
Please complete in typescript or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

<sup>1</sup> This is the name of the company in  
its home state.

### Part 2 Statement of details of parent law and other information for an overseas company

#### A1 Legislation

Please give the legislation under which the accounts have been prepared and,  
if applicable, the legislation under which the accounts have been audited.

Legislation <sup>2</sup>

DUTCH CIVIL CODE

<sup>2</sup> This means the relevant rules or  
legislation which regulates the  
preparation and, if applicable, the  
audit of accounts

#### A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted  
accounting principles?

Please tick the appropriate box

☐ **No.** Go to **Section A3**.

☒ **Yes.** Please enter the name of the organisation or other  
body which issued those principles below, and then go to **Section A3**

<sup>3</sup> Please insert the name of the  
appropriate accounting organisation  
or body.

Name of organisation  
or body <sup>3</sup>

DUTCH ACCOUNTING STANDARDS BOARD

#### A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☒ **Yes.** Go to **Section A4**.

## OS AA01

Statement of details of parent law and other information for an overseas company

### A4

#### Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to <b>Part 3 'Signature'</b> . <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to <b>Part 3 'Signature'</b> .	<b>1</b> Please insert the name of the appropriate accounting organisation or body
Name of organisation or body <b>1</b>	NETHERLANDS INSTITUTE OF CHARTERED ACCOUNTANTS	

### A5

#### Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> No. <input type="checkbox"/> Yes.
--------------------	--

## Part 3

### Signature

Signature	I am signing this form on behalf of the overseas company	
	Signature <b>X</b>	<b>X</b>
	This form may be signed by: Director, Secretary, Permanent representative.	

**OS AA01**

Statement of details of parent law and other information for an overseas company



### Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name SANDRA WALTERS

Company name MORGAN STANLEY

Address 10TH FLOOR

20 BANK STREET

CANARY WHARF

Post town LONDON

County/Region

Postcode E 1 4 4 A D

Country UNITED KINGDOM

DX

Telephone +44 (0) 207 677 1803



### Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



### Important information

Please note that all this information will appear on the public record.



### Where to send

You may return this form to any Companies House address:

#### England and Wales:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.

#### Scotland:

The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

#### Northern Ireland:

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG  
DX 481 N.R. Belfast 1.



### Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)