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**Registered number: 161513**

**UK Registration number: FC026607**

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

Registered office:  
PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

## **MORGAN STANLEY HIMALIA CAYMAN LIMITED**

**Report and financial statements**

**31 December 2018**



## **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 2018.

#### **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, with no significant changes expected in 2019.

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

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.

#### **BUSINESS REVIEW**

##### **Overview of 2018 performance and key performance indicators**

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

The Company's loss for the year after tax amounted to €1,884,000, compared to €1,346,000 in the prior year.

The Company's loss after tax comprised net interest expense on amounts payable to other Morgan Stanley Group undertakings. The increase in losses is attributable to an increase in average EUR proxy rates.

The Company's total assets at 31 December 2018 were €144,790,000, compared to €144,767,000 at 31 December 2017. The increase of €23,000 is attributable to an increase in amounts receivable from other Morgan Stanley Group undertakings. The Company's total liabilities at 31 December 2018 were €187,654,000 compared to €185,747,000 at 31 December 2017. The increase of €1,907,000 is primarily attributable to an increase in amounts due to other Morgan Stanley Group undertakings.

##### **Risk management**

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

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

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

The Company leverages the risk management policies and procedures of the Morgan Stanley Group. The Company also manages the risk of potential impacts on its business (including but not limited to the impact of the UK's decision to leave the European Union (the "EU")) by maintaining a constant planning dialogue with the wider Morgan Stanley Group.

## MORGAN STANLEY HIMALIA CAYMAN LIMITED

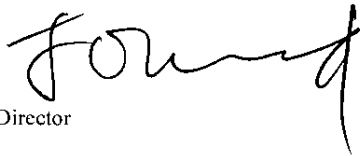
### STRATEGIC REPORT (CONTINUED)

#### Going concern

Although the Company has net liabilities payable, the Company is performing in line with expectations and the net liabilities payable are due to amounts owing to fellow Morgan Stanley Group undertakings, the demand for repayment of which is wholly within the control of the Morgan Stanley Group. In addition, the Company's ultimate parent undertaking and controlling entity, Morgan Stanley, has agreed to provide financial support to the Company to meet its obligations. As a result, 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

JAMES WOOD



Director

4 NOVEMBER 2019

## **MORGAN STANLEY HIMALIA CAYMAN LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and financial statements for the Company for the year ended 31 December 2018.

### **RESULTS AND DIVIDENDS**

The loss for the year, after tax, was €1,884,000 (2017: €1,346,000).

During the year, no dividends were paid or proposed (2017: €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 Bayfield  | (appointed on 3 October 2019) |
| E Martin    | (appointed on 3 October 2019) |
| S I Merry   |                               |
| J Wood      | (appointed on 3 October 2019) |
| B M L Young | (resigned on 23 October 2019) |

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

Directors' and Officers' Liability Insurance is taken out by Morgan Stanley, the Company's ultimate parent undertaking, for the benefit of the Directors and Officers of the Company and its subsidiary undertakings.

### **DIRECTORS' INDEMNITY**

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006 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 and its subsidiary undertakings.

### **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.

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, 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.

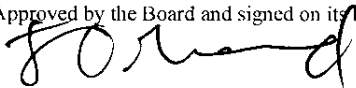
## **MORGAN STANLEY HIMALIA CAYMAN LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)**

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the 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 **JAMES WONG**



Director

**4 NOVEMBER 2019**

## **MORGAN STANLEY HIMALIA CAYMAN LIMITED**

### **STATEMENT OF COMPREHENSIVE INCOME**

**Year ended 31 December 2018**

|                                                         | <b>Note</b> | <b>2018<br/>€'000</b> | <b>2017<br/>€'000</b> |
|---------------------------------------------------------|-------------|-----------------------|-----------------------|
| Interest income                                         | 4           | 104                   | 75                    |
| Interest expense                                        | 4           | (1,988)               | (1,421)               |
| <b>LOSS BEFORE TAXATION</b>                             |             | <u>(1,884)</u>        | <u>(1,346)</u>        |
| Income tax result                                       | 6           | -                     | -                     |
| <b>LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> |             | <u><u>(1,884)</u></u> | <u><u>(1,346)</u></u> |

All operations were continuing in the current and prior year.

The notes on pages 8 to 11 form an integral part of the financial statements.

# **MORGAN STANLEY HIMALIA CAYMAN LIMITED**

## **STATEMENT OF CHANGES IN EQUITY**

**Year ended 31 December 2018**

|                                                  | <b>Share capital</b> | <b>Retained earnings</b> | <b>Total equity</b>    |
|--------------------------------------------------|----------------------|--------------------------|------------------------|
|                                                  | <b>€'000</b>         | <b>€'000</b>             | <b>€'000</b>           |
| <b>Balance at 1 January 2017</b>                 | 4,782                | (44,416)                 | (39,634)               |
| Loss and total comprehensive income for the year | -                    | (1,346)                  | (1,346)                |
| <b>Balance at 31 December 2017</b>               | <u>4,782</u>         | <u>(45,762)</u>          | <u>(40,980)</u>        |
| Loss and total comprehensive income for the year | -                    | (1,884)                  | (1,884)                |
| <b>Balance at 31 December 2018</b>               | <u><u>4,782</u></u>  | <u><u>(47,646)</u></u>   | <u><u>(42,864)</u></u> |

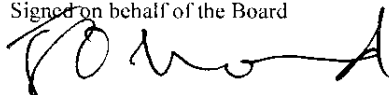
The notes on pages 8 to 11 form an integral part of the financial statements.

**MORGAN STANLEY HIMALIA CAYMAN LIMITED***Registered number: 161513***STATEMENT OF FINANCIAL POSITION****As at 31 December 2018**

|                                                     | <b>Note</b> | <b>2018<br/>€'000</b> | <b>2017<br/>€'000</b> |
|-----------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                       |             |                       |                       |
| Other receivables                                   | 9           | 9,790                 | 9,767                 |
| Investments in subsidiaries                         | 7           | 135,000               | 135,000               |
| <b>TOTAL ASSETS</b>                                 |             | <b>144,790</b>        | <b>144,767</b>        |
| <b>LIABILITIES</b>                                  |             |                       |                       |
| Other payables                                      | 9           | 1                     | 82                    |
| Debt and other borrowings                           | 9           | 187,653               | 185,665               |
| <b>TOTAL LIABILITIES</b>                            |             | <b>187,654</b>        | <b>185,747</b>        |
| <b>EQUITY</b>                                       |             |                       |                       |
| Share capital                                       | 8           | 4,782                 | 4,782                 |
| Retained earnings                                   |             | (47,646)              | (45,762)              |
| <b>Equity attributable to owners of the Company</b> |             | <b>(42,864)</b>       | <b>(40,980)</b>       |
| <b>TOTAL EQUITY</b>                                 |             | <b>(42,864)</b>       | <b>(40,980)</b>       |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 |             | <b>144,790</b>        | <b>144,767</b>        |

These financial statements were approved by the Board and authorised for issue on **4 NOVEMBER 2019**

Signed on behalf of the Board



Director

**JAMES WOOD**

The notes on pages 8 to 11 form an integral part of the financial statements.

## **MORGAN STANLEY HIMALIA CAYMAN LIMITED**

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

**Year Ended 31 December 2018**

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

The Company is incorporated and domiciled in the Cayman Islands, at the following registered address 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 161513.

The Company's immediate parent undertaking is Morgan Stanley Europa LLC which has its registered office at c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America. Copies of the financial statements can be obtained from the Registrar of Companies for c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America.

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

#### **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.

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

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

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

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

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

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

International Financial Reporting Standard 9 '*Financial instruments*' ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") in November 2009, reissued in October 2010, amended in November 2013, and revised and reissued by the IASB in July 2014. It is effective for annual periods beginning on or after 1 January 2018 and was endorsed by the EU in November 2016. The Company has adopted IFRS 9 from 1 January 2018 with no restatement of comparative periods under the transitional provisions of the Standard. There is no impact on the classification and measurement of the Company's financial assets and liabilities. Impairment of financial assets is based on expected credit losses ("ECL") and the effect on opening reserves was £nil.

Amendments to FRS 100 and FRS 101 '*Triennial review 2017 amendments*' were issued by the Financial Reporting Council in December 2017 for application in accounting periods beginning on or after 1 January 2019. The Company has early adopted all these amendments from 1 January 2018.

##### **Critical judgements**

No judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

## **MORGAN STANLEY HIMALIA CAYMAN LIMITED**

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

**Year Ended 31 December 2018**

#### **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.

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

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 recognised through the statement of comprehensive income.

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

Financial assets and liabilities primarily comprise investment in subsidiaries, other receivables and payables and debt and other borrowings.

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

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

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

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

From 1 January 2018, the Company recognises loss allowances for ECLs for its financial assets classified at amortised cost. ECLs are the present value of cash shortfalls over the expected life of the financial instrument, discounted at the asset's EIR. ECLs are recognised in the statement of comprehensive income within 'Net impairment loss/reversal of impairment loss on financial instruments' and is reflected against the carrying amount of the impaired asset on the statement of financial position as an ECL allowance. Until 31 December 2017, impairment losses on financial assets were measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the asset's original EIR.

Impairment losses on investments 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.

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

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

## MORGAN STANLEY HIMALIA CAYMAN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year Ended 31 December 2018

#### 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.

#### 5. OTHER EXPENSE

The Company employed no staff during the year (2017: nil).

The Company's Directors are employed by other Morgan Stanley Group companies. The Directors' services to the Company are considered to be incidental to their other responsibilities within the Morgan Stanley Group and as such, Directors' remuneration is €nil for the current year (2017: €nil).

#### 6. INCOME TAX RESULT

|                                          | 2018<br>€'000 | 2017<br>€'000 |
|------------------------------------------|---------------|---------------|
| <b>Current tax expense</b>               |               |               |
| UK corporation tax at 19% (2017: 19.25%) |               |               |
| - Current year                           | -             | -             |
| <b>Total current tax result</b>          | -             | -             |

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.

#### Reconciliation of effective tax rate

The current year income tax result is higher (2017: higher) than that resulting from applying the average standard rate of corporation tax in the UK for the year of 19% (2017: 19.25%). The main differences are explained below:

|                                                                                               | 2018<br>€'000 | 2017<br>€'000 |
|-----------------------------------------------------------------------------------------------|---------------|---------------|
| Loss before taxation                                                                          | (1,884)       | (1,346)       |
| Income tax using the average standard rate of corporation tax in the UK of 19% (2017: 19.25%) | (358)         | (259)         |
| Impact on tax of                                                                              |               |               |
| Group relief surrendered for no cash consideration                                            | 358           | 259           |
| <b>Total income tax result in the statement of comprehensive income</b>                       | -             | -             |

# MORGAN STANLEY HIMALIA CAYMAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year Ended 31 December 2018

### 7. INVESTMENT IN SUBSIDIARIES

|                                        | Subsidiary<br>undertakings<br>€'000 |
|----------------------------------------|-------------------------------------|
| <b>Cost</b>                            |                                     |
| At 1 January 2018 and 31 December 2018 | <u>135,000</u>                      |
| <b>Impairment provisions</b>           |                                     |
| At 1 January 2018 and 31 December 2018 | <u>-</u>                            |
| <b>Carrying amounts</b>                |                                     |
| At 1 January 2018 and 31 December 2018 | <u>135,000</u>                      |

Details of all investments in subsidiaries (including indirect subsidiaries) of the Company at 31 December 2018 and 31 December 2017 can be found in the Appendix to the financial statements.

### 8. EQUITY

#### Ordinary share capital

|                                        | Ordinary<br>shares of €1<br>each<br>Number | Ordinary<br>shares of \$1<br>each<br>Number | Total ordinary<br>shares<br>Number |
|----------------------------------------|--------------------------------------------|---------------------------------------------|------------------------------------|
| <b>Authorised</b>                      |                                            |                                             |                                    |
| At 1 January 2018 and 31 December 2018 | <u>10,000,000</u>                          | <u>50,000</u>                               | <u>10,050,000</u>                  |

|                                        | Ordinary<br>shares of €1<br>each<br>Number | Ordinary<br>shares of €1<br>each<br>€'000 | Ordinary<br>shares of \$1<br>each<br>Number | Ordinary<br>shares of \$1<br>each<br>\$'000 | Total<br>ordinary<br>shares<br>€'000 |
|----------------------------------------|--------------------------------------------|-------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------|
| <b>Allotted and fully paid</b>         |                                            |                                           |                                             |                                             |                                      |
| At 1 January 2018 and 31 December 2018 | <u>4,781,582</u>                           | <u>4,782</u>                              | <u>1</u>                                    | <u>-</u>                                    | <u>4,782</u>                         |

The ordinary share are recorded at the rates of exchange ruling at the date the shares were paid up.

### 9. EXPECTED MATURITY OF ASSETS AND LIABILITIES

Other receivables and payables and debt and other borrowings relate wholly to amounts due from and to group undertakings respectively.

Other receivables of €9,790,000 (2017: €9,767,000) and other payables of €1,000 (2017: €82,000) are expected to be settled no more than twelve months after the reporting period, with all other amounts expected to be settled more than twelve months after the reporting period end.

### 10. SEGMENT REPORTING

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

## MORGAN STANLEY HIMALIA CAYMAN LIMITED

### APPENDIX TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

Details of all investments in subsidiaries (including indirect subsidiaries) of the Company at 31 December 2018 and 31 December 2017 are shown in the table below.

| 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 |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------|------|----------------------------------|--------|--------------------|
|                                            |                                                                                                     |                                        | 2018                      | 2017 | 2018                             | 2017   |                    |
| Morgan Stanley Sinope Cayman Limited       | Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands | Ordinary                               | 100%                      | 100% | 100%                             | 100%   | Holding company    |
| Morgan Stanley Adrastea Netherlands B.V. # | 20 Bank Street, Canary Wharf, London E14 4AD, United Kingdom                                        | Ordinary *                             | 100%                      | 100% | 23.53%                           | 23.53% | Financial services |
|                                            |                                                                                                     | Class A Redeemable Preference Shares * | 100%                      | 100% | 76.47%                           | 76.47% |                    |
|                                            |                                                                                                     | Class B Redeemable Preference Shares * | 100%                      | 100% | 0.001%                           | 0.001% |                    |
|                                            |                                                                                                     | Class C Redeemable Preference Shares * | 100%                      | 100% | 0.001%                           | 0.001% |                    |

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

# Indirect subsidiary