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Registered number: MC 161501

UK registration number: FC 026606

Business office:

20 Bank Street

Canary Wharf

London

E14 4AD

United Kingdom

Registered office:

PO Box 309

Ugland House

Grand Cayman

KY1-1104

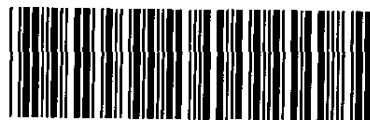
Cayman Islands

MORGAN STANLEY SINOPE CAYMAN LIMITED

Report and financial statements

31 December 2018

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MORGAN STANLEY SINOPE CAYMAN LIMITED

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MORGAN STANLEY SINOPE CAYMAN LIMITED

STRATEGIC REPORT

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

The management and control of the Company is in the United Kingdom (the "UK") and the Company 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 profit after tax, total assets and total liabilities.

The Company reported a profit after tax for the year ended 31 December 2018 of €8,329,000, compared to €9,116,000 in the prior year. The profit for the current year and prior year mainly comprised of interest income receivable on amounts due from other Morgan Stanley Group undertakings partly offset by interest payable on amounts due to other Morgan Stanley Group undertakings. The movement in profit for the current year is due to decrease in net interest income by €788,000.

The Company's total assets at 31 December 2018 were €609,274,000 compared to €607,284,000 at 31 December 2017. The increase of €1,990,000 is primarily due to an increase in amounts due from other Morgan Stanley Group undertakings. The Company's total liabilities at 31 December 2018 were €424,478,000 compared to €430,814,000 at 31 December 2017. Total liabilities have decreased by €6,336,000 primarily due to decrease 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 Morgan Stanley Group undertakings presented within loans and advances, debt and other borrowings, other receivables and payables. The Company leverages the Morgan Stanley Group's credit and liquidity risk frameworks to identify, measure, monitor and control credit risk and to ensure that the Company has access to adequate funding.

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 undertaking, 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.

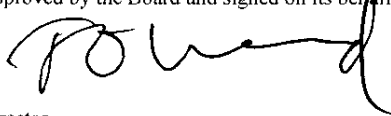
MORGAN STANLEY SINOPE CAYMAN LIMITED

STRATEGIC REPORT (CONTINUED)

Going concern

Retaining sufficient liquidity and capital to withstand market pressures remains central to the Company's strategy. The Company has access to Morgan Stanley Group capital and liquidity. Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Approved by the Board and signed on its behalf by *JAMES WOOD*



4 NOVEMBER 2019

Director

MORGAN STANLEY SINOPE 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 profit for the year, after tax, was €8,329,000 (2017: €9,116,000).

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:

S Bayfield (appointed on 8 October 2019)

E Martin (appointed on 8 October 2019)

S I Merry

J Wood (appointed on 8 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.

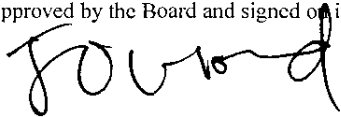
MORGAN STANLEY SINOPE CAYMAN LIMITED

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



Director

JAMES WOOD

4 NOVEMBER 2019

MORGAN STANLEY SINOPE CAYMAN LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 €'000	2017 €'000
Interest income	4	12,964	12,550
Interest expense	4	(4,636)	(3,434)
Net interest income		<u>8,328</u>	<u>9,116</u>
Net reversal of impairment loss on financial assets	8	<u>1</u>	<u>-</u>
PROFIT BEFORE TAXATION		8,329	9,116
Income tax result	6	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>8,329</u>	<u>9,116</u>

All operations were continuing in the current and prior year.

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

MORGAN STANLEY SINOPE CAYMAN LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital €'000	Share premium €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2017	-	135,000	32,354	167,354
Profit and total comprehensive income for the year	-	-	9,116	9,116
Balance at 31 December 2017	<u>-</u>	<u>135,000</u>	<u>41,470</u>	<u>176,470</u>
Impact of adoption of new accounting standards	-	-	(3)	(3)
Profit and total comprehensive income for the year	-	-	8,329	8,329
Balance at 31 December 2018	<u>-</u>	<u>135,000</u>	<u>49,796</u>	<u>184,796</u>

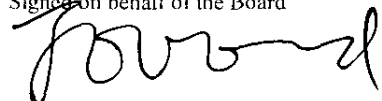
The notes on pages 8 to 12 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED*Registered number: MC 161501***STATEMENT OF FINANCIAL POSITION****As at 31 December 2018**

	Note	2018 €'000	2017 €'000
ASSETS			
Loans and advances	10	187,651	185,665
Other receivables	10	18,303	18,299
Investments in subsidiaries	8	403,320	403,320
TOTAL ASSETS		<u>609,274</u>	<u>607,284</u>
LIABILITIES			
Other payables	10	1,617	29
Debt and other borrowings	10	422,861	430,785
TOTAL LIABILITIES		<u>424,478</u>	<u>430,814</u>
EQUITY			
Share capital	9	-	-
Share premium	9	135,000	135,000
Retained earnings		49,796	41,470
Equity attributable to owners of the Company		<u>184,796</u>	<u>176,470</u>
TOTAL EQUITY		<u>184,796</u>	<u>176,470</u>
TOTAL LIABILITIES AND EQUITY		<u>609,274</u>	<u>607,284</u>

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 12 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. CORPORATE INFORMATION

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

The Company's immediate parent undertaking is Morgan Stanley Himalia Cayman Limited which has its registered office at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Copies of the financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ.

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.

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 €3,000.

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 SINOPE 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 investments in subsidiaries, loans and advances, debts and other borrowings and other receivables and payables.

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

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

6. NET REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2018 €'000
ECL relating to:	
Other receivables	<u>1</u>

There was no impairment charge in 2017 under IAS 39 in relation to loans and advances and other receivables.

7. INCOME TAX RESULT

	2018 €'000	2017 €'000
Current tax expense		
UK corporation tax at 19% (2017: 19.25%)		
- Current year	-	-
Income tax result	<u>-</u>	<u>-</u>

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.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7. INCOME TAX RESULT (CONTINUED)

Reconciliation of effective tax rate

The current year income tax result is lower (2017: lower) 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	2017
	€'000	€'000
Profit before taxation	<u>8,329</u>	<u>9,116</u>
Income tax using the average standard rate of corporation tax in the UK of 19% (2017: 19.25%)	1,583	1,755
Impact on tax of:		
Non-taxable dividends on preference shares shown as interest expense	(2,069)	(2,095)
Group relief surrendered for no cash consideration	486	340
Total income tax result in the statement of comprehensive income	<u><u>-</u></u>	<u><u>-</u></u>

8. INVESTMENTS IN SUBSIDIARIES

	Subsidiary undertakings €'000
Cost	
At 1 January 2018 and 31 December 2018	<u><u>403,320</u></u>
Impairment provisions	
At 1 January 2018 and 31 December 2018	<u><u>-</u></u>
Carrying amounts	
At 1 January 2018 and 31 December 2018	<u><u>403,320</u></u>

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

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9. EQUITY

Ordinary share capital

		Ordinary shares of \$1 each Number
Authorised		
At 1 January 2018 and 31 December 2018		50,000
	Ordinary shares of \$1 each Number	Ordinary shares of \$1 each \$'000
Allotted and fully paid		
At 1 January 2018 and 31 December 2018	101	-

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

Reserves

Share premium

The 'share premium' of €135,000,000 (2017: €135,000,000) comprises the capital raised in an issue of shares that exceeds the nominal value of the shares.

10. EXPECTED MATURITY OF ASSETS AND LIABILITIES

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

Other receivables of €18,303,000 (2017: €18,299,000) and other payables of €1,617,000 (2017: €29,000) are expected to be settled no more than twelve months after the reporting period, with all other amounts expected to be settled more than twelve months after the reporting period end.

11. SEGMENT REPORTING

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

MORGAN STANLEY SINOPE CAYMAN LIMITED

APPENDIX TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

Details of all investments in subsidiary 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 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%	