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Registered number: MC-161501

UK registration number: FC026606

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 2019



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 2019.

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 2020.

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

Emergence of COVID-19

The coronavirus disease (COVID-19) pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets and operational challenges. The extent of the impact is highly uncertain and cannot be predicted and could adversely affect the future operations and financial condition of Morgan Stanley and the Company.

Overview of 2019 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 of €2,621,000, compared to €8,329,000 in the prior year. The profit for the current year mainly comprised of interest income receivable on amounts due from other Morgan Stanley Group undertakings offset by an impairment on investments in subsidiaries and interest payable on amounts due to other Morgan Stanley Group undertakings. The movement in profit for the current year is mainly due to an impairment of €5,996,000 recognised on investments in subsidiaries.

The Company's total assets at 31 December 2019 were €614,939,000 compared to €609,274,000 at 31 December 2018. The increase of €5,665,000 is primarily due to an increase in amounts due from other Morgan Stanley Group undertakings offset by an impairment on investments in subsidiaries. The Company's total liabilities at 31 December 2019 were €427,522,000 compared to €424,478,000 at 31 December 2018. Total liabilities have increased by €3,044,000 primarily due to an increase in amounts due to other Morgan Stanley Group undertakings.

RISK MANAGEMENT

As an intermediate holding company, the Company is 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 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 primarily through its exposure to other Morgan Stanley Group undertakings presented within other receivables and payables, loans and advances 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.

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

MORGAN STANLEY SINOPE CAYMAN LIMITED

STRATEGIC REPORT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

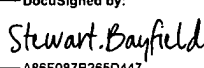
The Company leverages the risk management policies and procedures of the Morgan Stanley Group. The Company also manages the risk of potential impact on its business (including but not limited to the impact of the UK's decision to leave the European Union (the "EU")) by maintaining a constant planning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

GOING CONCERN

Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Morgan Stanley Group and the Company. Retaining sufficient capital and liquidity to withstand these market pressures remains central to the Morgan Stanley Group and the Company's strategy. The existing and potential effects of COVID-19 on the business of the Morgan Stanley Group and the Company have been considered as part of the going concern analysis, including impact on operational capacity, access to liquidity and capital and contractual obligations. The Company has access to further Morgan Stanley Group capital and liquidity as required.

Taking all of these factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual reports and financial statements.

Approved by the Board and signed on its behalf by

DocuSigned by:

A86F087B265D447...
S E Bayfield

Director

29 October 2020

MORGAN STANLEY SINOPE CAYMAN LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements for the Company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was €2,621,000 (2018: €8,329,000).

During the year, no dividends were paid or proposed (2018: €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 E Bayfield (appointed on 8 October 2019)

E-L M Martin (appointed on 8 October 2019)

S I Merry

J O 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

Since the balance sheet date, the coronavirus disease (COVID-19) pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets and operational challenges. The extent of the impact is highly uncertain and cannot be predicted and could adversely affect the future operations and financial condition of Morgan Stanley and the Company.

MORGAN STANLEY SINOPE CAYMAN LIMITED

DIRECTORS' REPORT (CONTINUED)

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.

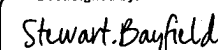
The Directors are required to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- 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 Standards 101 'Reduced Disclosure Framework' ("FRS 101"), have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Part 15 of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by

DocuSigned by:



AB6F087B265D447...
S E Bayfield

Director

29 October 2020

MORGAN STANLEY SINOPE CAYMAN LIMITED**STATEMENT OF COMPREHENSIVE INCOME****Year ended 31 December 2019**

	Note	2019 €'000	2018 €'000
Net losses on investments in subsidiaries	4	(5,996)	-
Interest income	5	12,715	12,964
Interest expense	5	(4,099)	(4,636)
Net interest income		<u>8,616</u>	<u>8,328</u>
Net reversal of impairment loss on financial assets	7	<u>1</u>	<u>1</u>
PROFIT BEFORE TAXATION		<u>2,621</u>	<u>8,329</u>
Income tax result	8	<u>-</u>	<u>-</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>2,621</u></u>	<u><u>8,329</u></u>

All results were derived from continuing operations.

The notes on pages 8 to 13 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED**STATEMENT OF CHANGES IN EQUITY****Year ended 31 December 2019**

	Share capital €'000	Share premium €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2018	-	135,000	41,470	176,470
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	-	135,000	49,796	184,796
Profit and total comprehensive income for the year	-	-	2,621	2,621
Balance at 31 December 2019	-	135,000	52,417	187,417

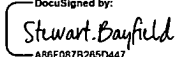
The notes on pages 8 to 13 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED*Registered number: MC-161501***STATEMENT OF FINANCIAL POSITION****As at 31 December 2019**

	Note	2019 €'000	2018 €'000
ASSETS			
Loans and advances	11	189,458	187,651
Other receivables	11	28,157	18,303
Investments in subsidiaries	9	397,324	403,320
TOTAL ASSETS		614,939	609,274
LIABILITIES AND EQUITY			
Other payables	11	1,671	1,617
Debt and other borrowings	11	425,851	422,861
TOTAL LIABILITIES		427,522	424,478
EQUITY			
Share capital	10	-	-
Share premium	10	135,000	135,000
Retained earnings		52,417	49,796
Equity attributable to owners of the Company		187,417	184,796
TOTAL EQUITY		187,417	184,796
TOTAL LIABILITIES AND EQUITY		614,939	609,274

These financial statements were approved by the Board and authorised for issue on 29 October 2020

Signed on behalf of the Board

DocuSigned by:

 S E Bayfield
 Director
 29 October 2020

The notes on pages 8 to 13 form an integral part of the financial statements.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. CORPORATE INFORMATION

The Company is incorporated and domiciled in the Cayman Islands, at the following registered address of Maples Corporate Services Limited, 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 Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ.

The 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.

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

Statement of compliance

These financial statements are prepared 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 amendments to standards and interpretations 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.

As part of the 2015-2017 Annual Improvements Cycle published in December 2017, the International Accounting Standards Board ("IASB") made amendments to IAS 12 '*Income Taxes*' for application in accounting periods beginning on or after 1 January 2019. The amendments were endorsed by the European Union ("EU") in March 2019. International Financial Reporting Interpretations Committee 23 ("IFRIC 23") '*Uncertainty over Income Tax Treatments*' was issued by the IASB in June 2017 for application in accounting periods beginning on or after 1 January 2019. The interpretation was endorsed by the EU in March 2019.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. BASIS OF PREPARATION (CONTINUED)

Critical accounting judgements and sources of estimation uncertainty

No critical 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. The Company has not made any key assumptions and there are no other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Business Review section of the Strategic report on page 1 and page 2.

As set out in the Strategic report, retaining sufficient liquidity and capital to withstand market pressures remain central to the Morgan Stanley Group's and the Company's strategy.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional currency

Items included in the financial statements are measured and presented in Euros, the currency of the primary economic environment in which the Company operates.

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, debt 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/(losses) 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.

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Impairment of financial assets

The Company recognises loss allowances for expected credit losses ("ECL") for its financial assets classified at amortised cost. ECL are the present value of cash shortfalls over the expected life of the financial instrument, discounted at the asset's EIR. ECL are recognised in the statement of comprehensive income within 'Net 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. Where there has been a reduction in ECL, this will be recognised within 'Net reversal of impairment loss on financial instruments'.

Impairment losses on investment in subsidiaries are measured as the difference between cost and the current estimated recoverable amount. When the recoverable amount is less than the cost, an impairment is recognised within the statement of comprehensive income in 'Net losses on investments 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 2019****4. NET LOSSES ON INVESTMENTS IN SUBSIDIARIES**

	2019	2018
	€'000	€'000
Impairment losses	<u>(5,996)</u>	<u>-</u>

5. 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.

6. OTHER EXPENSE

The Company employed no staff during the year (2018: 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 (2018: €nil).

7. NET REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2019	2018
	€'000	€'000
ECL relating to:		
Other receivables	<u>1</u>	<u>1</u>

8. INCOME TAX RESULT

	2019	2018
	€'000	€'000
Current tax result		
UK corporation tax at 19% (2018: 19%)		
- Current year	<u>-</u>	<u>-</u>
Income tax result	<u>-</u>	<u>-</u>

Finance (No.2) Act 2015 reduced the UK main rate of corporation tax to 17% with effect from 1 April 2020. However, following the UK Budget on 11 March 2020 and subsequent resolutions given statutory effect under the Provisional Collection of Taxes Act 1968, for the financial year 2020 the UK statutory rate is 19%. While this change does not affect the income tax charge for the year, it will affect future periods.

MORGAN STANLEY SINOPE CAYMAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019****8. INCOME TAX RESULT (CONTINUED)****Reconciliation of effective tax rate**

The current year income tax result is lower (2018: lower) than that resulting from applying the average standard rate of corporation tax in the UK for the year of 19% (2018: 19%). The main differences are explained below:

	2019	2018
	€'000	€'000
Profit before taxation	<u>2,621</u>	<u>8,329</u>
Income tax using the average standard rate of corporation tax in the UK of 19% (2018: 19%)	498	1,583
Impact on tax of		
Expenses not deductible for tax purposes	1,140	-
Non-taxable dividends on preference shares shown as interest expense	(2,069)	(2,069)
Group relief surrendered for no cash consideration	<u>431</u>	<u>486</u>
Total income tax result in the statement of comprehensive income	<u><u>-</u></u>	<u><u>-</u></u>

9. INVESTMENTS IN SUBSIDIARIES

	Subsidiary undertakings €'000
Cost	
At 1 January 2019 and 31 December 2019	<u><u>403,320</u></u>
Impairment provision	
As at 1 January 2019	-
Provisions made in the year	<u>(5,996)</u>
As at 31 December 2019	<u><u>(5,996)</u></u>
Carrying amounts	
At 31 December 2018	<u><u>403,320</u></u>
At 31 December 2019	<u><u>397,324</u></u>

Details of all investments in subsidiaries of the Company at 31 December 2019 and 31 December 2018 can be found in the Appendix to the financial statements.

During the year, the Company impaired its investment in Morgan Stanley Adrastea Netherlands B.V. by €5,996,000. The impairment provision was calculated by comparing cost and the current estimated recoverable amount

MORGAN STANLEY SINOPE CAYMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10. EQUITY

Ordinary share capital

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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 account' of €135,000,000 (2018: €135,000,000) comprises the capital raised in an issue of shares that exceeds the nominal value of the shares.

11. EXPECTED MATURITY OF ASSETS AND LIABILITIES

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 €28,157,000 (2018: €18,303,000) and other payables of €1,671,000 (2018: €1,617,000) 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.

12. SEGMENT REPORTING

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

13. EVENTS AFTER THE REPORTING DATE

Since the balance sheet date, the coronavirus disease (COVID-19) pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets and operational challenges. The extent of the impact is highly uncertain and cannot be predicted and could adversely affect the future operations and financial condition of Morgan Stanley and the Company.

MORGAN STANLEY SINOPE CAYMAN LIMITED**APPENDIX TO THE FINANCIAL STATEMENTS****Year ended 31 December 2019**

Details of all investments in subsidiaries of the Company at 31 December 2019 and 31 December 2018 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
			2019	2018	2019	2018	
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%	