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Morgan Stanley

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Morgan Stanley Investment Management Limited

Report and Financial Statements

31 December 2022

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The Directors present their Strategic Report for Morgan Stanley Investment Management Limited (the "Company") for the year ended 31 December 2022.

Company Overview

The Company, Governance and Stakeholders

The ultimate parent undertaking and controlling entity of the Company is Morgan Stanley, which together with the Company and Morgan Stanley's other subsidiary undertakings, forms the "Morgan Stanley Group". Morgan Stanley is a global financial services firm authorised as a Financial Holding Company and regulated by the Board of Governors of the Federal Reserve System in the United States of America.

Morgan Stanley International Limited ("MSI") is the ultimate United Kingdom ("UK") parent undertaking of the Company. MSI, together with all of its subsidiary undertakings, forms the "MSI Group".

The Company operates within the financial services industry and is subject to extensive supervision and regulation. The Company shares elements of its corporate governance and its supervision with MSI and the MSI Group. Throughout the Strategic Report, the Directors may refer to policies, procedures and practices of MSI and the MSI Group that are relevant to the Company.

These policies, procedures and practices are consistent with the Morgan Stanley Group to the extent permissible by local law and regulation. More information on Morgan Stanley can be accessed on the website www.morganstanley.com.

The Company follows the core values of the Morgan Stanley Group. The core values are designed to guide decision making and ensure alignment to the expectations of stakeholders. The core values are:

Put Clients First

Do the Right Thing

Lead with Exceptional Ideas

Commit to Diversity and Inclusion

Give Back

Further detail on the engagement with stakeholders by the Board of Directors ("Board") and the Company's Section 172(1) Statement section is in the 'Stakeholder Engagement and Section 172(1) Statement' within the Strategic Report.

Principal Activity

The principal activity of the Company is the provision of investment management services to clients.

There has been no change to the Company's principal activity during the year and no significant change is expected.

The Company conducts business from its headquarters in London, UK and has a branch in Milan, Italy. The Company has continued to operate a representative office in the Dubai International Financial Centre ("DIFC").

Supervision and Regulation

The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

Investment Firm Prudential Regime ("IFPR")

In January 2022 new requirements, introducing a tailored capital adequacy and liquidity framework, for UK investment firms based on their size and type of business activity were introduced. The new framework replaces the current Capital Requirements Regulation ("CRR")/Capital Requirements Directive ("CRD") approach for calculating capital. It also introduced a new own funds methodology and a revision of the internal approach for assessing capital. These requirements were fully implemented by the Company from 1 January 2022.

During the year, the Company complied with all of its regulatory capital requirements.

Business Environment

During 2022, the global economic and geopolitical environment in which the Company operates has been characterised by elevated inflation, rising interest rates and volatility in global financial markets and these factors have continued into 2023. These factors have impacted the performance of the Company - see 'Overview of 2022 Financial Results'.

The Company continues to monitor the war in Ukraine and its impact on the world economies and the financial markets.

Morgan Stanley is not entering into any new business onshore in Russia and Morgan Stanley's activities in Russia are limited to helping global clients address and close out pre-existing obligations.

In addition to the aforementioned conditions, certain institutions have come under significant stress in early 2023. While the full impact of these events in the banking sector remains uncertain, there has so far been limited impact on the results and financial condition of the Company.

Future Developments

The Strategic Report contains certain forward-looking statements and information on future developments. These statements are made by the Board in good faith, based on the information available at the time of the approval of the report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Morgan Stanley Group's European operations

The Morgan Stanley Group continues to assess and refine the scope and location of its European operations. On 1 October 2022, Morgan Stanley & Co. International PLC ("MSIP"), another UK Morgan Stanley Group undertaking, transferred its Real Assets business to the Company for cash consideration of $1. Real Assets is a business which aligns to the principal activity of the Company. No gain or loss was recognised as a result of the transfer. This business transfer did not have a material impact on the Company's financial position or on its financial performance in the year.

Financial Performance and Condition

Performance Indicators

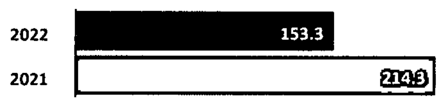
The Board of Directors monitors the results of the Company by reference to a range of performance and risk based metrics, including, but not limited to, those listed below. Where the Company is the investment manager for funds, the performance of these funds is closely monitored using various measures such as benchmarking, peer analysis, net inflows/ outflows and sustainable investing criteria.

Key Performance Indicators

Return on Shareholders' Equity

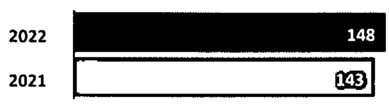
in $'000	2022	2021
Total shareholders' equity at beginning of the year	415,681	412,670
Profit after tax	105,492	250,116
Return on shareholders' equity	25.4%	60.6%

Assets Under Management ("AUM") ($'billion)



in $'billion	2022	2021
Year End Spot AUM	153.3	214.3
Yearly Average AUM	169.2	216.1

Capital Surplus ($'million)



in $'million	2022	2021
Own Funds Requirement (OFR)	81	77
Own funds (Tier 1 and Tier 2 capital)	229	220
OFR Capital Surplus	148	143

Overview of 2022 Financial Results

Set out below is an overview of the Company's financial results for the years ended 31 December 2022 and 31 December 2021.

Income Statement

in $ million	**2022**	**2021**	**Increase/ (decrease)**	**Variance %**
Net revenue	979	1,348	(369)	(27%)
Operating expense	850	1,060	(210)	(20%)
Profit before tax	**129**	**288**	**(159)**	**(55%)**
Income tax	23	38	(15)	(39%)
Profit after tax	**106**	**250**	**(144)**	**(58%)**

Net Revenue

Net revenue decreased by 27% reflecting the reduced asset management and related fees on the lower average AUM as result of the decline in equity markets.

Operating Expense

Operating expense decreased 20% driven primarily by a decrease of $162 million in fee sharing and distribution expense coupled with a $59 million decrease in sub-advisory expenses, both due to lower average AUM.

Income Tax Expense

The effective tax rate for 2022 is lower than the statutory rate of 19% primarily due to non taxable income and the effect of tax rates in foreign jurisdictions. The Company received $nil UK group relief for 2022 (2021: $15million).

Statement of Financial Position

in $ million	**2022**	**2021**	**Increase/ (decrease)**	**Variance %**
Cash and short term deposits	268	168	100	60%
Loans and advances	210	303	(93)	(31%)
Trade and other receivables	112	175	(63)	(36%)
Other assets	87	117	(30)	(26%)
Total Assets	**677**	**763**	**(86)**	**(11%)**
Trade and other payables	190	106	84	79%
Debt and other borrowings	59	58	1	2%
Other liabilities	153	183	(30)	(16%)
Total Liabilities	**402**	**347**	**55**	**16%**
Total Equity	**275**	**416**	**(141)**	**(34%)**

Total Assets

Cash and short term deposits increased by 60% due to an increase in cash retained by the Company for liquidity management purposes. Loans and advances decreased by 31% due to settlements by other Morgan Stanley group entities. Trade and other receivables decreased by 36% driven by lower asset management fee receivables due to lower AUM compared with 2021. There are no concerns around the recoverability of outstanding amounts in trade receivables.

Total Liabilities

Trade and other payables increased by 79% driven by higher amounts due to other Morgan Stanley Group undertakings as a result of the timing of settlements of intercompany trade payables.

Total Equity

Retained earnings decreased by 34% reflecting dividends paid of $245million, partially offset by profit after tax of $106million.

AUM

Set out below is an overview of the Company's AUM movement and composition for the years ended 31 December 2022 and 31 December 2021.

	Changes in AUM	
in $'billion	2022	2021
At 1 January	**214.3**	**207.9**
Inflows	22.3	62.2
Outflows	(35.6)	(61.1)
Market impact	(47.7)	5.3
At 31 December	**153.3**	**214.3**

	Average AUM	
in $'billion	2022	2021
Equity	101.3	136.9
Fixed Income and Liquidity	27.9	38.7
Alternatives and Solutions	40.0	40.5
	169.2	**216.1**

Capital and Liquidity Resource Management and Regulation

The Company actively manages its capital and liquidity position to ensure adequate resources are available to support its activities, to enable it to withstand market stresses and to meet regulatory stress testing requirements proposed by its regulators globally.

The Morgan Stanley Group's liquidity risk management framework is critical to helping ensure that the Morgan Stanley Group, including the Company, maintains sufficient liquidity reserves and durable funding sources to meet its daily obligations and to withstand unanticipated stress events.

The Company views capital as an important source of financial strength. It manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements.

The Company manages its capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies and regulatory requirements. Therefore, in the future the Company may expand or contract its capital base to address the changing needs of its businesses, in line with the Morgan Stanley Group's capital management policies.

The Company conducts an Internal Capital Adequacy and Risk Assessment ("ICARA") at least annually in order to meet its obligations under IFPR which the FCA reviews through its Supervisory Review and Evaluation Process ("SREP").

See note 22 for further details on the Company's capital management.

Recovery and Resolution Planning

The UK Banking Act 2009 and related legislation established a recovery and resolution framework for UK institutions, including the MSI Group, of which the Company is a part.

Annually, the MSI Group prepares a recovery plan which identifies mitigation tools available in times of severe stress. The Company is covered in the recovery plan and is identified as a material legal entity of the MSI Group.

The MSI Group and the Company produce information required for resolution purposes by the Bank of England ("BoE"), as the UK Resolution Authority as necessary under UK statutory and regulatory requirements.

The Morgan Stanley Group has developed a resolution plan in accordance with the requirements of Section 165(d) of Title 1 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations adopted by the Federal Reserve Board and the Federal Deposit Insurance Corporation. The resolution plan presents Morgan Stanley's strategy for resolution of Morgan Stanley upon material financial distress or failure. The Company is a Material Operating Entity of the Morgan Stanley Group and is within the scope of the single point of entry resolution strategy adopted by the Morgan Stanley Group.

Regulatory Developments

Temporary Transitional Power ("TTP")

Following the end of the transition period of the UK's withdrawal from the EU on 31 December 2020, His Majesty's Treasury decided to retain the regulators' TTP, which was introduced via the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019.

The TTP allowed the BoE, the Prudential Regulatory Authority and the FCA to phase-in changes to UK regulatory requirements so that firms can adjust to the UK's post-Transition Period regime in an orderly way.

The TTP was effective from 1 January 2021 and expired on 31 March 2022. During this period, from a prudential regulatory rules perspective, requirements as implemented by the EU largely continued to apply in the UK in the same way as prior to 31 December 2020. From 1 April 2022, there were some further changes that were not material to the Company. The Company continues to be compliant with the UK onshored regulatory obligations.

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 is an agency business that manages money on behalf of its clients and has a fiduciary responsibility to those clients. The Company has developed its own risk management policy framework, which leverages the risk management policies and procedures of the Morgan Stanley Group where appropriate. The risk management policy framework includes escalation to the Company's Board of Directors and to appropriate senior management of the Company, as well as oversight through a dedicated Risk committee of Non-Executive Directors that reports to the Board of Directors of MSI.

The Board of Directors is satisfied that the risk management function is appropriately separated from the operating units, including the portfolio management function.

Risk Strategy and Appetite

The Company's risk appetite statement is the articulation of the aggregate level and types of risk that the Company is willing to accept in order to execute its business strategy and protect its capital and liquidity resources.

The Company's risk appetite is set by the Company's Board of Directors in conjunction with the Company's strategy and capital and liquidity resource adequacy framework. The risk appetite is then translated into a comprehensive risk limits, tolerances, thresholds and key risk indicators framework, against which the current risk profile is monitored, managed and reported through the risk committees and the Board.

Risk Management Framework

The Risk Management Framework includes a well-defined comprehensive risk governance structure with appropriate risk management expertise, including processes for periodically assessing the efficacy of the Risk Management Framework. The key components of the framework are set out below.

Risk Policies and Processes

The Company has a number of well-established policies and processes which set out the standards that govern the identification, assessment, monitoring, management and mitigation of the various types of risks involved in its business activities.

Specific risk management policies have been implemented to address local business and regulatory requirements where appropriate.

Control Framework

The Company operates a control framework consistent with the "Three Lines of Defence" model, with clear delineation of responsibilities between the Business Units and Support Functions (First Line), Independent Risk Management and Control Functions (Second Line) and the Internal Audit Department (Third Line).

Business Units are responsible for managing their strategy and business activities in accordance with the Company's risk appetite and its principles. Business Units establish controls to comply with the Company's risk policies and procedures, establish monitoring and escalation processes and establish review processes for new business ventures and unique, complex or significant transactions. Support Functions (such as Operations, Technology, and Treasury) are independent of the Business Units and, in whole or in part, support strategy execution of the Company's revenue-generating activities. These functions are accountable for risks associated with their activities and are responsible for actively assessing and managing these risks.

Independent Risk Management and Control Functions identify, measure, monitor and control risks. Independent Risk Management and Control Functions include, for example, functions performed by the Risk Division and the Compliance Department.

The Internal Audit Department is the Third Line of defence and is an independent source of assurance to the Board on controls over financial and non-financial (predominantly Operational and Compliance) risks, operational, and compliance controls. The Internal Audit Department reports to the MSI Audit Committee (appointed by MSI to assist and provide guidance to the Company's Board) and is independent of the Business Units and Support Functions and Independent Risk Management. The Internal Audit Department provides independent assurance over the design quality and operating effectiveness of the Company's internal control environment, risk management and governance systems and control processes using a risk-based audit coverage model and audit execution methodology developed in line with professional auditing standards.

Culture, Values and Conduct of Employees

Employees of the Morgan Stanley Group are accountable for conducting themselves in accordance with the Morgan Stanley Group's core values. The Morgan Stanley Group is committed to reinforcing and confirming adherence to the core values through its governance framework, tone from the top, management oversight, risk management and controls, and Three Lines of Defence structure.

The Morgan Stanley Group's Board is responsible for overseeing the Morgan Stanley Group's practices and procedures relating to culture, values and conduct, with support from senior management committees that report regularly to the Morgan Stanley Group's Board, as set forth in its corporate governance policies. A fundamental building block of this program is the Morgan Stanley Group's Code of Conduct, which establishes standards for employee conduct that further reinforce the Morgan Stanley Group's commitment to integrity and ethical conduct. All employees are required to certify their understanding of and adherence to the Code of Conduct annually.

Morgan Stanley's Global Conduct Risk Management Policy also sets out a consistent global framework for managing conduct risk (i.e. the risk arising from misconduct by employees or contingent workers) and conduct risk incidents.

The employee annual performance review process includes evaluation of employee conduct related to risk management practices and Morgan Stanley's expectations. The Morgan Stanley Group also has several mutually reinforcing processes to identify employee conduct that may have an impact on employment status, current year compensation and/or prior year compensation. Further details of the MSI Group's remuneration policies and practices can be found at https://www.morganstanley.com/about-us-ir/pillar-uk.

Risk Governance Framework

The Company's Board of Directors is ultimately responsible for the Company's risk management. The Board of Directors is supported in performing these responsibilities by internal governance committees. As part of the MSI Group, the Company is supported by a number of Europe, Middle East and Africa ("EMEA") executive, management and risk-focused committees.

Set out below is an overview of the Company's policies for the management of significant operational and financial risks. More detailed qualitative and quantitative disclosures about the Company's management of and exposure to financial risks are included in note 20 to the financial statements.

Operational Risk

Operational risk refers to the risk of loss or damage to the Company's reputation resulting from inadequate or failed processes or systems, from human factors or 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. The scope also includes oversight of technology risk, cybersecurity risk, information security risk, and third party risk management (supplier and affiliate risk).

The Company has established an operational risk framework to identify, measure, monitor and control risk across the Company. This framework is consistent with the framework established by the Morgan Stanley Group and includes escalation to the Company's Board and appropriate senior management personnel. The framework is continually evolving to reflect changes in the Company and to respond to the changing regulatory and business environment.

The Company has implemented operational risk data and assessment systems to monitor and analyse internal and external operational risk events, to assess business environment and internal control factors and to perform scenario analysis. The collected data elements are incorporated into the operational risk capital model. The model encompasses both qualitative and quantitative elements. Internal loss data and scenario analysis results are direct inputs to the capital model, while external operational incidents, business environment and internal control factors are evaluated as part of the scenario analysis process.

In addition, the Company employs a variety of risk processes and mitigants to manage its operational risk exposures. These include a governance framework, comprehensive risk management programme and insurance. Operational risks and associated risk exposures are assessed relative to the risk appetite established by the Company's Board of Directors and are prioritised accordingly.

The breadth and variety of operational risks are such that the types of mitigating activities are wide-ranging. Examples of such activities include continuous enhancement of defences against cyber-attacks; use of legal agreements and contracts to transfer and/or limit operational risk exposures; due diligence; implementation of enhanced policies and procedures; exception management processing controls; and segregation of duties.

The Operational Risk Management Framework requires, among other things, the proper recording and verification of a large number of transactions and events as set out in the policies and procedures.

Primary responsibility for the management of operational risk is with the business segments, control groups and the business managers therein. The business managers maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. The business unit has a designated operational risk coordinator. The operational risk coordinator regularly reviews operational risk issues and reports to the Company's senior management. Each control group also has a designated operational risk coordinator and a forum for discussing operational risk matters with the Company's senior management. Oversight of operational risk is provided by the Operational Risk Oversight Committee, regional risk committees and senior management. In the event of a merger; joint venture; divestiture; reorganisation; or creation of a new legal entity, a new product or a business activity, operational risks are considered, and any necessary changes in processes or controls are implemented.

The Operational Risk Department provides independent oversight of operational risk and assesses, measures and monitors operational risk against appetite. The Operational Risk Department works with the business divisions and control groups to help ensure a transparent, consistent and comprehensive framework for managing operational risk within each area and across the Company.

The Operational Risk Department's scope includes oversight of technology risk, cybersecurity risk, information security risk, the fraud risk management and prevention programme and the third party risk management (supplier and affiliate risk oversight and assessment) programme. Furthermore, the Operational Risk Department supports the collection and reporting of operational risk incidents and the execution of operational risk assessments; provides the infrastructure needed for risk measurement and risk management; and ensures ongoing validation and verification of the Company's advanced measurement approach for operational risk capital.

The Company's critical processes and businesses could be disrupted by events including cyber attacks, failure or loss of access to technology and/or associated data, military conflicts, acts of terror, natural disasters, severe weather events and infectious disease. The Company maintains a resilience programme designed to provide for operational resilience and enable it to respond to and recover critical processes and supporting assets in the event of a disruption impacting the Company's people, technology, facilities and third parties. The key elements of the Company's resilience programme include business continuity and technical recovery planning, and testing both internally and with critical third parties to validate recovery capability in accordance with business requirements. Business units within the Morgan Stanley Group maintain business continuity plans, including identifying processes and strategies to continue business critical processes during a business continuity incident. The business units also test the documented preparation to provide a reasonable expectation that, during a business continuity incident, the business unit will be able to continue its critical business processes and limit the impact of the incident to the Morgan Stanley Group and its clients. Technical recovery plans are maintained for critical technology assets and detail the steps to be implemented to recover from a disruption impacting the assets' primary location. Disaster recovery testing is performed to validate the recovery capability of these critical technology assets.

In connection with its ongoing operations, the Company utilises third-party suppliers, and it anticipates that such usage will continue and may increase in the future. These services include, for example, outsourced processing and support functions and consulting and other professional services. The Company's risk-based approach to managing exposure to these services includes the execution of due diligence, implementation of service level and other contractual agreements, consideration of operational risk and ongoing monitoring of third-party suppliers' performance. The Company maintains a third-party risk programme which is designed to align with its risk appetite and meet regulatory requirements. The programme includes governance, policies and procedures, and enabling technology. The third-party risk programme includes the adoption of appropriate risk management controls and practices throughout the third-party management lifecycle to manage risk of service failure, risk of data loss and reputational risk, among others.

Cyber and Information Security Risk Management

The MSI Group maintains a programme that oversees its cyber and information security risks and is designed to address regulatory requirements. Cybersecurity and information security policies, procedures and technologies are designed to protect the MSI Group's information assets against unauthorised disclosure, modification or misuse. These policies cover a broad range of areas, including: identification of internal and external threats, access control, data security, protective controls, detection of malicious or unauthorised activity, incident response and recovery planning.

A cyber attack, an information or security breach could adversely affect the Company's ability to conduct its business, manage exposure to risk, or result in the disclosure or misuse of confidential or proprietary information and otherwise adversely impact results of operations, liquidity and financial condition, as well as cause reputational harm.

Investment Risk

Investment risk is the risk of returns deviating from an expected outcome. Morgan Stanley Investment Management ("MSIM") Risk Management performs independent oversight of clients' investment risk in funds and separately managed accounts. The goal is not to eliminate risk in the clients' portfolios but, as a fiduciary, to ensure risk is consistent with objectives stated in the fund offering documents and investment management agreements. Risk is measured and monitored relative to a fund/account's:

- Prescribed risk targets/limits;
- Defined benchmark, if appropriate;
- Unique guidelines and constraints;
- Regulatory rules and limits.

A variety of metrics can be used to measure and monitor investment risk in absolute or benchmark-relative terms. While no single metric represents a comprehensive measure of risk, the use of several different metrics can offer different perspectives into the overall risk in a portfolio. Depending on the investment strategy, investment risk metrics may include the following:

- Exposures to industries, countries, and fundamental/economic factors;
- Measures of leverage and derivatives usage;
- Value-at-Risk (VaR, Tracking Error, and other volatility metrics);
- Stress testing and scenario analysis results.

Where stress testing and scenario analysis is performed, the criteria applicable to an investment product shall be determined by global risk and analysis, based on the characteristics of its investment strategy, risk tolerance and investment needs of its clients, current market conditions, and all other relevant regulatory requirements. Stress tests and scenarios shall seek to evaluate the performance and risk impact to an investment product under various shocks and hypothetical market risk events. Comprehensive reporting of investment risk is performed regularly. Many portfolios are risk measured daily and most portfolios are risk measured at least monthly. Custom or ad hoc analysis is performed when necessary or when conditions demand more frequent monitoring. Risk data is summarised into commentaries for client reports, investment teams, senior management, Fund Boards and regulators, as appropriate. Risks are reviewed with portfolio managers and escalated as necessary to senior management.

The investment management risk committee, and its investment subcommittees and regional subcommittees, provide primary governance oversight of investment risk management.

Asset Management Revenue Sensitivity

Certain asset management revenues in Investment Management are derived from management fees, which are based on AUM. The assets underlying client holdings are primarily composed of equity, fixed income and alternative investments and are sensitive to changes in related markets. The overall level of these revenues depends on multiple factors that include, but are not limited to, the level and duration of a market increase or decline, price volatility, the geographic and industry mix of client assets, and client behavior such as the rate and magnitude of client investments and redemptions. Therefore, overall revenues do not correlate completely with changes in the related markets.

Conduct Risk

Conduct risk is defined as the risk arising from misconduct by individual employees or contingent workers (collectively, "Covered Persons") or groups of Covered Persons, or the risk arising from conduct by Morgan Stanley where the outcome has an adverse impact on clients, markets or the Morgan Stanley Group's reputation. Conduct includes both intentional and unintentional behaviours.

The Company, as part of the MSI Group, has an approved global conduct risk management policy and an EMEA and MSI Group Conduct Risk Management Supplement. These documents cover the two main strands of Morgan Stanley's conduct risk management, as well as setting out roles and responsibilities in relation to conduct risk management including key support and governance mechanisms:

i) Managing the risk associated with misconduct by Covered Persons relating to:

- Business activities and obligations ("Business Conduct");
- "HR or Personal Conduct", defined as misconduct relating to employee relations, such as misconduct relating to the work environment, working relationships, compensation, or performance management, or in relation to any allegation of retaliation, or other detrimental treatment by the Morgan Stanley Group or violations of discrimination and harassment policies; or

ii) Managing the risk arising from conduct by Morgan Stanley where the outcome is an adverse impact on clients or markets ("Firm Conduct Risk").

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, limitations on our business, 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 the Company's business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. 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 MSI 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.

The Company has also established procedures that are designed to facilitate compliance with regulatory rules that apply to the Company's investment management activities, such as those contained within the Undertakings for the Collective Investment in Transferable Securities ("UCITS") directives, and contractual investment guidelines that may be agreed with clients.

The heightened legal and regulatory focus on the financial services and asset management industries globally continues to present a business challenge for the Company.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

The market risk management policies and procedures for the Company are in place to ensure that investment strategies are in line with investment objectives, which are set out at a product and strategy level. The Company is not directly exposed to the market risk of funds managed, as it does not normally hold any equity interest in these funds. The policies and procedures include escalation to the Company's Board of Directors and appropriate senior management personnel and are consistent with those of the MSI Group.

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. The Company primarily incurs credit risk exposure through its investment management activities to third party debtors, other Morgan Stanley Group undertakings and credit institutions where the Company holds operating or surplus cash.

The Company follows the MSIM counterparty risk policy which sets forth the broad principles that serve as the foundation for managing counterparty risk for all investment management business globally. The objective of the policy is to avoid or mitigate risk of loss arising from the default or inability of a counterparty to meet its financial obligations.

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 also encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its 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.

Climate and Environmental Risk

Environmental risk may include impacts to biodiversity, pollution of land, water or air, climate change, deforestation and forest degradation, and other significant negative impacts on the environment as a result of human activities. Within environmental risk, the risks arising from climate change are a particular area of focus.

The Morgan Stanley Group divides climate and environmental risks into two main categories: transition risks and physical risks.

- Transition Risks: Transitioning to a low-carbon and more environmentally sustainable economy will entail extensive regulatory, policy, legal, technology and market initiatives as society adapts to climate change, mitigates its causes and promotes a more sustainable environment. Depending on the nature, speed and focus of these changes, transition risks may pose varying types and levels of financial and reputational risk to businesses and other organisations.
- Physical Risks: These risks include both acute physical events such as flooding, and chronic physical risks related to longer-term

shifts in climate patterns such as more frequent and prolonged drought and progressive shifts like biodiversity loss, land use change, habitat destruction and resource scarcity. Financial implications for organisations can range from direct damage to assets to indirect impacts from supply chain disruption, driven by factors such as changes in water availability, food security and agricultural productivity. Extreme temperature changes may affect an organisation's physical locations, operations, supply chain, transport needs and employee safety.

In addition, the Company may be exposed to litigation risk or reputational risk losses arising from reliance on statements or representations in relation to ESG matters which are later discovered to be incorrect or misleading.

Environmental risk is managed by integrating climate change and other environmental considerations into the MSI Group Risk Framework as drivers of credit, market, operational, and liquidity risks. Climate and environmental risks are also integrated into policies and procedures. The Framework continues to be developed to meet the requirements set out in new and evolving regulations.

The primary Transition Risk for the Company is ensuring compliance with sustainability-related regulation, primarily the Sustainable Finance Disclosure Regulation ("SFDR") in the EU. For funds that include environmental, social and governance ("ESG") related guidelines or consider ESG characteristics of issuers, the Company has a control environment in place to ensure portfolios operate within their objectives and guidelines on a pre and post-trade basis. In addition, there is an independent risk process to monitor adherence to objectives and guidelines such as carbon emissions targets and sector exclusions.

Sustainability

Sustainable Investing

Sustainable investing is a major investment theme currently shaping the finance sector. Morgan Stanley views the effective management of ESG/sustainability factors as a core component of its business strategy as such factors can be material contributors to risk mitigation and long-term investment returns. Morgan Stanley recognises the need to develop a robust approach to sustainability across its organisation and has established the appropriate governance systems, risk management and controls to support its intention to integrate sustainability considerations across its business. The Company has a dedicated Sustainability team that is responsible for implementing sustainability business efforts and governance processes, supporting and working with investment teams on ESG data and technology and enhancements to their ESG integration practices, helping to launch sustainable funds, supporting on engagement and stewardship initiatives, and advising clients on sustainability matters. The team also helps to produce sustainability data, tools and research to support investment teams. Additionally, each of the largest investment teams or asset class platforms has appointed at least one dedicated sustainable investing/ESG research specialist to co-ordinate and support this work for the relevant group. The Company's sustainable investing efforts are also supported by Morgan Stanley's decade-plus commitment to sustainable finance and firm-level resources such as the Global Sustainability Office, which serve as expert resources and partners on innovation, knowledge sharing and thought leadership across the Morgan Stanley Group.

Morgan Stanley's commitment to sustainable investing is expressed in three key ways:

- *Stewardship and engagement:* Investment teams employ the shareholder rights and stakeholder influence that Morgan Stanley exercises on behalf of its clients to encourage, where relevant, strong ESG practices with issuers, borrowers and counterparties;

- *ESG integration across all asset classes:* Thoughtful consideration of material ESG factors may be integrated as appropriate for certain investment strategies, asset classes and client needs.
- *Sustainable investing solutions:* Providing clients with investment solutions that are aligned with their returns objectives alongside their sustainability preferences and needs.

A more detailed overview of Morgan Stanley's approach to sustainable investing across both public and private markets investment teams is outlined in the Firm's Sustainable Investing policy, which can be accessed at:

https://www.morganstanley.com/im/publication/resources/sustainable_investing_policy_us.pdf

Portfolio Management Climate-related Disclosures

In the UK, FCA Policy Statement 21/24 has introduced from 1 January 2022 required annual disclosures consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") at both the entity level and product or portfolio level. First reporting in respect of the year ended 31 December 2022 is due by 30 June 2023 and will be available in the relevant product and Sustainable Investing sections of the Morgan Stanley website, and for separate accounts can be requested on-demand by clients who have a legal or regulatory requirement to receive them.

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency

The Company manages the financial risks from climate change in line with the Morgan Stanley Group strategy as articulated in the Climate Report. The report is guided by the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and is available at:

https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Morgan_Stanley_2021_Climate_Report.pdf.

Central to Morgan Stanley's strategy is the commitment, announced in September 2020, to reach net-zero financed emissions by 2050.

Morgan Stanley sets global targets that are focused on climate, resource management and supply chain. As part of Morgan Stanley's global commitment to a 25% reduction in energy consumption, Morgan Stanley has implemented a number of initiatives in the UK which are relevant to the Company including:

- Continual assessment of plant and equipment run-times with operational requirements;
- Replacement of lighting and control systems with energy efficient alternatives (LED);
- Upgrade of air condition and ventilation control systems with energy efficient alternatives;
- Ongoing provision of energy and environmental and energy awareness training to vendors and staff.

The following table sets out the Company's carbon emissions of the energy sources from its UK locations as required under the Companies Act 2006. Emissions have been calculated in line with the Green House Gas Protocol Corporate Accounting and Reporting Standard (revised edition) using emission factors from the Department of Business, Energy & Industrial Strategy (Greenhouse gas reporting: conversion factors for 2022), the Department for Environment, Food & Rural Affairs (Table 13 – Indirect Emissions from the supply chain, March 2014) and the US EPA Center for Climate Leadership (Emission Factor Hub, April 2021).

In line with the Morgan Stanley Group's organisational structure, properties are primarily leased by service entity subsidiaries of the Morgan Stanley Group. The service entities recharge property and travel costs to the Company reflecting its usage. Total scope 1 and scope 2 emissions reported relate to the Company's usage of UK properties only. Scope 3 emissions relate to the Company's share of UK employee business travel only. This disclosure is a subset of the emissions reported in the financial statements of Morgan Stanley's UK service entities - Morgan Stanley UK Limited ("MSUKL") and Morgan Stanley UK Group Limited, both of which are subsidiaries of the MSI Group. Emissions reported exclude any emissions relating to employees working from home as such emissions cannot be quantified reliably.

The table below represents the Company's share of the UK's carbon emissions for the year ended 31 December 2022 and 31 December 2021:

	2022		2021	
*Energy consumption used to calculate emissions in kWh**	4,849,977		5,131,622	
	CO2e Tonnes**		CO2e Tonnes**	
	Location based	Market based	Location based	Market based
Emission source				
Scope 1 – combustion of fuel and operation of facilities	35	35	48	48
Scope 2 – Electricity, heat, steam and cooling purchased for own use***	902	138	1,038	119
Total scope 1 and scope 2	**937**	**173**	**1,086**	**167**
Scope 3 – Commercial air and ground transportation	331	331	63	63
Scope 3 – Employee expensed car mileage	2	2	1	1
Total emissions	**1,270**	**506**	**1,150**	**231**
Intensity ratio (tCO2e/SQM)****	0.1326	0.0245	0.1492	0.0229

* Energy consumption includes Scope 1, 2 and Scope 3 - Employee expensed car mileage only
** Tonnes of carbon dioxide equivalent
*** The prior period Scope 2 market-based emissions have been revised to be based on residual emissions where the Morgan Stanley Group's UK service entities occupy space in multi-tenanted buildings (see below)
**** Tonnes of CO2e per square metre of UK real estate (Scope 1 and 2 emissions only)

The Company has chosen to report both location-based and market-based emissions for scope 2. The location-based emissions reflect the average emissions of the grid where the energy consumption occurs and is calculated using the government-published UK electricity grid average factors. Where energy can be directly procured from energy suppliers, the Morgan Stanley Group's UK service entities have entered into contractual arrangements to purchase 100% renewable electricity, backed by renewable energy guarantee of origin certificates, as such, the Company can report a reduced emission figure based on the specific electricity purchased under the market-based method. In locations where the Morgan Stanley Group UK service entities occupy space within multi-tenanted buildings, for which renewable energy and associated renewable energy attributes are procured and reported by others, market-based emissions have been calculataed using the residual emissions factors.

Total energy consumption for 2022 decreased by 10% from 2021, driven by lower leasehold premises gas and electricity consumption. Scope 1 and 2 location-based emissions for 2022 decreased by 14% from 2021 due to lower consumption and as a result of UK grid electricity conversion factors reducing due to lower UK coal generation, and higher renewable and nuclear generation. Scope 3 location-based emissions increased by 428% due to higher demand for business travel following the end of COVID-19 health restrictions in 2022.

The intensity ratio is calculated using square metre ("SQM") of UK real estate. This is considered most appropriate as the Company and other service entity subsidiaries of the Morgan Stanley Group recharge property costs to Morgan Stanley affiliates using SQM reflecting their usage. In addition, the Morgan Stanley Group manages its carbon emissions using this metric.

An independent third party provided limited assurance of the reported energy and emissions data for 2021 and will do so for 2022 data as part of the Morgan Stanley's global greenhouse gas inventory management process later in 2023. To Morgan Stanley's knowledge there are no material omissions or misstatements reported herein.

Further information about Morgan Stanley's sustainable initiatives, including the sustainability report, is available at:

www.morganstanley.com/about-us/sustainability-at-morgan-stanley.

The Morgan Stanley Group's Sustainability Report focuses on investor-relevant ESG topics and goals in line with the Sustainability Accounting Standards Board ("SASB") standards for Investment Banking, Asset Management and Commercial Banking guide. This is available at

https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Morgan_Stanley_2021_Sustainability_Report.pdf

The Climate Report and Sustainability Report for 2022 will be published later in the year.

The Morgan Stanley Group's most recent CDP ("Carbon Disclosure Project") Climate Change questionnaire is available at https://www.morganstanley.com/about-us/sustainability-reports-research.

Stakeholder Engagement and Section 172(1) Statement

Directors of the Company are required to act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in so doing have regard, among other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the employees;
- The need to foster the business relationships with suppliers, customers and others;
- The impact of the operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

To assist them in discharging their duty under s172 Companies Act 2006, Directors undertake a number of stakeholder engagement activities to provide them with the information they need to understand the views and interests of stakeholders. This information helps Directors to have regard to stakeholder interests, and the likely long-term consequences, including to the reputation, when making decisions. The Company's key stakeholders were considered in 2022, and are listed below with examples of the stakeholder engagement activities that took place in 2022.

Employees

During 2022, a number of Directors continued a program of "open door" sessions at which MSI Group employees, including those working in the MSIM business and the Company, were encouraged to ask questions about the Company's business, its strategy, performance, current initiatives and the role of the Board. In 2022 the Board has continued to focus on diversity among employees working in the business, including bi-annual updates on the MSIM Diversity Focus Committee and Culture and Conduct.

Suppliers

During the year, the Board received regular information on key suppliers to the Company as part of its quarterly update on the performance of third party vendors. The Board received reports on the risks associated with key supplier relationships, with a particular focus on operational resiliency and outsourcing. These updates provided the Board with insights into how these risks are managed as part of key supplier relationships.

Clients

Throughout the year, the Board received regular updates on the fund product range and product governance. These reports provided insights into client behaviour, focus areas and concerns and have driven management actions to address them, including a focus on sustainability.

The Board considered the scope and impact of the FCA's new Consumer Duty regulation (the "Consumer Duty") on the Company, which comprises a set of new rules requiring firms to focus on providing good outcomes to consumers.

Community and Environment

Morgan Stanley is committed to giving back to the communities in which it operates through a range of philanthropic programs.

In 2022, following a two-year hiatus, Morgan Stanley's traditional Global Volunteer Month returned, engaging over 41,000 Morgan Stanley employees across all offices globally. As part of this, Morgan Stanley employees dedicated 211,550 volunteer hours to support local community organisations where they live and work. In the UK, 70% of Morgan Stanley employees were involved. In EMEA, the Morgan Stanley International Foundation granted over £1.6 million to 23 charities focused on the fundamentals of children's health and education. Morgan Stanley employees in offices across EMEA nominate charity partners, raising funds over a two year period, supported by the Morgan Stanley International Foundation. In October 2021, London Morgan Stanley employees nominated the Felix Project as their new charity partner for two years, aiming to raise over £1 million to enable the charity to collect surplus food and distribute 75 million meals to hundreds of charities, schools and community groups in East London. By 31 December 2022, over £600,000 had been raised.

MSIM is well positioned to participate in market opportunities to provide a wide range of investment solutions across the sustainable and responsible investing segment to clients. During the year there has been particular focus on reviewing and where appropriate classifying sub-funds, in particular within the Morgan Stanley Investment Funds range, under the EU Sustainable Finance Disclosure Regulation ("SFDR") as SFDR Article 9 products with sustainable investment objectives and SFDR Article 8 products that promote environmental and social characteristics. For products that meet the criteria of Article 8 and Article 9 of the EU SFDR, the Company has enhanced their Pre-Contractual Disclosures in line with the expectation of the Level II Regulatory Technical Standards of SFDR.

Regulators

During the year, the Board received regular updates on interactions with the Company's key regulator and the regulators of its funds, including the FCA, Commission de Surveillance du Secteur Financier and Central Bank of Ireland.

Investors

The Company is a wholly owned subsidiary of the MSI Group. The Chair of the Board of Directors is a member of the MSI Board of Directors and the Chief Executive Officer ("CEO") of the Company is a member of the EMEA Operating Committee. Through these appointments, the Chair and CEO of the Company are able to provide the Board with insights on MSI views and priorities.

Making Decisions

When making decisions, the Board considers the insights obtained through relevant stakeholder engagement activities as well as the need to maintain a reputation for high standards of business conduct and the long-term consequences of its decisions. Principal decisions taken by the Board in 2022 included approval of the Company's implementation plans for the Consumer Duty, and annual approvals, including the Company's 2021 Internal Capital and Risk Assessment.

Approved by the Board of Directors and signed on its behalf by

DocuSigned by:

Ruairi O'Healai

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R O'Healai

Director

21 April 2023

The Directors present their report and financial statements (which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, and the related notes 1 to 25) for the Company for the year ended 31 December 2022.

Results and Dividends

The profit for the year, after tax, was $105 million (2021: $250 million).

During the year, the Company paid a dividend of $245 million (2021: $246 million).

Regulation, Risk Management and Future Developments

Information regarding regulation, risk management and future developments has been included in the Strategic Report.

Stakeholder Relationships and Engagement

Details of engagement activities undertaken by the Board of Directors in 2022 with suppliers, clients and other stakeholders and how they inform decision making are provided in the s172(1) Statement in the Strategic Report.

IFPR Public Disclosures and Country-by-Country Reporting

IFPR sets out a number of public disclosure requirements ("IFPR Public Disclosures").

The IFPR Public Disclosures will be made available on the Morgan Stanley website at https://www.morganstanley.com/investorrelations

The Company is also included in the MSI consolidated disclosure to comply with the provisions of Statutory Instrument 2013 No. 3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implements in the UK the requirements set out in Article 89 of the Capital Requirement Directive (Directive 2013/36/EU). Country-by-Country Reporting for the MSI Group for the year ended 31 December 2022 will be made available on the Morgan Stanley website at

https://www.morganstanley.com/investorrelations

Directors

The following Directors held office throughout the year and to the date of approval of this report (except where otherwise shown):

T L Duhon	(Chair)
D E M Best	
D J Hosie	(resigned 22 January 2022)
F C Kelly	
R A Lockwood	
R O'Healai	
Z V W Parish	(appointed 16 March 2022)

Directors' and Officers' Liability Insurance

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

Directors' Indemnity

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) 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.

Audit Committee and Risk Committee

MSI, the Company's ultimate UK parent undertaking, has appointed the MSI Audit Committee and Risk Committee to assist and provide guidance to the Boards of MSI, the Company and other MSI Group regulated subsidiary undertakings in in monitoring, among other things, internal controls, compliance, and external financial reporting obligations. The MSI Audit and Risk Committees meet regularly and report each to the MSI Group Board of Directors on a quarterly basis. The Audit Committee and Risk committee meet on a semi-annual basis to focus on the Company and the investment management business in EMEA.

Going Concern

Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Company. Retaining sufficient capital and liquidity to withstand these market pressures remains central to the Company's strategy. In particular, the Company's capital and liquidity is deemed sufficient to exceed regulatory minimums under both a normal and in a stressed market environment. The effect of relevant macroeconomic scenarios on the business of the Company have been considered as part of the going concern analysis, including impact on operational capacity, access to capital and liquidity, contractual obligations, asset valuations and other critical accounting judgements and key sources of estimation uncertainty. 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.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and, under Sections 485 to 488 of the Companies Act 2006, will be deemed to be re-appointed.

Statement as to Disclosure of Information to the Auditor

Each of the persons who are Directors of the Company at the date when this report is approved confirms that:

- So far as each of the Directors is aware, there is no relevant audit information (being information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK Accounting Standards, including 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 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 of Directors and signed on its behalf by

DocuSigned by:

Ruairi O'Healai

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R O'Healai
Director
21 April 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

Report on Audit of the Financial Statements

Opinion

In our opinion the financial statements of Morgan Stanley Investment Management Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income statement;
- the Statement of comprehensive income;
- the Statement of changes in equity;
- the Statement of financial position; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's obligations under the Financial Conduct Authority (FCA) Handbook and regulatory capital requirements.

We discussed among the audit engagement team including relevant internal specialists such as tax, IT and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and other regulatory authorities including the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

Report on Other Legal and Regulatory Requirements

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which We are Required to Report by Exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of Our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Andrew Partridge

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Andrew Partridge (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Glasgow, United Kingdom

21 April 2023

MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED
INCOME STATEMENT
Year ended 31 December 2022

in $'000	Note	2022	2021
Fee and commission income	4	975,163	1,341,907
Other revenue	5	(1,917)	3,705
Interest income		7,241	4,561
Interest expense		(1,291)	(1,827)
Net interest income		5,950	2,734
Net revenues		**979,196**	**1,348,346**
Non-interest expense:			
Operating expense	6	(850,462)	(1,060,620)
PROFIT BEFORE TAX		**128,734**	**287,726**
Income tax expense	7	(23,242)	(37,610)
PROFIT FOR THE YEAR		**105,492**	**250,116**

All operations were continuing in the current and prior year.

The notes on pages 28 to 44 form an integral part of the financial statements.

MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

in $'000	2022	2021
PROFIT FOR THE YEAR	**105,492**	**250,116**
Items that may be reclassified subsequently to profit or loss:		
Currency translation reserve:		
Foreign currency translation differences arising on foreign operations	(1,188)	(1,105)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	**(1,188)**	**(1,105)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**104,304**	**249,011**

The notes on pages 28 to 44 form an integral part of the financial statements.

MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

in $'000	2022	2021
Share capital – at 1 January and 31 December	**1,000**	**1,000**
Currency translation reserve - at 1 January	**(1,193)**	**(88)**
Foreign currency translation differences arising on foreign operations	(1,188)	(1,105)
Currency translation reserve - at 31 December	**(2,381)**	**(1,193)**
Retained earnings - at 1 January	**415,874**	**411,758**
Profit for the year	105,492	250,116
Dividends	(245,000)	(246,000)
Retained earnings - at 31 December	**276,366**	**415,874**
Total equity at 31 December	**274,985**	**415,681**

The notes on pages 28 to 44 form an integral part of the financial statements.

MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

Registered number: 01981121

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

in $'000	Note	2022	2021
ASSETS			
Cash and short-term deposits		267,944	167,717
Loans and advances	9	210,131	302,803
Investment securities		4	4
Trade and other receivables	10	111,836	175,106
Current tax assets		89	95
Deferred tax assets	15	10	10
Other assets	11	86,943	116,409
Property, plant and equipment		234	560
TOTAL ASSETS		**677,191**	**762,704**
LIABILITIES			
Trade and other payables	13	189,617	105,682
Debt and other borrowings	14	58,959	57,776
Provisions		143	136
Current tax liabilities		56,187	38,149
Other liabilities		97,300	145,281
TOTAL LIABILITIES		**402,206**	**347,023**
EQUITY			
Share capital	16	1,000	1,000
Currency translation reserve	16	(2,381)	(1,193)
Retained earnings		276,366	415,874
TOTAL EQUITY		**274,985**	**415,681**
TOTAL LIABILITIES AND EQUITY		**677,191**	**762,704**

These financial statements were approved by the Board of Directors and authorised for issue on 20 April 2023.

Signed on behalf of the Board of Directors

DocuSigned by:

Ruairi O'Healai

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R O'Healai

Director

The notes on pages 28 to 44 form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is incorporated and domiciled in England and Wales, UK, at the following registered address: 25 Cabot Square, Canary Wharf, London, E14 4QA. The Company is a private company and is limited by shares. The registered number of the Company is 01981121.

The Company's immediate parent undertaking is Morgan Stanley Investments (UK) ("MSIUK") which 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 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. Morgan Stanley 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

a. Statement of Compliance

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 101.

The Company meets the definition of a qualifying entity and is a financial institution as defined in Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100"). The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payments, fair value measurement (as applicable to assets and liabilities other than financial instruments), revenue from contracts with customers, presentation of comparative information in respect of certain assets and shares outstanding, presentation of a cash-flow statement, accounting standards not yet adopted, related party transactions and leases.

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 in note 1 'Corporate information'.

b. New Standards and Interpretations Adopted During the Year

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

As part of the 2018-2020 Annual Improvements Cycle published in May 2020, the IASB made an amendment to IFRS 9 'Financial instruments', relating to the treatment of fees in the assessment of whether financial liabilities are modified or exchanged, where such transactions occur on or after 1 January 2022. The amendments were adopted by the UK in April 2022.

There were no other standards, amendments to standards or interpretations relevant to the Company's operations which were adopted during the year.

c. Basis of Measurement

The financial statements of the Company are prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value as explained in the accounting policies below, and in accordance with applicable UK accounting standards including, FRS 101, and UK company law.

d. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In preparing the financial statements, the Company considers judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Company's accounting policies, other than those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty represent assumptions and estimations made by management that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The critical judgement in applying the Company's accounting policies is the consolidation of structured entities. The Company determines whether it controls, and therefore should consolidate a structured entity upon its initial involvement and reassesses on an ongoing basis for as long as it has any continuing involvement with the structured entity. See note 12 'Interests in structured entities'.

There are no 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 Company evaluates the critical accounting judgements and accounting estimates on an ongoing basis and believes that these are reasonable.

e. The Going Concern Assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, and the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk, are reflected in the Strategic Report, and as set out in the Strategic Report, retaining sufficient capital and liquidity to withstand market pressures remains central to the Morgan Stanley Group's and the Company's strategy.

Taking the above factors into consideration, the Directors believe 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 US dollars, the currency of the primary economic environment in which the Company operates.

All currency amounts in the financial statements and Strategic and Directors' report are rounded to the nearest thousand US dollars (unless otherwise stated).

b. Foreign Currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the reporting date. Transactions and non-monetary assets and liabilities denominated in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions.

Assets and liabilities of foreign operations are translated into US dollars using the closing rate method. Translation differences arising from the net investments in the foreign operations are taken to the currency translation reserve. All other translation differences are taken through the Income statement. Exchange differences recognised in the Income statement are presented in 'Other revenue' or 'Operating expense', except where noted in note 3(c) below.

On disposal of a foreign operation, the related cumulative gain or loss in the 'Currency translation reserve' attributable to the owners of the Company is reclassified to the Income statement and recorded within 'Gain/(loss) on disposal of branch.

c. Financial Instruments

Financial Assets and Financial Liabilities at Amortised Cost

Financial assets are recognised at amortised cost when the Company's business model objective is to collect the contractual cash flows of the assets and where these cash flows are solely payments of principal and interest on the principal amount outstanding until maturity. Such assets are recognised when the Company becomes a party to the contractual provisions of the instrument. The instruments are initially measured at fair value and subsequently measured at amortised cost less expected credit loss ("ECL") allowance. Interest is recognised in the Income statement in 'Interest income', using the effective interest rate ("EIR") method as described below. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value on initial recognition. ECL and reversals thereof are recognised in the Income statement in 'Operating expense'.

Financial liabilities 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. Interest is recognised in the Income statement in 'Interest expense' using the EIR methods described below. Transaction costs that are directly attributable to the issue of a financial liability are deducted from the fair value on initial recognition.

The EIR method is a method of calculating the amortised cost of a financial instrument (or a group of financial instruments) and of allocating the interest income or interest expense over the expected life of the financial instrument. The EIR is the rate that exactly discounts the estimated future cash payments and receipts over the expected life of the financial instrument (or, where appropriate a shorter period) to the carrying amount of the financial instrument. The EIR is established on initial recognition of the financial instrument. The calculation of the EIR includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the EIR.

d. Derecognition of Financial Assets and Liabilities

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.

If the asset has been transferred and the Company neither transfers nor retains substantially all of the risks and rewards of the asset, then the Company determines whether it has retained control of the asset.

If the Company has retained control of the asset, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Company has not retained control of the asset, it derecognises the asset and separately recognises any rights or obligations created or retained in the transfer.

The renegotiation or modification of the contractual cash flows of a financial instrument can lead to derecognition where the modification is "substantial", determined by qualitative assessment of whether the revised contractual terms of a financial instrument, such as a loan, are significantly different from those of the original financial instrument. In the event that the qualitative assessment is unclear, a quantitative 10% cash flow test is performed.

Where modifications do not result in derecognition of the financial instrument, the gross carrying amount of the financial instrument is recalculated and a modification gain/ (loss) is recognised in the Income statement in 'Other revenue'.

The Company derecognises financial liabilities when the Company's obligations are discharged or cancelled or when they expire.

e. Impairment of Financial Instruments

The Company recognises loss allowances for ECL for financial assets measured at amortised cost. For financial assets, ECLs are the present value of cash shortfalls (i.e. the difference between contractual and expected cash flows) over the expected life of the financial instrument, discounted at the asset's EIR.

When assessing significant increase in credit risk ("SICR"), the Company considers both quantitative and qualitative information and analysis based on the Company's historical experience and expert credit risk assessment, including forward-looking information.

Where there is a history of no credit losses, and where this is expected to persist into the future for structural or other reasons, such as credit enhancements, it may be determined that the ECL for a financial instrument is de minimis (highly immaterial) and recognition of the ECL may not be necessary.

The Company measures ECL on an individual asset basis and has no purchased or originated credit-impaired financial assets.

ECL is recognised in the Income statement within 'Operating expense'. ECL on financial assets measured at amortised cost are presented as an ECL allowance reducing the net carrying amount on the face of the Statement of financial position.

f. Revenue Recognition and Contract Assets and Liabilities

Fees and commissions classified within 'Fee and commission income' in the Income statement include investment management, distribution, administration, performance and sub-advisory fees. These are generally recognised when services are performed and the fees become known, except for performance fees as noted below:

- Investment management fees are primarily based on pre-determined percentages of the market value of AUM.
- Distribution fees are received on certain funds managed by the Company and are primarily priced at pre-determined percentages, dependent on share class.
- Administration fees are received on certain funds managed by the Company to reimburse any costs, charges, fees and expenses incurred in relation to the administration of the funds. These are primarily priced at pre-determined fixed percentages.
- Performance fees are received from certain investment products. These are earned upon exceeding specified relative and/ or absolute investment return thresholds. Performance fees are recognised only when the performance obligation is satisfied, upon completion of the measurement period, which varies by product or account, and could be monthly, quarterly, annually or longer.
- Sub-advisory revenues in respect of investment management services are received from other Morgan Stanley Group undertakings and represent various fee types where another Morgan Stanley Group undertaking is designated as the initial contracted entity but the Company is the sub-contracted entity. The Company receives a portion of the revenue on an arm's length basis.

Other items

Receivables from contracts with customers are recognised within 'Trade and other receivables' in the Statement of financial position when the underlying performance obligations have been satisfied and the Company has the right per the contract to bill the customer. Contract assets are recognised when the Company has satisfied its performance obligations and customer payment is conditional, and are presented within 'Other assets'. Contract liabilities are recognised when the Company has collected payment from a customer based on the terms of the contract, but the underlying performance obligations are not yet satisfied, and are presented within 'Other liabilities'.

Incremental costs to obtain the contract are expensed as incurred if the contract duration is one year or less. Revenues are not discounted when payment is expected within one year.

g. Fee and Commission Expense

Fees and commissions classified within 'Operating expense' in the Income statement include fee sharing and distribution expenses.

Fee sharing expenses are primarily based on specified percentages of the management fees received, dependent on share class, and are recognised as the services are performed.

Distribution expenses are based on the distribution fees received and are recognised either as the services are performed or across a number of years, dependent on fee type.

h. Impairment of Non-Financial Assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Such impairment losses are recognised in the Income statement within 'Operating expense' and are recognised against the carrying amount of the impaired asset on the Statement of financial position. Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

i. Income Tax Expense

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is calculated based on taxable profit for the year. Taxable profit may differ from profit before taxation as reported in the Income statement because it excludes items of income or expense that are taxable or deductible in other years and 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. Current tax is charged or credited in the Income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the current tax is also recorded within other comprehensive income or equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and limited to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is reflected within other comprehensive income or equity, respectively.

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and current tax liabilities on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and current tax liabilities on a net basis.

j. Employee Compensation Plans

i) Equity-Settled Share-Based Compensation Plans

Morgan Stanley issues awards in the form of restricted stock units ("RSUs") to employees of the Morgan Stanley Group for services rendered to the Company. Awards are equity-settled and the cost of the equity-based transactions with employees is measured based on the fair value of the equity instruments at grant date. The fair value of RSUs is based on the market price of Morgan Stanley common stock, measured as the volume-weighted average price on the grant date ("VWAP"). The fair value of RSUs not entitled to dividends until conversion is measured at VWAP reduced by the present value of dividends expected to be paid on the underlying shares prior to the scheduled conversion date.

Awards generally contain clawback and cancellation provisions. Certain awards provide Morgan Stanley the discretion to clawback or cancel all or a portion of the award under specified circumstances. Compensation expense for these awards is adjusted for changes in the fair value of Morgan Stanley's common stock until conversion.

The Company recognises compensation cost over the relevant vesting period for each separately vesting portion of the award. An estimation of awards that will be forfeited prior to vesting due to the failure to satisfy service conditions is considered in calculating the total compensation cost to be amortised over the relevant vesting period.

Under the Morgan Stanley Group chargeback agreements, the Company pays Morgan Stanley for the procurement of shares. The Company pays Morgan Stanley the grant date fair value and any subsequent movement in fair value up to the time of conversion of the award and delivery of shares to the employees.

Share based compensation expense is recorded within 'Operating expense' in the Income statement.

ii) Deferred Cash-Based Compensation Plans

Morgan Stanley may award deferred cash-based compensation on behalf of the Company for the benefit of employees, providing a return to the participating employees based upon the performance of various referenced investments. Compensation expense for deferred cash-based compensation awards is calculated based on the notional value of the award granted, adjusted for changes in the fair value of the referenced investments that employees select.

The Company recognises compensation cost over the relevant vesting period for each separately vesting portion of the award. Forfeitures due to failure to satisfy service conditions are accounted for as they occur.

Deferred cash-based compensation expense is recorded within 'Operating expense' in the Income statement. The liability for the awards is measured at fair value and is included within 'Other liabilities' in the Statement of financial position.

Although changes in compensation expense resulting from changes in the fair value of the referenced investments will generally be offset by changes in the fair value of derivative transactions entered into by the Company, there is typically a timing difference between the immediate recognition of gains and losses on the derivatives and the deferred recognition of the related compensation expense over the vesting period.

k. Deferred Commission Assets

The Company pays up-front costs to third party distributors on certain classes of fund units on which it may earn fees (such as management fees) from the underlying fund whilst its fund units remain in issuance. Additionally, the Company earns a contingent deferred sales charge ("CDSC") on such units if the fund unitholders redeem before a specified time. CDSC income is reported in 'Investment management fees' within 'Fee and commission income' on the Income statement. Accordingly, such upfront distribution costs are deferred and amortised over the expected life of the contract where the contract duration exceeds one year and costs are expected to be recovered. The deferred costs are reported in 'Deferred commission asset' within 'Other assets' in the Statement of financial position. The deferred commission asset is assessed for impairment at each reporting date.

4. FEE AND COMMISSION INCOME

in $'000	2022	2021
Investment management fees	879,069	1,166,209
Distribution fees	23,992	37,228
Administration fees	43,676	91,478
Performance fees	(4,191)	13,658
Sub-advisory fees	32,617	33,334
Total fee and commission income	**975,163**	1,341,907
Total revenue from contracts with customers	*1,106,579*	*1,630,361*

Total fee and commission income is stated after the transfer of revenues totaling $131,416,000 (2021: $228,455,000) to other Morgan Stanley Group undertakings. These transfers are in accordance with Morgan Stanley Group Global Transfer Pricing Policy and do not relate to revenue from contracts with customers.

Included within revenue from contracts with customers are revenues from other Morgan Stanley Group undertakings of $987,729,000 (2021: $1,447,573,000).

Contract assets from contracts with customers, included within 'Other assets' total $38,961,000 (2021: $48,955,000). There are no contract liabilities from contracts with customers (2021: none).

5. OTHER REVENUE

in $'000	2022	2021
Gain/(loss) on subordinated loan issuance	(1,917)	3,705

Loss on subordinated loan issuance refers to the amortisation of the realised gain related to the repayment of the subordinated loan issuance from the prior year (refer to note 14 'Debt and other borrowings').

6. OPERATING EXPENSE

in $'000	2022	2021
Fee and commission expense:		
Fee sharing and distribution expenses	435,372	597,226
Direct staff costs	4,226	4,953
Management charges from other Morgan Stanley Group undertakings relating to staff costs	224,956	242,572
Management charges from other Morgan Stanley Group undertakings relating to other services	182,036	214,640
Depreciation on property, plant and equipment	339	315
Net foreign exchange losses	2,857	13
Auditors remuneration:		
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	54	61
Fees payable to the Company's auditors and its associates for other assurance services to the Company	19	21
Other	603	820
Total operating expense	**850,462**	**1,060,620**

Direct Staff Costs

The average number of employees of the Company is analysed below:

Number	2022	2021
Investment Management	2	2

The costs of direct staff are analysed below:

in $'000	2022	2021
Wages and salaries	4,480	4,596
Social security costs	(288)	314
Pension costs	34	44
	4,226	**4,953**

The Company also utilises staff who are employed by other Morgan Stanley Group undertakings and incurs management charges in respect of these employees, included within 'Management charges from other Morgan Stanley Group undertakings relating to staff costs'.

The amount of remuneration received by Directors in respect of their qualifying services to the Company is disclosed in note 24 'Related party disclosures'.

7. INCOME TAX

Analysis of expense in the year

in $'000	2022	2021
Current tax expense		
UK corporation tax at 19%		
Current tax	22,791	37,575
Adjustments in respect of prior years	458	—
Foreign tax		
Current tax	—	33
Adjustments in respect of prior years	(7)	1
Total current tax	**23,242**	**37,609**
Deferred tax expense		
Origination and reversal of temporary differences	—	1
Total deferred tax	**—**	**1**
Income tax expense	**23,242**	**37,610**

The UK main rate of corporation tax is 19% for the period (2021: 19%). Finance Act 2021 raised the UK main rate of corporation tax from 19% to 25% with effect from 1 April 2023. While this change does not affect the current tax charge for the year, it will affect future years.

See note 15 'Deferred tax assets' for further details.

Reconciliation of Effective Tax Rate

The current year income tax expense is lower (2021: lower) than that resulting from applying the average standard rate of corporation tax in the UK for the year of 19% (2021: 19%). The main differences are explained below:

in $'000	2022	2021
Profit before taxation	128,734	287,726
Income tax using the average standard rate of corporation tax in the UK of 19% (2021: 19%)	24,459	54,668
Impact on tax of:		
Non taxable income	(811)	(456)
Group relief received for no cash consideration	—	(15,044)
Effect of tax rates in foreign jurisdictions	(745)	(1,313)
Other permanent differences	24	(4)
Tax (over)/ under provided in prior years	451	1
Currency translation on tax	(136)	(242)
Total income tax expense in the income statement	**23,242**	**37,610**

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

All financial assets and financial liabilities are measured at amortised cost, with the exception of investment securities which are mandatorily measured at fair value through profit or loss.

9. LOANS AND ADVANCES

in $'000	2022	2021
Amounts due from other Morgan Stanley Group undertakings	210,131	302,803

10. TRADE AND OTHER RECEIVABLES

in $'000	2022	2021
Trade receivables	24,161	32,258
Other receivables:		
Amounts due from other Morgan Stanley Group undertakings	86,748	142,336
Other amounts receivable	927	512
Total trade and other receivables	**111,836**	**175,106**

11. OTHER ASSETS

in $'000	2022	2021
Deferred commission asset	47,365	66,688
Accrued income	38,961	48,955
Other assets	617	766
Total other assets	**86,943**	**116,409**

Deferred Commission Asset

The following table shows distribution costs deferred and amortised over the expected life of contracts:

Deferred commission asset

in $'000	2022	2021
Carrying amount		
At 1 January	66,688	75,836
Additions	15,459	37,196
Amortisation	(34,782)	(46,344)
At 31 December	**47,365**	**66,688**

Accrued Income

Contract assets from contracts with customers, shown as accrued income above represent investment management and performance fees recognised but not yet billed. Contract assets recognised at the end of each reporting period are billed in full during the following year.

12. INTERESTS IN STRUCTURED ENTITIES

The Company considers itself the sponsor of certain investment funds, which have been established as structured entities and where the Company is involved in providing investment management services to the entities.

The Company receives fee and commission income from such investment funds via delegation of investment management services from other Morgan Stanley Group undertakings, Morgan Stanley Investment Management (ACD) Limited ("MSIM ACD") and MSIM Fund Management (Ireland) Limited ("MSIM FMIL"). These funds are primarily UCITS and UK authorised open-ended investment companies. The Company does not hold any equity interest in these funds. Where equity interests are held, they are held by another Morgan Stanley Group undertaking.

Fee and commission income related to sponsored entities is included within revenue from contracts with customers in note 4. During the current and prior years, no assets were transferred to those sponsored entities.

Consolidated Structured Entities

The decision to consolidate structured entities involves an assessment whether the Company holds the power to make the most significant economic decisions, which may take a number of different forms. In fund structures, the power to appoint or direct the fund manager is generally the most significant power. The Company does not hold that right.

As at 31 December 2022 the Company did not have any consolidated structured entities (2021: nil).

13. TRADE AND OTHER PAYABLES

in $'000	2022	2021
Trade payables	215	170
Other payables:		
Amounts due to other Morgan Stanley Group undertakings	176,839	95,238
Lease liabilities	134	320
Other amounts payable	12,429	9,954
Total trade and other payables	**189,617**	**105,682**

14. DEBT AND OTHER BORROWINGS

in $'000	2022	2021
Subordinated loans	58,664	56,489
Amounts due to other Morgan Stanley Group undertakings	295	1,287
Total debt and other borrowings	**58,959**	**57,776**

The amounts subject to subordinated loan agreements with MSIUK (the "Lender") are wholly repayable as shown below:

	2022	2021	2022	2021
Repayment date	27 September 2032		21 December 2025	
Interest rate	SOFR [1] plus 129 bps		OBFR [2] plus 208.6 bps	
Interest ($000s)	520	233	—	821
Balance ($000s)	60,000	60,000	—	—

[1] Secured overnight financing rate ("SOFR")

[2] Overnight bank funding rate ("OBFR")

All amounts outstanding under subordinated loan agreements are repayable on 27 September 2032. Any repayment of subordinated loans prior to contractual maturity would require mutual agreement between the Company and the Lender and prior supervisory consent by the FCA.

The Company has not defaulted on principal, interest or breached any terms of its subordinated loans during the year.

15. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the liability method. The movement in the deferred tax account is as follows:

in $'000	2022	2021
At 1 January	10	11
Amount recognised in the income statement	—	(1)
At 31 December	**10**	**10**

For the purpose of presentation in the Statement of financial position, certain deferred tax assets and liabilities have been offset. The deferred tax included in the Statement of financial position and changes recorded in 'Income tax expense' are as follows:

	Deferred tax asset	Income statement
in $'000	2022	2022
Depreciation – temporary differences	10	—
	10	**—**

	Deferred tax asset	Income statement
in $'000	2021	2021
Depreciation – temporary differences	10	—
Deferred compensation and post-employment benefits	—	1
	10	**1**

The UK main rate of corporation tax is 19% for the period (2021: 19%). Finance Act 2021 raised the UK main rate of corporation tax from 19% to 25% with effect from 1 April 2023. This change affects the deferred tax charge for both the current and future years.

The deferred tax assets recognised are based on management's assessment that it is probable that the Company will have taxable profits against which the temporary differences can be utilised.

16. EQUITY

	Ordinary share capital Allotted and fully paid At 1 January 2022 and 31 December 2022
Ordinary shares of £1 each Number	2
Ordinary shares of £1 each $'000	—
Ordinary shares of $1 each Number	1,000,000
Ordinary shares of $1 each $'000	1,000

The holders of both the ordinary £1 shares and the $1 shares are entitled to receive dividends as declared from time to time and are entitled, on a show of hands, to one vote and, on a poll, one vote per share at meetings of the shareholders of the Company. All shares rank equally with regard to the Company's residual assets.

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

Reserves

Currency Translation Reserve

The 'Currency translation reserve' of $2,381,000 loss (2021: $1,193,000 loss) comprises all foreign exchange differences arising from the translation of the total assets less total liabilities of foreign operations.

17. DIVIDENDS

The following amounts represent the dividends paid in the current and prior year:

	Dividends on ordinary shares	
	2022	2021
Per share $	245	246
Total in $'000	245,000	246,000

18. EXPECTED MATURITY OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered, realised or settled.

	2022		
in $'000	Less than or equal to twelve months	More than twelve months	Total
ASSETS			
Cash and short-term deposits	267,944	—	267,944
Loans and advances	210,131	—	210,131
Investment securities	—	4	4
Trade and other receivables	111,623	213	111,836
Current tax assets	89	—	89
Deferred tax assets	3	7	10
Other assets	66,138	20,805	86,943
Property, plant and equipment	—	234	234
	655,928	**21,263**	**677,191**
LIABILITIES			
Trade and other payables	189,617	—	189,617
Debt and other borrowings	295	58,664	58,959
Provisions	—	143	143
Current tax liabilities	56,187	—	56,187
Other liabilities	95,375	1,925	97,300
	341,474	**60,732**	**402,206**

	2021		
in $'000	Less than or equal to twelve months	More than twelve months	Total
ASSETS			
Cash and short-term deposits	167,717	—	167,717
Loans and advances	302,803	—	302,803
Investment securities	—	4	4
Trade and other receivables	174,885	221	175,106
Current tax assets	95	—	95
Deferred tax assets	3	7	10
Other assets	82,980	33,429	116,409
Property, plant and equipment	—	560	560
	728,483	**34,221**	**762,704**
LIABILITIES			
Trade and other payables	105,555	127	105,682
Debt and other borrowings	1,286	56,489	57,776
Provisions	—	136	136
Current tax liabilities	38,149	—	38,149
Other liabilities	144,344	937	145,281
	289,334	**57,689**	**347,023**

19. SEGMENT REPORTING

The Company has only one class of business as described in the Strategic Report and operates in one geographic market, EMEA.

20. FINANCIAL RISK MANAGEMENT

Risk Management Procedures

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 is consistent with and leverages the risk management policies and procedures of the Morgan Stanley Group and which include escalation to the Company's Board of Directors and to appropriate senior management personnel of the Company.

The Company's management of operational risk, deemed to be a material risk of the Company's business activity, is included in the Risk Management section of the Strategic Report. Other risks faced by the Company resulting from its financing and investment activities are set out below and are not deemed to be material risks.

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. The Company primarily incurs credit risk exposure to institutions and sophisticated investors through its Investment Management business.

The Company's 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 escalating risk concentrations to appropriate senior management.

The Company may incur credit risk exposure through its investment management activities to third party debtors, other Morgan Stanley Group undertakings and credit institutions where the Company holds surplus or operating cash. Due to the nature of the activities and the following controls in place to mitigate the risk, the credit exposure to the Company is not considered to be material.

Monitoring and Control

To protect the Company from losses, the Credit Risk Management Department establishes firmwide practices to evaluate, monitor and control credit risk exposure.

All exposures are monitored on an on-going basis.

Exposure to Credit Risk

The maximum exposure to credit risk ("gross credit exposure") of the Company as at 31 December 2022 is disclosed below, based on the carrying amounts of the financial assets the Company believes are subject to credit risk. Within the table, financial instruments subject to accounting ECL are distinguished from those that are not.

The Company does not have any significant exposure arising from items not recognised on the Statement of financial position.

The Company does not hold financial assets considered to be credit-impaired.

	Gross credit exposure[1]	
in $'000	2022	2021
Subject to ECL:		
Cash and short-term deposits	267,944	167,717
Loans and advances	210,131	302,803
Trade and other receivables	111,836	175,106
Not subject to ECL[2]:		
Investment securities	4	4
	589,915	**645,630**

[1] The carrying amount recognised in the statement of financial position best represents the Company's maximum exposure to credit risk.

[2] Financial assets measured at FVPL are not subject to ECL.

Expected Credit Loss Measurement

As explained in note 3(e), in order to assess whether an instrument is subject to a 12 month ECL or to a lifetime ECL, and therefore its appropriate staging, the Company determines whether there has been a SICR for the instrument since initial recognition.

When making this assessment, the Company considers both quantitative and qualitative information and analysis based on the Company's historical experience and expert credit risk assessment, including forward-looking information.

At 31 December 2022, the Company has determined that the ECL for its financial instruments is not material, reflecting their short term nature and/ or the benefit of other credit mitigants.

Exposure to Credit Risk by Internal Rating Grades

Internal credit ratings are derived using methodologies generally consistent with those used by external agencies.

Investment grade:	Internal grades AAA-BBB
Non-investment grade:	Internal grades BB-CCC
Default:	Internal grades D

Financial instruments subject to ECL include cash and short-term deposits, loans and advances and trade and other receivables. All exposures are stage 1.

The Company measures lifetime credit losses on trade receivables under the simplified approach, reported as stage 1 where they are not credit-impaired.

The Company believes that this presentation, which is more consistent with industry practice for such disclosures, better reflects the credit risk associated with such assets, notwithstanding the fact that a lifetime approach is used for their ECL measurement and provides more relevant information.

Recoverability of Trade Receivables

The Company does not have a history of irrecoverable trade receivables and there are no concerns surrounding recoverability of the trade receivables balance as at 31 December 2022. No amounts that were previously past due were written off in the current year (2021: nil).

The main considerations for assessing whether there has been a SICR include whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company assesses each individually significant asset on an individual basis. Items considered include the sustainability of the counterparty's business plan, the counterparty's ability to improve performance once a financial difficulty has arisen and the timing of expected cash flows.

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 also encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its 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 liquidity risk management framework is critical to helping ensure that the Morgan Stanley Group, including the Company, maintains sufficient liquidity resources and durable funding sources to meet its daily obligations and to withstand unanticipated stress events.

The Liquidity Risk Department ("LRD") is a distinct area in risk management, which oversees and monitors liquidity risk. It ensures transparency of material liquidity risks, compliance with established risk limits and escalation of risk concentrations to appropriate senior management.

The Treasury Department and the Business Unit have primary responsibility for evaluating, monitoring and controlling the liquidity and funding risks arising from the Company's business activities, and for maintaining processes and controls to manage the key risks inherent in their respective areas. LRD coordinates with the treasury department and business unit to help ensure a consistent and comprehensive framework for managing liquidity risks across the Company.

The core components of the Company's liquidity risk management framework that support our target liquidity profile, are the Required Liquidity Framework, and Liquidity Resources (as defined below).

Required Liquidity Framework

The Required Liquidity Framework establishes the amount of liquidity the Company must hold at all points of time. The Required Liquidity Framework considers the most constraining liquidity requirement to satisfy all regulatory and internal limits at a Morgan Stanley Group and legal entity level.

Liquidity Risk- Internal Firm Framework

The Company uses Investment Firm Framework ("IFF") to ensure appropriate oversight over investment firms to address key Liquidity risk.The required liquidity framework establishes the amount of liquidity the Company must hold in both normal and stressed environments to ensure that its financial condition and overall soundness is not adversely affected by an inability (or perceived inability) to meet its financial obligations in a timely manner.

At 31 December 2022 and 31 December 2021, the Company maintained sufficient liquidity to meet current and contingent funding obligations.

Liquidity Resources

The Company maintains sufficient liquidity resources which consists of cash deposits with banks (including central banks) ("Liquidity Resources") to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and IFF. The amount of liquidity resources the Company holds is based on the Company's risk tolerance and on IPFR/IFF assessment.

Regulatory Liquidity Framework

The FCA recently stipulated IFPR. The standard's objective is to hold Liquidity Resources based on the nature, size, and complexity of investment firms' activities.

Balance Sheet Management

In managing the Company's funding risk the composition and size of the entire balance sheet, not just financial liabilities, is monitored and evaluated. The liquid nature of marketable securities and short-term receivables arising principally from sales and trading activities in the institutional securities business provides the Morgan Stanley Group and the Company with flexibility in managing the composition and size of its balance sheet.

Maturity Analysis

In the following maturity analysis of financial liabilities, all amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2022 and 31 December 2021. Repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from these financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial liabilities is managed by the Company.

	31 December 2022				
in $'000	On demand	Equal to or more than 3 months but less than 1 year	Equal to or more than 1 year but less than 5 years	Equal to or more than 5 years	Total
Financial liabilities					
Trade and other payables	189,556	3,438	13,416	16,770	223,180
Debt and other borrowings	—	—	295	60,000	60,295
Total financial liabilities	**189,556**	**3,438**	**13,711**	**76,770**	**283,475**

	31 December 2021				
in $'000	On demand	Equal to or more than 3 months but less than 1 year	Equal to or more than 1 year but less than 5 years	Equal to or more than 5 years	Total
Financial liabilities					
Trade and other payables	105,425	934	3,343	4,824	114,526
Debt and other borrowings	—	—	1,286	60,000	61,286
Total financial liabilities	**105,425**	**934**	**4,629**	**64,824**	**175,812**

Market Risk

Market Risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

The Company is not directly exposed to the market risk of funds managed, as it does not hold any equity interest in these funds in 2022 and 2021.

Market risk management policies and procedures are consistent with those of the Morgan Stanley Group and include escalation to the Company's Board of Directors and appropriate senior management personnel.

The Company is exposed to the following types of market risk under the definition above: interest rate risk and currency risk.

Interest Rate Risk

Interest rate risk is defined by IFRS 7 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has funds deposited with external institutions or loaned to affiliates within the MSI Group. The Company's outstanding deposit in Loans and advances is overnight in duration and its affiliate loans are either overnight or 60-day evergreen term and therefore exhibits limited interest rate risk.

Currency Risk

The Company has foreign currency exposure on its assets and liabilities in currencies other than US dollars, which primarily arise from revenue and expenses denominated in currencies other than US dollars. It actively manages this foreign currency exposure by hedging with other Morgan Stanley Group undertakings. The residual currency risk for the Company from this activity is not material.

The majority of this foreign currency risk has been hedged by other members of the Morgan Stanley Group, primarily Morgan Stanley & Co. LLC, by utilising spot and forward foreign currency exchange contracts.

21. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

As disclosed in note 2 Statement of compliance, the Company is exempt from certain disclosure requirements of IFRS 13 to the extent that they apply to assets and liabilities other than financial instruments. As such the disclosure included in this note relates only to financial instruments.

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial liabilities that are not measured at fair value in the Statement of financial position. The only financial liabilities that the Company holds that meet the definition are subordinated loans.

Financial assets and financial liabilities not measured at fair value for which the carrying value is considered a reasonable approximation of fair value are excluded from the table below.

in $'000	2022	2021
Carrying value		
Financial liabilities		
Debt and other borrowings		
Subordinated loans	58,664	56,489
Fair value[1]		
Financial liabilities		
Debt and other borrowings		
Subordinated loans	54,967	59,771

[1] Valuation techniques using observable inputs (Level 2)

The fair value is determined based on the assumption that all subordinated loans are held to the latest repayment date.

22. CAPITAL MANAGEMENT

In order to maintain or adjust its capital structure, the Company may pay dividends, return capital to its shareholder, issue new shares, issue or repay subordinated debt. Details of its managed capital are set out in the table below, with details of the Company's capital as measured in accordance with IFPR shown within the Strategic Report.

in $'000	2022	2021
Ordinary share capital	1,000	1,000
Subordinated loans	60,000	60,000
Reserves	273,985	414,681
Total	**334,985**	**475,681**

The Company complied with all of its regulatory capital requirements during the year.

IFPR Public Disclosures and Country-by-Country Reporting

The IFPR Public Disclosures will be made available on the Morgan Stanley website at https://www.morganstanley.com/investorrelations

The Company is also included in the MSI Group consolidated disclosure in order to comply with the provisions of Statutory Instrument 2013 No.3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implements in the UK the requirements set out in Article 89 of the Capital Requirements Directive (Directive 2013/36/EU).

The Country-by-Country reporting for the MSI Group for the year ended 31 December 2022 will be made available on the Morgan Stanley website at:

https://www.morganstanley.com/investorrelations

23. EMPLOYEE COMPENSATION PLANS

Morgan Stanley maintains various equity-settled share-based and cash-based deferred compensation plans for the benefit of employees. Awards under these plans are generally granted in January following the performance year.

Equity-Settled Share-Based Compensation Plans

Morgan Stanley has granted RSU awards pursuant to several equity-based compensation plans. The plans provide for the deferral of a portion of certain current and former employees' incentive compensation, with awards made in the form of restricted common stock. Awards under these plans are subject to vesting over time, generally six months to seven years, and are generally contingent upon continued employment and subject to restrictions on sale, transfer or assignment until conversion to common stock. All, or a portion of, an award may be forfeited if employment is terminated before the end of the relevant vesting period or cancelled after the vesting period in certain situations. Recipients of equity-based awards may have voting rights, at Morgan Stanley's discretion, and generally receive dividend equivalents if the awards vest, unless this is prohibited by regulation.

Deferred Cash-Based Compensation Plans

Morgan Stanley has granted deferred cash-based compensation awards to certain employees which defer a portion of the employees' discretionary compensation. The plans generally provide a return based upon the performance of various referenced investments. Awards under these plans are generally subject to a sole vesting condition of service over time, which normally ranges from one to three years from the grant date. All, or a portion of, an award may be forfeited if employment is terminated before the end of the relevant vesting period or cancelled after the vesting period in certain situations. The awards are settled in cash at the end of the relevant vesting period.

Plans Operated by Fellow Morgan Stanley Undertakings

As explained in note 6 'Operating expense', the Company utilises the services of staff who are employed by other Morgan Stanley Group undertakings. Management charges are incurred in respect of these employee services which include the cost of equity-settled share based compensation plans and deferred cash-based compensation plans.

24. RELATED PARTY DISCLOSURES

Director's Remuneration

The Company paid no remuneration to its Directors during the current or prior year. The charges in respect of Directors' qualifying services to the Company have been borne by other Morgan Stanley Group undertakings. The amount of remuneration received by Directors in respect of their qualifying services to the Company is disclosed below:

in $'000	2022	2021
Total remuneration of all Directors:		
Aggregate remuneration	1,721	2,289
Long term incentive schemes	262	325
Company contributions to pension schemes	31	27
	2,014	**2,641**
Disclosures in respect of the highest paid Director:		
Aggregate remuneration	824	1,457
Long term incentive schemes	209	273
Company contributions to pension schemes	23	22
	1,056	**1,752**

Directors' remuneration has been calculated as the sum of cash, bonuses, and benefits in kind.

All Directors who are employees of the Morgan Stanley Group are eligible for shares of the parent company, Morgan Stanley, awarded under the Morgan Stanley Group's equity-based long term incentive schemes. In accordance with Schedule 5 paragraph 1(3)(a) of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the above disclosures do not include the value of shares awarded.

During the year five Directors received restricted stock unit awards in respect of qualifying services including the highest paid Director (2021: four).

The value of assets (other than shares) awarded under other long term incentive schemes has been included in the above disclosures when the awards vest, which is generally within three years from the date of the award.

The Morgan Stanley Group operates a defined contribution pension scheme, the Morgan Stanley UK Group Pension Plan. There are six Directors to whom retirement benefits are accruing under this defined contribution scheme (2021: five).

In addition, two Directors have benefits accruing under the Alternative Retirement Plan, a defined benefit scheme, operated by MS UK Ltd (2021: two).

The Company has not provided any loans or other credit advances to its Directors during the year (2021: $nil).