Registered number: 35857

Registered office:
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JE1 0BD
Jersey

MORGAN STANLEY FINANCE II LIMITED

Report and financial statements

31 December 2024

MORGAN STANLEY FINANCE II LIMITED

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MORGAN STANLEY FINANCE II LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows, and the related notes, 1 to 22) for Morgan Stanley Finance II Limited (the "Company") for the year ended 31 December 2024.

RESULTS AND DIVIDENDS

The profit for the year, after tax, was $682,000 (2023: $868,000).

During the year, no dividends were paid or proposed (2023: $nil).

PRINCIPAL ACTIVITY

The principal activity of the Company is the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances.

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

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

BUSINESS REVIEW

Exposure to risk factors and the current business environment in which it operates may impact business results of the Company's operations.

Risk factors

Risk taking is an inherent part of the Company's business activities. 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 Morgan Stanley Group Risk Appetite Statement articulates the aggregate level and type of risk that the Group is willing to accept in order to execute its business strategy.

The Morgan Stanley Group has an established Risk Management Framework, to support the identification, monitoring and management of risk.

A description of the material risks and how these risks are managed is outlined in the 'Risk Management' section.

Business environment

The economic environment, client and investor confidence and overall market sentiment improved in 2024. While interest rates declined in the latter half of 2024, elevated inflation, geopolitical risks including ongoing tensions in the Middle East, uncertainties surrounding government and policy developments in the markets the Company operates in and the timing and pace of further interest rate actions present ongoing risks to the economic environment.

There has been limited impact on the results and financial condition of the Company to the extent the business environment continues to remain uncertain, it could adversely impact client confidence and related activity.

BUSINESS REVIEW (continued)

Overview of 2024

The issued structured notes expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than US dollar, the risk of changes in exchange rates between the US dollar and the other relevant currencies. The Company enters into derivative transactions with other Morgan Stanley Group undertakings to hedge the market price, interest rate and foreign currency risks associated with the issuance of the structured notes.

The statement of comprehensive income is set out on page 14. The profit for the year is $682,000 which primarily represents interest income from intercompany funding balances (2023: $868,000). The decrease from 2023 is driven by a decrease in the average funding balance due from another Morgan Stanley entity. The net trading income and the net expense from other financial instruments held at fair value through profit and loss for the year is $nil (2023: $nil), which is consistent with the Company's principal activity.

The statement of financial position is set out on page 16. Total assets and total liabilities as at 31 December 2024 were $648,637,000 (2023: $498,450,000) and $636,687,000 (2023: $487,182,000), respectively. The increase in total assets and total liabilities from 31 December 2023 is due to the net issuance of structured notes, classified as debts and other borrowings, the related hedging instruments, classified as trading financial assets and liabilities and proceeds of structured notes lent to Morgan Stanley, classified as loans and advances.

The performance of the Company is included in the results of the Morgan Stanley Group. The Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company.

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

Risk management

Risk is an inherent part of the Company's business activity. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures. The Company is managed as part of the policies and procedures of the Morgan Stanley Group's risk management policy framework. The risk management policy framework includes escalation to the appropriate senior management personnel when necessary.

Set out below is an overview of the Morgan Stanley Group's policies for the management of financial risk and other significant business risks. More detailed qualitative and quantitative disclosures about the Company's management of and exposure to financial risks are included in note 17 to the financial statements.

Market risk

Definition

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

The Company's market risk associated with its trading activities at a legal entity, trading division and at an individual product level is managed as part of the Morgan Stanley Group's market risk management policy framework.

The Morgan Stanley Group's market risk management policy framework ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management when necessary.

BUSINESS REVIEW (continued)

Risk management (continued)

Market risk (continued)

It is the policy and objective of the Company not to be exposed to net market risk.

Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. Credit risk includes country risk, which is further described below.

The Morgan Stanley Group's credit risk management policies and procedures, of which the Company is a part, includes escalation to the appropriate senior management personnel when necessary.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks and compliance with established limits and escalating risk concentrations to appropriate senior management.

Additional information on the primary credit exposures, credit risk management and mitigation, exposure to credit risk, including the maximum exposure to credit risk by credit rating is presented in note 17.

Country risk exposure

Country risk is the risk that events in, or affecting, a foreign country might adversely affect the Company. "Foreign country" means any country other than Jersey. Sovereign Risk, by contrast, is the risk that a government will be unwilling or unable to meet its debt obligations or will renege on the debt that it guarantees. Sovereign risk is single-name risk for a sovereign government, its agencies and guaranteed entities.

The Company enters into the majority of its financial asset transactions with the parent entity, Morgan Stanley, in the United States of America ("USA"). As a result of the implicit support that would be provided by Morgan Stanley, the Company's country risk is considered a component of the Morgan Stanley Group's credit risk.

Country risk exposure is measured in accordance with the Morgan Stanley Group's internal risk management standards and includes obligations from sovereign governments, corporations, clearing houses and financial institutions. The Morgan Stanley Group actively manages country risk exposure through a comprehensive risk management framework that combines credit and other market fundamentals and allows the Morgan Stanley Group to effectively identify, monitor and limit country risk.

The Morgan Stanley Group's obligor credit evaluation process defines country of risk as the country that has the largest economic impact on the obligor and may be different from the obligor's country of jurisdiction. Examples where this applies may include corporations that are incorporated in one country but that derive the bulk of their revenue from another and mutual funds incorporated in one jurisdiction but with a concentration of investments in a different country.

Stress testing is one of the Morgan Stanley Group's principal risk management tools, used to identify and assess the impact of severe stresses on its portfolios. A number of different scenarios are used to measure the impact on credit risks and market risks stemming from negative economic and political scenarios, including possible contagion effects where appropriate. The results of the stress tests may result in the amendment of limits or exposure mitigation.

BUSINESS REVIEW (continued)

Risk management (continued)

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 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 primary goal of the Morgan Stanley Group's liquidity risk management framework is to ensure that the Morgan Stanley Group, including the Company, has access to sufficient liquidity assets across a wide range of market conditions and time horizons. The framework is designed to enable the Morgan Stanley Group to fulfil its financial obligations and support the execution of its business strategies. The framework is further described in note 17.

The Company's capital and liquidity position is managed on the basis of Firm wide policies ensure adequate resources are available to support its activities, to enable it to withstand market stresses.

The Company hedges all of its financial liabilities with financial assets entered into with other Morgan Stanley Group undertakings, where both the Company and other Morgan Stanley Group undertakings are wholly-owned subsidiaries of the same parent, Morgan Stanley.

Since the Company hedges the liquidity risk of its financial liabilities with financial assets that match the maturity profile of the financial liabilities, the Company is not considered a major operating subsidiary for the purposes of liquidity risk. However, the Company would have access to the cash or liquidity reserves held by Morgan Stanley in the unlikely event that it was unable to access adequate financing to service its financial liabilities when they become payable.

Valuation risk

Valuation risk represents the possibility that a valuation estimate of a position would differ from the price in an actual close-out transaction due to uncertainty around the actual price that could be obtained.

Valuation Control ("VC") within Finance is responsible for the Company's fair value valuation policies, processes and procedures. VC implements valuation control processes designed to validate the fair value of the Company's financial instruments measured at fair value including those derived from pricing models.

Operational risk

Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, people and systems, or from external events (e.g. fraud, theft, legal, regulatory and compliance risks, cyberattacks 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 may incur operational risk across the full scope of its business activities.

BUSINESS REVIEW (continued)

Risk management (continued)

Operational risk (continued)

The Company is part of the Morgan Stanley Group's operational risk framework to identify measure, monitor and control risk across the Company and includes escalation to the appropriate senior management personnel when necessary. The framework is continually evolving to reflect changes in the Morgan Stanley Group and to respond to the changing regulatory and business environment.

The Morgan Stanley Group 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 in the operational risk capital model. The model encompasses both quantitative and qualitative 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 Morgan Stanley Group employs a variety of risk processes and mitigants to manage its operational risk exposures. These include a governance framework, a comprehensive risk management program and insurance. Operational risks and associated risk exposures are assessed relative to the risk appetite established by the Board and are prioritised accordingly.

The breadth and variety of operational risk are such that the types of mitigating activities are wide-ranging. Examples of such activities include continuous enhancement of defences against cyberattacks; 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. The trading risk management strategies and techniques seek to balance our ability to profit from trading positions with our exposure to potential losses.

Primary responsibility for the management of operational risk is with the business segment, the control groups and the business managers therein. The business managers maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. Each of the business segments has a designated operational risk coordinator. The operational risk coordinator regularly reviews operational risk issues and reports to the Morgan Stanley Group's senior management within each business. Each control group also has a designated operational risk coordinator and a forum for discussing operational risk matters with the Morgan Stanley Group'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 Morgan Stanley Group.

The Operational Risk Department's scope includes oversight of technology risk, cybersecurity risk, information security risk, the fraud risk management and prevention program and third party risk management (supplier and affiliate risk oversight and assessment) program. 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 Morgan Stanley Group's advanced measurement approach for operational risk capital.

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Operational risk (continued)

The Fusion Resilience Centre's mission is to understand, prepare for, respond to, recover and learn from operational threats and incidents that impact the Morgan Stanley Group, from cyber and fraud to technology incidents, climate related events, terror attack, geopolitical unrest and pandemics.

The Morgan Stanley Group'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 Morgan Stanley Group maintains a resilience program 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 Morgan Stanley Group's resilience program include business continuity management and technical disaster recovery, third-party resilience and key business service resilience. Resilience testing is performed 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.

The Company is part of the Morgan Stanley Group's programme which oversees cyber and information security risk. The cybersecurity and information security policies, procedures and technologies are designed to protect the Company's information assets against unauthorised disclosure, modification or misuse and are also designed to address regulatory requirements. These policies and procedures 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.

In connection with its ongoing operations, the Morgan Stanley Group utilises third-party suppliers, and 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 Morgan Stanley Group'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 Morgan Stanley Group maintains a third-party risk program which is designed to align with its risk tolerance and meet regulatory requirements. The program includes governance, policies, procedures, and enabling technology. The third-party risk program includes the adoption of appropriate risk management controls and practices throughout the third-party management lifecycle to manage the risk of service failure, risk of data loss and reputational risk, among others.

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 our 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, terrorist financing and anti-corruption rules and regulations. The Company is generally subject to extensive regulation in the different jurisdictions in which it conducts its business.

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Legal, regulatory and compliance risk (continued)

The Company, principally through the Morgan Stanley Group's Legal and Compliance Division, has established procedures based on legal and regulatory requirements on a worldwide basis that are designed to facilitate compliance with applicable statutory and regulatory requirements and to require that the Company's policies relating to business conduct, ethics and practices are followed globally.

In addition, the Company has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The heightened legal and regulatory focus on the financial services and banking industries globally presents a continuing business challenge for the Company.

Culture, values and conduct of employees

The Company's culture is built on the core values of the Morgan Stanley Group - *Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion and Give Back*. Leadership, including from the Board, sets the tone for the Company, and the executive team drive a culture that is central to how the Company serves clients, advances and develops the workforce, and how the Company supports the communities around it. The Morgan Stanley Group is committed to reinforcing and confirming adherence to the core values through our governance framework, tone from the top, management oversight, risk management and controls, and a three lines of defence structure (business, Independent Risk Management functions such as Financial Risk Management and Non-Financial Risk Management, and Internal Audit).

The Morgan Stanley Group's Board is responsible for overseeing the Morgan Stanley Group's practices and procedures relating to culture, values and conduct. The Morgan Stanley Group's Senior management committees oversee the Morgan Stanley-wide culture, values and conduct program and report regularly to the Morgan Stanley Group Board. A fundamental building block of these programs is the Morgan Stanley Group's Code of Conduct (the "Code") which establishes standards for employee conduct that further reinforce the Morgan Stanley Group's commitment to integrity and ethical conduct. Every new hire and every employee annually is required to attest to their understanding of and adherence to the Code of Conduct. 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.

Morgan Stanley's remuneration policies and practices ensure that there is an alignment between reward, risk, culture and conduct. Conduct, culture, and core values are considered in the employee annual performance evaluation process. The performance review process also includes evaluation of employee conduct related to risk management practices and the Morgan Stanley Group'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.

Going concern

Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Company. Retaining sufficient liquidity and capital to withstand market pressures remains central to the Company's strategy.

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 liquidity and capital, contractual obligations, asset valuations and other critical accounting judgements and key sources of estimation uncertainty.

MORGAN STANLEY FINANCE II LIMITED

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

Going concern (continued)

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIRECTORS

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

Z Dewhurst	Director	(appointed on 03 October 2024)
S J Kerr	Director	(resigned on 03 October 2024)
J Liu	Director	
S Marriott	Director	

EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.

AUDITOR

The Directors have dispensed with the requirement to hold annual general meetings. As such, under the Companies (Jersey) Law 1991 section 113(5)(b), Deloitte LLP will remain in office until formally removed.

Approved by the Board and signed on its behalf by:

Signed by:
Z Dewhurst
0569327BD6234CE...

Z Dewhurst - Director

24 April 2025

MORGAN STANLEY FINANCE II LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

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

Companies (Jersey) Law 1991 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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). The financial statements are required by law to 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.

International Accounting Standard ("IAS") 1 '*Presentation of financial statements*' requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board ("IASB") '*Framework for the preparation and presentation of financial statements*'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

(a) properly select and apply accounting policies;

(b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(c) provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

(d) make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:

Signed by:
Z Dewhurst
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Z Dewhurst - Director

24 April 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY FINANCE II LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morgan Stanley Finance II Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the statement of cashflows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union.

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY FINANCE II LIMITED

Other information (continued)

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the directors' responsibility 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 and the directors 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. This included Companies (Jersey) Law 1991; 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.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Valuation of level 3 financial instruments.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

To address the complexities associated with auditing the valuation of level 3 financial instruments, our team included valuation specialists who have significant valuation and modelling expertise. Our valuation audit procedures included the following procedures:

- Testing the company's key internal controls that address the risk of errors in the fair value estimates. Management maintains these internal controls to assess the appropriateness of its valuation methodologies and the relevant inputs and assumptions used to determine fair value estimates.
- On a sample basis in line with our audit methodology, we:
  - Evaluated significant valuation methodologies, including the input assumptions, considering our observations of assumptions made by other market participants and external data, when available;
  - With the involvement of the internal valuation specialists we developed independent fair value estimates for Level 3 financial instruments, using externally sourced inputs and independent valuation models, to the extent possible, and compared the resulting fair values to those recorded by the company and assessed the differences against pre-determined thresholds;
  - Assessed the consistency with which management has applied significant and unobservable valuation assumptions used in developing fair value estimates, across similar transactions; and
  - Performed a retrospective assessment of management's fair value estimates for certain samples of level 3 financial instruments, for which there were events or transactions occurring after the valuation date. We did so by comparing management's estimates to the relevant evidence provided by such events or transactions, as applicable.

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.

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 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.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept, or proper 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN STANLEY FINANCE II LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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:

Kulbir Grewal

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Kulbir Grewal, FCA

For and on behalf of **Deloitte LLP**

Statutory Auditor

London, United Kingdom

24 April 2025

MORGAN STANLEY FINANCE II LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2024

	Note	2024 $'000	2023 $'000
Net trading (expense)/income on trading financial assets		(24,410)	11,832
Net trading (expense)/income on trading financial liabilities		(17,138)	48,575
Net trading (expense)/income		(41,548)	60,407
Net income on other financial assets held at fair value		9,378	18,859
Net income/(expense) on other financial liabilities held at fair value		32,170	(79,266)
Net income/(expense) on other financial instruments held at fair value	4	41,548	(60,407)
Interest income	5	689	869
Other income	6	—	4
Other expenses	7	(7)	(5)
PROFIT BEFORE INCOME TAX		682	868
Income tax	8	—	—
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		682	868

All results were derived from continuing operations.

The notes on pages 18 to 49 form an integral part of the financial statements.

MORGAN STANLEY FINANCE II LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2024

	Note	2024	2023
		$'000	**$'000**
Share capital – at 1 January and 31 December	13	14	14
Capital contribution reserve - at 1 January and 31 December	13	10,000	10,000
Retained earnings - at 1 January		1,254	386
Profit and total comprehensive income for the year		682	868
Retained earnings - at 31 December		1,936	1,254
Total equity at 31 December		11,950	11,268

The notes on pages 18 to 49 form an integral part of the financial statements.

MORGAN STANLEY FINANCE II LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Note	2024 $'000	2023 $'000
ASSETS			
Cash and short-term deposits	9	409	317
Loans and advances	9	634,464	474,709
Trading financial assets	9	1,794	12,439
Trade and other receivables	10	11,970	10,985
TOTAL ASSETS		648,637	498,450
LIABILITIES AND EQUITY			
LIABILITIES			
Trading financial liabilities	9	74,010	9,670
Trade and other payables	11	10	1,819
Debt and other borrowings	12	562,667	475,693
TOTAL LIABILITIES		636,687	487,182
EQUITY			
Share capital	13	14	14
Retained earnings		1,936	1,254
Capital contribution reserve	13	10,000	10,000
Equity attributable to owners of the Company		11,950	11,268
TOTAL EQUITY		11,950	11,268
TOTAL LIABILITIES AND EQUITY		648,637	498,450

These financial statements were approved by the Board and authorised for issue on 24 April 2025.

Signed on behalf of the Board

Signed by:
Z Dewhurst
0569327BD6234CE...

Z Dewhurst - Director

The notes on pages 18 to 49 form an integral part of the financial statements.

MORGAN STANLEY FINANCE II LIMITED

STATEMENT OF CASH FLOWS
Year ended 31 December 2024

	Note	2024 $'000	2023 $'000
NET CASH FLOWS FROM / (USED) OPERATING ACTIVITIES	14	92	(1,478)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		92	(1,478)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		317	1,795
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	409	317

All cash is available for use by the Company.

The notes on pages 18 to 49 form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is incorporated and domiciled in Jersey, at the following address: 47 Esplanade, St. Helier, Jersey, JE1 0BD. The Company is a public company engaged in the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances. The registered number of the Company is 35857.

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 has its registered office c/o The Corporation Trust Company, The Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the State of Delaware, in the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

2. BASIS OF PREPARATION

Statement of compliance

The Company has prepared its annual financial statements in accordance with IFRSs as adopted by the EU, Interpretations issued by the IFRS Interpretations Committee ("IFRIC") and Companies (Jersey) Law 1991.

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 and interpretations did not have a material impact on the Company's financial statements.

Amendments to IAS 1 *'Presentation of Financial Statements'* ('IAS 1'): Classification of Liabilities as Current or Non-current were issued by the IASB in January 2020 and revised in July 2020 and October 2022, for retrospective application in accounting periods beginning on or after 1 January 2024. The amendments were endorsed by the EU in January 2024.

Amendments to IAS 1: Non-current Liabilities with Covenants were issued by the IASB in October 2022 for application in accounting periods beginning on or after 1 January 2024. The amendments were endorsed by the EU in January 2024.

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

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standard and amendments to standards relevant to the Company's operations were issued by the IASB but not mandatory for accounting periods beginning 1 January 2024.

Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates': Lack of Exchangeability were issued by the IASB in August 2023 for prospective application in accounting periods beginning on or after 1 January 2025. Earlier application is permitted. The amendments were endorsed by the EU in November 2024. The Company does not expect the adoption will have a material impact on its financial statements.

Amendments to IFRS 9 'Financial Instruments' ("IFRS 9") and IFRS 7 'Financial Instruments: Disclosures' ("IFRS 7") was issued by the IASB in May 2024 for retrospective application in annual periods beginning on or after 1 January 2026. Earlier application is permitted. The Company is currently assessing the impact of the amendments to IFRS 9 and IFRS 7 on its financial statements.

2. BASIS OF PREPARATION (CONTINUED)

New standards and interpretations not yet adopted (continued)

IFRS 18 ‘Presentation and Disclosure in Financial Statements’ ("IFRS 18") was issued by the IASB in April 2024 for retrospective application in annual periods beginning on or after 1 January 2027. Earlier application is permitted. The Company is currently assessing the impact of IFRS 18 on its financial statements.

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.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, the Company makes 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 effects 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 key source of estimation uncertainty is the valuation of Level 3 financial instruments. Valuation techniques used to measure the fair value of instruments categorised in Level 3 of the fair value hierarchy are dependent on unobservable parameters, and as such require the application of judgement, involving estimations and assumptions. The fair value for these financial instruments has been determined using parameters appropriate for the valuation methodology based on prevailing market evidence. It is recognised that the unobservable parameters could have a range of reasonably possible alternative values. See note 3(d) and note 18(d)(2) ‘Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives’.

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

The Company evaluates the critical accounting judgements and key sources of estimation uncertainty on an ongoing basis and believes that these are reasonable.

The going concern assumption

The Company’s business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Business Review section of the Directors’ report on pages 1 to 8. In addition, the notes to the financial statements include the Company’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

As set out in the Directors' report, retaining sufficient liquidity and capital 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 that the Company will have access to adequate resources to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

3. SUMMARY OF MATERIAL 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 Directors' report are rounded to the nearest thousand US dollars.

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. All translation differences are taken through the statement of comprehensive income. Exchange differences recognised in the statement of comprehensive income are presented in 'Other revenue' or 'Other expense', except where noted in 3(c) below.

c. Financial instruments

i) Financial instruments mandatorily at fair value through profit and loss

Trading financial instruments

Trading financial instruments, including all derivatives contracts, are initially recorded on trade date at fair value (see note 3(d) below). All subsequent changes in fair value, foreign exchange differences and unrealised interest are reflected in the statement of comprehensive income in 'Net trading income'.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs are excluded from the initial fair value measurement of the financial instrument. These costs are recognised in the statement of comprehensive income in 'Other expense'.

ii) Financial instruments designated at fair value through profit or loss

Financial instruments designated at fair value through profit and loss ("FVPL") include loans and issued structured notes.

The Company has designated certain financial assets at FVPL when the designation at fair value eliminates or significantly reduces an accounting mismatch which would otherwise arise. The Company has also designated certain financial liabilities at FVPL where the financial liabilities are managed, evaluated and reported internally on a fair value basis.

From the date the transaction in a financial instrument designated at FVPL is entered into (trade date) until settlement date, the Company recognises any unrealised fair value changes in the contract as financial instruments designated at FVPL in the statement of financial position. On settlement date, the fair value of consideration given or received is recognised as a financial instrument designated at FVPL (see note 3(d) below).

All subsequent changes in fair value, foreign exchange differences and interest are reflected in the statement of comprehensive income in 'Net expense on other financial instruments held at fair value'.

Transaction costs are excluded from the initial fair value measurement of the financial instrument. These costs are recognised as incurred in the statement of comprehensive income in 'Other expense'.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

iii) Financial assets and financial liabilities at amortised cost

Financial assets classified at amortised cost include cash and short-term deposits and trade and other receivables.

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 (see note [3(d)] below) 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. 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 'Net impairment loss on financial instruments'.

Financial liabilities classified at amortised cost include certain trade and other payables.

Financial liabilities are classified as being subsequently measured at amortised cost, except where they are held for trading or are designated as measured at FVPL. They are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value (see note 3(d) below) and subsequently measured at amortised cost. Interest is recognised in the statement of comprehensive income in 'Interest expense' using the EIR method. Transaction costs that are directly attributable to the issue of a financial liability are deducted from the fair value on initial recognition.

d. Fair value

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are set to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

Where the Company manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risk or credit risk, the Company measures the fair value of that group of financial instruments consistently with how market participants would price the net risk exposure at the measurement date.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that requires the most observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability that were developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions the Company believes other market participants would use in pricing the asset or liability, that are developed based on the best information available in the circumstances.

The fair value hierarchy is broken down into three levels based on the observability of inputs as follows, with Level 1 being the highest and Level 3 being the lowest level:

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d. Fair value (continued)

Fair value measurement (continued)

- Level 1 - Quoted prices (unadjusted) in an active market for identical assets or liabilities

  Valuations based on quoted prices in active markets that the Morgan Stanley Group has the ability to access for identical assets or liabilities. Valuation adjustments, block discounts and discounts for equity-specific and contractual restrictions that would not transfer to market participants are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.

- Level 2 - Valuation techniques using observable inputs

  Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, significant market inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

- Level 3 - Valuation techniques with significant unobservable inputs

  Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the product. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Accordingly, the degree of judgement exercised by the Company in determining fair value is greatest for instruments categorised in Level 3 of the fair value hierarchy.

The Company considers prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3 of the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the total fair value amount is disclosed in the level appropriate for the lowest level input that is significant to the total fair value of the asset or liability.

The Company incorporates Funding Valuation Adjustment (“FVA”) into the fair value measurements of over-the-counter (“OTC”) uncollateralised or partially collateralised derivatives, and in collateralised derivatives where the terms of the agreement do not permit the re-use of the collateral received. In general, the FVA reflects a market funding risk premium inherent in the noted derivative instruments. The methodology for measuring FVA leverages the Company’s existing credit-related valuation adjustment calculation methodologies, which apply to both assets and liabilities.

For assets and liabilities that are transferred between levels in the fair value hierarchy during the period, fair values are ascribed as if the assets or liabilities had been transferred as of the beginning of the period.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d. Fair value (continued)

Valuation techniques

Many cash instruments and OTC derivative contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that a party is willing to pay for an asset. Ask prices represent the lowest price that a party is willing to accept for an asset. The Company carries positions at the point within the bid-ask range that meets its best estimate of fair value. For offsetting positions in the same financial instrument, the same price within the bid-ask spread is used to measure both the long and short positions.

Fair value for OTC derivative contracts is derived using pricing models. Pricing models take into account the contract terms, as well as multiple inputs including, where applicable, commodity prices, equity prices, interest rate yield curves, credit curves, correlation, creditworthiness of the counterparty, creditworthiness of the Company, option volatility and currency rates.

Where appropriate, valuation adjustments are made to account for various factors such as liquidity risk (bid-ask adjustments), credit quality, model uncertainty and concentration risk and funding in order to arrive at fair value.

Adjustments for liquidity risk adjust model-derived mid-market amounts of Level 2 and Level 3 financial instruments for the bid-mid or mid-ask spread required to properly reflect the exit price of a risk position. Bid-mid and mid-ask spreads are marked to levels observed in trade activity, broker quotes or other external third-party data. Where these spreads are unobservable for the particular position in question, spreads are derived from observable levels of similar positions.

The Company applies credit-related valuation adjustments to its borrowings which are designated at FVPL and to OTC derivatives. The Company considers the impact of changes in own credit spreads based upon observations of the secondary bond market spreads when measuring the fair value for borrowings.

For OTC derivatives, the impact of changes in both the Company’s and the counterparty’s credit rating is considered when measuring fair value. In determining the expected exposure, the Company simulates the distribution of the future exposure to a counterparty, then applies market-based default probabilities to the future exposure, leveraging external third-party credit default swap (“CDS”) spread data. Where CDS spread data are unavailable for a specific counterparty, bond market spreads, CDS spread data based on the counterparty’s credit rating or CDS spread data that reference a comparable counterparty may be utilised. The Company also considers collateral held and legally enforceable master netting agreements that mitigate its exposure to each counterparty.

Adjustments for model uncertainty are taken for positions whose underlying models are reliant on significant inputs that are neither directly nor indirectly observable, hence requiring reliance on established theoretical concepts in their derivation. These adjustments are derived by making assessments of the possible degree of variability using statistical approaches and market-based information where possible.

The Company may apply concentration adjustments to certain of its OTC derivative portfolios to reflect the additional cost of closing out a particularly large risk exposure. Where possible, these adjustments are based on observable market information but in many instances significant judgement is required to estimate the costs of closing out concentrated risk exposures due to the lack of liquidity in the marketplace.

Valuation process

VC within Finance is responsible for ensuring that the inventory carried at fair value in the Company’s financial statements and associated disclosures is presented in accordance with applicable accounting standards. VC is independent of the business units and reports to the Chief Financial Officer of the Morgan Stanley Group (“CFO”), who has final authority over the valuation of the Company’s inventory. VC implements valuation control processes designed to validate the fair value of the Company’s financial instruments measured at fair value including those derived from pricing models.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d. Fair value (continued)

Valuation techniques (continued)

Model Control

VC, in conjunction with the Model Risk Management Department ("MRM"), which reports to the Chief Risk Officer of the Morgan Stanley Group ("CRO"), independently reviews valuation models. VC is responsible for reviewing that the model valuation methodology is appropriate, model inputs and valuations are consistent with accounting standards and an independent price verification can be performed. The Company generally subjects valuations and models to a review process initially and on a periodic basis thereafter.

Independent Price Verification

The business units are responsible for determining the fair value of financial instruments using approved valuation models and valuation methodologies. Generally on a monthly basis, VC performs an independent review of the valuation in the books and records by determining the appropriateness of the inputs used by the business units and by testing compliance with the documented valuation methodologies approved in the model review process described above. External pricing data used to validate the valuation must meet minimum quality standards set by VC.

The results of this independent price verification and any adjustments made to the fair value generated by the business units are presented to management of the Morgan Stanley Group's three business segments (i.e. Institutional Securities, Wealth Management and Investment Management), the CFO and the CRO on a regular basis.

VC reviews the models and valuation methodology used to price new material Level 2 and Level 3 transactions, and both Finance and MRM must approve the fair value of the trade that is initially recognised.

Gains and losses on inception

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (i.e. the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises a gain or loss on inception of the transaction.

When the use of unobservable market data has a significant impact on determining fair value at the inception of the transaction, the entire initial gain or loss indicated by the valuation technique as at the transaction date is not recognised immediately in the statement of comprehensive income, but is deferred and recognised over the life of the instrument or at the earlier of when the unobservable market data become observable, maturity or disposal of the instrument.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

f. Impairment of financial instruments

The Company recognises loss allowances for ECL for its financial assets classified at amortised cost. ECLs are the present value of cash shortfalls over the expected life of the financial instrument discounted at the asset's EIR. ECL are recognised in the statement of comprehensive income within 'Net impairment loss on financial instruments' and is reflected against the carrying amount of the impaired asset on the statement of financial position as an ECL allowance. Where there has been a reduction in ECL, this will be recognised within 'Net reversal of impairment loss on financial instruments'.

g. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and demand deposits with banks, net of outstanding bank overdrafts, along with highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

4. NET INCOME/(EXPENSE) ON OTHER FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

	2024 $'000	2023 $'000
Net income/(expense) on:		
Financial assets designated at FVPL		
Loans and advances:		
Loans	9,378	18,859
Financial liabilities designated at FVPL		
Debt and other borrowings:		
Issued structured notes	32,170	(79,266)
	41,548	(60,407)

5. INTEREST INCOME

All interest income relate to financial assets at amortised cost and is calculated using the EIR method (refer to note 3(c)).

No other gains or losses have been recognised in respect of financial assets measured at amortised cost other than as disclosed as 'Interest income' and foreign exchange differences included within 'Other income' (note 6).

6. OTHER INCOME

	2024 $'000	2023 $'000
Foreign exchange gains	—	4

7. OTHER EXPENSES

Other expenses of $7,000 (2023: $5,000) relates to bank charges. In addition, audit fees of $105,000 (2023: $103,000) and administration fees of $109,000 (2023: $100,000) have been borne by another Morgan Stanley Group undertaking in the current year.

The Company employed no staff during the year (2023: nil).

8. INCOME TAX

The Company is subject to Jersey income tax at the rate of 0.00% (2023: 0.00%).

The Company has no current tax exposure in relation to the OECD Pillar Two Model Rules because the Pillar Two legislation is not effective at the reporting date. Based on preliminary assessments of potential future exposure, the financial impact is expected to be immaterial.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as presented in the statement of financial position by the IFRS 9 measurement classifications.

31 December 2024	FVPL (mandatorily)	FVPL (designated)	Amortised cost	Total
	$'000	$'000	$'000	$'000
Cash and short-term deposits	—	—	409	409
Loans and advances:				
Loans	—	634,464	—	634,464
Trading financial assets:				
Derivatives	1,794	—	—	1,794
Trade and other receivables:				
Trade receivables	—	—	1,411	1,411
Other receivables	—	—	10,559	10,559
Total financial assets	1,794	634,464	12,379	648,637
Trading financial liabilities:				
Derivatives	74,010	—	—	74,010
Debt and other borrowings:				
Issued structured notes	—	562,667	—	562,667
Trade and other payables:				
Trade payables	—	—	10	10
Total financial liabilities	74,010	562,667	10	636,687

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

31 December 2023	FVPL (mandatorily)	FVPL (designated)	Amortised cost	Total
	$'000	$'000	$'000	$'000
Cash and short-term deposits	—	—	317	317
Loans and advances:				
Loans	—	474,709	—	474,709
Trading financial assets:				
Derivatives	12,439	—	—	12,439
Trade and other receivables:				
Trade receivables	—	—	2,436	2,436
Other receivables	—	—	8,549	8,549
Total financial assets	12,439	474,709	11,302	498,450
Trading financial liabilities:				
Derivatives	9,670	—	—	9,670
Debt and other borrowings:				
Issued structured notes	—	475,693	—	475,693
Trade and other payables:				
Trade payables	—	—	1,819	1,819
Total financial liabilities	9,670	475,693	1,819	487,182

There are no terms and conditions of any trading financial assets or liabilities that may individually significantly affect the amount, timing and certainty of future cash flows for the Company.

Financial assets and financial liabilities designated at FVPL

A further breakdown of financial assets and financial liabilities designated at FVPL is provided within the table above. The financial assets and liabilities in the table above which are designated at FVPL consist primarily of the following financial assets and financial liabilities:

*Issued Structured Note*s: These relate to financial liabilities which arise from selling structured products generally in the form of notes. These instruments contain an embedded derivative which significantly modifies the cash flows of the issuance. The return on the instrument is linked to an underlying that is not clearly and closely related to the debt host including, but not limited to, equity-linked notes. These structured notes are designated at FVPL as the risks to which the Company is a contractual party are risk managed on a fair value basis as part of the Company's trading portfolio and the risk is reported to key management personnel on this basis.

Loans: These are loans to other Morgan Stanley Group undertakings that, along with the derivative contracts classified as mandatorily at FVPL, are part of the hedging strategy for the obligations arising pursuant to the issuance of the structured notes. These loans are designated at FVPL to eliminate or significantly reduce an accounting mismatch which would otherwise arise.

The Company determines the amount of changes in fair value attributable to changes in counterparty credit risk or own credit risk, as relating to loans and issued structured notes, by first determining the fair value including the impact of counterparty credit risk or own credit risk, and then deducting those changes in fair value representing managed market risk. In determining fair value, the Company considers the impact of changes in own credit spreads based upon observations of the secondary bond market spreads when measuring the fair value for issued structured notes. The Company considers that this approach most faithfully represents the amount of change in fair value due to both counterparty credit risk and the Company's own credit risk.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

Financial assets and financial liabilities designated at FVPL (continued)

The carrying amount of financial liabilities held at fair value was $111,000 lower than the contractual amount due at maturity (2023: $12,000 lower).

At initial recognition of a specific structured note issuance program, the Company's issuance process, and any planned hedging structure relating to the issuance of those structured notes, has been considered, to determine whether the presentation of fair value changes attributable to credit risk of those structured notes through other comprehensive income would create or enlarge an accounting mismatch in the statement of comprehensive income. If financial instruments, such as derivatives and loans held at FVPL, for which changes in fair value incorporating counterparty credit risk are reflected within the statement of comprehensive income, are traded to economically hedge the structured note issuances in full, the fair value incorporating any counterparty credit risk arising on the hedging instruments may materially offset any changes in the credit risk of these liabilities ("DVA") applied to structured notes, where the counterparties of the hedging instruments are part of the Morgan Stanley Group. In such cases, the DVA of those structured notes is not reflected within other comprehensive income, and instead is presented in the statement of comprehensive income.

The following table presents the change in fair value and the cumulative change recognised in the statement of comprehensive income attributable to own credit risk for issued structured notes and counterparty credit risk for loans.

	Gain /(loss) recognised in Comprehensive Income		Cumulative Gain /(loss) recognised in Comprehensive Income	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	$'000	$'000	$'000	$'000
Issued Structured Notes	(2,040)	2,589	1,535	3,575
Loans	2,040	(2,589)	(1,535)	(3,575)
	—	—	—	—

The following tables present the carrying value of the Company's financial liabilities designated at FVPL, classified according to underlying security type, including, single name equities, equity indices and equity portfolio.

31 December 2024	Single name equities	Equity indices	Equity portfolio	Total
	$'000	$'000	$'000	$'000
Issued Structured Notes	250,265	103,753	208,649	562,667

31 December 2023	Single name equities	Equity indices	Equity portfolio	Total
	$'000	$'000	$'000	$'000
Issued Structured Notes	308,995	17,073	149,625	475,693

The derivative contracts and loan held at FVPL that the Company enters into in order to hedge the structured notes are valued as detailed in note 3(d) and note 18(a) and have similar valuation inputs to the liabilities they hedge.

10. TRADE AND OTHER RECEIVABLES

	2024 $'000	2023 $'000
Trade and other receivables (amortised cost)		
Trade receivables		
Amounts due from other Morgan Stanley Group undertaking	1,411	2,436
Other receivables		
Amounts due from other Morgan Stanley Group undertaking	10,559	8,549
Total	11,970	10,985

11. TRADE AND OTHER PAYABLES

	2024 $'000	2023 $'000
Trade and other payables (amortised cost)		
Trade payables:		
Amounts due to other Morgan Stanley Group undertaking	10	1,819

12. DEBT AND OTHER BORROWINGS

	2024 $'000	2023 $'000
Debt and other borrowings (designated at FVPL)		
Issued structured notes	562,667	475,693

Refer to note 9 for details of issued structured notes included within debt and other borrowings designated at FVPL.

13. EQUITY

Ordinary share capital

	Ordinary shares of £1 each Number	Ordinary shares of £1 each $'000
Authorised, Issued and fully paid		
At 1 January 2023, 31 December 2023 and 31 December 2024	10,000	14

The holders of ordinary 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.

Capital contribution reserve

The 'Capital contribution reserve' of $10,000,000 (2023: $10,000,000) comprises contributions of capital from the Company's parent company.

14. ADDITIONAL CASHFLOW INFORMATION

a. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances, which have less than three months maturity from the date of acquisition:

	2024 $'000	2023 $'000
Cash and short-term deposits	409	317

b. Reconciliation of cash flows from operating activities

	2024 $'000	2023 $'000
Profit for the year	682	868
Adjustments for:		
Net interest income	(689)	(869)
Operating cash flows before changes in operating assets and liabilities	(7)	(1)
Changes in operating assets		
Decrease in trading financial assets	10,645	1,957
Increase in loans and advances	(159,755)	(119,700)
Increase in trade and other receivables[2]	(296)	(254)
	(149,406)	(117,997)
Changes in operating liabilities		
Increase/(decrease) in trading financial liabilities	64,340	(10,326)
(Decrease)/increase in trade and other payables	(1,809)	1,810
Increase in debt and other borrowings[1]	86,974	125,036
	149,505	116,520
Net cash flows from/(used in) operating activities	92	(1,478)

[1] All amounts reported as debt and other borrowings arise from operating, rather than financing activities for 2024 and 2023.
[2] All amounts reported as trade and other receivables arise from operating, rather than financing activities for 2024 and 2023.

15. 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.

	At 31 December 2024			At 31 December 2023		
	Less than or equal to twelve months	More than twelve months	Total	Less than or equal to twelve months	More than twelve months	Total
	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS						
Cash and short- term deposits	409	—	409	317	—	317
Loans and advances	230,060	404,404	634,464	38,848	435,861	474,709
Trading financial assets	435	1,359	1,794	467	11,972	12,439
Trade and other receivables	1,411	10,559	11,970	2,436	8,549	10,985
	232,315	416,322	648,637	42,068	456,382	498,450
LIABILITIES						
Trading financial liabilities	48,661	25,349	74,010	235	9,435	9,670
Trade and other payables	10	—	10	1,819	—	1,819
Debt and other borrowings	182,253	380,414	562,667	37,295	438,398	475,693
	230,924	405,763	636,687	39,349	447,833	487,182

16. SEGMENT REPORTING

Segment information is presented in respect of the Company's business and geographical segments. The business and geographical segments are based on the Company's management and internal reporting structure. Transactions between business segments are on normal commercial terms and conditions.

Business segments

Morgan Stanley structures its business segments primarily based upon the nature of the financial products and services provided to customers and Morgan Stanley's internal management structure. The Company's own business segments are consistent with those of Morgan Stanley.

The Company has one reportable business segment, Institutional Securities, which provides financial services to financial institutions. Its business includes the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances.

Geographical segments

The Company operates in three geographic regions as listed below:

- Americas
- Asia

16. SEGMENT REPORTING (continued)

Geographical segments (continued)

The following table presents selected statement of financial position information of the Company's operations by geographic area. The total assets disclosed in the following table reflect the regional view of the Company's operations, on a managed basis. The attribution of total assets is determined by trading desk location.

	Americas		Asia		Total	
	2024	2023	2024	2023	2024	2023
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues net of interest	—	—	—	—	—	—
Profit before income tax	682	868	—	—	682	868
Total assets	202,500	241,454	446,137	256,996	648,637	498,450

All of the Company's external revenue (2023: 100%) arises from transactions with other Morgan Stanley Group undertakings. Further details of such transactions are disclosed in the related party disclosures in note 21.

17. 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 is managed as part of the policies and procedures of the Morgan Stanley Group's risk management policy framework. The risk management policy framework includes escalation to the appropriate senior management personnel when necessary.

Significant risks faced by the Company resulting from its trading and financing activities are set out below.

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. Primarily the Company's concentration of exposure is from other Morgan Stanley Group undertakings.

Credit risk management

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

The Company enters into all of its financial asset transactions with other Morgan Stanley Group undertakings, and both the Company and the other Morgan Stanley Group undertakings are wholly-owned subsidiaries of the same ultimate parent entity, Morgan Stanley. As a result of the implicit support that would be provided by Morgan Stanley, the Company is considered exposed to the credit risk of Morgan Stanley.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Exposure to credit risk

The maximum exposure to credit risk ("gross credit exposure") of the Company as at 31 December 2024 is disclosed below, based on the carrying amounts of the financial assets. The table includes financial instruments subject to ECL and not subject to ECL. Those financial instruments that bear credit risk but are not subject to ECL are subsequently measured at fair value.

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

Exposure to credit risk by class

	Gross and net credit exposure(1)	
Class	**31 December 2024**	**31 December 2023**
	$'000	**$'000**
Subject to ECL:		
Cash and short-term deposits	409	317
Trade and other receivables	11,970	10,985
Not subject to ECL(2):		
Loans and advances	634,464	474,709
Trading financial assets	1,794	12,439
	648,637	498,450

(1) The carrying amount recognised in the statement of financial position best represents the Company's maximum exposure to credit risk. The Company does not enter into credit enhancements.
(2) Financial assets measured at FVPL are not subject to ECL.

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

Exposure to credit risk by internal rating grades

Internal credit ratings, as below, are derived using methodologies generally consistent with those used by external agencies:

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

All gross carrying amounts have an internal rating grade of A and are not impacted by ECL. All exposures subject to ECL are Stage 1.

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 capital markets or difficulty in liquidating its assets. Liquidity risk encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company's viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding. Generally, the Company incurs liquidity risk as a result of its trading, lending, investing and client facilitation activities.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The Morgan Stanley Group's Liquidity Risk Management Framework is critical to helping ensure that the Company maintains sufficient liquidity reserves 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. The Liquidity Risk Department ensures transparency of material liquidity risks, compliance with established risk limits and key risk indicators ("KRIs") as well as escalation of risk concentrations to appropriate senior management. To execute these responsibilities, the Liquidity Risk Department:

- Establishes limits in line with the Morgan Stanley Group's risk appetite;
- Identifies and analyses emerging liquidity risks to ensure such risks are appropriately mitigated;
- Monitors and reports risk exposures against limits and KRIs; and
- Reviews the methodologies and assumptions underpinning the Morgan Stanley Group's Liquidity Stress Tests to ensure sufficient liquidity and funding under a range of adverse scenarios.

The liquidity risks identified by these processes are summarised in reports produced by the Liquidity Risk Department that are circulated to and discussed with the EMEA Assets/ Liability Management Committee ("ALCO") and EMEA Risk Committee as appropriate.

The Treasury Department and applicable business units have primary responsibility for evaluating, monitoring and controlling the liquidity risks arising from the Morgan Stanley Group's business activities and for maintaining processes and controls to manage the key risks inherent in their respective areas. The Liquidity Risk Department coordinates with the Treasury Department and these business units to help ensure a consistent and comprehensive framework for managing liquidity risk across the Morgan Stanley Group.

The Company's liquidity risk management policies and procedures are consistent with those of the Morgan Stanley Group.

The primary goal of the Company's liquidity risk management framework is to ensure that the Company has access to sufficient liquid assets across a wide range of market conditions and time horizons. The framework is designed to enable the Company to fulfil its financial obligations and support the execution of its business strategies.

The following principles guide the Company's liquidity risk management framework:

- Sufficient liquid assets should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Maturity profile of assets and liabilities should be aligned, with limited reliance on short-term funding;
- Source, counterparty, currency, region, and term of funding should be diversified; and
- Liquidity Stress Tests should account for stressed liquidity requirements and the amount of liquidity held should be greater than those stressed requirements.

The Company hedges all of its financial liabilities with financial assets entered into with the parent entity, Morgan Stanley. Further, the maturity profile of the financial assets matches the maturity profile of the financial liabilities.

The core components of the Morgan Stanley Group's liquidity management framework that support our target liquidity profile, which includes consideration of the liquidity risk for each individual legal entity, are the Required Liquidity Framework, Liquidity Stress Tests and the Liquidity Resources (as defined below).

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Required Liquidity Framework

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 are not adversely affected by an inability (or perceived inability) to meet its financial obligations in a timely manner. 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 Stress Tests

The Company uses Liquidity Stress Tests to model external and intercompany liquidity flows across multiple scenarios and a range of time horizons. These scenarios contain various combinations of idiosyncratic and market stress events of different severity and duration. The methodology, implementation, production and analysis of the Company's Liquidity Stress Tests are important components of the Required Liquidity Framework.

The Liquidity Stress Tests are produced for Morgan Stanley and its major operating subsidiaries, as well as at major currency levels, to capture specific cash requirements and cash availability at various legal entities. The Liquidity Stress Tests assume that subsidiaries will use their own liquidity first to fund their obligations before drawing liquidity from Morgan Stanley. It is also assumed that Morgan Stanley will support its subsidiaries and will not have access to cash that may be held at certain subsidiaries. In addition to the assumptions underpinning the Liquidity Stress Tests, Morgan Stanley Group takes into consideration the settlement risk related to intra-day settlement and clearing of securities and financial activities.

Since the Company hedges the liquidity risk of its financial liabilities with financial assets that match the maturity profile of the financial liabilities, the Company is not considered a major operating subsidiary for the purposes of liquidity risk. However, the Company would have access to the cash or liquidity reserves held by Morgan Stanley in the unlikely event that it was unable to access adequate financing to service its financial liabilities when they become payable.

The Required Liquidity Framework and Liquidity Stress Tests are evaluated on an ongoing basis and reported to the Firm Risk Committee, Asset/ Liability Management Committee, and other appropriate risk committees.

Liquidity Resources

The Company maintains sufficient liquidity resources which consists of cash deposits with banks ("Liquidity Resources") to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. The Liquidity Resources of the Company are managed considering the following components: unsecured debt maturity profile; balance sheet size and composition; funding needs in a stressed environment inclusive of contingent cash outflows; and collateral requirements. The amount of liquidity resources the Company holds is based on the Company's risk appetite and is calibrated to meet various internal and to fund prospective business activities.

The Morgan Stanley Group's Liquidity Resources, to which the Company has access, are held within Morgan Stanley and its major operating subsidiaries and are composed of diversified cash and cash equivalents and unencumbered highly liquid securities.

Eligible unencumbered highly liquid securities include US government securities, US agency securities, US agency mortgage-backed securities, non-US government securities and other highly liquid investment grade securities.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Liquidity Resources (continued)

Liquidity Resources may fluctuate from period to period based on the overall size and composition of the statement of financial position, the maturity profile of our unsecured debt and estimates of funding needs in a stressed environment, among other factors.

The ability to monetise assets during a liquidity crisis is critical. The Morgan Stanley Group believes that the assets held in its Liquidity Resources can be monetised within five business days in a stressed environment given the highly liquid and diversified nature of the resources.

Funding management

The Morgan Stanley Group manages its funding in a manner that reduces the risk of disruption to the Morgan Stanley Group's and the Company's operations. The Morgan Stanley Group pursues a strategy of diversification of secured and unsecured funding sources (by product, investor and region) and attempts to ensure that the tenor of the Morgan Stanley Group's, and the Company's, liabilities equals or exceeds the expected holding period of the assets being financed.

The Morgan Stanley Group funds its balance sheet on a global basis through diverse sources, which includes consideration of the funding risk of each legal entity. These sources include the Morgan Stanley Group's equity capital, long-term borrowings, securities sold under agreements to repurchase ("repurchase agreements"), securities lending, deposits, letters of credit and lines of credit. The Morgan Stanley Group has active financing programmes for both standard and structured products targeting global investors and currencies.

Balance sheet management

In managing both the Morgan Stanley Group's and the Company's funding risk, the composition and size of the entire statement of financial position, not just financial liabilities, is monitored and evaluated. The liquid nature of the 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 statement of financial position.

Maturity analysis

In the following maturity analysis of financial liabilities, derivative contracts and other financial liabilities held as part of the Company's trading activities are presented at fair value, consistent with how these financial liabilities are managed, and disclosed as on demand. Derivatives not held as part of the Company's trading activities and financial liabilities designated at fair value through profit or loss which contain an embedded derivative are disclosed according to their earliest contractual maturity; all such amounts are presented at their fair value, consistent with how these financial liabilities are managed. All other amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities to earliest contractual maturities as at 31 December 2024 and 31 December 2023. 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 those financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial liabilities is managed by the Company.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

31 December 2024	On demand	Less than 1 year	1 year - 2 years	2 years - 5 years	Greater than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and short term deposits	409	—	—	—	—	409
Loans and advances:						
Loans	—	230,060	138,000	257,222	9,182	634,464
Trading financial assets:						
Derivatives	—	435	294	1,065	—	1,794
Trade and other receivables:						
Trade receivables	1,411	—	—	—	—	1,411
Other receivables	—	—	10,559	—	—	10,559
Total financial assets	1,820	230,495	148,853	258,287	9,182	648,637
Financial liabilities						
Trading financial liabilities:						
Derivatives	—	48,661	7,316	17,478	555	74,010
Trade and other payables:						
Trade Payables	10	—	—	—	—	10
Debt and other borrowings:						
Issued structured notes	—	182,253	130,978	240,809	8,627	562,667
Total financial liabilities	10	230,914	138,294	258,287	9,182	636,687

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

31 December 2023	On demand	Less than 1 year	1 year - 2 years	2 years - 5 years	Greater than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and short-term deposits	317	—	—	—	—	317
Loans and advances:						
Loans	—	38,848	230,767	198,866	6,228	474,709
Trading financial assets:						
Derivatives	—	467	10,875	1,097	—	12,439
Trade and other receivables:						
Trade receivables	2,436	—	—	—	—	2,436
Other receivables	—	—	8,549	—	—	8,549
Total financial assets	2,753	39,315	250,191	199,963	6,228	498,450
Financial liabilities						
Trading financial liabilities:						
Derivatives	—	235	2,163	6,982	290	9,670
Trade and other payables:						
Trade Payables	1,819	—	—	—	—	1,819
Debt and other borrowings:						
Issued structured notes	—	37,295	239,479	192,981	5,938	475,693
Total financial liabilities	1,819	37,530	241,642	199,963	6,228	487,182

Market risk

Market 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 prices.

The Company manages the market risk associated with its trading activities at a legal entity, trading division and at an individual products level.

Sound market risk management is an integral part of the Company's culture. The Company is responsible for ensuring that market risk exposures are well-managed and monitored. The Company also ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management.

To execute these responsibilities, the Morgan Stanley Group monitors the market risk of the firm against limits on aggregate risk exposures, performs a variety of risk analyses including monitoring Value-at-risk ("VaR") and stress testing analyses, routinely reports risk summaries and maintains the VaR and scenario analysis methodologies. The Company is managed within the Morgan Stanley Group's global framework. The market risk management policies and procedures of the Company include performing risk analyses and reporting any material risks identified to appropriate senior management of the Company, including an assessment of the Statement of Comprehensive Income and Statement of Financial Position of the Company to ensure there is no net exposure to market risk.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

The Company enters into the majority of its financial asset transactions with other Morgan Stanley Group undertakings, where both the Company and the other Morgan Stanley Group undertakings are wholly-owned subsidiaries of the same group parent entity, Morgan Stanley.

The Company actively manages its market risk by hedging with other Morgan Stanley Group undertakings. The residual market risk on the entity is not material.

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

a. Financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the carrying value of the Company's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy.

31 December 2024	Quoted prices in active market (Level 1) $'000	Valuation techniques using observable inputs (Level 2) $'000	Valuation techniques with significant unobservable inputs (Level 3) $'000	Total $'000
Trading financial assets:				
Derivatives				
Equity contracts	—	1,786	8	1,794
Loans and advances:				
Loans	—	634,464	—	634,464
Total financial assets measured at fair value	—	636,250	8	636,258
Trading financial liabilities:				
Derivatives				
Equity contracts	—	70,073	3,937	74,010
Debt and other borrowings:				
Issued structured notes	—	555,129	7,538	562,667
Total financial liabilities measured at fair value	—	625,202	11,475	636,677

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

31 December 2023	**Quoted prices in active market (Level 1) $'000**	**Valuation techniques using observable inputs (Level 2) $'000**	**Valuation techniques with significant unobservable inputs (Level 3) $'000**	**Total $'000**
Trading financial assets:				
Derivatives				
Equity contracts	—	12,344	95	12,439
Loans and advances:				
Loans	—	474,709	—	474,709
Total financial assets measured at fair value	—	487,053	95	487,148
Trading financial liabilities:				
Derivatives				
Equity contracts	—	5,343	4,327	9,670
Debt and other borrowings:				
Issued structured notes	—	472,246	3,447	475,693
Total financial liabilities measured at fair value	—	477,589	7,774	485,363

The Company's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value on a recurring basis is as follows:

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

Derivatives

Asset and Liability / Valuation Techniques	Valuation Hierarchy Classification
Derivatives	
OTC Derivative Contracts • OTC derivative contracts include swap contracts related to equity prices. • Depending on the product and the terms of the transaction, the fair value of OTC derivative products can be modeled using a series of techniques, including closed-form analytic formulas, such as the Black-Scholes pricing model, simulation models or a combination thereof. Many pricing models do not entail material subjectivity as the methodologies employed do not necessitate significant judgement, since model inputs may be observed from actively quoted markets, as is the case for many equity swaps. In the case of more established derivative products, the pricing models used by the Company are widely accepted by the financial services industry. • More complex OTC derivative products are typically less liquid and require more judgement in the implementation of the valuation technique since direct trading activity or quotes are unobservable. This includes certain types of derivatives with both volatility and correlation exposure. Where these inputs are unobservable, relationships to observable data points, based on historic and/or implied observations, may be employed as a technique to estimate the model input values.	• Generally Level 2 - when valued using observable inputs supported by market liquidity, or where the unobservable input is not deemed significant. • Level 3 - when valued using observable inputs with limited market liquidity, or if an unobservable input is deemed significant.
Issued structured notes	
Issued structured notes designated at fair value through profit or loss • The Company issues structured notes which are primarily composed of instruments whose payments and redemption values are linked to the performance of a specific index, a basket of stocks and a specific security. • Fair value of structured notes is determined using valuation models for the derivative and debt portions of the structured notes and traded prepaid equity securities contracts. These models incorporate observable inputs referencing identical or comparable securities, including prices to which the notes are linked, equity prices. • Independent, external and traded prices for the notes are considered as well as the impact of the Company’s own credit spreads which are based on observed secondary bond market spreads.	• Generally Level 2 • Level 3 - Notes with significant unobservable inputs

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

Issued structured notes (continued)	
Issued structured notes designated at fair value through profit or loss (continued) • Notes give a risk exposure tailored to market views and risk appetite and mainly provide exposure to the underlying single name equity, equity index or portfolio of equities. Typically, the redemption payment of the note is significantly dependent on the value of embedded equity derivatives. In general, call and put options, digital options, straddles and callability features are combined to create a bespoke coupon rate or redemption payoff for each note issuance, with risk exposure to one or more equity underlyings or indices. The Company values the embedded derivatives using market standard models, which are assessed for appropriateness at least annually. Model inputs, such as equity forward rates, equity implied volatility and equity correlations are marked such that the fair value of the derivatives match prices observable in the inter-dealer markets. In arriving at fair value, the Company uses discount rates appropriate to the funding rates specific to the instrument. In general, this results in overnight rates being used to discount the Company assets and liabilities. In addition, since the notes bear Morgan Stanley's credit risk, the Company considers this when assessing the fair value of the notes, by adjusting the discount rates to reflect the prevailing credit spread at the reporting date.	
Loans • The fair value of loans to other Morgan Stanley Group undertakings is estimated based on the present value of expected future cash flows using its best estimate of interest rate yield curves.	• Level 2

b. Transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities recognised at fair value on a recurring basis

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current year and prior year.

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the changes in the fair value of the Company's Level 3 financial assets and financial liabilities for the year ended 31 December 2024 and 31 December 2023. Level 3 instruments may be hedged with instruments classified in Level 1 and Level 2. The realised and unrealised gains/(losses) for assets and liabilities within the Level 3 category presented in the following tables do not reflect the related realised and unrealised gains/(losses) on hedging instruments that have been classified by the Company within the Level 1 and/ or Level 2 categories.

The unrealised gains/(losses) during the year for assets and liabilities within the Level 3 category presented in the following tables herein may include changes in fair value during the period that were attributable to both observable and unobservable inputs.

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

31 December 2024

	Balance at 1 January 2024	Total gains or (losses) recognised in statement of comprehensive income (1)	Purchases	Issuances	Settlements	Transfers into Level 3(2)	Transfers out of Level 3 (2)	Balance at 31 December 2024	Unrealised gains or (losses) for Level 3 assets/ (liabilities) outstanding as at 31 December 2024(3)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trading financial liabilities:									
Net derivative contracts (4)	(4,232)	(396)	—	—	(1,494)	—	2,193	(3,929)	(3,287)
Debt and other borrowings:									
Issued structured notes	(3,447)	332	—	(7,727)	3,304	—	—	(7,538)	189
Total financial liabilities measured at fair value	**(7,679)**	**(64)**	**—**	**(7,727)**	**1,810**	**—**	**2,193**	**(11,467)**	**(3,098)**

31 December 2023

	Balance at 1 January 2023	Total gains or (losses) recognised in statement of comprehensive income (1)	Purchases	Issuances	Settlements	Transfers into Level 3(2)	Transfers out of Level 3 (2)	Balance at 31 December 2023	Unrealised gains or (losses) for Level 3 assets/ (liabilities) outstanding as at 31 December 2023 (3)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trading financial liabilities:									
Net derivative contracts (4)	—	(3,267)	—	(557)	(167)	(241)	—	(4,232)	(3,646)
Debt and other borrowings:									
Issued structured notes	—	14	—	(3,461)	—	—	—	(3,447)	14
Total financial liabilities measured at fair value	**—**	**(3,253)**	**—**	**(4,018)**	**(167)**	**(241)**	**—**	**(7,679)**	**(3,632)**

(1) The total gains or (losses) are recognised in the statement of comprehensive income.
(2) For financial assets and financial liabilities that were transferred into and out of Level 3 during the period, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the period.
(3) Amounts represent unrealised gains or (losses) for the year ended 31 December 2024 related to assets and liabilities still outstanding at 31 December 2024. The unrealised gains or (losses) are recognised in the statement of comprehensive income.
(4) Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts.

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

During the period, the Company reclassified $2,193,000 of net derivative contracts (31 December 2023: $241,000) from Level 3 to Level 2. The reclassifications were due to positions where the unobservable inputs are no longer significant.

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis

The following disclosures provide information on the sensitivity of fair value measurements to key inputs and assumptions.

1. Quantitative information about and qualitative sensitivity of significant unobservable inputs

The following table provides information on the valuation techniques, significant unobservable inputs and the ranges and averages for each material category of assets and liabilities measured at fair value on a recurring basis.

The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory of financial instruments. Further, the range of unobservable inputs may differ across groups in the financial services industry because of diversity in the types of products included in each group's inventory. The following disclosures also include qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs. There are no predictable relationships between multiple significant unobservable inputs attributable to a given valuation technique. A single amount is disclosed when there is no significant difference between the minimum, maximum and average (weighted average or similar average / median).

31 December 2024	**Fair value $'000**	**Predominant valuation techniques/ Significant unobservable inputs**	**Range [2] (Averages)[3]**
LIABILITIES			
Net derivative and other contracts: [1]			
- Equity	(3,929)	Option model	
		Equity volatility	17% to 48% (28%)
		Equity volatility skew	-1% to 0% (0%)
Debt and other borrowings:			
- Issued Structured Notes	(7,538)	Option model	
		Equity volatility	19% to 25% (23%)
		Equity volatility skew	0% to 0% (0%)

(1) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.

(2) The ranges of significant unobservable inputs are represented in percentages.

(3) Amounts represent weighted averages except where simple averages and the median of the inputs are provided when more relevant.

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

1. Quantitative information about and qualitative sensitivity of significant unobservable inputs (continued)

31 December 2023	**Fair value $'000**	**Predominant valuation techniques/ Significant unobservable inputs**	**Range [2] (Averages)[3]**
LIABILITIES			
Net derivative and other contracts: [1]			
- Equity	(4,232)	Option model	
		Equity volatility	17% to 35% (24%)
		Equity volatility skew	-0.8% to 0.0% (-0.3%)
Debt and other borrowings:			
- Issued Structured Notes	(3,447)	Option model	
		Equity volatility	22% to 24% (23%)
		Equity volatility skew	-0.4% to -0.2% (-0.3%)

(1) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.

(2) The ranges of significant unobservable inputs are represented in percentages.

(3) Amounts represent weighted averages except where simple averages and the median of the inputs are provided when more relevant.

- Volatility: The measure of the variability in possible returns for an instrument given how much that instrument changes in value over time. Volatility is a pricing input for options, and, generally, the lower the volatility, the less risky the option. The level of volatility used in the valuation of a particular option depends on a number of factors, including the nature of the risk underlying that option, the tenor and the strike price of the option.

- Volatility skew: The measure of the difference in implied volatility for options with identical underliers and expiry dates but with different strikes.

2. Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

As detailed in note 2, the valuation of Level 3 financial instruments requires the application of critical accounting judgement, involving estimations and assumptions and it is recognised that there could be a range of reasonably possible alternative values.

The Company has reviewed the unobservable parameters to identify those which would change the fair value measurement significantly if replaced by a reasonably possible alternative assumption.

In estimating the potential variability, the unobservable parameters were varied individually using statistical techniques and historic data. The potential variability estimated is likely to be greater than the actual uncertainty relating to the financial instruments as any diversification effect has been excluded.

18. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

2. Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives (continued)

The following table presents the potential impact of both favourable and unfavourable changes, both of which would be reflected in the statement of comprehensive income:

	2024		2023	
	Favourable changes (2)	Unfavourable changes (2)	Favourable changes (2)	Unfavourable changes (2)
	$'000	$'000	$'000	$'000
Trading financial liabilities:				
Net derivatives contracts(1)	(465)	328	(688)	555
Debt and other borrowings:				
Issued structured notes	(349)	208	(56)	81
	(814)	536	(744)	636

(1) Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts. The reasonably possible alternative assumptions are applied to derivative assets and derivative liabilities separately when assessing potential variability of the fair value measurement.
(2) The difference between the total favourable and total unfavourable changes is primarily a result of net derivative contracts classified as Level 3 in the fair value hierarchy hedging issued structured notes which can be classified as either Level 2 or Level 3 in the fair value hierarchy.

e. Assets and liabilities measured at fair value on a non-recurring basis

Non-recurring fair value measurements of assets and liabilities are those which are required or permitted in the statement of financial position in particular circumstances. There were no assets or liabilities measured at fair value on a non-recurring basis during the current or prior year.

19. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value due to the short term nature of these assets and liabilities.

20. CAPITAL MANAGEMENT

The Morgan Stanley Group manages its capital on a global basis with consideration for its legal entities. The capital managed by the Morgan Stanley Group broadly includes ordinary share capital, preference share capital, subordinated loans and reserves.

The Morgan Stanley Group’s required capital (“Required Capital”) estimation is based on the Required Capital Framework, an internal capital adequacy measure. This framework is a risk-based and leverage-based capital measure, which is compared with the Morgan Stanley Group’s regulatory capital to ensure that the Morgan Stanley Group maintains an amount of going concern capital after absorbing potential losses from stress events where applicable, at a point in time. The Morgan Stanley Group defines the difference between its total average common equity and the sum of the average common equity amounts allocated to our business segments as Parent Company common equity. The Morgan Stanley Group generally holds Parent Company common equity for prospective regulatory requirements, organic growth, potential future acquisitions and other capital needs.

20. CAPITAL MANAGEMENT (CONTINUED)

The Required Capital Framework is expected to evolve over time in response to changes in the business and regulatory environment, for example, to incorporate stress testing or enhancements in modelling techniques. The Morgan Stanley Group will continue to evaluate the framework with respect to the impact of future regulatory requirements, as appropriate.

The Morgan Stanley Group actively manages its consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines. In the future, the Morgan Stanley Group may expand or contract its capital base to address the changing needs of its businesses.

The Morgan Stanley Group also aims to adequately capitalise at a legal entity level whilst safeguarding that entity's ability to continue as a going concern and ensuring that it meets all regulatory capital requirements, so that it can continue to provide returns for the Morgan Stanley Group.

In order to maintain or adjust the capital structure as described above, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company manages the following items as capital:

	2024	2023
	$'000	$'000
Stated capital	14	14
Retained earnings	1,936	1,254
Capital contribution reserve	10,000	10,000
	11,950	**11,268**

21. RELATED PARTY DISCLOSURES

For information on the Company's immediate and ultimate parent undertaking and controlling entity, refer to note 1.

Key management compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors of the Company.

Key management personnel compensation, in respect of their services rendered to the Company, comprised the following:

	2024	2023
	$'000	$'00
Short-term employee benefits	17	8
Share-based payments	1	—
Other long-term employee benefits	1	—
	19	8

In addition to the above, Gen II (Jersey) Limited (formerly Crestbridge Limited), a Company which is not part of the Morgan Stanley Group, provided key management personnel services to the Company for which a fee of $92,000 (2023: $50,000) was charged for the year and of which $nil was accrued at 31 December 2024 (2023: $18,000).

21. RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel compensation is borne by other Morgan Stanley Group undertakings in the current and prior year. None of the Directors received remuneration from the Company during the current or prior year.

Transactions with related parties

The Morgan Stanley Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, the Company is closely integrated with the operations of the Morgan Stanley Group and enters into transactions with other Morgan Stanley Group undertakings on an arm's length basis for the purposes of utilising financing, trading and risk management, and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below. Settlement of the outstanding balances will be made via inter-company mechanisms.

The Company has not recognised any expense and has made no provision for impairment relating to the amount of outstanding balances from related parties (2023: $nil).

Funding

The Company receives funding from and provides funding to other Morgan Stanley Group undertakings in the following forms:

General funding

General funding is undated, unsecured, floating rate lending, other than certain funding which is dated on a rolling 395 day term. Funding may be received or provided for specific transaction related funding requirements, or for general operational purposes. The interest rates are established by the Morgan Stanley Group Treasury function for all entities within the Morgan Stanley Group and approximate the market rate of interest that the Morgan Stanley Group incurs in funding its business.

Details of the outstanding balances on these funding arrangements and the related interest income or expense recognised in the statement of comprehensive income during the current and prior year are shown in the table below:

	2024		2023	
	Interest	Balance	Interest	Balance
	$'000	$'000	$'000	$'000
Amounts due from the Company's direct parent undertakings	689	10,559	869	8,549

Trading and risk management

The Company issues structured notes and hedges the obligations arising from the issuance by entering into derivative contracts and loans designated at fair value through profit or loss with other Morgan Stanley Group undertakings. All such transactions are entered into on an arm's length basis. The total amounts receivable and payable on the above financial instruments were as follows:

	2024	2023
	Balance	Balance
	$'000	$'000
Amounts due from the Company's direct parent undertakings	636,258	488,563
Amounts due to the Company's direct parent undertakings	74,020	11,489

21. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with related parties (continued)

Infrastructure services

The Company uses infrastructure services, including the provision of office facilities, operated by other Morgan Stanley Group undertakings at no charge.

Amounts outstanding at the reporting date are included within the general funding balances disclosed above.

22. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the reporting date.