Registered Number: 01708846

Registered office
20 Bank Street
Canary Wharf
London E14 4AD

CABOT 1 LIMITED

Report and financial statements

31 December 2012

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CABOT 1 LIMITED

CONTENTS

CABOT 1 LIMITED

DIRECTORS' REPORT

The Directors present their report and financial statements (which comprise the profit and loss account, the balance sheet, and the related notes 1 to 14) for Cabot 1 Limited (the "Company") for the year ended 31 December 2012

RESULTS AND DIVIDENDS

The profit for the year, after tax, was £841,000 (2011 £686,000 profit after tax)

During the year no dividends were paid or proposed (2011 £nil)

PRINCIPAL ACTIVITY

The principal activity of the Company is to enter into financing transactions and investments

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

During 2012, global market and economic conditions have remained challenging with continuing concerns about the ongoing European sovereign debt crisis, lack of robust economic recovery in the United States ("US") and other developed markets and slowing economic growth in emerging markets These on-going conditions present difficulties and uncertainty for the business outlook that may adversely impact the financial performance of the Company in the future

The profit and loss account for the year ended 31 December 2012 is set out on page 8 The Company made a profit on ordinary activities before tax of £841,000 in the year compared to the profit of £686,000 in the previous year The profit in 2012 is primarily attributable to interest accruing on loans to other Morgan Stanley group undertakings and the increase compared to the prior year is primarily attributable to higher interest rates in the current year

The balance sheet for the Company is set out on page 9 The Company's net assets at the end of the year were £31 877 000 an increase of £841 000 compared to the prior year due to interest accruing on loans to other Morgan Stanley group undertakings

The performance of the Company is included in the results of the Morgan Stanley Group which are disclosed in the Morgan Stanley Group's Annual Report on Form 10-K to the United States Securities and Exchange Commission The Morgan Stanley Group manages its key performance indicators on a global basis but in consideration of individual legal entities For this reason, 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 both Morgan Stanley's and the Company's business activity and is managed within the context of the broader Morgan Stanley Group's business activities The Morgan Stanley Group seeks to identify, assess monitor and manage each of the various types of risk involved in its activities on a global basis, in accordance with defined policies and procedures and in consideration of the individual legal entities

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its obligations

The Morgan Stanley Group manages credit risk exposure on a global basis as well as giving consideration to individual legal entities It does this by ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit, escalating risk concentrations to appropriate senior management and mitigating credit risk through the use of collateral and other arrangements

Liquidity and capital resources

Liquidity and funding risk refers to the risk that the Company will be unable to meet its funding obligations in a timely manner Liquidity risk stems from the potential risk that the Company will be unable to obtain necessary funding through borrowing money at favourable interest rates or maturity terms, or selling assets in a timely manner and at a reasonable price

The Morgan Stanley Group's senior management establishes the overall liquidity and funding policies of the Morgan Stanley Group and the liquidity risk management policies and procedures conducted within the Company are consistent with those of the Morgan Stanley Group The primary goal of the Morgan Stanley Group's liquidity risk management framework is to ensure that the Morgan Stanley Group, including the Company, have access to adequate funding across a wide range of market conditions The framework is designed to enable the Company to fulfil its financial obligations and support the execution of the Company's business strategies

Morgan Stanley continues to actively manage its capital and liquidity position to ensure adequate resources are available to support the activities of the Morgan Stanley Group, including the Company, to enable the Morgan Stanley Group to withstand market stresses, and to meet regulatory stress testing requirements proposed by regulators globally The Morgan Stanley Group uses Liquidity Stress Tests to model liquidity outflows across multiple scenarios over a range of time horizons These scenarios contain various combinations of idiosyncratic and systemic stress events

On 21 June 2012, Moody's Investor Services announced the conclusion of an industry-wide reassessment and revised ratings for 15 global capital markets banks The Morgan Stanley Group's long- and short-term debt ratings were lowered two notches to Baa1/P-2 from A2/P-1, and a negative outlook was assigned

While certain aspects of a credit ratings downgrade are quantifiable pursuant to contractual provisions, the impact it will have on the Morgan Stanley Group's business and results of operation in future periods is inherently uncertain and will depend on a number of inter-related factors, including among others, the magnitude of the downgrade, individual client behaviour and future mitigating actions the Morgan Stanley Group may take The liquidity impact of additional collateral requirements is included in the Morgan Stanley Group's Liquidity Stress Tests

CABOT 1 LIMITED

DIRECTORS' REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Operational risk

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's or the Morgan Stanley Group's reputation, resulting from inadequate or failed internal processes, people, resources and systems or from other external events (e g fraud, legal and compliance risks, damage to physical assets etc) Legal, regulatory and compliance risk is included in the scope of operational risk and is discussed below under "Legal, regulatory and compliance risk"

The Morgan Stanley Group has established an operational risk management process that operates on a global and regional basis to identify, measure, monitor and control risk Effective operational risk management is essential to reducing the impact of operational risk incidents and mitigating legal, regulatory, and reputational risks

Legal, regulatory and compliance risk

Legal risk includes the risk of exposure to fines, penalties, judgements, damages and/or settlements in connection with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements and standards or litigation Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable The Morgan Stanley Group is generally subject to extensive regulation in the different jurisdictions in which it conducts its business In the current environment of rapid and possibly transformational regulatory change, the Morgan Stanley Group also views regulatory change as a component of legal risk

The Morgan Stanley Group has established procedures based on legal and regulatory requirements on a worldwide basis that are designed to foster compliance with applicable statutory and regulatory requirements The Morgan Stanley Group, principally through the Legal and Compliance Division, also has established procedures that are designed to require that the Morgan Stanley Group's policies relating to business conduct, ethics and practices are followed globally In connection with its businesses, the Morgan Stanley Group has and continuously develops various procedures addressing issues such as regulatory capital requirements, sales and trading practices, new products, information barriers, potential conflicts of interest, structured transactions, use and safekeeping of customer funds and securities, lending and credit granting, anti-money laundering, privacy and recordkeeping In addition, the Morgan Stanley Group 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 legal and regulatory focus on the financial services industry presents a continuing business challenge for the Morgan Stanley Group

Significant changes in the way that major financial services institutions are regulated are occurring in the United Kingdom ("UK"), Europe, the US and worldwide The reforms being discussed and, in some cases, already implemented, include several that contemplate comprehensive restructuring of the regulation of the financial services industry Such measures will likely lead to stricter regulation of financial institutions generally, and heightened prudential requirements for systemically important firms in particular Such measures could include taxation of financial transactions, liabilities and employee compensation as well as reforms of the over-the-counter ("OTC") derivatives markets, such as mandated exchange trading and clearing, position limits, margin, capital and registration requirements Changes in tax legislation in the UK and worldwide, such as taxation of financial transactions, liabilities and employees compensation are also possible

Many of these reforms, if enacted, may materially affect the Company's and the Morgan Stanley Group's business, financial condition, results of operations and cash flows in the future

DIRECTORS' REPORT

DIRECTORS

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

G Adams (resigned 27 March 2013)
L Bainbridge
S Souchon

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INDEMNITY

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the year and up to and including the date of the Director's report for the benefit of the Directors of the Company

POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date

AUDITOR

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

Statement as to disclosure of information to the auditor

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

- so far as each of the Directors is aware, there is no relevant audit information (being information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware, and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

CABOT 1 LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

Approved by the Board and signed on its behalf by

Director
L. Bainbridge
16 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CABOT 1 LIMITED

We have audited the financial statements of Cabot 1 Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CABOT 1 LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Susan Forrester CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom

18 September 2013

CABOT 1 LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net gains on fixed asset investments	2	-	2
Interest income	3	841	684
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		841	686
Tax on profit on ordinary activities	6	-	-
PROFIT FOR THE FINANCIAL YEAR		841	686

All operations were continuing in the current and prior year

There were no recognised gains or losses during the current or prior year other than those disclosed above Accordingly no statement of total recognised gains and losses has been prepared

A reconciliation of the movement in shareholders' funds is disclosed in note 11 to the financial statements

The notes on pages 10 to 14 form an integral part of the financial statements

CABOT 1 LIMITED
Registered number 01708846

BALANCE SHEET
As at 31 December 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Investments	7	-	-
CURRENT ASSETS			
Debtors	8	32,081	31,233
Cash at bank		-	7
NET CURRENT ASSETS		32,081	31,240
TOTAL ASSETS LESS CURRENT LIABILITIES		32,081	31,240
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(204)	(204)
NET ASSETS		31,877	31,036
CAPITAL AND RESERVES			
Called up share capital	10	9,638	9,638
Share premium account	11	19,962	19,962
Profit and loss account	11	2,277	1,436
SHAREHOLDERS' FUNDS		31,877	31,036

These financial statements were approved by the Board and authorised for issue on 16 September 2013
Signed on behalf of the Board

Director
L. Bainbridge

The notes on pages 10 to 14 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. ACCOUNTING POLICIES

The Company's principal accounting policies are summarised below and have been applied consistently throughout the year and preceding year

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom company law and accounting standards

b) 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 3

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

c) Functional currency

Items included in the financial statements are measured and presented in Pounds Sterling, 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 Pounds Sterling

d) Foreign currencies

All monetary assets and liabilities denominated in currencies other than Pounds Sterling are translated into Pounds Sterling at the rates ruling at the balance sheet date Transactions in currencies other than Pounds Sterling are recorded at the rates prevailing at the dates of the transactions All translation differences are taken through the profit and loss account and are presented in 'Other income or 'Other expense

e) Recognition of income and expense

i) Net gains on fixed asset investments

Net gains on fixed asset investments includes dividend income on fixed asset investments as described in note 1(f)

Dividend income from fixed asset investments is recognised when the Company's right to receive payment is established

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1 ACCOUNTING POLICIES (CONTINUED)

e) Recognition of income and expense (continued)

ii) Interest income and expense

Interest income and interest expense are recognised on an accruals basis within 'Interest income and 'Interest expense' in the profit and loss account

f) Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment

Interest, dividend income, impairment losses and reversal of impairment losses on fixed asset investments, are reported in the profit and loss account in 'Net gains on fixed asset investments'

At each balance sheet date, as an assessment is made as to whether there is and objective evidence that the carrying amount of the fixed asset investment may not be recoverable

If it is determined that the carrying amount of the fixed asset investment is not recoverable then an impairment loss is recognised within the profit and loss account in 'Net gains/ (losses) on fixed asset investments' and is reflected against the carrying amount of the impaired asset on the balance sheet

g) Taxation

UK corporation tax is provided at amounts expected to be paid/recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

h) Cash flow statement

The Company's ultimate parent undertaking produces consolidated financial statements in which the Company is included and which are publicly available Accordingly the Company which is a wholly owned subsidiary, has elected to avail itself of the exemption provided in Financial Reporting Standard ("FRS") 1 (Revised 1996) *Cash flow statements* and not present a cash flow statement

2 NET GAINS ON FIXED ASSET INVESTMENTS

	2012 £'000	2011 £'000
Income from fixed asset investments in Morgan Stanley Group undertakings	-	2

3. INTEREST INCOME

	2012 £'000	2011 £'000
Interest income from loans to Morgan Stanley Group undertakings	841	684

CABOT 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

4. OTHER EXPENSE

The Company employed no staff during the year (2011 Nil)

The fees for the audit of the Company's statutory accounts of £5,000 (2011 £5,000) have been borne by another Morgan Stanley Group undertaking in both the current and prior year

5. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2011 £nil)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of expense in the year

	2012 £'000	2011 £'000
UK corporation tax at 24 50% (2011 26 49%)		
- Current year	-	-
Tax on profit on ordinary activities	-	-

Factors affecting the tax expense for the year

The current year UK taxation charge is lower than that resulting from applying the average standard UK corporation tax rate of 24 50% (2011 26 49%) The main differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	841	686
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24 50% (2011 26 49%)	206	182
Effects of·		
Group relief received for no cash consideration	(206)	(181)
Non-taxable dividend income	-	(1)
Current tax expense for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Finance Act 2011 enacted a reduction to the UK corporation tax rate to 25% with effect from April 2012 Finance Act 2012 increased the reduction by a further 1% The combined reduction in the rate to 24% from April 2012 did not impact the current tax charge in 2012 as the Company claimed group relief for no cash consideration

Finance Act 2012 also enacted an additional reduction of 1% in the UK corporation tax rate to 23% with effect from April 2013 This further reduction in the tax rate may impact the current tax charge in 2013

7. FIXED ASSET INVESTMENTS

During 2011, a wholly owned subsidiary of the Company, Applied Risc Technologies Limited, was entered into voluntary liquidation It was formally dissolved on 4 April 2012

8 DEBTORS

	2012 £'000	2011 £'000
Amounts due from Morgan Stanley Group undertakings	32,081	31 233

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Loan stock payable	204	204

Loan stock payable is subordinated to all other creditors of the Company and is non-interest bearing

10. CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted and fully paid.		
96 376 283 ordinary shares of £0 10 each	9,638	9 638

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	9,638	19,962	750	30 350
Profit for the financial year	-	-	686	686
At 1 January 2012	9,638	19,962	1,436	31,036
Profit for the financial year	-	-	841	841
At 31 December 2012	9 638	19 962	2 277	31,877

12. SEGMENTAL REPORTING

The Company has only one class of business as described in the Directors report and operates in one geographic market, Europe, Middle East and Africa ("EMEA")

13. RELATED PARTY TRANSACTIONS

The Company is exempt from the requirement to disclose transactions with fellow wholly owned Morgan Stanley Group undertakings under paragraph 3(c) of FRS 8 *Related party disclosures* There were no other related party transactions requiring disclosure

14. PARENT UNDERTAKINGS

The ultimate parent undertaking and controlling entity and the largest and smallest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley Morgan Stanley is incorporated in the state of Delaware, the United States of America and copies of its financial statements can be obtained from www morganstanley com/investorrelations

The Company's immediate controlling party is MSDW Investment Holdings (UK) Limited which is registered in England and Wales Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ