**Registered Number: 01708846**

Registered office
20 Bank Street
Canary Wharf
London E14 4AD

# CABOT 1 LIMITED

## Report and financial statements

## 31 December 2011

**CABOT 1 LIMITED**

## CONTENTS


| CONTENTS | PAGE |
|---|---|
| Directors' report | 1 |
| Independent auditor's report | 6 |
| Profit and loss account | 8 |
| Balance sheet | 9 |
| Notes to the financial statements | 10 |

# 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 15) for Cabot 1 Limited (the "Company") for the year ended 31 December 2011

### RESULTS AND DIVIDENDS

The profit for the year, after tax, was £686,000 (2010 £662,000)

During the year no dividends were paid or proposed (2010 £nil)

### PRINCIPAL ACTIVITY

As a result of the disposal of the shareholding in the sole subsidiary undertaking during the current year, the principal activity of the Company has changed and it no longer acts as an intermediate holding company The principal activity of the Company is to enter into financing transactions and investments No significant change in the Company's principal activity is expected

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"

### BUSINESS REVIEW

The profit and loss account for the year ended 31st December 2011 is set out on page 8 The company made a profit on ordinary activities before tax of £686,000 in the year, compared to the profit of £662,000 in the previous year The profit in 2011 is primarily attributable to interest accruing on intercompany balances

The balance sheet for the Company is set out on page 9 The company's net assets at the end of the year were £31,036,000, an increase of 2% compared to the prior year This movement can be primarily attributable to interest accruing on intercompany balances On 15 August 2011, the Company received £74,000 following the redemption of its shareholding in a subsidiary undertaking which it lent on to another Morgan Stanley Group undertaking

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

#### Current market conditions

During 2011 and 2012, economic conditions have remained challenging with concerns about the sovereign debt crisis in Europe, lack of robust economic recovery in the US and other developed markets and slowing economic growth in emerging markets These on-going conditions present difficulties and uncertainty for the business outlook which may adversely impact the financial performance of the Company in the future

Morgan Stanley has taken transformative steps during this extremely difficult environment, including the de-risking of the balance sheet and those related to capital and liquidity outlined below

## DIRECTORS' REPORT (CONTINUED)

## BUSINESS REVIEW (CONTINUED)

### Current market conditions (continued)

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, to enable the Morgan Stanley Group to withstand market stresses, and to meet regulatory stress testing requirements proposed by regulators globally Throughout 2011, the Morgan Stanley Group has been focused on the composition of its funding liabilities, reducing reliance on short term funding in favour of more diverse and durable funding sources This remains an ongoing objective of the Morgan Stanley Group

In line with this active management, in June 2011, the Morgan Stanley Group's capital position was further strengthened by converting its outstanding Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock with a face value of $7 8 billion and a 10% dividend issued to Mitsubishi UFJ Financial Group Inc ("MUFG"), for 385,464,097 shares in Morgan Stanley's common stock

During the latest Comprehensive Capital Analysis and Review performed by the Federal Reserve, Morgan Stanley Group exceeded the minimum capital ratio even under the most negative "stressed" scenario which reaffirms the improvements made in recent years to reduce risk and overhauling the quality and quantity of the capital base

The rating agencies are continuing to monitor certain issuer specific factors that are important to the determination of credit ratings including governance, the level and quality of earnings, capital adequacy, funding and liquidity, risk appetite and management, asset quality, strategic direction, and business mix Additionally, the agencies will look at other industry-wide factors such as regulatory or legislative changes, macro-economic environment, and perceived levels of government support In June 2012, Moody's Investor's Service announced the conclusion of an industry-wide reassessment and revised ratings for 17 global capital markets banks, Morgan Stanley's revised long-term credit rating is Baa1

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 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

*Credit risk*

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

The Morgan Stanley Group manages credit risk exposure on a global basis as well as giving consideration to each individual legal entity, 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 funding risk*

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

## DIRECTORS' REPORT (CONTINUED)

## BUSINESS REVIEW (CONTINUED)

### Risk management (continued)

*Liquidity and funding risk (continued)*

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 Morgan Stanley Group's liquidity and funding risk management policies are designed to mitigate the potential risk that entities within the Morgan Stanley Group, including the Company, may be unable to access adequate financing to service their financial liabilities when they become payable without material, adverse franchise or business impact The key objective of the liquidity and funding risk management framework is to support the successful execution of both the Company's and the Morgan Stanley Group's business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of stressed market conditions

*Operational risk*

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

The Morgan Stanley Group has established an operational risk management process which 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 and regulatory risk*

Legal and regulatory risk includes the risk of exposure to fines, penalties, judgements, damages and/or settlements in conjunction with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements or litigation Legal risk also includes contractual risk such as the risk that a counterparty's performance obligations will be unenforceable 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 conduct, ethics and business 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, potential conflicts of interest, structured transactions, use and safekeeping of customer funds and securities, credit granting, 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

CABOT 1 LIMITED

## DIRECTORS' REPORT (CONTINUED)

## BUSINESS REVIEW (CONTINUED)

### Risk management (continued)

*Legal and regulatory risk (continued)*

Significant changes in the way that major financial services institutions are regulated are occurring in the 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 derivatives markets, such as mandated exchange trading and clearing, position limits, margin, capital and registration requirements

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

The following Directors held office throughout the year and to the date of approval of this report

G Adams
L Bainbridge
S Souchon

## DIRECTORS' 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

## QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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 (CONTINUED)

### 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

Gordon Adams

G. ADAMS

Director

17 AUG 2012

## 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 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15 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 2011 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

Dawn Johnston

Dawn Johnston FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom

17 August 2012

## CABOT 1 LIMITED

## PROFIT AND LOSS ACCOUNT
**Year ended 31 December 2011**

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Net gains on fixed asset investments | 2 | 2 | - |
| Interest income | 3 | 684 | 2,020 |
| Interest expense | 4 | - | (1,358) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 686 | 662 |
| Tax on profit on ordinary activities | 7 | - | - |
| **PROFIT FOR THE FINANCIAL YEAR** | | 686 | 662 |

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 12 to the financial statements

The notes on pages 10 to 15 form an integral part of the financial statements

## CABOT 1 LIMITED
Registered number 1708846

## BALANCE SHEET
## As at 31 December 2011

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | 8 | - | 74 |
| **CURRENT ASSETS** | | | |
| Debtors | 9 | 31,233 | 30,445 |
| Cash at bank | | 7 | 35 |
| **NET CURRENT ASSETS** | | 31,240 | 30,480 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 31,240 | 30,554 |
| **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR** | 10 | (204) | (204) |
| **NET ASSETS** | | 31,036 | 30,350 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 11 | 9,638 | 9,638 |
| Share premium account | 12 | 19,962 | 19,962 |
| Profit and loss account | 12 | 1,436 | 750 |
| **SHAREHOLDERS' FUNDS** | | 31,036 | 30,350 |

These financial statements were approved by the Board and authorised for issue on 17 AUGUST 2012
Signed on behalf of the Board

Gordon Adams
G. ADAMS
Director

The notes on pages 10 to 15 form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2011

### 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

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 401 of the Companies Act 2006 The results of the Company are included within the financial statements of the Company's ultimate parent undertaking Morgan Stanley, a company incorporated in Delaware, the United States of America, which has prepared consolidated financial statements for the year to 31 December 2011 The financial statements therefore present information about the Company as an individual entity and not about its group

**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 4

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 and steps have been taken to strengthen the Morgan Stanley Group capital position and ensure that the Company's capital position is satisfactory

Taking all of these factors into consideration, the Directors believe it is reasonable to assume that the Group 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 2011

### 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/(losses) on fixed asset investments'

**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

| | 2011<br>£'000 | 2010<br>£'000 |
|---|---|---|
| Income from fixed asset investments in Morgan Stanley Group undertakings | 2 | - |

### 3. INTEREST INCOME

| | 2011<br>£'000 | 2010<br>£'000 |
|---|---|---|
| Interest income from loans to Morgan Stanley Group undertakings | 684 | 2,020 |

### 4. INTEREST EXPENSE

| | 2011<br>£'000 | 2010<br>£'000 |
|---|---|---|
| Interest expense on loans from Morgan Stanley Group undertakings | - | 1,358 |

# CABOT 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2011

### 5. OTHER EXPENSE

The Company employed no staff during the year (2010 Nil)

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

### 6. DIRECTORS' BENEFITS

The Directors did not receive any remuneration for their qualifying services to the Company during the year (2010 £nil)

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

**Analysis of charge in the year**

| | 2011<br>£'000 | 2010<br>£'000 |
|---|---|---|
| **Tax on profit on ordinary activities** | - | - |

**Factors affecting the tax charge for the year**

The current year UK taxation charge is lower than that resulting from applying the average standard UK corporation tax rate of 26 49% (2010 28%) The main differences are explained below

| | 2011<br>£'000 | 2010<br>£'000 |
|---|---|---|
| Profit on ordinary activities before tax | 686 | 662 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 49% (2010 28%) | 182 | 185 |
| **Effects of:** | | |
| Group relief received for nil consideration | (181) | (185) |
| Non-taxable dividend income | (1) | - |
| **Current tax charge for the year** | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2011

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Finance (No 2) Act 2010 enacted a 1% reduction in the UK corporation tax rate to 27% with effect from April 2011 Finance Act 2011 enacted a further 1% reduction in the rate of UK corporation tax to 26% from April 2011 The combined 2% reduction in the tax rate impacted the current tax charge in 2011

Finance Act 2011 enacted an additional 1% 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 2% reduction in the tax rate to 24% from 1 April 2012 will impact the current tax charge in 2012

### 8. FIXED ASSET INVESTMENTS

| | Subsidiary undertakings £'000 |
|---|---|
| **Cost** | |
| At 1 January 2011 | 74 |
| Disposals | (74) |
| At 31 December 2011 | - |
| **Net book value** | |
| At 31 December 2010 | 74 |
| At 31 December 2011 | - |

On 15 August 2011, the share capital of wholly owned subsidiary Applied Risc Technologies Limited ("ART") was reduced to 1 Ordinary Share of £1, by cancelling 73,451 Floating Rate Redeemable Preference Shares of £1 each and 750 Deferred Shares of £1 each ART was entered into voluntary liquidation during the year and fully liquidated on 4 April 2012

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital, and investments with a book value greater than 20% of the Company's own assets at 31 December 2011, are as follows

| Name of Company | Country of incorporation | Type of shares held | Proportion of shares held | Proportion of voting rights | Nature of business |
|---|---|---|---|---|---|
| Applied Risc Technologies Limited | England and Wales | Ordinary | 100% | 100% | Investment Company |

## 9. DEBTORS

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Amounts due from Morgan Stanley Group undertakings | 31,233 | 30,445 |

## 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Long term creditors | 204 | 204 |

## 11. CALLED UP SHARE CAPITAL

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Allotted and fully paid:** | | |
| 96,376,283 ordinary shares of £0 10 each | 9,638 | 9,638 |

## 12. 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 2010 | 9,638 | 19,962 | 88 | 29,688 |
| Profit for the financial year | - | - | 662 | 662 |
| At 1 January 2011 | 9,638 | 19,962 | 750 | 30,350 |
| Profit for the financial year | - | - | 686 | 686 |
| At 31 December 2011 | 9,638 | 19,962 | 1,436 | 31,036 |

## 13. 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")

## 14. 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

## CABOT 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
## Year ended 31 December 2011

### 15. 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 Delaware, the United States of America and copies of its financial statements can be obtained from 25 Cabot Square, Canary Wharf, London E14 4QA

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