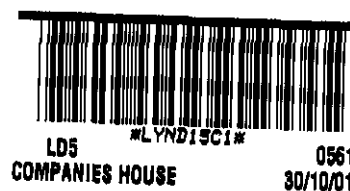


**Company No. 951043**

**Merrill Lynch Investment Managers  
Group Limited**  
(formerly Mercury Asset Management  
Group Ltd)

**Report and Financial Statements**

**31 December 2000**



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Company No. 951043

**DIRECTORS**

I C S Barby (Chairman)  
S J Baxter  
J T Stratford  
N T Jones

**SECRETARY**

D A Searle

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

**REGISTERED OFFICE**

33 King William Street  
London EC4R 9AS

## DIRECTORS' REPORT

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2000.

## PRINCIPAL ACTIVITY

The Company is the holding company of a group engaged in the provision of investment management and advisory services.

## RESULTS AND DIVIDEND

The profit of the Company for the year to 31 December 2000, after taxation, amounted to £26,497,402 (year to 31 December 1999: profit of £34,304,366).

An interim dividend of £25,800,000 was paid during the year (1999: £38,000,000). The directors do not recommend the payment of a final dividend (1999: £nil).

## REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company's operations continue without significant change.

On 29 September 2000 the Company changed its name from Mercury Asset Management Group Ltd to Merrill Lynch Investment Managers Group Limited as part of the rebranding exercise throughout the group.

## DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as follows :

I C S Barby  
S J Baxter  
J T Stratford  
N T Jones

The interests of the directors in the loan notes of a group company, ML Invest Holdings Limited, were as follows :

	Beneficial Interest	
	2000	1999
S J Baxter **	-	49,524
N T Jones *	11,237	7,939
JT Stratford **	13,751	23,751

\* Floating Rate Guaranteed Unsecured Loan Notes 2003 - No. 1 Series

\*\* Floating Rate Guaranteed Unsecured Loan Notes 2003 - No. 2 Series

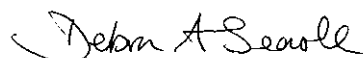
## AUDITORS

On 5 September 2000 an elective resolution was passed by the shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually. Deloitte & Touche have indicated their willingness to continue in office.

## ANNUAL GENERAL MEETING

On 5 September 2000 elective resolutions were passed by the shareholders of the Company pursuant to Section 379A of the Companies Act 1985 to dispense with the laying of accounts and reports before the Company in general meeting and the holding of annual general meetings.

Approved by the Board and signed on behalf of the Board



D A Searle  
Secretary

18<sup>th</sup> October 2001

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

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**REPORT OF THE AUDITORS**

**to the members of Merrill Lynch Investment Managers Group Limited**

We have audited the financial statements on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 4 the Company's directors are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

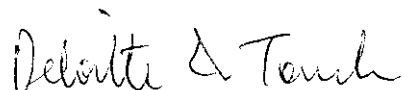
**Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

18 October 2001

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2000

	Note	Year ended 31 December 2000 £	Year ended 31 December 1999 £
Administrative expenses	2	(1,084)	1,561
<b>OPERATING (LOSS)/PROFIT</b>		(1,084)	1,561
Income from shares in group undertakings		25,800,000	35,000,000
Amounts written off investments		0	(24,500)
Other income		733,747	535,285
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		26,532,663	35,512,346
Other interest receivable and similar income		997,898	1,049,558
Interest payable and similar charges	4	(940,933)	(2,066,008)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		26,589,628	34,495,896
Tax on profit on ordinary activities	5	(92,226)	(191,530)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		26,497,402	34,304,366
Dividends paid	6	(25,800,000)	(38,000,000)
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>	14	697,402	(3,695,634)

**RECOGNISED GAINS AND LOSSES**

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £26,497,402 in the year ended 31 December 2000 (year ended 31 December 1999: £34,304,366). Accordingly, a statement of total recognised gains and losses has not been given.

All profits and losses are in respect of continuing activities.

**BALANCE SHEET**  
as at 31 December 2000

	Note	31 December 2000 £	31 December 1999 £
<b>FIXED ASSETS</b>			
Investments	7	205,003,481	96,040,981
<b>CURRENT ASSETS</b>			
Debtors falling due within one year	8	54,202,731	34,796,281
Investments	10	1,198,685	8,988,297
Cash at bank and in hand		327,983	440,645
		55,729,399	44,225,223
<b>CREDITORS : amounts falling due within one year</b>			
Loan notes	11	(18,243,011)	(19,868,394)
Other creditors	12	(70,590,310)	(52,195,653)
		(88,833,321)	(72,064,047)
<b>NET CURRENT LIABILITIES</b>			
		(33,103,922)	(27,838,824)
<b>TOTAL NET ASSETS</b>			
		171,899,559	68,202,157
<b>CAPITAL AND RESERVES</b>			
Share capital	13	112,166,397	9,166,397
Share premium	14	47,072,691	47,072,691
Capital redemption reserve	14	7,029,289	7,029,289
Profit and loss account	14	5,631,182	4,933,780
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		171,899,559	68,202,157

The financial statements on pages 6 to 13 were approved by the Board of Directors on 15th Dec 2001 and signed on its behalf by:



Director



**NOTES TO THE ACCOUNTS**  
at 31 December 2000

**1. ACCOUNTING POLICIES**

*Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. Financial Reporting Standard ("FRS") 19, Deferred Taxation, has been adopted for the year ended 31st December 2000. No restatement of prior year comparatives is required to conform with FRS19.

The Company is exempt from the requirement to prepare group financial statements as it is itself a wholly owned subsidiary undertaking of an undertaking incorporated in a Member State of the European Union. These financial statements present information about the Company and not its group.

*Turnover*

Turnover, income from shares in group undertakings and other interest receivable are recognised on an accruals basis.

*Investments*

Investments held as fixed assets are carried at cost, except where provision is made for an impairment in value. Money market instruments and listed investments are shown at the lower of cost and market value and unlisted investments at the lower of cost and directors' valuation.

*Deferred taxation*

Deferred tax is recognised as a liability or an asset if, prior to the balance sheet date, the Company has entered into transactions or events have occurred that give rise to timing differences giving the Company an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

*Cashflow statement*

The Company is exempt from the requirement to prepare a cashflow statement as the ultimate parent company prepares a cashflow statement.

**2. ADMINISTRATIVE EXPENSES**

The audit fee for the years ended 31 December 2000 and 1999 was borne by a fellow subsidiary undertaking.

**3. DIRECTORS AND EMPLOYEES**

*Directors*

The Company had four directors during the year ended 31 December 2000 (year ended 31 December 1999 : five). No amounts were paid in respect of the directors' services to the Company in the year. The directors are remunerated by other group companies for their services to the group as a whole.

Deferred shares in Merrill Lynch & Co., Inc. are receivable by four directors under long term incentive arrangements.

*Employees*

There were no employees during the year.

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year ended 31 December 2000 £	Year ended 31 December 1999 £
Loan notes	930,521	1,389,410
Bank overdraft and other borrowings	10,412	676,598
	<u>940,933</u>	<u>2,066,008</u>

NOTES TO THE ACCOUNTS  
at 31 December 2000

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2000 £	Year ended 31 December 1999 £
Current tax:		
UK Corporation tax on profits of the period	237,274	191,530
Adjustments in respect of previous periods	12,360	-
Total current tax (see below)	249,634	191,530
Deferred tax:		
Reversal of timing differences	(157,408)	-
Taxation on profit on ordinary activities	92,226	191,530

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

Profit on ordinary activities before tax	26,589,628	34,495,896
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (1999: 30.25%)	7,976,888	10,435,009
Effects of:		
UK dividend income	(7,740,000)	(10,587,500)
Write-down of investments	0	7,411
Non-taxable income	(429)	(157,995)
Non deductible expenditure	815	494,605
Adjustments in respect of previous periods	12,360	-
Current tax charge for the period	249,634	191,530

6. DIVIDENDS

	Year ended 31 December 2000 £	Year ended 31 December 1999 £
Interim paid (14.07p per ordinary share)	25,800,000	38,000,000

**NOTES TO THE ACCOUNTS**  
at 31 December 2000

**7. FIXED ASSETS - INVESTMENTS**

	31 December 2000 £	31 December 1999 £
Investments in subsidiaries	199,003,481	96,003,481
Investments in associates	3,000,000	37,500
Other fixed asset investments	3,000,000	0
	<u>205,003,481</u>	<u>96,040,981</u>
<b>Investments in subsidiaries</b>		<b>£</b>
Cost :		
At 1 January 2000		100,303,451
Additions		103,000,000
		<u>203,303,451</u>
At 31 December 2000		<u>203,303,451</u>
Permanent diminution in value:		
At 1 January 2000		4,299,970
Charge for the period		-
		<u>4,299,970</u>
At 31 December 2000		<u>4,299,970</u>
Net book amounts:		
At 31 December 2000		<u>199,003,481</u>
At 31 December 1999		<u>96,003,481</u>

On 21 December 2000 the Company increased its shareholding in Merrill Lynch Investment Managers Limited through a capital injection of £103,000,000.

In the opinion of the directors the value of the investments are not less than the amount included in the financial statements.

**Investments in associated undertakings**

The Company's investment in associated undertakings is as follows;

	£
Cost	
At 1 January 2000	37,500
Additions	2,962,500
	<u>3,000,000</u>
At 31 December 2000	<u>3,000,000</u>

The Company's subsidiary and associated undertakings are set out in Note 15.

NOTES TO THE ACCOUNTS  
at 31 December 2000

8. CURRENT ASSETS - DEBTORS

	31 December 2000 £	31 December 1999 £
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	54,202,731	27,395,440
Amounts owed by associated undertakings	-	1,522,566
Corporation tax recoverable	-	5,878,275
	<u>54,202,731</u>	<u>34,796,281</u>

9. DEFERRED TAX

	31 December 2000 £	31 December 1999 £
Liability at start of the year as previously stated and restated	-	-
Deferred tax charge transferred in from other group companies	157,408	-
Deferred tax credit in profit and loss account related to the current year	(157,408)	-
	<u>-</u>	<u>-</u>
Liability at end of the year	-	-

Deferred tax has not been provided on the unrealised gains on fixed asset investments as there is no intention to dispose of these in the foreseeable future. The deferred tax not provided for the company at 30% is £157,408.

10. CURRENT ASSETS - INVESTMENTS

	31 December 2000 £	31 December 1999 £
Listed	1,198,685	8,988,297

The market value of listed investments held by the Company at 31 December 2000 was £2,023,946 (31 December 1999: £9,920,998)

11. CREDITORS : Amounts falling due within one year

	31 December 2000 £	31 December 1999 £
Loan notes (2005)	18,243,011	19,868,394

The loan notes (2005) were issued in 1995 as part of the Scheme of Arrangement of S.G. Warburg Group plc. The loan notes are unsecured and bear interest at LIBOR minus 0.5 per cent which is payable in arrears on 31 March and 30 September in each year. The loan notes are repayable on demand, in whole or in part, on any interest payment date up to and including 30 September 2005. Loan notes to the value of £1,616,634 were redeemed during the year.

12. CREDITORS : Amounts falling due within one year

	31 December 2000 £	31 December 1999 £
Other creditors		
Amounts owed to subsidiary undertakings	57,321,179	51,949,979
Accruals	334,561	245,674
Taxation	12,934,570	-
	<u>70,590,310</u>	<u>52,195,653</u>

**NOTES TO THE ACCOUNTS**  
**at 31 December 2000**

**13. SHARE CAPITAL**

	31 December 2000 £	31 December 1999 £
Authorised:		
3,251,598,687 Ordinary shares of 5p each (1999: 251,598,687 Ordinary shares of 5p each)	162,579,934	12,579,934
Allotted and fully paid:		
2,243,327,938 Ordinary shares of 5p each (1999: 183,327,938 Ordinary shares of 5p each)	112,166,397	9,166,397

By ordinary resolution passed on 21 December 2000 the authorised share capital of the Company was increased from £12,579,934.35 to £162,579,934.35 by the creation of a further 3,000,000,000 ordinary shares of £0.05 each to rank pari passu in all respects with the existing ordinary shares of £0.05 each in the capital of the Company.

By ordinary resolution passed on 21 December 2000, the allotted and fully paid shares of the Company were increased from £9,166,397 to £112,166,397 by the issue a further of 2,060,000,000 ordinary shares of £0.05 each which ranks pari passu in all respects with the existing ordinary shares of £0.05 each in the capital of the company.

**14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2000	9,166,397	47,072,691	7,029,289	4,933,780	68,202,157
New allotment - MLIH	103,000,000	-	-	-	103,000,000
Loss for the year	-	-	-	697,402	697,402
At 31 December 2000	112,166,397	47,072,691	7,029,289	5,631,182	171,899,559

**NOTES TO THE ACCOUNTS**  
at 31 December 2000

**15. SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS**

The subsidiaries and associated undertakings at 31 December 2000 are shown below. Unless otherwise stated, all these subsidiaries are registered in England and Wales.

<u>Subsidiary</u>	<u>Place of Registered</u>	<u>Class of Shares</u>	<u>% of Shares held and voting rights</u>	<u>Nature of Business</u>
Grosvenor Ventures Limited	UK	Ordinary Redeemable preference	100% 100%	Investment holding company
Merrill Lynch Investment Managers Limited (formerly Mercury Asset Management Ltd)	UK	Ordinary	100%	Investment management and holding company
33 King William Street Ltd	UK	Ordinary	100%	Investment management
Merrill Lynch Investment Managers (Finance) Limited (formerly Mercury (Finance) Ltd)	UK	Ordinary	100%	Holding company
Merrill Lynch Pensions Limited (formerly Mercury Life Assurance Company Ltd)	UK	Ordinary Redeemable	100% 100%	Life assurance and pensions
Mercury Private Equity Holdings Ltd	UK	Ordinary	100%	Holding company
Mercury Private Equity MUST 3 Limited	UK	Ordinary	100%	General partner of limited partnership
Merrill Lynch Investment Managers No. 1 Limited (formerly Mercury Asset Management No. 1 Limited)	UK	Ordinary	100%	General partner of property limited partnership
Merrill Lynch Investment Managers No. 2 Limited (formerly Mercury Asset Management No. 2 Limited)	UK	Ordinary	100%	General partner of property limited partnership
Merrill Lynch Investment Managers Holdings Ltd* (formerly Mercury Asset Management Holdings Ltd)	UK	'A' Ordinary 'B' Ordinary	100% 0%	Provider of employee services

\* 'A' Ordinary shares represent 95% of total share capital.

Associated undertaking

E-Crossnet	UK	Ordinary	50%	Institutional brokerage
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Redeemable shares in Merrill Lynch Pensions Limited (formerly Mercury Life Assurance Company Ltd) are non-cumulative and are redeemable on any redemption date, being 31 January, 30 April, 31 July and 31 October in each year, save that the first redemption date shall be 31 October 1998. Any redeemable shares still outstanding will be redeemed on 31 July 2003.

Redeemable preference shares in Grosvenor Ventures Limited carry no voting rights and take priority over ordinary shares in the event of winding up.

**16. RELATED PARTIES**

Advantage has been taken of the exemption under Financial Reporting Standard No. 8 not to disclose transactions between entities, 90% or more of whose voting rights are controlled within the Merrill Lynch & Co., Inc. group.

**17. ULTIMATE PARENT UNDERTAKING**

The parent and controlling undertakings of the smallest and largest groups of undertakings for which group financial statements are prepared and of which the Company is a member are ML Invest Holdings Limited, a Company registered in England and Wales, and Merrill Lynch & Co., incorporated in Delaware, USA, respectively. Financial statements for ML Invest Holdings Limited may be obtained from the Company Secretary, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY. Financial statements for Merrill Lynch & Co. Inc. may be obtained from the Corporate Secretary's Office, Merrill Lynch & Co., Inc., 222 Broadway, 17th Floor, New York, NY 10038 U.S.A.