Grosvenor Ventures Limited

Company No. 2513741

Report and Financial Statements

31 December 2000

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DIRECTORS AND ADVISORS

DIRECTORS
N C D Hall
M Khosla
J T Stratford

SECRETARY
D A Searle

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

REGISTERED OFFICE
33 King William Street
London EC4R 9AS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a holding company. The activities of the Company's subsidiaries are set out in note 5 to the accounts.

RESULTS AND DIVIDENDS

The profit for the year to 31 December 2000, after taxation and non-equity finance charges was £182,000 (year to 31 December 1999: £54,000). The directors do not recommend the payment of a dividend (1999: £nil).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors anticipate that the Company will continue as a going concern.

DIRECTORS AND THEIR INTERESTS

The names of the directors who served during the year were as follows :

I Armitage (resigned 29 November 2000)
S Bough (resigned 29 November 2000)
N C D Hall (appointed 29 November 2000)
Manoj Khosla (appointed 29 November 2000)
J T Stratford (appointed 29 November 2000)
L Wilding (resigned 29 November 2000)

No director held any notifiable interest in the share capital of the Company, or any group company incorporated in Great Britain.

AUDITORS

On 7 June 1994 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.

By order of the Board

J T Stratford
Director

17/8/2001

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; 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 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.

REPORT OF THE AUDITORS
to the members of Grosvenor Ventures Limited

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 financial 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

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

17 August 2001

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2000

	Note	*Year ended 31 December 2000 £000*	*Year ended 31 December 1999 £000*
Turnover	1	2	62
Interest receivable and similar income		60	18
Dividend income		1,275	
Amounts written off investments		(1,137)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	200	80
Taxation	4	(18)	(26)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		182	54
Non-equity finance charges		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		182	54

All profits and losses are in respect of continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2000

	31 December 2000 £000	*31 December 1999 £000*
Profit for the financial year	182	54
Total recognised gains and losses for the year (as above)	182	54
Prior year adjustments (see note 10)	-	141
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT	182	195

BALANCE SHEET
at 31 December 2000

	Note	*31 December 2000 £000*	*31 December 1999 £000*
FIXED ASSETS			
Investments	5	15	1,419
CURRENT ASSETS			
Debtors	6	281	1,708
Cash at bank and in hand		1,959	365
		2,240	2,073
CREDITORS: amounts falling due within one year	7	(1,678)	(3,097)
NET CURRENT ASSETS/(LIABILITIES)		562	(1,024)
TOTAL ASSETS LESS CURRENT LIABILITIES		577	395
CAPITAL AND RESERVES			
Equity shareholders' funds - ordinary shares:			
Called up share capital	8	41	41
Share premium	9	241	241
Capital redemption reserve	9	105	105
Merger reserve	9	1,253	1,253
Profit and loss account	9	(1,080)	(1,262)
Non-equity shareholders' funds - redeemable preference shares:			
Share capital	8	17	17
SHAREHOLDERS' FUNDS		577	395
Attributable to equity shareholders		560	378
Attributable to non equity shareholders		17	17

The financial statements were approved by the
Board on 17/8/2001 and signed on its behalf by :

Director

NOTES TO THE ACCOUNTS
at 31 December 2000

1 ACCOUNTING POLICIES

Accounting Convention

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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

Turnover

Fees are accounted for on an accruals basis.

Investments

Investments are stated at cost unless the directors consider that there has been a permanent impairment in the value in which case a provision is made to include the investments at valuation. Investments with a defined useful life are amortised over that period.

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.

2 PROFIT ON ORDINARY ACTIVITIES

All income is derived from activities within the United Kingdom.

The audit fees for the year ended 31 December 2000 and 31 December 1999 were borne by a fellow subsidiary undertaking.

3 EMPLOYEES AND DIRECTORS

The Company had six directors during the year ended 31 December 2000 (1999: three directors), none of whom received any remuneration or other emoluments from the company or its subsidaries (1999 - £Nil).

There were no employees during the year and therefore no staff costs were incurred (1999 - £Nil).

NOTES TO THE ACCOUNTS
at 31 December 2000

4 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2000	*1999*
	£000	*£000*
UK corporation tax on profits for the period	18	24
Adjustments in respect of prior periods	-	2
Total current tax (see below)	18	26
Tax on profits on ordinary activities	18	26

The tax assessed for the period is lower than the standard United Kingdom corporation tax rate of 30% (1999: 30.25%). The differences are explained below.

	2000	*1999*
	£'000	*£'000*
Profit on ordinary activities before tax	200	80
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (1999: 30.25%)	60	24
Effects of:		
Expenses not deductible for tax purposes	341	-
Non taxable income	(383)	-
Adjustments to tax charge in respect of prior periods	-	2
	18	26

A capital loss has arisen on the disposal of MPE Investment Managers Limited which is available for offset against future capital gains arising within the Merrill Lynch United Kingdom group of companies. No deferred tax asset has been recognised in respect of this loss as the Merrill Lynch United Kingdom group does not anticipate capital gains in the forseeable future against which this loss may be utilised. The estimated value of the deferred tax asset which has not been recognised, calculated at the current United Kingdom tax rate of 30%, is £673,628.

5 FIXED ASSET INVESTMENTS

	£000
At 1 January 2000	1,419
Write down of investment in subsidiaries to net book value	(1,137)
Purchases	14
Disposals	(281)
At 31 December 2000	15

Comprised of:	*31 December 2000*	*31 December 1999*
Subsidiary undertaking	14	1,418
Unlisted investments	1	1
	15	1,419

NOTES TO THE ACCOUNTS
at 31 December 2000

5 FIXED ASSET INVESTMENTS (continued)

At 1 January 2000, the Company owned 100 per cent of the share capital of MPE Investment Managers Limited (MPEIM) (formerly Grosvenor Venture Managers Limited). MPEIM acted as an investment adviser to its three wholly owned subsidiaries: MPE Investors Limited (formerly Grosvenor General Partner Limited), MPE Pooled Management Limited (formerly Third Grosvenor Limited) and Grosvenor Alternate Partner Limited. MPE Investors Limited acted as general partner of two limited partnerships, Grosvenor Technology Fund and Grosvenor International Investors Fund. Both these limited partnerships were liquidated on 14 April 2000. MPE Pooled Management Limited acted as general partner of the limited partnership Third Grosvenor Fund, which was also liquidated on 14 April 2000.

On 13 July 2000 the Company purchased 100 per cent of the issued share capital of Grosvenor Alternate Partner Limited from MPEIM for £13,798. Grosvenor Alternate Partner Limited, a company incorporated in Great Britain and registered in England and Wales, is the general partner of the limited partnership Fifth Grosvenor Fund and is entitled to a share in the profits of the partnership.

On 7 December 2000 the Company sold its 100 per cent holding in MPEIM to the Private Equity management team for net asset value of £281,047. No profit or loss was realised on the sale.

At 31 December 2000, the company held an investment of £200 (1999 - £200) representing 11% of the issued share capital of Caged Carried Interest Limited. The Company also held an investment of £722 in the Fifth Grosvenor Fund. The directors are of the opinion that the values of these investments and of the investment in subsidiaries are not less than the amounts at which they are included in the financial statements.

6 DEBTORS

	2000	*1999*
	£000	*£000*
Deferred consideration on the sale of MPE Investment Managers Limited	197	1,708
Due from group undertaking	84	-
	281	1,708

7 CREDITORS : amounts falling due within one year

	2000	*1999*
	£000	*£000*
Due to group undertakings	1,601	3,003
Corporation tax payable	77	94
	1,678	3,097

NOTES TO THE ACCOUNTS
at 31 December 2000

8 CALLED UP SHARE CAPITAL

	Authorised		*Allotted, called up and fully paid*	
	2000	*1999*	*2000*	*1999*
	£000	*£000*	*£000*	*£000*
Ordinary shares of 10p each	500	500	41	41
Redeemable preference shares of 10 p each	450	450	17	17
"A" Redeemable preference shares of 10 p each	20	20	-	-
"B" Redeemable preference shares of 10 p each	30	30	-	-
	1,000	1,000	58	58

The redeemable preference shares are entitled to a cumulative dividend of 9p per share per annum. They carry no voting rights and take priority over ordinary shares in the event of winding up. The Company may redeem any or all of the preference shares at £1 per share at any time. Merrill Lynch Investment Managers Group Limited (formerly Mercury Asset Management Group Ltd) has waived its entitlement to dividends on 175,521 redeemable preference shares of 10p each for the years ended 31 December 1999 and 31 December 2000.

9 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up Share capital	*Share premium*	*Capital redemption reserve*	*Merger reserve*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 January 2000	58	241	105	1,253	(1,262)	395
Profit for the year	-	-	-	-	182	182
Redemption of preference shares	-	-	-	-	-	-
At 31 December 2000	58	241	105	1,253	(1,080)	577

10 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.

11 ULTIMATE PARENT UNDERTAKING

The parent undertakings of the smallest and largest group 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., Inc. registered 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, New York, NY 10038, USA.