

Company No. 2020394

Merrill Lynch Investment Managers Limited

Report and Financial Statements

31 December 2001



Merrill Lynch Investment Managers Limited

CONTENTS

	<i>Page</i>
Directors and Advisers	1
Directors' Report	2 - 3
Statement of Directors' Responsibilities	4
Independent Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8 - 14

DIRECTORS

E P L Corley
G R Dixon
R W Fairbairn
C B Farquharson
P J Gibbs
N C D Hall
N T Jones
M Khosla
G A Lowe
R J Maddox
C S M Mitchell
B A Murdock
F D S Rosier
A E F Utermann

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 2001.

PRINCIPAL ACTIVITY

The Company provides investment management, advisory and administrative services.

RESULTS AND DIVIDEND

The loss of the Company for the year ended 31 December 2001, after taxation, amounted to £22,064,464 (year ended December 2000: £48,839,707 loss).

No interim dividend was proposed and paid during the year (2000: £13,500,000). The directors do not recommend the payment of a final dividend (2000: nil).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The business of the Company continues without significant change.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows :

E P L Corley	
G R Dixon	(appointed 15 May 2001)
R W Fairbairn	
C B Farquharson	
P J Gibbs	
N C D Hall	
N T Jones	
M Khosla	
G A Lowe	(appointed 15 May 2001)
R J Maddox	(appointed 23 November 2001)
C S M Mitchell	(appointed 27 November 2001)
B A Murdock	
F D S Rosier	
A E F Utermann	(appointed 3 May 2001)
K Brady	(resigned 10 October 2001)
D J Jacob	(resigned 25 September 2001)
J L M Pursaill	(resigned 31 July 2001)
G N Withers	(resigned 30 April 2001)

The directors have no interest in shares of the Company or any other group company.

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

* Variable % Guaranteed Loan Notes 2003 - Series 1
 ** FRN Guaranteed Unsecured Loan Notes 2003 - Series 2
 *** These holdings represent the interest of the directors in the loan notes at the date of appointment and 31 December 2001.
 **** These holdings represent the interest of the directors in the loan notes at 31 December 2000 and the date of resignation.

On 1 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.

On 1 September 2000 an elective resolution was 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.

M. Kuroi

29 April 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT**to the members of Merrill Lynch Investment Managers Limited**

We have audited the financial statements of Merrill Lynch Investment Managers Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.


Basis of audit 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 the Company's affairs as at 31 December 2001 and of its loss 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

PROFIT AND LOSS ACCOUNT**Year ended 31 December 2001**

	<i>Notes</i>	Year ended 31 December 2001 £	Year ended 31 December 2000 £
Turnover	1, 2	313,926,595	371,043,967
Administrative expenses		(390,737,566)	(475,286,239)
OPERATING LOSS	3	(76,810,971)	(104,242,272)
Income from shares in group undertakings		30,300,000	24,650,000
Profit on sale of investments		36,146	1,158,854
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(46,474,825)	(78,433,418)
Investment income		1,750,000	-
Other interest receivable and similar income		9,376,998	11,540,272
Interest payable and similar charges	4	(289,030)	(255,227)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(35,636,857)	(67,148,373)
Tax credit on loss on ordinary activities	5	13,572,393	18,308,666
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(22,064,464)	(48,839,707)
Dividends paid and proposed	6	-	(13,500,000)
RETAINED LOSS FOR THE YEAR		(22,064,464)	(62,339,707)

RECOGNISED GAINS AND LOSSES

The Company had no recognised gains or losses other than the loss attributable to shareholders of the Company of £22,064,464 for the year ended 31 December 2001 (year ended 31 December 2000: £48,839,707 loss). Accordingly, a statement of total recognised gains and losses has not been given.

All profits and losses arise from continuing activities.

BALANCE SHEET
as at 31 December 2001

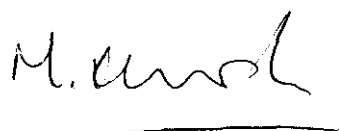
		31 December 2001 £	31 December 2000 £
	<i>Notes</i>		
FIXED ASSETS			
Tangible assets	7	34,810	-
Investments	8	17,675,184	16,762,928
		<hr/>	<hr/>
		17,709,994	16,762,928
CURRENT ASSETS			
Debtors	9	243,404,776	399,395,652
Investments	11	19,375,879	23,302,944
Cash at bank and in hand		8,684,881	47,567,340
		<hr/>	<hr/>
		271,465,536	470,265,936
CREDITORS : amounts falling due within one year	12	(56,880,882)	(302,669,752)
NET CURRENT ASSETS		<hr/>	<hr/>
		214,584,654	167,596,184
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		232,294,648	184,359,112
CREDITORS : amounts falling due after more than one year	13	(30,000,000)	-
NET ASSETS		<hr/>	<hr/>
		202,294,648	184,359,112
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	14	159,006,480	119,006,480
Profit and loss account	15	43,288,168	65,352,632
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		<hr/>	<hr/>
		202,294,648	184,359,112
		<hr/>	<hr/>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 29 April 2002 and signed on its behalf by:

Director



Director



NOTES TO THE ACCOUNTS**Year ended 31 December 2001****1 ACCOUNTING POLICIES***Accounting convention*

The 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 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.

Depreciation of tangible fixed assets

Tangible fixed assets are capitalised and are written down to their estimated residual value by equal monthly instalments over their expected useful lives, as follows:

Office fixtures and furniture	Three to five years
-------------------------------	---------------------

Investments

Money market instruments and listed investments are shown at the lower of cost and market value. Unlisted investments are shown at the lower of cost and directors' valuation.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the transaction date. Assets and liabilities recorded in foreign currencies have been translated at the rates of exchange ruling at the balance sheet date.

Exchange differences are dealt with through the profit and loss account.

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.

The adoption of FRS19 in 2000 was a change of accounting policy. The effect of the change of the policy is shown in note 10.

Cashflow statement.

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

2 TURNOVER

Turnover, all of which arises from continuing activities in the UK, comprises management charges to group companies and fees for investment management services.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

3 OPERATING LOSS

(a) This is stated after charging :

	Year ended 31 December 2001 £	Year ended 31 December 2000 £
Auditors' remuneration - audit fees	52,000	52,000
Depreciation	7,565	-
	<u>59,565</u>	<u>52,000</u>

(b) Directors' emoluments

All the directors who served during the year are employed by a fellow subsidiary company which recovers its costs through service charges to group companies. The directors received total emoluments from the group of £8,164,218 (year ended December 2000: £13,735,310) but it is not practical to allocate this between the various companies within the group for whom they perform services. In addition, the directors are accruing benefits under the group defined benefit pension scheme, in respect of their services to the group companies.

The highest paid director received £1,119,264 (year ended December 2000: £2,528,351) of which £975,542 (year ended December 2000: £2,364,062) represents performance related emoluments. The accrued annual pension of the highest paid director at 31 December 2001 was £14,538 (year ended December 2000: £78,581).

(c) Administrative expenses

Included within the administrative expenses charge is an amount relating to an out of court settlement of the legal action taken against the Company by the Unilever pension scheme. The amount of the settlement has not been disclosed as the directors believe it would be seriously prejudicial to the interest of the Company to do so.

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2001 £	Year ended 31 December 2000 £
Bank loans and overdrafts	<u>289,030</u>	<u>255,227</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

5 TAXATION

Analysis of charge in period

Current tax:

UK corporation tax on loss of the year

Adjustments in respect of previous periods

Total current tax (see below)

Year ended
31 December
2001
£

Year ended
31 December
2000
£

(17,472,155)	-
2,843,832	8,993,517
<u>(14,628,323)</u>	<u>8,993,517</u>
(2,637,270)	(27,302,183)
3,693,200	
<u>1,055,930</u>	<u>(27,302,183)</u>
<u>(13,572,393)</u>	<u>(18,308,666)</u>

Deferred tax:

Origination and reversal of timing differences in respect of the current period

Origination and reversal of timing differences in respect of previous periods

Total deferred tax (see note 10)

Tax credit on loss on ordinary activities

Factors affecting tax charge for period

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

Loss on ordinary activities before tax	<u>(35,636,857)</u>	<u>(67,148,373)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(10,691,057)	(20,144,512)
Effects of:		
Losses carried forward	8,580,274	24,667,081
Timing differences relating to compensation and social security costs	(5,943,005)	2,875,442
Adjustments to tax charge in respect of previous periods	2,843,832	8,993,517
UK dividend income	(9,615,000)	(7,398,011)
Expenses not deductible for tax purposes	196,633	-
Current tax charge for the year	<u>(14,628,323)</u>	<u>8,993,517</u>

6 DIVIDENDS

Year ended
31 December
2001
£

Year ended
31 December
2000
£

Ordinary - interim paid

-	<u>13,500,000</u>
---	-------------------

NOTES TO THE ACCOUNTS**Year ended 31 December 2001****7 FIXED ASSETS - TANGIBLE ASSETS**Office
fixtures and
furniture
£**Cost**

At 1 January 2001

-

Additions

42,375

At 31 December 2001

42,375

Depreciation

At 1 January 2001

-

Charge for year

7,565

At 31 December 2001

7,565

Net book amounts

At 31 December 2001

34,810

At 31 December 2000

-

8 FIXED ASSETS - INVESTMENTS

	Investment in subsidiaries £	Investment in associated undertakings £	Total £
At 1 January 2001	16,725,428	37,500	16,762,928
Additions	912,256	-	912,256
At 31 December 2001	17,637,684	37,500	17,675,184

The investment in subsidiaries at 31 December 2001 represents the whole of the issued share capital of the following companies which are registered in England and Wales:

Merrill Lynch Investment Managers Group Services Limited

Merrill Lynch Fund Managers Limited

Merrill Lynch Investment Services Limited

Merrill Lynch Investment Managers International Limited

Merrill Lynch Investment Managers Societa di Gestione del Risparmio S.p.A

Merrill Lynch Investment Managers Group Services Limited provides administration and other services to other group undertakings. The Company's other subsidiaries and associated undertakings are engaged in investment management, advisory and related activities.

During the year further investments were made in Merrill Lynch Investment Managers Societa di Gestione del Risparmio S.p.A.

The investment in associated undertakings at 31 December 2001 represents the Company's holding of 50 per cent of the ordinary shares of Munich London Investment Management Ltd.

The directors are of the opinion that the aggregate value of subsidiaries is not less than the amount at which they are included in the financial statements.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

9 DEBTORS

	31 December 2001	31 December 2000
	£	£
Trade debtors	80,928,768	94,687,373
Corporation tax	11,868,928	-
Deferred taxation	43,702,082	44,758,012
Other taxes and social security	1,785,550	-
Other debtors	1,481,914	7,168,004
Amounts due from group undertakings	103,637,534	252,782,263
	<u>243,404,776</u>	<u>399,395,652</u>

10 DEFERRED TAX ASSET

	31 December 2001	31 December 2000
	£	£
Deferred tax is made up as follows :		
Short term timing differences	34,222	34,222
Timing differences relating to compensation and social security costs	25,144,437	20,056,709
Tax losses carried forward	18,523,423	24,667,081
Deferred tax asset	<u>43,702,082</u>	<u>44,758,012</u>
Provision at start of the year as previously stated	44,758,012	274,563
Prior year adjustment	-	17,181,266
Provision at the start of the year as restated	<u>44,758,012</u>	<u>17,455,829</u>
Deferred tax charge in profit and loss account for the year	(3,693,200)	-
Deferred tax credit in profit and loss account for the year	2,637,270	27,302,183
Provision at end of the year	<u>43,702,082</u>	<u>44,758,012</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

11 CURRENT ASSETS - INVESTMENTS	31 December 2001 £	31 December 2000 £
Money market instruments	15,800,000	18,300,000
Listed investments	171,291	171,291
Unlisted	3,404,588	4,831,653
	<u>19,375,879</u>	<u>23,302,944</u>
Market valuation :		
Money market instruments	15,937,806	18,300,000
Listed investments	284,710	345,235
	<u>16,222,516</u>	<u>18,645,235</u>

The directors consider that the value of the unlisted investments is not less than the carrying value.

12 CREDITORS : amounts falling due within one year	31 December 2001 £	31 December 2000 £
Amounts due to group undertakings	52,155,272	298,602,115
Corporation tax	-	379,474
Other creditors*	4,725,610	3,688,163
	<u>56,880,882</u>	<u>302,669,752</u>

* Other creditors include loan notes maturing in 2004 of £818,981 (December 2000 : £1,321,048). The loan notes maturing in 2004 are unsecured and bear interest at LIBOR minus 0.5 per cent which is payable in arrears on 30 June and 31 December each year. The loan notes are repayable on demand, in whole or in part, on any interest payment date up to and including 30 June 2004. Loan notes to the value of £105,110 (2000 : £186,200) were redeemed during the year.

13 CREDITORS : amounts falling due after more than one year	31 December 2001 £	31 December 2000 £
Subordinated loan notes	<u>30,000,000</u>	<u>-</u>

Repayable upon the expiry of one month's written notice after 21 December 2006. Interest at 1% above LIBOR.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

14 CALLED UP SHARE CAPITAL

	31 December 2001 £	31 December 2000 £
Authorised		
170,000,000 £1 ordinary shares	170,000,000	170,000,000
Allotted and fully paid		
159,006,480 £1 ordinary shares	159,006,480	119,006,480

During the year 40,000,000 ordinary shares of £1 each were issued fully paid for cash at par.

15 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 2001	119,006,480	65,352,632	184,359,112
New issue	40,000,000	-	40,000,000
Loss for the year	-	(22,064,464)	(22,064,464)
At 31 December 2001	159,006,480	43,288,168	202,294,648

14 CLIENTS' BALANCES

Purchases and sales of clients' securities are undertaken by the Company acting as agent. Accordingly, balances in respect of these transactions are not included in the Company's balance sheet.

15 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.

16 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 incorporated in Great Britain, and Merrill Lynch & Co. incorporated in Delaware, USA, respectively. Financial statements for ML Invest Holdings Limited may be obtained from the Company Secretary, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. Financial statements for Merrill Lynch & Co. Inc. may be obtained from the Corporate Secretary's Office, Merrill Lynch & Co., Inc., 17th Floor, 222 Broadway, New York, NY 10038 USA.