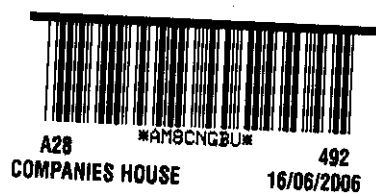


Registered number: 951043

MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 DECEMBER 2005**



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MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

DIRECTORS' REPORT

For the year ended 30 December 2005

The directors present their report and the audited financial statements of Merrill Lynch Investment Managers Group Limited (the "Company") for the year ended 30 December 2005.

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; 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 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.

PRINCIPAL ACTIVITIES

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

The directors propose the principal activities of the Company will continue during 2006.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,294,000 (2004 - profit £1,418,000).

The directors do not recommend the payment of a dividend for the year ended 30 December 2005 (2004 - £nil).

DIRECTORS

The directors who served during the year and up to the date of signing this report were as follows:

N.C.D. Hall
N.T. Jones
J.T. Stratford

The directors had no beneficial interests in the shares of the Company or any other United Kingdom affiliated company at 30 December 2005 or any time during the period then ended.

EVENTS SINCE THE END OF THE YEAR

On 15 February 2006, Merrill Lynch & Co., Inc., the ultimate parent company, announced that it had signed a definitive agreement under which it would transfer its MLIM investment management business to BlackRock, Inc. (see note 14).

RISK MANAGEMENT

The Company is subject to price, credit and liquidity risk in relation to certain investments included in note 9. These risks are not hedged.

MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

DIRECTORS' REPORT

For the year ended 30 December 2005

AUDITORS

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

This report was approved by the Board on 5 June 2006 and signed on its behalf.

A handwritten signature in black ink, appearing to read "Debra A Searle". The signature is fluid and cursive, with a large initial 'D' and 'S'.

Merrill Lynch Corporate Services Limited
Company Secretary
London

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

We have audited the financial statements of Merrill Lynch Investment Managers Group Limited (the "Company") for the year ended 30 December 2005 which comprises 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.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 end and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

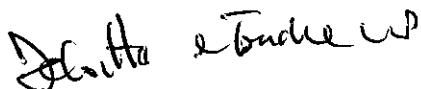
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
London

5 June 2006

MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 30 December 2005**

	Note	2005 £000	2004 £000
Administrative expenses		<u>(82)</u>	<u>(18)</u>
OPERATING LOSS	3	(82)	(18)
Income from investments in affiliated companies		2,297	5,388
Amounts written off investments		-	(640)
Profit on disposal of investments		2,678	544
Other interest receivable and similar income	4	61	11
Interest payable and similar charges	5	<u>(3,660)</u>	<u>(3,867)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,294	1,418
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,294</u>	<u>1,418</u>

Turnover and operating loss derive wholly from continuing operations.

There were no recognised gains and losses for 2005 or 2004 other than those included in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

BALANCE SHEET

As at 30 December 2005

	Note	£000	2005 £000	£000	2004 £000
FIXED ASSETS					
Investments	7		244,054		256,460
CURRENT ASSETS					
Debtors	8	53		26,871	
Investments	9	51,584		6,239	
Cash at bank		200		321	
		<u>51,837</u>		<u>33,431</u>	
CREDITORS: Amounts falling due within one year	10	<u>(91,308)</u>		<u>(86,602)</u>	
NET CURRENT LIABILITIES			<u>(39,471)</u>		<u>(53,171)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>204,583</u>		<u>203,289</u>
CAPITAL AND RESERVES					
Called up share capital	11		112,166		112,166
Share premium account			47,073		47,073
Capital redemption reserve			7,029		7,029
Profit and Loss account	12		38,315		37,021
SHAREHOLDERS' FUNDS - All Equity	13		<u>204,583</u>		<u>203,289</u>

The financial statements were approved by the Board on 5 June 2006 and signed on its behalf.



N.C.D. Hall
Director

The notes on pages 7 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 December 2005

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

1.2 Accounting convention

The financial statements have been prepared under the historical cost convention.

1.3 Cash flow

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised 1996) - Cash Flow Statements, as a consolidated cash flow statement is included in the publicly available consolidated financial statements of the ultimate parent company, Merrill Lynch & Co., Inc.

1.4 Translation of foreign currencies

Revenues and expenses arising from transactions to be settled in foreign currencies are translated into Sterling at average monthly market rates of exchange. Monetary assets and liabilities are translated into Sterling at the market rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of foreign currencies are reflected in the profit and loss account.

1.5 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.

1.6 Accounting period

The Company's financial year consisted of a fifty-two (2004: fifty-three) week period ending on the last Friday in December (2004: 31 December).

1.7 Group accounts

The Company has taken advantage of the exemption in Section 228 of the Companies Act 1985 from the obligation to prepare and deliver group accounts since the Company is a wholly owned subsidiary of ML Invest Holdings Limited. Accordingly, the Company's financial statements present information about it as an individual undertaking and not about its group.

1.8 Investments

Investments held as fixed assets are stated at cost less provision for impairment. Investments held as current assets are shown at the lower of cost and market value.

2. PRINCIPAL ACTIVITIES

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 December 2005

3. OPERATING LOSS

Operating loss is stated after charging the following:

	2005	2004
	£000	£000
Difference on foreign exchange	71	18

During the year, no director received any emoluments (2004 - £nil).

Auditors' remuneration has been borne by another affiliated company in the current and preceding year.

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£000	£000
Other interest receivable and similar income:		
- From other sources	61	11

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£000	£000
Interest payable and similar charges:		
- To loan note holders	295	414
- To affiliated companies	3,358	3,401
- To other sources	7	52
	3,660	3,867

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£000	£000
Tax on profit on ordinary activities	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 December 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for year

The tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK applicable to the Company (30%). The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	1,294	1,418
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	388	425
Effects of:		
UK dividend income	(689)	(1,627)
Tax losses (claimed from) surrendered to affiliated companies for nil payment	(1,199)	942
Taxable profits relating to overseas subsidiaries	2,166	-
Losses brought forward and utilised	(666)	-
Revaluation of investments	-	192
Taxable income not included in profit and loss account	-	226
Non-taxable income	-	(151)
Other	-	(7)
Current tax charge for year (see note above)	-	-

A deferred tax asset has not been recognised in respect of net realised and unrealised losses on investments as the Company does not, in the foreseeable future, expect to realise sufficient capital gains against which these losses may be utilised. At 30 December 2005, the net deferred tax asset not recognised by the Company was £nil (2004: £1,637,000).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 December 2005

7. FIXED ASSET INVESTMENTS

	Investments in subsidiary undertakings	Investments in associate undertakings	Other fixed asset invest- ments	Total
	£000	£000	£000	£000
Cost				
At 1 January 2005	257,354	4,112	3,000	264,466
Additions	19,500	-	-	19,500
Disposals	(31,461)	(4,112)	(3,000)	(38,573)
	<u>245,393</u>	<u>-</u>	<u>-</u>	<u>245,393</u>
At 30 December 2005				
Provisions				
At 1 January 2005	4,300	3,706	-	8,006
On disposals	(2,961)	(3,706)	-	(6,667)
	<u>1,339</u>	<u>-</u>	<u>-</u>	<u>1,339</u>
At 30 December 2005				
Net book value				
At 30 December 2005	<u>244,054</u>	<u>-</u>	<u>-</u>	<u>244,054</u>
At 31 December 2004	<u>253,054</u>	<u>406</u>	<u>3,000</u>	<u>256,460</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 December 2005

7. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following are subsidiary undertakings of the Company and are incorporated in the United Kingdom unless otherwise stated:

Grosvenor Ventures Limited	100% of Ordinary Share Capital
Grosvenor Alternate Partner Limited	100% of Ordinary Share Capital
Merrill Lynch Investment Managers Limited	100% of Ordinary Share Capital
Merrill Lynch Investment Managers (Finance) Limited	100% of Ordinary Share Capital
Merrill Lynch Pensions Limited	100% of Ordinary Share Capital
Mercury Carry Company Limited (incorporated in the Isle of Man)	100% of Ordinary Share Capital
Mercury Private Equity MUST 3 Limited	100% of Ordinary Share Capital
Mercury Private Equity MUST 3 (Jersey) Limited (incorporated in Jersey)	100% of Ordinary Share Capital
Merrill Lynch Investment Managers No.2 Limited	100% of Ordinary Share Capital
Merrill Lynch Investment Managers Holdings Limited	100% of Ordinary Share Capital

In April 2005 the non-cumulative redeemable preference shares in Merrill Lynch Pensions Limited were fully redeemed at par.

33 King William Street was liquidated during the year, recognising a profit on disposal of £1,000. This subsidiary had previously been impaired by £3.0 million.

In September 2005 the Company subscribed for 19,499,400 Ordinary Shares of £1 each in the capital of Merrill Lynch Investment Managers (Finance) Limited.

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

Investments in associated undertakings

In February 2005 the Company disposed of its holding in E-Crossnet, realising a profit on disposal of £0.1m. This investment had previously been impaired by £3.7m.

Other fixed asset investments

In December 2005 the Company fully redeemed its £3m preference shares in HG Capital Limited at par.

8. DEBTORS

	2005	2004
	£000	£000
Amounts owed by affiliated companies	53	26,864
Other debtors	-	7
	53	26,871

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 December 2005

9. CURRENT ASSET INVESTMENTS

	2005	2004
	£000	£000
Listed investments	51,584	6,239

Listed investments

The market value of the listed investments at 30 December 2005 was £55,556,000 (2004 - £8,524,000).

10. CREDITORS:

Amounts falling due within one year

	2005	2004
	£000	£000
Loan notes (2005)	-	9,882
Amounts owed to affiliated companies	91,306	76,606
Other creditors	2	114
	91,308	86,602

The loan notes (2005) were issued in 1995 as part of the Scheme of Arrangement of S.G. Warburg Group plc. The loan notes were unsecured and bore interest at LIBOR minus 0.5 per cent which was payable in arrears on 31 March and 30 September in each year. The loan notes were fully repaid, together with accrued interest, on 30 September 2005.

11. SHARE CAPITAL

	2005	2004
	£	£
Authorised		
3,251,598,687 ordinary shares of 5p each	162,579,934	162,579,934
Allotted, called up and fully paid		
2,243,327,938 ordinary shares of 5p each	112,166,397	112,166,397

12. RESERVES

Profit and loss account	£000
At 1 January 2005	37,021
Profit retained for the year	1,294
	38,315
At 30 December 2005	38,315

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 30 December 2005

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005	2004
	£000	£000
Profit for the year	1,294	1,418
	<hr/>	<hr/>
	1,294	1,418
Opening shareholders' funds	203,289	201,871
	<hr/>	<hr/>
Closing shareholders' funds	204,583	203,289
	<hr/>	<hr/>

14. POST BALANCE SHEET EVENTS

On 15 February 2006, Merrill Lynch & Co., Inc., the ultimate parent company, announced that it had signed a definitive agreement under which it would transfer its MLIM investment management business to BlackRock, Inc. in exchange for a 49.8% interest in the combined firm, including a 45% voting interest. This transaction is expected to close during the third quarter of 2006. It is currently not possible to estimate the direct financial effect of this transaction on Merrill Lynch Investment Managers Group Limited.

15. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption from related party disclosures available in Paragraph 3(c) of Financial Reporting Standard No. 8 - Related Party Disclosures, as it is a wholly owned subsidiary and the consolidated financial statements of the ultimate parent company are publicly available as noted below.

There were no related party transactions other than those with affiliated companies covered by the exemption noted above.

16. PARENT UNDERTAKINGS

The Company's immediate parent company is ML Invest Holdings Limited and the ultimate parent company and controlling party is Merrill Lynch & Co., Inc., a company incorporated in the State of Delaware in the United States of America. The parent company of the largest group that includes the Company and for which group accounts are prepared is Merrill Lynch & Co., Inc. Copies of the group financial statements of Merrill Lynch & Co., Inc. are available from the Investor Relations website at www.ir.ml.com or by contacting the Corporate Secretary by mail at 222 Broadway, 17th Floor, New York, NY 10038, USA or by e-mail at corporate_secretary@ml.com. The parent undertaking of the smallest group, including the Company, which prepares group accounts is ML Invest Holdings Limited, a company incorporated in Great Britain. Copies of the group financial statements of ML Invest Holdings Limited are available from the Company Secretary, Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ.