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BLACKROCK INTERNATIONAL, LIMITED

Report and Accounts

31 December 2000

 ERNST & YOUNG

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BlackRock International, Limited.

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £201,865 (1999: profit of £34,642) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The main business of the group is investment management and the company is regulated by IMRO.

FUTURE DEVELOPMENTS

The directors aim to continue to conduct the business in such a way as to attract further clients.

FIXED ASSETS

Fixed assets of £1,656,111 (1999: £121,380) were acquired during the year.

SHARE CAPITAL

Additional capital of £1,994,018 (£1.54p per share) was subscribed by the parent company in order that the company should meet its regulatory capital requirements. This has been added to the share premium account.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

Laurence Fink
Robert Kapito
Ralph Schlosstein

No director held an interest in the shares of the company.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the annual general meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board

DIRECTOR 
DM COMPANY SERVICES LTD.

Secretary

24 April 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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 shareholders of BlackRock International, Limited.

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts 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 accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor
Edinburgh

24 April 2001

BlackRock International, Limited.

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		£	£
TURNOVER	2	11,323,425	3,234,363
Administrative expenses		(11,724,320)	(3,289,395)
OPERATING LOSS	3	(400,895)	(55,032)
Profit on disposal of fixed assets		1,089	-
Bank interest receivable		197,941	89,674
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(201,865)	34,642
Tax on (loss)/profit on ordinary activities	5	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	13	(201,865)	34,642

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £201,865 and foreign exchange gains of £40,027 in the year ended 31 December 2000 and a profit of £34,642 attributable to shareholders and foreign exchange gains of £175,007 in the year ended 31 December 1999.

BlackRock International, Limited.

BALANCE SHEET at 31 December 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	6	1,598,602	214,336
Investment	7	1,172,388	1,212,415
		<u>2,770,990</u>	<u>1,426,751</u>
CURRENT ASSETS			
Debtors	8	4,378,510	602,342
Cash at bank and in hand		5,343,678	3,716,159
		<u>9,722,188</u>	<u>4,318,501</u>
CREDITORS: amounts falling due within one year	9	5,356,001	743,504
NET CURRENT ASSETS		<u>4,366,187</u>	<u>3,574,997</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,137,177</u>	<u>5,001,748</u>
CREDITORS: amounts falling due after more than one year	10	1,147,454	764,151
		<u>5,989,723</u>	<u>4,237,597</u>
CAPITAL AND RESERVES:			
Share capital	11,13	1,300,000	1,300,000
Share premium account	13	6,109,771	4,115,753
Profit and loss account	13	(1,555,028)	(1,353,163)
Foreign exchange differences		134,980	175,007
Equity shareholders' funds	13	<u>5,989,723</u>	<u>4,237,597</u>

Director

24 APRIL 2001

BlackRock International, Limited.

STATEMENT OF CASH FLOWS for the period ended 31 December 2000

	<i>Notes</i>	<i>2000</i> £	<i>1999</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(c)	971,672	74,884
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		197,941	89,674
NET CASH INFLOW FROM RETURNS ON INVESTMENTS		197,941	89,674
TAXATION			-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(1,656,111)	(121,380)
Receipts from sales of tangible fixed assets		119,999	-
Investment		-	(1,037,408)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(1,536,112)	(1,158,788)
NET CASH (OUTFLOW) BEFORE FINANCING		(366,499)	(994,230)
FINANCING			
Proceeds from issue of shares		1,994,018	3,116,878
NET CASH INFLOW FROM FINANCING		1,994,018	3,116,878
INCREASE IN CASH		1,627,519	2,122,648
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase in cash in the period	14	1,627,519	2,122,648
Net funds at 1 January	14	3,716,159	1,593,511
Net funds at 31 December	14	5,343,678	3,716,159

at 31 December 2000

Basis of preparation

Consolidation

Depreciation

Computer equipment	-	over 3 years
Telephone equipment	-	over 3 years
Fixtures & fittings	-	over 7 years
Leasehold property	-	over 10 years

Pensions

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account with the exception of the investment in the associate company where differences are taken directly to reserves.

Income recognition

Discretionary management fees are recognised on an accruals basis. Performance fees are recognised on a cash basis.

Turnover, which is stated net of value added tax, represents the amounts derived from corporate services.

(a) This is stated after charging:

(a) This is stated after charging:	2000	1999
	£	£
Depreciation of fixed assets	153,684	68,292
Auditors' remuneration : audit	30,000	17,000
other	55,060	8,340
Operating lease rentals - motor vehicles	62,582	40,161

(b) Directors' remuneration:

	2000	1999
	£	£
Emoluments	-	-
Pension contributions	-	-
	<u>-</u>	<u>-</u>
	-	-

The emoluments of the highest paid director were £Nil (1999: £Nil).

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 2000

3. OPERATING LOSS

(continued)

	2000 £	1999 £
c) Reconciliation of operating loss to net cash inflow from operating activities:		
Operating loss	(400,895)	(55,032)
Depreciation	152,935	68,292
Increase in debtors	(3,776,168)	(136,623)
Increase in creditors	4,995,800	198,247
	<u>971,672</u>	<u>74,884</u>

4. STAFF COSTS

	2000 £	1999 £
Wages and salaries	7,249,640	1,617,943
Social security costs	853,655	178,646
Other pension costs	236,797	106,976
	<u>8,346,092</u>	<u>1,903,565</u>

The average weekly number of employees during the period was made up as follows:

	No	No
Office and management	<u>40</u>	<u>20</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

No tax is payable due to the availability of accumulated tax losses.

6. TANGIBLE FIXED ASSETS

	Leasehold property £	Fixtures and fittings £	Computer equipment £	Telephone equipment £	Total £
Cost					
At 1 January 2000	93,028	95,836	171,003	37,804	397,671
Additions	904,486	240,884	294,980	215,761	1,656,111
Disposals	(93,028)	(102,910)	(56,417)	(44,230)	(296,585)
At 31 December 2000	<u>904,486</u>	<u>233,810</u>	<u>409,566</u>	<u>209,335</u>	<u>1,757,197</u>
Depreciation					
At 1 January 2000	33,702	53,205	75,986	20,442	183,335
Charge for year	20,988	15,865	92,099	23,983	152,935
Disposals	(42,233)	(59,245)	(49,233)	(26,964)	(177,675)
At 31 December 2000	<u>12,457</u>	<u>9,825</u>	<u>118,852</u>	<u>17,461</u>	<u>158,595</u>
Net book value					
At 31 December 2000	<u>892,029</u>	<u>223,985</u>	<u>290,714</u>	<u>191,874</u>	<u>1,598,602</u>
At 1 January 2000	<u>59,326</u>	<u>42,631</u>	<u>95,017</u>	<u>17,362</u>	<u>214,336</u>

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 2000

7. INVESTMENTS - ASSOCIATE COMPANY

	2000 £	1999 £
Cost		
At 31 December 1999	1,212,415	-
Additions	-	1,037,408
Foreign exchange (loss)/gain	(40,027)	175,007
At 31 December 2000	1,172,338	1,212,415

The company invested 200 million Japanese Yen on 31 March 1999 in Nomura BlackRock Asset Management Co Ltd which represents 44 per cent of the equity of that company. As BlackRock International Limited does not prepare consolidated accounts, a separate set of financial statements has been produced showing the relevant information as additional information to its own financial statements. These are set out below:

PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	2000 £	1999 £
TURNOVER	11,323,425	3,234,363
Administrative expenses	(11,724,320)	(3,289,395)
OPERATING LOSS	(400,895)	(55,032)
Share of operating profit/(loss) in associate	243,592	(235,122)
TOTAL OPERATING LOSS	(157,303)	(290,154)
Profit on disposal of fixed assets	1,089	-
Bank interest receivable	197,941	89,674
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	41,727	(200,480)
Tax on profit/(loss) on ordinary activities	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	41,727	(200,480)

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 2000

7. INVESTMENTS - ASSOCIATE COMPANY (continued)

PRO FORMA CONSOLIDATED BALANCE SHEET at 31 December 2000

	2000 £	1999 £
FIXED ASSETS		
Tangible assets	1,598,602	214,336
Investment in associate	1,040,540	962,512
	<u>2,639,142</u>	<u>1,176,848</u>
CURRENT ASSETS		
Debtors	4,378,510	602,342
Cash at bank and in hand	5,343,678	3,716,159
	<u>9,722,188</u>	<u>4,318,501</u>
CREDITORS: amounts falling due within one year	<u>5,356,001</u>	<u>743,504</u>
NET CURRENT ASSETS	<u>4,366,187</u>	<u>3,574,997</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>7,005,329</u>	<u>4,751,845</u>
CREDITORS: amounts falling due after more than one year	<u>1,147,454</u>	<u>764,151</u>
	<u>5,857,875</u>	<u>3,987,694</u>
CAPITAL AND RESERVES		
Share capital	1,300,000	1,300,000
Share premium account	6,109,771	4,115,753
Profit and loss account	(1,546,558)	(1,588,285)
Foreign exchange differences	(5,338)	160,226
Equity shareholders' funds	<u>5,857,875</u>	<u>3,987,694</u>

PRO FORMA RECONCILIATION OF CONSOLIDATED SHAREHOLDERS FUNDS

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Foreign exchange differences</i>	<i>Shareholders funds</i>
	£	£	£	£	£
At 31 December 1999	1,300,000	4,115,753	(1,588,285)	160,226	3,987,694
Capital introduced	-	1,994,018	-	-	1,994,018
Retained profit	-	-	41,727	-	41,727
Exchange differences on re-translation of net assets of associate	-	-	-	(165,564)	(165,564)
At 31 December 2000	<u>1,300,000</u>	<u>6,109,771</u>	<u>(1,546,558)</u>	<u>(5,338)</u>	<u>5,857,875</u>

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 2000

8. DEBTORS

	2000	1999
	£	£
Trade debtors	3,657,005	532,752
Prepayments and accrued income	39,754	48,325
Other debtors	286,031	21,265
Due from parent undertaking	334,683	-
Due from fellow subsidiary	61,037	-
	<u>4,378,510</u>	<u>602,342</u>

9. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Trade creditors	32,237	575,104
Accruals	4,557,347	44,004
Other taxes and social security costs	100,475	26,621
Due to parent undertaking	84,281	-
Deferred income	333,244	97,775
Other creditors	248,417	-
	<u>5,356,001</u>	<u>743,504</u>

10. CREDITORS: amounts falling due after more than one year

	2000	1999
	£	£
Long-term compensation scheme	<u>1,147,454</u>	<u>764,151</u>

11. SHARE CAPITAL

	2000	Authorised 1999	Issued and fully paid 2000	Issued and fully paid 1999
	£	£	£	£
Ordinary shares of £1 each	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>

Additional capital of £1,994,018 (£1.54 per share) was subscribed for by the parent company to for regulatory capital purposes.

12. OTHER FINANCIAL COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:-

	Motor vehicles 2000 £	Land & buildings 2000 £	Land & buildings 1999 £
Leases which expire:			
within one year	39,456	-	-
in the second to fifth year inclusive	30,320	-	-
in over five years	-	396,268	95,800
	<u>69,776</u>	<u>396,268</u>	<u>95,800</u>

BlackRock International, Limited.

NOTES TO THE ACCOUNTS at 31 December 2000

13. RECONCILIATION OF RESERVES AND MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Foreign exchange difference</i>	<i>Share- holder's funds</i>
	£	£	£	£	£
At 31 December 1999	1,300,000	4,115,753	(1,353,163)	175,007	4,237,597
Capital introduced	-	1,994,018	-	-	1,994,018
Retained loss	-	-	(201,865)	-	(201,865)
Exchange difference on investment in associate	-	-	-	(40,027)	(40,027)
At 31 December 2000	1,300,000	6,109,771	(1,555,028)	134,980	5,989,723

14. NOTES TO THE STATEMENT OF CASH FLOW

Analysis of changes in net funds:

	<i>At 1 January 2000</i>	<i>Cash At 31 December inflow</i>	<i>2000</i>
	£	£	£
Cash at bank and in hand	3,716,159	1,627,519	5,343,678

15. ULTIMATE PARENT COMPANY

The ultimate parent company of the group of undertakings for which group accounts are drawn up and of which the company is a member, is PNC Bank Corp. a company registered in the USA.

16. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2000.

17. RELATED PARTIES

No disclosure of transactions with the parent company has been made as permitted by FRS8 para 3 (c).