

BlackRock International, Ltd.

Report and Accounts

Year ended 31 December 2004

SC160821



Directors' report

The directors present their report and audited accounts for the year ended 31 December 2004.

Results and dividends

The profit for the year after taxation amounted to £1,411,000 (2003: £2,472,000) 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 the Financial Services Authority.

Future developments

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

Tangible fixed assets

Tangible fixed assets of £94,000 (2003: £53,000) were acquired during the year.

Directors and their interests

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

Laurence Fink

Robert Kapito

Ralph Schlosstein

No director held an interest in the share capital of the Company. The interests of the directors in the share capital of the immediate parent company, BlackRock Inc, are shown in the financial statements of that company.

Auditor

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board


DIRECTOR
For and on behalf of
DM Company Services Limited
Secretary
1st April 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 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 which 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.

Independent auditors' report to the members of BlackRock International, Ltd.

We have audited the financial statements of BlackRock International, Ltd. for the year ended 31 December 2004, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. 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 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 2004 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 and Registered Auditors
Glasgow

1st April 2005

Profit and Loss Account

For the year ended 31 December 2004

	Note	2004 £000	2003 Restated £000
Turnover	2	11,217	14,817
Other income	4	1,991	685
Administrative expenses		(13,423)	(13,974)
Operating (loss)/profit	5	(215)	1,528
Bank interest receivable		609	396
Bank interest payable		(2)	-
Income from unlisted investment		1,601	1,574
Profit on ordinary activities before taxation		1,993	3,498
Tax on profit on ordinary activities	7	(582)	(1,026)
Retained Profit for the financial year	17	1,411	2,472

The notes on pages 8 to 14 form an integral part of these financial statements.

The Company's results all relate to continuing operations.

There were no recognised gains or losses affecting shareholder's funds other than those reflected in the profit for the year as disclosed above and, accordingly, no Statement of Total Recognised Gains and Losses is shown.

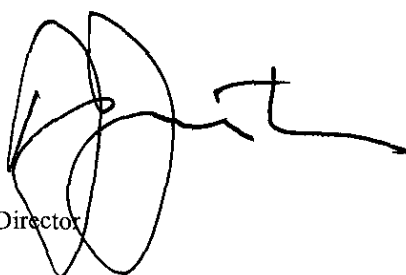
Balance Sheet

As at 31 December 2004

	Notes	2004 £000	2003 Restated £000
Fixed assets			
Tangible assets	8	952	1,123
Investments	9	1,037	1,037
		<u>1,989</u>	<u>2,160</u>
Current assets			
Debtors	10	8,401	7,410
Investments	11	8,977	7,714
Cash at bank and in hand		7,231	7,388
		<u>24,609</u>	<u>22,512</u>
Creditors: amounts falling due within one year	12	<u>(4,867)</u>	<u>(6,779)</u>
Net current assets		<u>19,742</u>	<u>15,733</u>
Total assets less current liabilities		21,731	17,893
Creditors: amounts falling due after more than one year	13	(2,502)	-
Provisions for liabilities and charges	14	-	(121)
		<u>19,229</u>	<u>17,772</u>
Capital and reserves			
Share capital	15	1,300	1,300
Capital contributions	17	8,042	7,996
Profit and loss account	17	9,887	8,476
Equity shareholders' funds	17	<u>19,229</u>	<u>17,772</u>

The notes on pages 8 to 14 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 1st April 2005 and signed on its behalf by:


Director

Cash Flow Statement

For the year ended 31 December 2004

	<i>Notes</i>	2004	2003
		£000	<i>Restated</i> £000
Net cash inflow from operating activities	18	54	725
Returns on investments and servicing of finance	18	2,004	1,776
Taxation	18	(904)	(1,435)
Capital expenditure and financial investment	18	(1,357)	(3,229)
Net cash outflow before financing		(203)	(2,163)
Financing	18	46	19
Decrease in cash in the period		(157)	(2,144)

The notes on pages 8 to 14 form an integral part of these financial statements.

Notes to the accounts

For the year ended 31 December 2004

1. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable UK law and accounting standards.

Income recognition

Discretionary management fees are recognised on an accruals basis. Performance fees are recognised on a cash basis. Other income is recognised on an accrual basis.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

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

Investments

Fixed asset investments and current asset investments are stated at the lower of cost and net realisable value.

Taxation

UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws enacted or substantially enacted by the balance sheet date.

Deferred tax has been recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in future exist at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of underlying timing differences can be deducted.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

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.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

2. Turnover

Turnover, which is stated net of value added tax, represents the amounts derived from investment management services provided in the United Kingdom.

Notes to the accounts

For the year ended 31 December 2004

3. Restatement of Comparatives

In previous years' financial statements, income from activities undertaken on behalf of the immediate parent company, BlackRock Inc, (see note 4) was included within administrative expenses. These are now included within other income.

In previous years' financial statements, investments in liquid cash funds had been included within cash at bank and in hand. These are now included within current asset investments.

The effects of these restatements are summarised below:

Profit and Loss Account	2004	2003
	£000	£000
Increase in other income	1,991	685
Increase in administrative expenses	1,991	685
Increase in profit for the financial year	-	-
Balance Sheet	2004	2003
	£000	£000
Decrease in cash at bank and in hand	(8,941)	(7,714)
Increase in current asset investments	8,941	7,714
Increase in net assets	-	-

4. Other income

Other income of £1,991,000 (2003: £685,000) represents amounts recoverable from BlackRock Inc, the immediate parent company, in respect of activities undertaken on its behalf, by the Company.

5. Operating (loss) /profit

This is stated after charging:	2004	2003
	£000	£000
Depreciation of fixed assets	265	375
Auditors' remuneration : audit	41	45
non audit services	-	4

No director received remuneration from the Company during the current or preceding year.

The emoluments of the directors are paid by another Company which makes no recharge to BlackRock International, Ltd. as it is not possible to make an accurate apportionment of their emoluments in respect of their services to specific group companies.

Notes to the accounts

For the year ended 31 December 2004

6. Staff costs

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	5,804	8,672
Social security costs	1,181	1,742
Other pension costs	414	406
	<u>7,399</u>	<u>10,820</u>

The average weekly number of employees during the year was as follows:

	<i>2004</i>	<i>2003</i>
	<i>No.</i>	<i>No.</i>
Office and management	<u>79</u>	<u>73</u>

7. Tax on profit on ordinary activities

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
UK Corporation tax charge	1,438	1,051
Adjustment in respect of prior years	(125)	-
	<u>1,313</u>	<u>1,051</u>
Deferred tax (see note 14)	(731)	(25)
	<u>582</u>	<u>1,026</u>

Factors affecting tax charge:

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of 30%.
The difference is reconciled below:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before tax	<u>1,993</u>	<u>3,498</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2003: 30%)	598	1,050
Over provision in respect of prior years	(125)	-
Disallowed expenditure	26	42
Other timing differences	814	(41)
Total current tax	<u>1,313</u>	<u>1,051</u>

Notes to the accounts

For the year ended 31 December 2004

8. Tangible fixed assets

	<i>Leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Computer equipment £000</i>	<i>Telephone equipment £000</i>	<i>Total £000</i>
Cost					
At 1 January 2004	1,090	427	725	223	2,465
Additions	12	7	75	-	94
At 31 December 2004	1,102	434	800	223	2,559
Depreciation					
At 1 January 2004	330	182	609	221	1,342
Charge for year	110	62	91	2	265
At 31 December 2004	440	244	700	223	1,607
Net book value					
At 31 December 2004	662	190	100	-	952
At 1 January 2004	760	245	116	2	1,123

9. Fixed Asset Investments

	<i>2004 £000</i>	<i>2003 £000</i>
Unlisted investments at 31 December	1,037	1,037

The company made a loan of 200 million Japanese Yen on 31 March 1999 to a partnership and receives a coupon for this loan of 44.44 per cent of the profit before tax of Nomura BlackRock Asset Management Company Limited, a company incorporated in Japan. The Group, of which this company is a subsidiary, has an overall interest in Nomura BlackRock Asset Management Company Limited, in the form of a joint venture. As such, the loan referred to above is accounted for as an investment, and the coupon accounted for as a dividend.

10. Debtors

	<i>2004 £000</i>	<i>2003 £000</i>
Trade debtors	4,164	5,060
Prepayments and accrued income	164	166
Other debtors	637	147
Due from parent undertaking	1,442	906
Due from fellow subsidiary	176	82
Due from unlisted investment	1,208	1,049
Deferred tax asset (see note 14)	610	-
	8,401	7,410

Notes to the accounts

For the year ended 31 December 2004

11. Current Asset Investments

	2004	2003
	£000	£000
Investment in bonds	36	-
Investments in liquid cash funds	8,941	7,714
	<u>8,977</u>	<u>7,714</u>

12. Creditors: amounts falling due within one year

	2004	2003
	£000	£000
Trade creditors	117	181
Accruals	2,202	4,926
Corporation tax	825	416
Other taxes and social security costs	1,492	1,140
Due to parent undertaking	227	111
Due to fellow subsidiaries	4	5
	<u>4,867</u>	<u>6,779</u>

13. Creditors: amounts falling due after more than one year

	2004	2003
	£000	£000
Long Term Retention and Incentive Plan	2,502	-
	<u>2,502</u>	<u>-</u>

The long term retention and incentive plan is payable in 2007.

14. Provisions for liabilities and charges

Deferred tax is provided as follows:

	2004	2003
	£000	£000
Fixed asset timing differences	(5)	(28)
Short-term timing differences	615	(93)
	<u>610</u>	<u>(121)</u>

	Deferred Taxation £000
At 1 January 2004	(121)
Provided during the year	731
	<u>610</u>
At 31 December 2004 (see note 10)	<u>610</u>

Notes to the accounts

For the year ended 31 December 2004

15. Share capital

	<i>Authorised</i>		<i>Called up, allotted and fully paid</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	1,300	1,300	1,300	1,300

16. Financial commitments

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

	<i>Land & buildings</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Leases which expire: after five years	379	379

17. Reconciliation of reserves and movements in equity shareholders' funds

	<i>Called up share capital</i>	<i>Capital contributions</i>	<i>Profit and loss account</i>	<i>Share- holder's funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2004	1,300	7,996	8,476	17,772
Additional Paid in Capital	-	46	-	46
Retained profit for the year	-	-	1,411	1,411
At 31 December 2004	1,300	8,042	9,887	19,229

18. Notes to the Cash Flow Statement

Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Operating (loss)/profit	(215)	1,528
Depreciation	265	375
Increase in debtors	(177)	(469)
Increase/(decrease) in creditors	181	(709)
Net cash inflow from operating activities	54	725

Notes to the accounts

For the year ended 31 December 2004

Analysis of cash flows for headings netted in the cash flow statement

	2004 £000	2003 £000
<i>Returns on investments and servicing of finance</i>		
Interest received	565	379
Other investment income received	1,441	1,397
Interest paid	(2)	-
	<u>2,004</u>	<u>1,776</u>
<i>Taxation</i>		
UK corporation tax paid	(904)	(1,435)
	<u></u>	<u></u>
<i>Capital expenditure and financial investment</i>		
Payments to acquire tangible fixed assets	(94)	53
Purchase of current asset investments	(1,263)	3,176
	<u>(1,357)</u>	<u>3,229</u>
<i>Financing</i>		
Capital contributions	46	19
	<u></u>	<u></u>
Reconciliation of net cash flow to movement in net funds		
	2004 £000	2003 £000
(Decrease)/increase in cash in the period	(157)	2,144
Net funds at 1 January	7,388	9,532
Net funds at 31 December	<u>7,231</u>	<u>7,388</u>

Analysis of changes in net funds

	At 1 January 2004 £000	Cash outflow £000	At 31 December 2004 £000
Cash at bank and in hand	7,388	(157)	7,231

19. Transactions with related parties

No disclosure of transactions with group undertakings has been made as permitted by FRS8.

20. Ultimate parent company

The directors regard The PNC Financial Services Group Inc, a Company registered in the USA, as the ultimate parent Company. BlackRock Inc is the parent Company of the smallest group of which the Company is a member. Copies of the parent Company's consolidated financial statements may be obtained from The PNC Financial Services Group, USX Tower, 600 Grant Street, Mailstop P6-PUSX-36-1, Pittsburgh PA 15219