

# **BlackRock International, Ltd.**

## **Report and Accounts**

Year ended 31 December 2005

SC160821



SCT 8R408F3Q 1025  
COMPANIES HOUSE 03/05/06

## Directors' report

The directors present their report and audited accounts for the year ended 31 December 2005

### Results and dividends

The profit for the year after taxation amounted to £3,175,000 (2004: £1,411,000) 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

In February 2006, BlackRock Inc and Merrill Lynch announced an agreement to merge Merrill Lynch's investment management business, Merrill Lynch Investment Managers (MLIM) and BlackRock Inc to create a new independent company. Merrill Lynch's stake will go to 49.8%, and it will have a 45% voting interest in the combined company. The new company will operate under the BlackRock name and be governed by a board of directors with a majority of independent members. The transaction, which has been approved by the board of directors of both companies, is expected to close in the third quarter of 2006.

### Tangible fixed assets

Tangible fixed assets of £484,000 (2004: £94,000) were acquired during the year.

### Directors and their interests

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

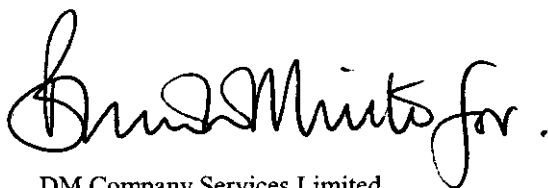
Laurence Fink  
Robert Kapito  
Ralph Schlosstein

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



DM Company Services Limited  
Secretary  
6<sup>th</sup> April 2006

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 19. 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

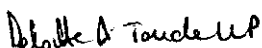
### **Basis of audit opinion**

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.

### **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 31 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 and Registered Auditors*  
Glasgow

6<sup>th</sup> April 2006

## Profit and Loss Account

For the year ended 31 December 2005

|                                                          | Note | 2005<br>£000 | 2004<br>£000 |
|----------------------------------------------------------|------|--------------|--------------|
| <b>Turnover</b>                                          | 2    | 11,589       | 11,217       |
| Other income                                             | 3    | 3,427        | 1,991        |
| Administrative expenses                                  |      | (14,211)     | (13,423)     |
| <b>Operating profit/(loss)</b>                           | 4    | 805          | (215)        |
| Bank interest receivable                                 |      | 772          | 609          |
| Bank interest payable                                    |      | -            | (2)          |
| Income from unlisted investment                          |      | 1,787        | 1,601        |
| <b>Profit on ordinary activities<br/>before taxation</b> |      | 3,364        | 1,993        |
| Tax on profit on ordinary activities                     | 6    | (189)        | (582)        |
| <b>Retained profit for the financial year</b>            | 16   | 3,175        | 1,411        |

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

The Company's results all relate to continuing operations.

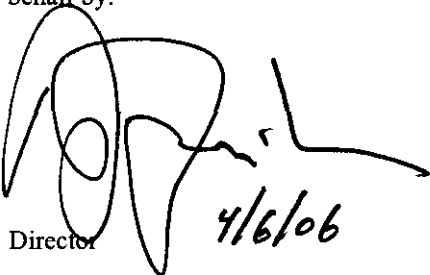
There were no recognised gains or losses affecting shareholder's funds other than those reflected in the profit for the year as disclosed above and, accordingly, no Statement of Total Recognised Gains and Losses is shown.

**Balance Sheet****As at 31 December 2005**

|                                                                       | <i>Notes</i> | <b>2005</b><br><b>£000</b> | <b>2004</b><br><b>£000</b> |
|-----------------------------------------------------------------------|--------------|----------------------------|----------------------------|
| <b><i>Fixed assets</i></b>                                            |              |                            |                            |
| Tangible assets                                                       | 7            | 1,199                      | 952                        |
| Investments                                                           | 8            | 1,037                      | 1,037                      |
|                                                                       |              | <u>2,236</u>               | <u>1,989</u>               |
| <b><i>Current assets</i></b>                                          |              |                            |                            |
| Debtors                                                               | 9            | 9,697                      | 7,818                      |
| Investments                                                           | 10           | 9,257                      | 8,977                      |
| Cash at bank and in hand                                              |              | 10,867                     | 7,231                      |
|                                                                       |              | <u>29,821</u>              | <u>24,026</u>              |
| <b><i>Creditors: amounts falling due within one year</i></b>          | 11           | <u>(5,494)</u>             | <u>(4,284)</u>             |
| <b><i>Net current assets</i></b>                                      |              | <u>24,327</u>              | <u>19,742</u>              |
| <b><i>Total assets less current liabilities</i></b>                   |              | <b>26,563</b>              | <b>21,731</b>              |
| <b><i>Creditors: amounts falling due after more than one year</i></b> | 12           | <u>(4,103)</u>             | <u>(2,502)</u>             |
|                                                                       |              | <u><u>22,460</u></u>       | <u><u>19,229</u></u>       |
| <b><i>Capital and reserves</i></b>                                    |              |                            |                            |
| Share capital                                                         | 14           | 1,300                      | 1,300                      |
| Capital contributions                                                 | 16           | 8,098                      | 8,042                      |
| Profit and loss account                                               | 16           | 13,062                     | 9,887                      |
| Equity shareholder's funds                                            | 16           | <u><u>22,460</u></u>       | <u><u>19,229</u></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 6th April 2006 and signed on its behalf by:

  
Director 4/6/06

## Cash Flow Statement

For the year ended 31 December 2005

|                                                        | <i>Notes</i> | <b>2005</b><br><b>£000</b> | <b>2004</b><br><b>£000</b> |
|--------------------------------------------------------|--------------|----------------------------|----------------------------|
| <b>Net cash inflow from operating activities</b>       | 17           | <b>3,522</b>               | 54                         |
| <b>Returns on investments and servicing of finance</b> | 17           | <b>2,410</b>               | 2,004                      |
| <b>Taxation</b>                                        | 17           | <b>(1,588)</b>             | (904)                      |
| <b>Capital expenditure and financial investment</b>    | 17           | <b>(764)</b>               | (1,357)                    |
| <b>Net cash outflow before financing</b>               |              | <b>3,580</b>               | (203)                      |
| <b>Financing</b>                                       | 17           | <b>56</b>                  | 46                         |
| <b>Increase/ (Decrease) in cash in the period</b>      |              | <b>3,636</b>               | (157)                      |

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 2005

### 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 2005

### 3. Other income

Other income of £3,427,000 (2004: £1,991,000) represents amounts recoverable from BlackRock Inc, the immediate parent company, in respect of activities undertaken on its behalf, by the Company.

### 4. Operating profit /(loss)

This is stated after charging:

|                                | 2005 | 2004 |
|--------------------------------|------|------|
|                                | £000 | £000 |
| Depreciation of fixed assets   | 237  | 265  |
| Auditors' remuneration : audit | 42   | 41   |

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.

### 5. Staff costs

|                       | 2005  | 2004  |
|-----------------------|-------|-------|
|                       | £000  | £000  |
| Wages and salaries    | 7,226 | 5,804 |
| Social security costs | 1,468 | 1,181 |
| Other pension costs   | 444   | 414   |
|                       | 9,138 | 7,399 |

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

|                       | 2005 | 2004 |
|-----------------------|------|------|
|                       | No.  | No.  |
| Office and management | 95   | 79   |

**Notes to the accounts**

For the year ended 31 December 2005

**6. Tax on profit on ordinary activities**

|                                      | <b>2005</b> | <b>2004</b>  |
|--------------------------------------|-------------|--------------|
|                                      | <b>£000</b> | <b>£000</b>  |
| UK Corporation tax charge            | 1,246       | 1,438        |
| Adjustment in respect of prior years | (767)       | (125)        |
|                                      | <u>479</u>  | <u>1,313</u> |
| Deferred tax (see note 13)           | (290)       | (731)        |
|                                      | <u>189</u>  | <u>582</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:

|                                                                                                           | <b>2005</b> | <b>2004</b>  |
|-----------------------------------------------------------------------------------------------------------|-------------|--------------|
|                                                                                                           | <b>£000</b> | <b>£000</b>  |
| Profit on ordinary activities before tax                                                                  | 3,364       | 1,993        |
| Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2004: 30%) | 1,009       | 598          |
| Over provision in respect of prior years                                                                  | (767)       | (125)        |
| Disallowed expenditure                                                                                    | 33          | 26           |
| Other timing differences                                                                                  | 204         | 814          |
| Total current tax                                                                                         | <u>479</u>  | <u>1,313</u> |

**7. Tangible fixed assets**

|                            | <i>Leasehold property</i> | <i>Fixtures and fittings</i> | <i>Computer equipment</i> | <i>Telephone equipment</i> | <i>Total</i> |
|----------------------------|---------------------------|------------------------------|---------------------------|----------------------------|--------------|
|                            | <b>£000</b>               | <b>£000</b>                  | <b>£000</b>               | <b>£000</b>                | <b>£000</b>  |
| Cost                       |                           |                              |                           |                            |              |
| At 1 January 2005          | 1,102                     | 434                          | 801                       | 223                        | 2,560        |
| Additions                  | 221                       | 201                          | 59                        | 3                          | 484          |
| <b>At 31 December 2005</b> | <b>1,323</b>              | <b>635</b>                   | <b>860</b>                | <b>226</b>                 | <b>3,044</b> |
| Depreciation               |                           |                              |                           |                            |              |
| At 1 January 2005          | 440                       | 244                          | 701                       | 223                        | 1,608        |
| Charge for year            | 116                       | 65                           | 56                        | -                          | 237          |
| <b>At 31 December 2005</b> | <b>556</b>                | <b>309</b>                   | <b>757</b>                | <b>223</b>                 | <b>1,845</b> |
| Net book value             |                           |                              |                           |                            |              |
| <b>At 31 December 2005</b> | <b>767</b>                | <b>326</b>                   | <b>103</b>                | <b>3</b>                   | <b>1,199</b> |
| At 1 January 2005          | 662                       | 190                          | 100                       | -                          | 952          |

## Notes to the accounts

For the year ended 31 December 2005

### 8. Fixed Asset Investments

|                                     | 2005<br>£000 | 2004<br>£000 |
|-------------------------------------|--------------|--------------|
| 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.

### 9. Debtors

|                                  | 2005<br>£000 | 2004<br>£000 |
|----------------------------------|--------------|--------------|
| Trade debtors                    | 5,462        | 4,164        |
| Prepayments and accrued income   | 200          | 164          |
| Other debtors                    | 338          | 285          |
| Due from parent undertaking      | 1,076        | 1,215        |
| Corporation Tax recoverable      | 284          | -            |
| Due from fellow subsidiary       | 141          | 172          |
| Due from unlisted investment     | 1,296        | 1,208        |
| Deferred tax asset (see note 13) | 900          | 610          |
|                                  | 9,697        | 7,818        |

### 10. Current Asset Investments

|                                  | 2005<br>£000 | 2004<br>£000 |
|----------------------------------|--------------|--------------|
| Investment in bonds              | 35           | 36           |
| Investments in liquid cash funds | 9,222        | 8,941        |
|                                  | 9,257        | 8,977        |

### 11. Creditors: amounts falling due within one year

|                                       | 2005<br>£000 | 2004<br>£000 |
|---------------------------------------|--------------|--------------|
| Trade creditors                       | 120          | 117          |
| Accruals                              | 3,542        | 2,202        |
| Corporation tax                       | -            | 825          |
| Other taxes and social security costs | 1,832        | 1,140        |
|                                       | 5,494        | 4,284        |

## Notes to the accounts

For the year ended 31 December 2005

### 12. Creditors: amounts falling due after more than one year

|                                        | 2005  | 2004  |
|----------------------------------------|-------|-------|
|                                        | £000  | £000  |
| Long Term Retention and Incentive Plan | 4,103 | 2,502 |

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

### 13. Provisions for liabilities and charges

Deferred tax is provided as follows:

|                                | 2005 | 2004 |
|--------------------------------|------|------|
|                                | £000 | £000 |
| Fixed asset timing differences | (19) | (5)  |
| Short-term timing differences  | 919  | 615  |
|                                | 900  | 610  |

|                                  | <i>Deferred<br/>Taxation</i> |
|----------------------------------|------------------------------|
|                                  | £000                         |
| At 1 January 2005                | 610                          |
| Provided during the year         | 290                          |
| At 31 December 2005 (see note 9) | 900                          |

Deferred tax is fully provided for.

### 14. Share capital

|                            | <i>Authorised</i> |       | <i>Called up, allotted<br/>and fully paid</i> |       |
|----------------------------|-------------------|-------|-----------------------------------------------|-------|
|                            | 2005              | 2004  | 2005                                          | 2004  |
|                            | £000              | £000  | £000                                          | £000  |
| Ordinary shares of £1 each | 1,300             | 1,300 | 1,300                                         | 1,300 |

### 15. Financial commitments

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

|                                          | <i>Land &amp; buildings</i> |      |
|------------------------------------------|-----------------------------|------|
|                                          | 2005                        | 2004 |
|                                          | £000                        | £000 |
| Leases which expire:<br>after five years | 1,276                       | 379  |

Capital expenditure contracted for but not provided for at the year end amounted to £113,824 (2004: £nil).

## Notes to the accounts

For the year ended 31 December 2005

### 16. Reconciliation of reserves and movements in equity shareholder's funds

|                              | <i>Called up<br/>share capital<br/>£000</i> | <i>Capital<br/>contributions<br/>£000</i> | <i>Profit and<br/>loss account<br/>£000</i> | <i>Share-<br/>holder's<br/>funds<br/>£000</i> |
|------------------------------|---------------------------------------------|-------------------------------------------|---------------------------------------------|-----------------------------------------------|
| At 1 January 2005            | 1,300                                       | 8,042                                     | 9,887                                       | 19,229                                        |
| Additional Paid in Capital   | -                                           | 56                                        | -                                           | 56                                            |
| Retained profit for the year | -                                           | -                                         | 3,175                                       | 3,175                                         |
| <b>At 31 December 2005</b>   | <b>1,300</b>                                | <b>8,098</b>                              | <b>13,062</b>                               | <b>22,460</b>                                 |

### 17. Notes to the Cash Flow Statement

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

|                                                        | <i>2005<br/>£000</i> | <i>2004<br/>£000</i> |
|--------------------------------------------------------|----------------------|----------------------|
| Operating profit/(loss)                                | 805                  | (215)                |
| Depreciation                                           | 237                  | 265                  |
| Increase in debtors                                    | (1,217)              | (524)                |
| Increase in creditors                                  | 3,697                | 528                  |
| <b>Net cash inflow from operating activities</b>       | <b>3,522</b>         | <b>54</b>            |
|                                                        | <i>2005<br/>£000</i> | <i>2004<br/>£000</i> |
| <i>Returns on investments and servicing of finance</i> |                      |                      |
| Interest received                                      | 767                  | 565                  |
| Other investment income received                       | 1,643                | 1,441                |
| Interest paid                                          | -                    | (2)                  |
|                                                        | <b>2,410</b>         | <b>2,004</b>         |
| <i>Taxation</i>                                        |                      |                      |
| UK corporation tax paid                                | (1,588)              | (904)                |
| <i>Capital expenditure and financial investment</i>    |                      |                      |
| Payments to acquire tangible fixed assets              | (484)                | (94)                 |
| Purchase of current asset investments                  | (280)                | (1,263)              |
|                                                        | <b>(764)</b>         | <b>(1,357)</b>       |
| <i>Financing</i>                                       |                      |                      |
| Capital contributions                                  | 56                   | 46                   |

## Notes to the accounts

For the year ended 31 December 2005

### Reconciliation of net cash flow to movement in net funds

|                                           | 2005<br>£000  | 2004<br>£000 |
|-------------------------------------------|---------------|--------------|
| Increase/(decrease) in cash in the period | 3,636         | (157)        |
| Net funds at 1 January                    | 7,231         | 7,388        |
| Net funds at 31 December                  | <u>10,867</u> | <u>7,231</u> |

### Analysis of changes in net funds

|                          | At 1 January<br>2005<br>£000 | Cash<br>inflow<br>£000 | At 31 December<br>2005<br>£000 |
|--------------------------|------------------------------|------------------------|--------------------------------|
| Cash at bank and in hand | 7,231                        | 3,636                  | 10,867                         |

## 18. Transactions with related parties

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

## 19. 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

From the fourth quarter 2006, the ultimate parent company will be BlackRock Inc, as per the terms of the merger agreement with Merrill Lynch, as detailed in the Directors Report.