

BlackRock International, Ltd.

Report and Accounts

Year ended 31 December 2006

SC160821

WEDNESDAY



SE3NHPZ1

SCT

30/05/2007

5

COMPANIES HOUSE

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2006

Results and dividends

The profit for the year after taxation amounted to £13,049,000 (2005 £3,175,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

Business Review and Principal Activities

The company is a wholly owned subsidiary of BlackRock Inc and operates as part of the group's European division.

The company's principal activity is investment management and the company is regulated by the Financial Services Authority and SEC. There have not been any significant changes in the company's principal activities in the year under review, however, the company now provides account payable, payroll and attendant treasury services to other group companies within the European region. The directors are not aware, at the date of this report of any likely changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 7, the company's turnover has increased by 31% over the prior year. Profit before tax has improved from £3.4M to £18.8M, predominantly due to the profit generated by disposal of a fixed asset investment.

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year end has changed from the prior year in terms of the disposal of the Fixed Asset Investment, and considerable increase in Debtors. Details of amounts owed by the parent and fellow subsidiaries are shown in note 9 on page 12. The company moved out of current asset investments into cash for increased liquidity, to enable the company to manage the payments for accounts payable and payroll services now provided for the European region. This in turn has generated significantly higher inter company debtors. Finally, creditors due within the year are significantly higher due to corporation tax payable, and the long term incentive and retention plan, which is payable in 2007, and therefore no longer due after one year.

There are no significant events since the balance sheet date.

BlackRock Inc manages its operations on a geographical basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European region of BlackRock Inc, which includes BlackRock International, Ltd, is discussed in the group's Annual Report which does not form part of this Report.

Principal risks and uncertainties

As a leading investment management firm, risk is an inherent part of the company's business. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. While BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring, managing and analyzing market and operating risks, the company's business, financial condition or results of operations could be materially adversely affected, however, by the following risks.

Market Risk BlackRock's investment management revenues are comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees expressed as a percentage of the returns realized on AUM. Declines in equity market prices or interest rates, or both, could cause revenues to decline because of lower investment management fees.

Foreign Exchange Risk The company's turnover is largely generated across a European and US client base and is therefore exposed to the movement in the EUR to GBP and USD to GBP exchange rates. Remaining non GBP debtors are group companies. Management of treasury at company level allows for assets and liabilities to be matched in the appropriate currency.

Group risks are discussed in the group's Annual Report which does not form part of this Report.

Directors' report

Tangible fixed assets

Tangible fixed assets of £395,000 (2005 £484,000) 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.

Disclosure of Information to the Auditors

Each Director of the Company holding office at the date of approval of this report confirm that

- (1) so far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) so far as each of the directors are aware they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

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



For and on behalf of
DM Company Services Limited
Secretary
24th April 2007

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 Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and related notes 1 to 18. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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.

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

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Glasgow, United Kingdom

24 April 2007

Profit and Loss Account

For the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover	2	15,136	11,589
Other income	3	4,554	3,427
Administrative expenses		(22,207)	(14,211)
Operating (loss)/profit	4	(2,517)	805
Bank interest receivable		1,063	772
Bank interest payable			
Income from fixed asset investment		1,260	1,787
Profit on disposal of fixed asset investment		19,002	
Profit on ordinary activities before taxation		18,808	3,364
Tax on profit on ordinary activities	6	(5,759)	(189)
Retained profit for the financial year	16	13,049	3,175

The notes on pages 9 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 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	7	1,262	1,199
Investments	8	–	1,037
		1,262	2,236
		–	
Current assets			
Debtors	9	31,649	9,697
Investments	10	35	9,257
Cash at bank and in hand		19,242	10,867
		–	
		50,926	29,821
Creditors' amounts falling due within one year	11	(16,395)	(5,494)
		–	
Net current assets		34,531	24,327
		–	
Total assets less current liabilities		35,793	26,563
Creditors' amounts falling due after more than one year	12		(4,103)
		–	
		35,793	22,460
		<u> </u>	<u> </u>
Capital and reserves			
Share capital	14	1,300	1,300
Capital contributions	16	8,382	8,098
Profit and loss account	16	26,111	13,062
		–	
Equity shareholder's funds	16	35,793	22,460
		<u> </u>	<u> </u>

The notes on pages 9 to 14 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 24th April 2007 and signed on its behalf by.



Director

Notes to the accounts

For the year ended 31 December 2006

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 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
Office 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 2006

3. Other income

Other income of £4,554,000 (2005 £3,427,000) represents amounts recoverable from BlackRock Inc, the immediate parent company, in respect of activities undertaken on its behalf, by the Company

4. Operating (loss)/ profit

This is stated after charging	2006	2005
	£000	£000
Depreciation of fixed assets	332	237
Operating Lease rentals – land & buildings	588	504
Exceptional Items		
Provision of payroll services – one off implementation costs	625	
Integration bonuses	408	
Auditors' remuneration		
Payable to Deloitte & Touche LLP for the company's annual accounts audit	40	33
Payable to Deloitte & Touche LLP for the company's annual FSA audit	9	9
Total audit fees	49	42

No director received remuneration from the Company Group 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

	2006	2005
	£000	£000
Wages and salaries	9,911	7,226
Social security costs	1,795	1,468
Other pension costs	613	444
	12,319	9,138

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

	2006	2005
	No	No
Office and management	104	95

Notes to the accounts

For the year ended 31 December 2006

6. Tax on profit on ordinary activities

	2006	2005
	£000	£000
UK Corporation tax charge	6,881	1,246
Adjustment in respect of prior years	138	(767)
	<u>7,019</u>	<u>479</u>
Deferred tax (see note 13)	(1,260)	(290)
	<u>5,759</u>	<u>189</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

	2006	2005
	£000	£000
Profit on ordinary activities before tax	18,808	3,364
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2005 30%)	5,642	1,009
Under/ (over) provision in respect of prior years	138	(767)
Disallowed expenditure	126	33
Impact of Overseas Taxes	10	
Other timing differences	1,103	204
Total current tax	<u>7,019</u>	<u>479</u>

7. Tangible fixed assets

	<i>Leasehold property</i>	<i>Fixtures fittings</i>	<i>Computer equipment</i>	<i>Office equipment</i>	<i>Telephone equipment</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2006	1,323	635	860		226	3,044
Additions	79	97	162	37	20	395
At 31 December 2006	<u>1,402</u>	<u>732</u>	<u>1,022</u>	<u>37</u>	<u>246</u>	<u>3,439</u>
Depreciation						
At 1 January 2006	556	309	757		223	1,845
Charge for year	138	97	79	12	6	332
At 31 December 2006	<u>694</u>	<u>406</u>	<u>836</u>	<u>12</u>	<u>229</u>	<u>2,177</u>
Net book value						
At 31 December 2006	<u>708</u>	<u>326</u>	<u>186</u>	<u>25</u>	<u>17</u>	<u>1,262</u>
At 1 January 2006	<u>767</u>	<u>326</u>	<u>103</u>		<u>3</u>	<u>1,199</u>

Notes to the accounts

For the year ended 31 December 2006

8. Fixed Asset Investments

	2006	2005
	£000	£000
Unlisted investments at 31 December		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 has been accounted for as an investment, and the coupon accounted for as a dividend. The gain on disposal of the investment was £19,002,000.

9. Debtors

	2006	2005
	£000	£000
Trade debtors	8,220	5,462
Prepayments and accrued income	272	200
Other debtors	180	338
Due from parent undertaking	1,341	1,076
Corporation Tax recoverable		284
Due from fellow subsidiary	19,476	141
Due from unlisted investment		1,296
Deferred tax asset (see note 13)	2,160	900
	31,649	9,697

10. Current Asset Investments

	2006	2005
	£000	£000
Investment in bonds	35	35
Investments in liquid cash funds		9,222
	35	9,257

11. Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	44	120
Accruals	4,555	3,542
Corporation tax	3,264	
Other taxes and social security costs	1,775	1,832
Long term retention & incentive plan	6,757	
	16,395	5,494

Notes to the accounts

For the year ended 31 December 2006

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

	2006 £000	2005 £000
Long term retention and incentive plan		4,103
The long term retention and incentive plan is payable in 2007		

13.Deferred Tax

	2006 £000	2005 £000
Fixed asset timing differences	(47)	(19)
Short term timing differences	2,207	919
	2,160	900
	<i>Deferred Taxation</i>	
	£000	
At 1 January 2006	900	
Provided during the year	1,260	
At 31 December 2006 (see note 9)	2,160	
The company does not have any unprovided deferred tax liabilities		

14.Share capital

	<i>Authorised</i>		<i>Called up, allotted and fully paid</i>	
	2006 £000	2005 £000	2006 £000	2005 £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 & buildings</i>	
	2006 £000	2005 £000
Leases which expire after five years	643	1,276

Notes to the accounts

For the year ended 31 December 2006

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

	<i>Called up share capital £000</i>	<i>Capital contributions £000</i>	<i>Profit and loss account £000</i>	<i>Share holder's funds £000</i>
At 1 January 2006	1,300	8,098	13,062	22,460
Additional Paid in Capital		284		284
Retained profit for the year			13,049	13,049
At 31 December 2006	1,300	8,382	26,111	35,793

17. Transactions with related parties

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

18. Ultimate and intermediate parent company

The directors regard BlackRock Inc, a Company registered in the USA, as the ultimate parent Company and the ultimate controlling party. BlackRock Group Limited is the immediate parent company and the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the parent Company's consolidated financial statements may be obtained from BlackRock, Inc 40 East 52nd Street, New York, NY 10022