

BlackRock International, Ltd.

Report and Accounts

Year ended 31 December 2007

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Directors' report

The directors present their report and audited accounts for the year ended 31 December 2007

Results and dividends

The profit for the year after taxation amounted to £6,765,000 (2006 Profit £13,049,000) 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 ("BlackRock") 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 8, the company's turnover has decreased by 16% compared with the prior year. This is as a result of all new fund management contracts being recorded within another group company. Assets under management moved from £5.9 billion to £4.2 billion over the year. Other income has increased by 92% this year, as the result of increased income payable from another group company. Profit before tax has declined from £18.8M to £1.1M as a result of the factors noted above, and the absence of the £19.0M profit on the disposal of a fixed asset investment, recorded in last year's accounts.

The balance sheet on page 9 of the financial statements reflects the impact of the profit and loss analysis in the previous paragraph, along with the payment of £6.8M in respect of the Long Term Incentive Plan and £7.2M Corporation Tax credit due primarily to taxable losses arising during the period.

The only future development of which the directors are aware, which will significantly impact the results of the business going forward, is the transfer of all employees to another group company with effect from 1 April 2008. This will result in a decrease in both staff costs and income received from other group companies.

BlackRock 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 (see note 19) which does not form part of this Report.

The company is not exposed to significant risks arising from financial instruments. A significant proportion of the financial assets held by the company comprise cash and deposits with banks. The main purpose of holding these financial assets is to ensure appropriate liquidity, enabling the company's liabilities to be met as they fall due and to meet regulatory requirements in respect of liquidity management.

Directors' 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 analysing 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 realised 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.

Other risks such as credit, operational, reputational and liquidity are reviewed and managed as part of the group's internal capital adequacy assessment process, but are not considered to be principal risks.

Group risks are discussed in the group's Annual Report (see note 19) which does not form part of this Report.

Tangible fixed assets

Tangible fixed assets of £1,186,000 (2006: £395,000) were acquired during the year.

Directors and their interests

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

Laurence Fink
Robert Kapito
Ralph Schlosstein
Stewart Carracher
Robert Fairbairn
Nicholas Hall
Quintin Price
Katherine Shircliff
Colin Thomson

Messer's Fink, Kapito and Schlosstein resigned on 20 November 2007. Messer's Carracher, Fairbairn, Hall, Price, Thomson and Ms Shircliff were appointed directors on 20 November 2007. Ms Shircliff resigned as a director on 7 March 2008.

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

Directors' report

Disclosure of Information to the Auditors

Each Director of the company holding office at the date of approval of this report confirms 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 section S234ZA of the Companies Act 1985

Auditor

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

By order of the Board



Rory Maclean
Secretary
29th April 2008

Statement of directors' responsibilities

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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 2007 which comprise the Profit and Loss Account, the Balance Sheet and 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

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.

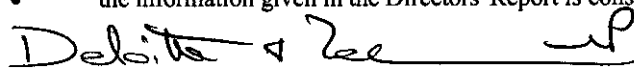
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2007 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

Chartered Accountants and Registered Auditors
Glasgow, United Kingdom

29 April 2008

Profit and Loss Account

For the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	12,727	15,136
Other income	3	8,743	4,554
Administrative expenses		(20,692)	(22,207)
Operating profit/(loss)	4	778	(2,517)
Income from fixed asset investment			1,260
Profit on disposal of fixed asset investment			19,002
Profit on disposal of current asset investment		2	
Profit on ordinary activities before finance charges		780	17,745
Finance charges (net)		281	1,063
Profit on ordinary activities before taxation		1,061	18,808
Tax on profit on ordinary activities	7	5,704	(5,759)
Profit for the financial year	17	6,765	13,049

The notes on pages 10 to 18 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 2007

	<i>Notes</i>	2007 £000	2006 £000
<i>Fixed assets</i>			
Tangible assets	9	1,943	1,262
		<u>1,943</u>	<u>1,262</u>
<i>Current assets</i>			
Debtors	10	37,927	31,649
Investments	11		35
Cash at bank and in hand		10,265	19,242
		<u>48,192</u>	<u>50,926</u>
<i>Creditors</i> amounts falling due within one year	12	(5,916)	(16,395)
<i>Net current assets</i>		<u>42,276</u>	<u>34,531</u>
<i>Total assets less current liabilities</i>		<u>44,219</u>	<u>35,793</u>
<i>Creditors</i> amounts falling due after more than one year	13	(193)	
		<u>44,026</u>	<u>35,793</u>
<i>Capital and reserves</i>			
Share capital	15	1,300	1,300
Capital contributions	17	9,850	8,382
Profit and loss account	17	32,876	26,111
Equity shareholder's funds	17	<u>44,026</u>	<u>35,793</u>

The notes on pages 10 to 18 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 29th April 2008 and signed on its behalf by



Director

Notes to the accounts

For the year ended 31 December 2007

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 and other income are recognised on an accruals basis. Performance fees are recognised when they have been earned.

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

Notes to the accounts

For the year ended 31 December 2007

Share based payment

The company has applied the requirements of FRS 20 Share based Payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The ultimate parent company, BlackRock Inc, issues equity settled share based payments to certain employees of the company. Options to purchase shares of BlackRock Inc common stock are granted at an exercise price not less than the market value of BlackRock's common stock on the date of grant. Fair value for the purpose of measuring option payments is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions, and behavioural considerations.

The fair value of other equity settled schemes, long term incentive plan ("LTIP"), restricted stock grants and restricted stock units ("RSU's") are determined at the grant date and expensed on a straight line method over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards, based on the group's estimate of awards that will eventually vest and adjusted for the effect of non market based vesting conditions.

The ultimate parent company also provides certain employees with the ability to purchase BlackRock Inc's shares at 95% of the current market value. This amount for the company is wholly immaterial and therefore has not been considered further in terms of FRS 20.

2. Turnover

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

3. Other income

Other income of £8,743,000 (2006 £4,554,000) represents amounts recoverable from BlackRock Inc, the ultimate parent company, in respect of activities undertaken on its behalf, by the company.

4. Operating profit / (loss)

This is stated after charging	2007	2006
	£000	£000
Depreciation of fixed assets	505	332
Operating Lease rentals – land & buildings	535	588
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	69	40
Payable to Deloitte & Touche LLP for the company's annual FSA audit		9
Total audit fees	69	49

Notes to the accounts

For the year ended 31 December 2007

5. Staff costs

	2007	2006
	£000	£000
Wages and salaries	10,085	9,911
Social security costs	1,644	1,795
Other pension costs	833	613
	<u>12,562</u>	<u>12,319</u>

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

	2007	2006
	No.	No
Office and management	<u>142</u>	<u>104</u>

6. Directors' remuneration

No director received remuneration from the company during the preceding year. In respect of directors who held office until 20 November 2007, their emoluments were paid by another company which made no recharge to BlackRock International, Ltd. as it was not possible to make an accurate apportionment of their emoluments in respect of their services to specific group companies.

Included in staff costs above for the current year is the following directors' remuneration, reflecting the services of two directors to this company from 20 November 2007, being the date of appointment. These directors are employed directly by BlackRock International, Ltd. and as such it is possible to make an accurate apportionment of their emoluments with regards to the company.

The remaining four directors to this company are not directly employed by BlackRock International, Ltd. and it was not possible to make an accurate apportionment of their emoluments in respect of their services to BlackRock International, Ltd.

	2007	2006
	£000	£000
Directors' remuneration		
Emoluments	55	
Amounts receivable (other than shares and share options) under long term incentive schemes	8	
Company contributions to defined contribution schemes	3	
	<u>66</u>	

	2007	2006
	No	No
The number of directors who:		
Are members of defined contribution pension schemes	2	
Had awards receivable in the form of shares under a long term incentive schemes	2	

Notes to the accounts

For the year ended 31 December 2007

7. Tax on profit on ordinary activities

	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
UK Corporation Tax (credit) / charge	(4,116)	6,881
Adjustment in respect of prior years	(3,082)	138
	<u>(7,198)</u>	<u>7,019</u>
Deferred tax (see note 14)	1,494	(1,260)
	<u>(5,704)</u>	<u>5,759</u>

Factors affecting tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2006 higher) than the standard rate of 30%. The difference is reconciled below

	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Profit on ordinary activities before tax	1,061	18,808
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2006 30%)	318	5,642
Adjustment to tax charge in respect of prior years	(3,082)	138
Expenses not deductible for tax purposes	85	126
Impact of overseas taxes		10
Deductible amounts in respect of exercise of share options	(3,338)	
Capital allowances in excess of depreciation	11	
Other timing differences	(1,192)	1,103
Total current tax	<u>(7,198)</u>	<u>7,019</u>

8. Share based payments***Equity settled share option scheme***

The company bears the expense of a share option scheme, which is available to certain employees. Options are exercisable at a price equal to the closing quoted market price of the ultimate parent company's shares on the date of grant. The vesting period is fifty six months, vesting on September 29, 2011. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Notes to the accounts

For the year ended 31 December 2007

8. Share based payments (cont'd)

Details of the share options outstanding during the year are as follows

	2007		2006	
	<i>Number of</i>	<i>Weighted Ave</i>	<i>Number of</i>	<i>Weighted Ave</i>
	<i>Share options</i>	<i>Exercise Price</i>	<i>Share options</i>	<i>Exercise Price</i>
Outstanding at beginning of period				
Granted during the period	21,032	\$167.76		
Forfeited during the period				
Exercised during the period				
Expired during the period				
Outstanding at the period end	21,032	\$167.76		
Exercisable at the period end	21,032	\$167.76		

The options outstanding at 31 December 2007 had a weighted average exercise price of \$167.76 and a weighted average remaining contractual life of forty five months. In 2007, options were granted on 31 January 2007. The aggregate of the estimated fair value of the options granted on this date is £469K.

The inputs into the Black Scholes option pricing model are as follows

	2007	2006
Weighted average exercise price	\$167.76	
Expected volatility	24.5%	
Expected life	7.335	
Risk free rate	4.8%	
Dividend yield	1%	4.44%

The ultimate parent company's expected stock volatility assumption was based upon historical stock price fluctuations of BlackRock Inc's common stock. The dividend yield assumption was derived using estimated dividends over the expected term and the stock price at the date of grant. The risk free interest rate is based on the US Treasury yield at date of grant. Forfeitures based on management's best estimate of restrictions and behavioural considerations have been adjusted for within the fair value amortised over the vesting period.

The company recognised total expenses of £0.1M related to equity settled share option transactions in 2007.

Other Equity settled share based schemes

Restricted stock grants and RSU's to certain employees are issued by the ultimate parent company in relation to its shares. Restricted stock was issued for stock awards prior to 2006. RSUs were issued for the majority of grants in 2006 and 2007. These restricted shares and RSUs vest over periods ranging from one to five years and are expensed over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. Dividend equivalents on restricted stock and RSUs are paid to employees based on the dividend payment date. Forfeitures based on management's best estimate of restrictions and behavioural considerations have been adjusted for within the fair value amortised over the vesting period. The company has the obligation to settle the liability in respect of restricted stock grants and RSU's.

Notes to the accounts

For the year ended 31 December 2007

8. Share based payments (cont'd)

Also LTIPs are issued by the ultimate parent company to certain employees which are accounted for on an equity settled basis. The vesting period is fifty six months, vesting on September 29, 2011. Forfeitures based on management's best estimate of restrictions and behavioural considerations, have been adjusted for within the fair value amortised over the vesting period.

The company values restricted stock, RSU's and LTIP's at their grant date fair value as measured by BlackRock's common stock price.

The company recognised total expenses of £1.4M related to other equity settled share-based payment transactions in 2007.

9. Tangible fixed assets

	<i>Leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Computer equipment £000</i>	<i>Office equipment £000</i>	<i>Telephone equipment £000</i>	<i>Total £000</i>
Cost						
At 1 January 2007	1,402	732	1,022	37	246	3,439
Additions	474	291	280		141	1,186
At 31 December 2007	1,876	1,023	1,302	37	387	4,625
Depreciation						
At 1 January 2007	694	406	836	12	229	2,177
Charge for year	168	148	135	12	42	505
At 31 December 2007	862	554	971	24	271	2,682
Net book value						
At 31 December 2007	1,014	469	331	13	116	1,943
At 1 January 2007	708	326	186	25	17	1,262

10. Debtors

	<i>2007 £000</i>	<i>2006 £000</i>
Trade debtors	7,428	8,220
Prepayments and accrued income	305	272
Other debtors	324	180
Due from parent undertaking	910	1,341
Corporation Tax recoverable	7,208	
Due from fellow subsidiary	21,086	19,476
Deferred tax asset (see note 14)	666	2,160
	37,927	31,649

Notes to the accounts

For the year ended 31 December 2007

11. Current Asset Investments

	2007	2006
	£000	£000
Investment in bonds		35

12. Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Trade creditors	90	44
Accruals	4,586	4,555
Corporation Tax		3,264
Other taxes and social security costs	1,240	1,775
Long term retention & incentive plan		6,757
	5,916	16,395

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

	2007	2006
	£000	£000
Long term retention and incentive plan	193	

14. Deferred Tax

	2007	2006
	£000	£000
Fixed asset timing differences	(126)	(47)
Short term timing differences	792	2,207
	666	2,160

	Deferred Taxation £000
At 1 January 2007	2,160
Provided during the year in relation to current period	(1,181)
Provided during the year in relation to change in tax rate	(48)
Provided during the year in relation to prior period	(265)
At 31 December 2007 (see note 10)	666

The company does not have any unprovided deferred tax liabilities

Notes to the accounts

For the year ended 31 December 2007

15. Share capital

	<i>Authorised</i>		<i>Called up, allotted and fully paid</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</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

	Land & buildings	
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Leases which expire between 2 - 5 years	72	66
after five years	578	577
	<u>650</u>	<u>643</u>

The prior period analysis between leases which expire between two to five years and after five years has been re-presented from that previously reported, in order to more appropriately present the analysis. There is no impact on total financial commitments disclosed.

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

	<i>Called up share capital</i>	<i>contributions</i>	<i>Capital</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>	<i>£000</i>
At 1 January 2007	1,300	8,382	26,111	35,793	
Net adjustment to capital		1,468		1,468	
Retained profit for the year			6,765	6,765	
At 31 December 2007	1,300	9,850	32,876	44,026	

18. Transactions with related parties

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

Notes to the accounts

For the year ended 31 December 2007

19. 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 smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the immediate parent company's consolidated financial statements may be obtained from 33 King William Street, London EC4R 9AS. BlackRock Inc is the ultimate parent company and the parent company of the largest group of which the company is a member of and for which financial statements are drawn up. Copies of the ultimate parent company's consolidated financial statements may be obtained from BlackRock, Inc 40 East 52nd Street, New York, NY 10022.