

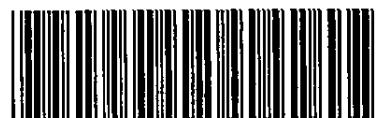
Registration number: SC160821

# BlackRock International Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2011

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**BlackRock International Limited**  
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**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2011**

The directors present their report together with the audited financial statements of BlackRock International Limited (the "Company") (registered number: SC160821) for the year ended 31 December 2011.

**Principal activities**

The principal activities of the Company remains the provision of investment management, advisory and administrative services. The Company operates branches outside the UK in Dublin and Munich.

The Company is authorised and regulated by the Financial Services Authority ("FSA").

**Results and dividends**

During the year the Company made a Profit for the year of £14.0m (2010: £18.2m). Interim dividends of £nil were paid in 2011 (2010: £nil). The directors do not recommend the payment of a final dividend of £nil (2010: £nil).

**Directors and officers of the Company**

The directors who held office during the year and up to the date of signing this report were as follows:

S Carracher (resigned 7 July 2011)

J Charrington (appointed 10 February 2011)

J DesMarais

E Fishwick (appointed 6 December 2011)

N Hall

E Hart (appointed 15 September 2011)

R Kushel (resigned 24 May 2011)

J Linhares (appointed 15 September 2011)

Q Price

C Prideaux (appointed 15 September 2011)

M Slenderbroek (appointed 15 September 2011)

S Thiel (appointed 3 October 2011)

C Thomson

R Tooze (appointed 15 September 2011)

R Webb (appointed 24 June 2011)

A Dyke - Company secretary

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2011**

..... *continued*

**Business review and future outlook**

The Company is part of BlackRock, Inc., ("BlackRock") a leading global asset management firm with USD3.513 trillion in assets under management as at 31 December 2011. The firm has a wide range of top quartile investment strategies that will be able to satisfy investors' renewed risk appetite, which has been reflected in the market recovery and robust new business flows. The directors are confident that the range of strategies available to investors, together with increased market confidence, will be translated into continued growth and profitability in 2012.

There have not been any significant changes in the Company's principal activities in the period under review and the directors propose that the principal activities will continue during 2012.

The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Directors' Report and financial statements.

As shown in the Company's profit and loss account, the Company's turnover for the year ended 31 December 2011 was £26.1m (2010: £33.9m), a decrease of 22.8%. This is due to fewer investment mandates being managed by the Company.

Administrative expenses have increased by 44.9% to £17.1m (2010: £11.8m). This is due to costs associated with the introduction of the Dublin branch and increased infrastructure costs.

Assets under management have increased by £1bn (6%) from £16.8bn at 31 December 2010 to £17.8bn at 31 December 2011. Average AUM has also increased over the period.

The performance of the Company is included in the results of BlackRock, Inc. group which are disclosed in the BlackRock, Inc. group Annual Report and on Form 10-K to the United States Securities and Exchange Commission. BlackRock, Inc. manages its key performance indicators on a global basis but in consideration of individual legal entities. For this reason the Company's directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance, or position of the business of the Company.

***Principal risks and uncertainties***

Principal risks and uncertainties are managed by BlackRock at a global level.

As a leading investment management firm, risk is an inherent part of BlackRock's business. BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring, managing and analysing risks, and invests in personnel and technology accordingly.

The specific risks and uncertainties relevant to the Company may be categorised under three broad categories:

- Operational risk events, arising from inadequate or failed internal processes, people and systems, or from external events, may result in direct costs and/or subsequent litigation and reputational damage;
- A short-fall of readily realisable liquid assets may cause the Company to default in respect of its payment obligations;
- Adverse economic conditions could lead to a decline in the value of customers' portfolios and hence associated revenues.

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2011**

*..... continued*

**Operational risk:**

- The main risk which the Company is subject to is operational risk, as the Company's business requires it to process a large number of transactions both efficiently and accurately. The Company has in place an integrated operational risk management framework, that is designed to ensure that systems and processes are in place to identify, manage, and mitigate key risks. The risks are measured using a sophisticated modelling technique, as part of the Company's internal capital assessment process. The model calculates unexpected losses on an annualised basis at a 99.5% confidence level utilising both internal and external loss data. This approach has been reviewed and approved by the FSA.

- Additionally, the overall stability of the Euro and the possible withdrawal of one or more individual Eurozone countries from the euro could pose operational risks to the Company or the funds and accounts that it manages as a result of the adverse impacts that such issues may have on the Company's trading, clearing, or counterparty relationships.

**Balance Sheet risk:**

- Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its payment obligations as they fall due. The Company monitors cash flow projections and has regard to forthcoming liquidity when determining the amounts available for distribution to shareholders.

- Credit risk arises in respect of accounts receivable and surplus cash held in bank accounts, or held on account with other BlackRock group companies as part of normal treasury operations. The Company minimises exposure to credit risk with respect to accounts receivable by actively pursuing settlement of outstanding management fee invoices and performance fees within the terms and conditions of the underlying agreement and retains the right to offset unpaid invoices against any client assets.

**Market risk:**

- Interest rate risk relates only to the possibility that income from the Company's interest-bearing financial assets will fluctuate as interest rates fluctuate.

- Foreign exchange risk arises where the Company's foreign currency assets are not matched by liabilities denominated in the same currency. Furthermore, the Company derives revenues from management and performance fees in three main currencies being Sterling, Euro and US Dollar. Expenses are mainly denominated in Sterling and as a consequence the Company's revenues may fluctuate as a result of Euro and US Dollar exchange movements.

- Price risk is the risk that market prices for the investments held within customers portfolios may fall. The Company's revenue comprises fees for investment management services, which are derived from the value of customers' portfolios. The portfolios are constructed to meet clients' specified strategies and diversification across the entire population of portfolios mitigates the Company's exposure to price risk. The Company undertakes stress-testing analysis by modelling adverse economic scenarios and uses the results to test the robustness of its business plan.

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2011**

..... *continued*

**Capital risk management**

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to satisfy the requirements of its regulators; and
- to maintain financial strength to support new business growth.

The Company is subject to a minimum regulatory capital requirement imposed by the FSA. In order to ensure compliance with this requirement throughout the year and to fund continued business expansion / development, a surplus was maintained throughout the year as deemed appropriate by the Board.

The Company takes into account the amount of its distributable reserves and its cash flow position when making any decision to pay a dividend, thus ensuring that the Company is able to continue as a going concern and has a sufficient capital surplus to meet the regulatory requirement at all times during the year.

*Internal Capital Adequacy Assessment Process ("ICAAP")*

The Company's regulatory capital requirement is established by reference to the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by its immediate parent, BlackRock Group Limited ("BGL"), as required by the FSA. The detailed analysis therein encompasses all the subsidiaries of BGL. In particular, the ICAAP establishes the minimum capital requirement with reference to a number of stress-tests and scenario analyses. Then BGL's long-term capital plan is set to ensure that the amount of capital held remains above this level at all times.

In addition, details of BGL's approach to capital adequacy are included in its 'Pillar 3' Capital and Risk Management disclosure document, which also provides information regarding the remuneration policies and practices for those staff whose professional activities have a material impact on BGL's risk profile. This can be found at the following website address:

[www.blackrock.co.uk/AboutUs/InvestorRelations/index.htm](http://www.blackrock.co.uk/AboutUs/InvestorRelations/index.htm)

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2011**

..... *continued*

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

**Directors' third-party indemnity provisions**

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31 December 2011 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

**Charitable and political contributions**

During the financial year the Company made no donations (2010: £nil) to registered charities or political donations (2010: £nil).

**Employee consultation**

It is the Company's policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects.

**Disabled employees**

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers with the Company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

**Creditors' payment policy**

The Company values its suppliers and acknowledges the importance of paying invoices promptly. It is the Company's practice to agree terms with suppliers when entering into contracts. We negotiate with suppliers on an individual basis and meet our obligations accordingly. The Company does not follow any specific published code or standard on payment practice.

Paragraph 12(3) of Schedule 7 of the Companies Act 2006 requires disclosure of trade creditor payment days. The trade creditor payment days for the Company for 2011 were 45 days (2010: 45 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, or the experience of any individual creditor.

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2011**


*..... continued*

**Independent auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte LLP shall be deemed to be re-appointed as auditors for a further term.

Approved by the Board on 17 April 2012 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A Dyke', written over a dotted line.

A Dyke  
Company secretary



## **Independent Auditors' Report to the Members of BlackRock International Limited**

We have audited the financial statements of BlackRock International Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, Balance Sheet, and the related notes set out on pages 11 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.


**Independent Auditors' Report to the Members of  
BlackRock International Limited**

*..... continued*

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



.....  
Calum Thomson (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP,  
Chartered Accountants and Statutory Auditor

London  
United Kingdom

20 April 2012

**BlackRock International Limited**  
**Profit and Loss Account for the Year Ended 31 December 2011**

	Note	2011 £ 000	2010 £ 000
<b>Turnover</b>	3	26,119	33,852
Administrative expenses		(17,121)	(11,781)
Operating profit	4	8,998	22,071
Dividends received from investments in group companies		9,000	-
Interest receivable and similar income	6	-	665
Interest payable and similar charges	7	(3,629)	(3,960)
Profit on ordinary activities before taxation		14,369	18,776
Tax on profit on ordinary activities	8	(327)	(609)
<b>Profit on ordinary activities after taxation</b>	17	<u>14,042</u>	<u>18,167</u>


Turnover and operating profit derive wholly from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

**BlackRock International Limited**  
**Balance Sheet at 31 December 2011**  
**(Registration number: SC160821)**

	Note	2011 £ 000	2010 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	10	1,287	1,173
Investments	11	512,025	512,025
<b>Current assets</b>			
Debtors	12	28,107	51,604
Investments	13	88	88
Cash at bank		290	944
		<u>28,485</u>	<u>52,636</u>
Creditors: Amounts falling due within one year	14	(5,231)	(4,286)
Net current assets		<u>23,254</u>	<u>48,350</u>
Total assets less current liabilities		536,566	561,548
Creditors: Amounts falling due after more than one year	15	(81,000)	(120,000)
Provisions for liabilities and charges	9	-	(11)
Net assets		<u>455,566</u>	<u>441,537</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,300	1,300
Share premium account	17	353,406	353,406
Capital contribution	17	8,019	8,019
Other reserves	17	11	24
Profit and loss account	17	92,830	78,788
Shareholders' funds		<u>455,566</u>	<u>441,537</u>

Approved by the Board on 17 April 2012 and signed on its behalf by:

  
 .....  
 C Thomson  
 Director

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2011**

#### **1 Reporting entity**

These financial statements are prepared for BlackRock International Limited, (the "Company"), the principal activities of which are the provision of investment management, advisory and administrative services. The Company is a wholly-owned subsidiary of BlackRock Group Limited ("BGL") and its ultimate parent company is BlackRock, Inc., a listed company incorporated in the state of Delaware in the United States of America.

The Company is a private limited company, incorporated and domiciled in Great Britain. The Registered Office is 40 Torphichen Street, Edinburgh, EH3 8JB.

#### **2 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

##### **Group accounts**

The Company has taken advantage of the exemption in section 401 of the Companies Act 2006 from the obligation to prepare and deliver group accounts since the ultimate parent company BlackRock, Inc. prepared group accounts which include the Company. Accordingly, the Company's financial statements present information about it as an individual undertaking and not about its group.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1 to 2 in the Directors' Report, along with key risks facing the Company. The financial statements include the financial and cash position of the Company in the balance sheet.

In assessing the Company's going concern status, the directors have taken into account the above factors, including the financial position of the Company and in particular the significant net-cash position. The Company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next twelve months. This, together with its proven ability to generate cash from operations, provides the directors with the confidence that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

##### **Cash flow**

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised 1996) - Cash Flow Statements, as a consolidated cash flow statement is included in the publicly available consolidated financial statements of the ultimate parent company, BlackRock, Inc.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2011**

..... *continued*

#### **Turnover**

Turnover, net of VAT, represents investment management fees and income from advisory and administrative services provided in the normal course of business.

Investment management and investment advisory and administration services are recognised as the services are performed. Such fees are primarily based on predetermined percentages of the market value of the assets under management.

The Company also receives performance fees or an incentive allocation from alternative investment products and certain separate accounts. These performance fees are generally earned upon exceeded specified investment return thresholds. Such fees are recorded upon the completion of the measurement period.

#### **Pensions**

The Company operates a defined contribution pension scheme. The costs of defined contributions are a percentage of each employee's annual salary based on their age and length of service with the Company.

The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

#### **Foreign currency**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

#### **Leased assets**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised as a liability or an asset if, prior to the balance sheet date, the Company has entered into transactions or events have occurred that give rise to timing differences giving the Company an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is measured on a non-discounted basis.

#### **Tangible fixed assets**

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Short leasehold land and buildings	Fifteen years or term of lease if shorter
Furniture, fittings and equipment	Three to seven years

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2011**

*..... continued*

#### **Fixed asset investments**

Fixed asset investments are stated at historical cost less provision for any diminution in value. Investments in subsidiaries are held at cost less impairment provisions. At each reporting date an assessment is undertaken to determine if there is any impairment.

#### **Current asset investments**

Current asset investments are included at the lower of cost and net realisable value.

#### **Share-based payments**

The Company has applied the requirements of FRS 20 Share-based payments. 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.

The fair values of equity settled schemes, long-term incentive plan ("LTIP"), restricted stock grants and restricted stock units ("RSUs") 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.

RSUs are an unsecured promise to pay value in the form of BlackRock, Inc. stock. They do not carry voting rights until they are converted to stock. For all awards granted prior to 1 January 2009, dividend equivalents are payable quarterly until RSUs convert to shares. For all RSUs granted post 1 January 2009, employees receive dividend equivalents when the award vests. An RSU is deemed equivalent in fair market value to one share of common stock. Substantially all awards are settled in shares of common stock. Under these plans, such RSUs are restricted from sale, transfer, or assignment until the end of the restricted period. Such shares and units are subject to forfeiture during the vesting period.

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

#### **Government grants**

Government grants are credited to the profit & loss account as the related expenditure is incurred.

**BlackRock International Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2011**

*..... continued*

**3 Turnover**

	<b>2011</b>	<b>2010</b>
	<b>£ 000</b>	<b>£ 000</b>
Performance fees	1,970	1,348
Management Fees	24,149	32,504
	<u>26,119</u>	<u>33,852</u>

Turnover is derived from the following geographical areas:

	<b>2011</b>	<b>2010</b>
	<b>£ 000</b>	<b>£ 000</b>
United Kingdom	21,586	30,579
Overseas	<u>4,533</u>	<u>3,273</u>
	<u>26,119</u>	<u>33,852</u>

Turnover includes net management fee income from other group companies of £9,910,000 (2010: £10,555,000).



# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

### 4 Operating profit

Operating profit is stated after charging / (crediting):

	2011 £ 000	2010 £ 000
Depreciation of tangible fixed assets (note 10)	469	372
Foreign currency losses/(gains)	306	(822)
Operating leases	1,095	1,119
Government grants receivable	(344)	-

Auditors' remuneration has been borne by another group company in the current and prior year. Fees payable to the Company's auditor, Deloitte LLP for the 2011 audit of the Company's annual accounts were £151,000 (2010: £135,000).

### 5 Employees and directors

Employee costs comprises:

	2011 £ 000	2010 £ 000
Wages and salaries	9,465	7,385
Social security costs	1,219	1,009
Pensions costs	277	269
	<u>10,961</u>	<u>8,663</u>

The average number of persons (including directors) employed by the Company during the year was:

	2011 No.	2010 No.
Administration and support	<u>32</u>	<u>35</u>

During 2011, 20 employees (2010: 29) were seconded to the Company from BlackRock Investment Management (UK) Limited. The cost of these staff is borne by the Company through a management recharge. The management recharge to reflect the secondment charge is £7,772,000 (2010: £7,881,000).

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

#### Directors' emoluments

Of the thirteen (2010: seven) directors that served during the year, none were remunerated by the Company. The amounts included below relate to their services as directors, for all the directors of the Company based on an estimated time allocation basis, except for one non-executive director, who was paid an agreed fee. Emoluments in relation to services performed for other group companies are not disclosed in the Company's financial statements.

The aggregate emoluments of the directors' of the Company disclosed in accordance with Schedule 8 of the Companies Act 2006 were as follows:

	2011 £ 000	2010 £ 000
Aggregate emoluments	489	385
Company pension contributions to defined contribution pension schemes	9	4
	<u>498</u>	<u>389</u>

During the year retirement benefits were accruing to seven directors (2010: four) in respect of defined contribution pension schemes.

During the year no director (2010: one) exercised BlackRock, Inc. share options.

During the year the number of directors by whom BlackRock, Inc. shares are receivable or have been received under long-term incentive schemes were eleven (2010: six).

#### Highest paid director

Remuneration of the highest paid director:

	2011 £ 000	2010 £ 000
Remuneration	<u>122</u>	<u>165</u>

The value of the Company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £4,000 (2010: £nil).

The highest paid director received BlackRock, Inc. shares under a long-term incentive scheme during 2011.

#### 6 Interest receivable and similar income

	2011 £ 000	2010 £ 000
Other interest receivable	<u>-</u>	<u>665</u>

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

### 7 Interest payable and similar charges

	2011 £ 000	2010 £ 000
Interest on loans from group undertakings	3,106	3,672
Other interest payable	523	288
	<u>3,629</u>	<u>3,960</u>

### 8 Taxation

#### Tax on profit on ordinary activities

	2011 £ 000	2010 £ 000
<b>Current tax</b>		
UK corporation tax charge on profit for the year	654	497
Double taxation relief	(654)	(497)
Adjustment in respect of prior periods	(2)	49
Foreign taxes paid on profits for the year	743	586
Total current tax	<u>741</u>	<u>635</u>
<b>Deferred tax</b>		
Current year origination and reversal of timing differences	(381)	(26)
Previous period origination and reversal of timing differences	(33)	-
Total deferred tax	<u>(414)</u>	<u>(26)</u>
Tax on profit on ordinary activities	<u>327</u>	<u>609</u>

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

### Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2010: lower than) the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below:

	2011 £ 000	2010 £ 000
Profit on ordinary activities before taxation	14,369	18,776
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%).	3,808	5,257
Expenses not deductible for tax purposes	52	38
Depreciation in excess of capital allowances	19	17
Other short term timing differences	(16)	5
Impact of overseas taxes	89	88
Adjustments to tax in respect of previous periods	(2)	49
Non-taxable income	(2,385)	-
Deductible amounts in respect of shares awarded	(54)	(176)
Group relief received for nil payment	(770)	(4,643)
Total current tax	741	635

### 9 Deferred tax asset / (liability)

The movement in the deferred tax asset in the year is as follows:

	£ 000
At 1 January 2011	(11)
Deferred tax credited to the profit and loss account in respect of current period	381
Deferred tax credited to the profit and loss account in respect of previous period	33
At 31 December 2011	403

The deferred tax asset is made up as follows:

	2011 £ 000	2010 £ 000
Accelerated capital allowances	23	(30)
Short-term timing difference	-	19
Losses carried forward	380	-
	403	(11)

**BlackRock International Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2011**

*..... continued*

**10 Tangible fixed assets**

	<b>Short leasehold land and buildings £ 000</b>	<b>Office equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>			
At 1 January 2011	2,169	2,243	4,412
Additions	344	256	600
Disposals	(12)	(138)	(150)
At 31 December 2011	<u>2,501</u>	<u>2,361</u>	<u>4,862</u>
<b>Depreciation</b>			
At 1 January 2011	1,454	1,785	3,239
Charge for the year	279	190	469
Eliminated on disposals	(5)	(128)	(133)
At 31 December 2011	<u>1,728</u>	<u>1,847</u>	<u>3,575</u>
<b>Net book value</b>			
At 31 December 2011	<u>773</u>	<u>514</u>	<u>1,287</u>
At 31 December 2010	<u>715</u>	<u>458</u>	<u>1,173</u>

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

### 11 Fixed asset investments

	Subsidiary undertakings £ 000
<b>Cost</b>	
At 1 January 2011	512,025
At 31 December 2011	512,025

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	% Holding	Principal activity
<b>Subsidiary undertakings</b>			
BlackRock Life Limited (‘BLL’)	UK	100%	Provider of investment management policies for occupational pension schemes for institutional and linked pension schemes
BlackRock Pensions Limited (‘BPL’)	UK	100%	Provider of investment management policies for occupational pension schemes and to issue group individual pensions contracts *

\* Following a Part VII transfer in December 2011, as at 31 December 2011 the entire balance sheet of BPL has been transferred to BLL. As a result of this transfer, BPL has ceased trading and has applied to the FSA for the withdrawal of its permissions.

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

### 12 Debtors

	2011 £ 000	2010 £ 000
Trade debtors	8,305	10,199
Amounts owed by group companies	18,253	39,577
Deferred tax (note 9)	403	-
Other debtors	603	655
Corporation tax	543	1,173
	<u>28,107</u>	<u>51,604</u>

Cash management within the BlackRock group is governed by a UK cash-pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by BlackRock Investment Management (UK) Limited ("BIM (UK)"). Any amounts contributed by the Company are treated as an intercompany loan receivable from BIM (UK). The balance receivable from BIM (UK) of £21,998,000 (2010: £29,908,000) is included within 'Amounts owed by group companies'.

### 13 Current asset investments

	2011 £ 000	2010 £ 000
Listed investments	<u>88</u>	<u>88</u>

#### Listed investments

Investments having a net book value of £88,000 (2010: £88,000) are listed on a recognised stock exchange and had a market value of £116,000 at the end of the year (2010: £121,000).

### 14 Creditors: Amounts falling due within one year

	2011 £ 000	2010 £ 000
Amounts owed to group companies	4,537	3,630
Other taxes and social security	1	4
Other creditors	693	652
	<u>5,231</u>	<u>4,286</u>

Outstanding amounts in respect of the defined contribution pension scheme payable at 31 December 2011 were £42,000 (2010: £nil).

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

### 15 Creditors: Amounts falling due after more than one year

	2011 £ 000	2010 £ 000
Subordinated debt	<u>81,000</u>	<u>120,000</u>

On 1 December 2009 the Company received £120,000,000 on loan from BlackRock Finance Europe Limited. The loan is GBP denominated and bears fixed rate interest at 3.06% and interest paid is semi-annually. During the year capital repayments totalling £39,000,000 (2010: £nil) were made. The loan is repayable at maturity on 30 September 2018.

### 16 Share capital

#### Allotted, called up and fully paid shares

	2011		2010	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>

### 17 Reserves

	Share premium account £ 000	Capital contribution £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2011	353,406	8,019	24	78,788	440,237
Profit for the year	-	-	-	14,042	14,042
Other reserve movements	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>(13)</u>
At 31 December 2011	<u>353,406</u>	<u>8,019</u>	<u>11</u>	<u>92,830</u>	<u>454,266</u>

Other reserves principally relate to equity settled share schemes (see note 18).



## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2011

..... *continued*

#### 18 Share-based payments

There are various stock-based compensation schemes available to employees of the Company which can be broadly categorised into the following groups: restricted stock and Restricted Stock Unit ("RSU") award schemes, the share options scheme and other share-based payment plans. All schemes are accounted for on an equity-settled basis.

##### Restricted stock and RSUs

The ultimate parent company issues restricted stock grants and RSUs to certain employees of the Company. The RSUs will be converted into shares of the ultimate holding company, BlackRock, Inc. on each of the vesting dates. Restricted stock was issued for stock awards prior to 2006. RSUs were issued for the majority of grants in 2006, 2007, 2008, 2009 and 2010. The ultimate parent company has the obligation to settle the liability in respect of restricted stock grants and RSUs.

Restricted stock 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. 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. Prior to 2009, all restricted stock and RSUs were awarded with nonforfeitable dividend equivalent rights which were paid to employees quarterly. Dividend equivalents on restricted stock and RSU awards made in 2009 and 2010 are subject to forfeiture prior to vesting of the award, and as such are not paid to employees until that date.

RSUs are also issued by the ultimate parent company to executive officers and managers under long-term incentive plans ("LTIP"). The vesting period for these awards is 56 - 60 months. All remaining LTIP's in issue vested during 2011.

	Restricted Stock and RSUs			
	Number of Units (000)		Weighted average grant date price (\$)	
	2011	2010	2011	2010
Outstanding at beginning of year	663	553	\$183.80	\$133.95
Granted	291	343	\$200.41	\$240.01
Converted	-	(233)	-	\$148.24
Vested	(286)	-	\$162.77	-
Outstanding at end of year	668	663	\$200.04	\$183.80

The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price.

The Company recognised total expenses of £38,000 (2010: £43,000) in the profit and loss account related to equity-settled share-based payment transactions during the year.

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2011

..... continued

#### *Other share-based payment plans*

The employee stock purchase plan ("ESPP") is open to almost all employees and provides for a purchase price equal to the fair value of a share of common stock on the last business day of the offering period, less five percent. The shares can be purchased during four offering periods; being 1 January, 1 April, 1 July and 1 October of each year during the term of the ESPP. This amount for the Company is wholly immaterial and therefore has not been considered further in terms of FRS 20.

## 19 Commitments

### **Operating lease commitments**

As at 31 December 2011 the Company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2011 £ 000	2010 £ 000
<b>Land and buildings</b>		
Within two and five years	<u>1,012</u>	<u>1,034</u>

## 20 Related party transactions

The Company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group.

## 21 Parent undertakings and ultimate controlling party

The Company's immediate parent company is BlackRock Group Limited and the ultimate parent company and controlling party is BlackRock, Inc., a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the Company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements of BlackRock, Inc. are available from the Investor Relations website at [www.blackrock.com](http://www.blackrock.com) or requests may be addressed to Investor Relations at 55 East 52nd Street, New York, NY 10055, USA or by e-mail at [invrel@blackrock.com](mailto:invrel@blackrock.com).