

Registration number: SC160821

# BlackRock International Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2012

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**BlackRock International Limited**  
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**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2012**

The board of directors (the "Board") present their report together with the audited financial statements of BlackRock International Limited (the "Company") (registered number: SC160821) for the year ended 31 December 2012.

**Principal activities**

The principal activities of the Company remain the provision of investment management, advisory and administrative services. The Company operated branches outside the UK, in Dublin and Munich, during the year. The Company's Munich branch was closed with effect from 1 January 2013.

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 £33.0m (2011: £14.0m). Interim dividends of £nil were paid in 2012 (2011: £nil). The directors do not recommend the payment of a final dividend (2011: £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:

J Charrington  
J DesMarais  
E Fishwick  
N Hall  
E Hart (resigned 1 March 2013)  
J Linhares  
M Naylor (appointed 11 September 2012)  
Q Price  
C Prideaux  
M Slenderbroek (resigned 27 April 2012)  
S Thiel (resigned 30 November 2012)  
C Thomson  
R Tooze  
R Webb  
T Webb (appointed 24 August 2012)

The following director was appointed after the year end and to the date of signing:

B Sklar (appointed 5 March 2013)

**Officers:**

A Caban - Company secretary  
G Craig - Company secretary

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2012**

*..... continued*

**Business review and future outlook**

The Company is part of BlackRock, Inc. ("BlackRock"), a leading global asset management firm with USD 3.792 trillion in assets under management as at 31 December 2012. BlackRock offers a range of products across the risk spectrum to meet clients' needs, including active, enhanced and index strategies across markets and asset classes. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors. The directors are confident that this diversity in BlackRock's business model will continue to capture asset flows and revenues in 2013.

On 27 June 2012 the Company signed a 15 year lease agreement on new Edinburgh premises, 1 Exchange Place, with the lease commencing on 1 December 2013. The existing 40 Torphichen Street property is expected to be vacated during 2013.

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 2013.

The directors believe that the Company is well placed to manage its business risks successfully despite the current 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 2012 was £23.2m (2011: £26.1m), a decrease of 11.3%. This is primarily due to changes in the operations of the Company's Munich branch leading to a reduction in management fees earned through 2012.

Administrative expenses have decreased by 15.1% to £14.5m (2011: £17.1m). This follows the reduction in activities of the Munich branch during 2012.

Assets under Management ("AUM") have increased by £0.8bn (5%) from £17.8bn at 31 December 2011 to £18.6bn at 31 December 2012. 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.

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2012**

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**Principal risks and uncertainties**

Principal risks and uncertainties are managed by BlackRock at a global and regional 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;
- balance sheet risk events, arising from a short-fall of readily realisable liquid assets which may cause the Company to default in respect of its payment obligations; and
- market risk events, whereby adverse economic conditions could lead to a decline in the value of customers' portfolios and hence associated revenues.

**Operational risk:**

- One of the major risks faced by the Company is operational risk, which is the risk of direct or indirect impacts resulting from inadequate or failed internal processes, people and systems, or from external events. This risk resides within all front to back investment and client processes and the pro-active identification, assessment and management of operational risk is critical to servicing clients and maintaining the Company's reputation in the market place, including meeting regulatory requirements and expectations.

Operational risks are measured using an internal model. The model calculates unexpected losses arising from operational risk under a number of different key risk scenarios, utilising inputs derived from internal and external loss, client and market data. The internal model and approach have been reviewed by the FSA.

The Company operates in a competitive and highly regulated environment and there are a number of factors which could increase the number and severity of operational risks faced by the Company. Operational risks are regularly monitored and reported to senior management, the Board and relevant internal oversight Committees.

- The Company also considers risk management when setting remuneration policies and practices to govern those staff whose professional activities could potentially have a material impact on the Company's risk profile. Whilst employees are compensated for strong performance in their management of client portfolios, they are required to manage risk within the risk profiles appropriate for their clients.

The list of Remuneration Code Staff is reviewed and agreed by the EMEA Compensation Committee, the Management Development and Compensation Committee, the BlackRock Executive Committee and BlackRock, Inc.'s board of directors to ensure a culture of excellence, monitor the business and financial performance and protect the brand and reputation of the firm.

- Additionally, the overall stability of 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.

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2012**

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**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 relation to accounts receivable, surplus cash held in bank accounts or held on account with other BlackRock group companies as part of normal treasury operations, and other asset investments. The risk of default in relation to accounts receivable arising from fee income debtors is considered low and 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 in some circumstances retains the right to offset unpaid invoices against any client assets. Intercompany balances are managed centrally and agreed upon and settled on a regular basis. The Company manages its cash through a UK cash-pooling arrangement between BlackRock group entities, with any cash not required for working capital invested in money market instruments or highly rated and liquid sovereign debt.

**Market risk:**

- Foreign exchange risk arises where the Company's foreign currency assets are not matched by liabilities denominated in the same currency. In addition, foreign exchange exposures arise on a transactional basis largely in relation to fee income which is denominated in non-functional currencies. 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. Foreign currency exposures are monitored regularly and minimised. Foreign currency exposures that arise in relation to non-operational items are usually large in nature and are managed on a case by case basis.

- Price risk is the risk that market prices for the investments held within clients' portfolios may fall. The Company earns revenue from investment management services, generally as a percentage of the value of client portfolios. The portfolios are constructed to meet clients' specified strategies and the Company's diversification across the entire population of portfolios partly mitigates 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.

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

**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 and 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.

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2012**

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*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. The capital plan for BGL is then set to ensure that the amount of capital held remains above this level at all times and all individual regulated entities remain adequately capitalised.

In addition, details of BGL's approach to capital adequacy are included in its Pillar 3 Market Disclosure document, which also provides information regarding the remuneration policies and practices for those staff whose professional activities could 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 then 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.

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 2012 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 (2011: £nil) to registered charities or political donations (2011: £nil).

**BlackRock International Limited**  
**Directors' Report for the Year Ended 31 December 2012**

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**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.

The trade creditor payment days for the Company for 2012 were 45 days (2011: 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.

**Independent auditor**

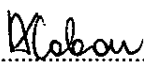
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director, in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Approved by the Board on 22 March 2013 and signed on its behalf by:

  
.....  
A Caban  
Company secretary



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

We have audited the financial statements of BlackRock International Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, Balance Sheet and the related notes set out on pages 11 to 26. 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 auditor**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), 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 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 2012 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 Auditor's 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

22 March 2013

**BlackRock International Limited**  
**Profit and Loss Account for the Year Ended 31 December 2012**

	Note	2012 £ 000	2011 £ 000
<b>Turnover</b>	3	23,176	26,119
Administrative expenses		(14,268)	(17,121)
Other operating income		29	-
<b>Operating profit</b>	4	8,937	8,998
Dividends received from investments in group companies		26,000	9,000
Interest receivable and similar income	6	33	-
Interest payable and similar charges	7	(2,205)	(3,629)
Profit on ordinary activities before taxation		32,765	14,369
Tax on profit on ordinary activities	8	250	(327)
<b>Profit on ordinary activities after taxation</b>	18	33,015	14,042

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 2012**  
**(Registration number: SC160821)**

	Note	2012 £ 000	2011 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	9	1,708	1,287
Investments	10	512,025	512,025
<b>Current assets</b>			
Debtors	11	35,403	28,107
Investments	13	-	88
Cash at bank		-	290
		<u>35,403</u>	<u>28,485</u>
Creditors: Amounts falling due within one year	14	(7,163)	(5,231)
Net current assets		<u>28,240</u>	<u>23,254</u>
Total assets less current liabilities		541,973	536,566
Creditors: Amounts falling due after more than one year	15	(49,000)	(81,000)
Provisions for liabilities and charges	16	(4,408)	-
Net assets		<u>488,565</u>	<u>455,566</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,300	1,300
Share premium account	18	353,406	353,406
Capital contribution	18	8,019	8,019
Other reserves	18	43	11
Profit and loss account	18	<u>125,797</u>	<u>92,830</u>
Shareholders' funds	19	<u>488,565</u>	<u>455,566</u>

Approved by the Board on 22 March 2013 and signed on its behalf by:



.....  
C Thomson  
Director

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2012**

#### **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 page 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 cash position held under cash pooling arrangements. 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 2012**

*..... 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 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 in the future, or a right to pay less tax in the future, have occurred 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. Deferred tax assets are recognised to the extent that they are regarded as recoverable and where future taxable profits are anticipated.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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:

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2012**

**..... continued**

<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

#### **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**

Unlisted investments held as current assets are shown at the lower of cost and net realisable value. Listed investments held as current assets are shown at the lower of cost and market 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.

#### **Government grants**

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

**BlackRock International Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2012**

*..... continued*

**3 Turnover**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Performance fees	2,728	1,970
Management Fees	20,448	24,149
	<u>23,176</u>	<u>26,119</u>

Turnover is derived from the following geographical areas:

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
United Kingdom	23,123	21,586
Overseas	<u>53</u>	<u>4,533</u>
	<u>23,176</u>	<u>26,119</u>

Turnover includes net management fee income from other group companies of £4,898,000 (2011: £9,910,000).



# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

### 4 Operating profit

Operating profit is stated after charging / (crediting):

	2012 £ 000	2011 £ 000
Depreciation of tangible fixed assets (note 10)	1,028	469
Foreign currency losses	274	306
Operating leases - land and buildings	987	1,095
Profit on disposal of investments	(29)	-
Government grants received	(106)	(344)

Auditor's 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 2012 audit of the Company's annual accounts were £156,000 (2011: £151,000).

### 5 Employees and directors

Employee costs comprises:

	2012 £ 000	2011 £ 000
Wages and salaries	10,613	9,465
Social security costs	1,332	1,219
Pensions costs	268	277
	<u>12,213</u>	<u>10,961</u>

Employee costs include related share based payment expenses.

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

	2012 No.	2011 No.
Office and management	<u>34</u>	<u>32</u>

During 2012, 15 employees (2011: 20) were seconded to the Company from BlackRock Investment Management (UK) Limited. The cost of these employees is borne by the Company through a management recharge. The management recharge to reflect the secondment charge is £8,081,000 (2011: £7,772,000). In addition, 14 employees (2011: 8) were seconded to the Company's Munich branch, the management recharge in relation to the branch is £3,457,000 (2011: £2,365,000).

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

#### Directors' emoluments

Of the 16 (2011: 13) 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 2 non-executive directors, who were paid agreed fees. 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:

	2012 £ 000	2011 £ 000
Aggregate emoluments	702	489
Company pension contributions to defined contribution pension schemes	20	9
	<u>722</u>	<u>498</u>

During the year retirement benefits were accruing to 9 directors (2011: 7) in respect of defined contribution pension schemes.

During the year the number of directors by whom BlackRock, Inc. shares are receivable or have been received under service condition based incentive schemes were 14 (2011: 11).

During the year the number of directors by whom BlackRock, Inc. shares are receivable or have been received under market performance based incentive schemes were 8 (2011: nil).

During the year 1 director (2011: nil) exercised BlackRock, Inc. share options

#### Highest paid director

Remuneration of the highest paid director:

	2012 £ 000	2011 £ 000
Aggregate emoluments	<u>171</u>	<u>122</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 (2011: £4,000).

The highest paid director also received or was entitled to receive shares under a service condition based incentive scheme.

The highest paid director also received or was entitled to receive shares under a market performance based incentive scheme.

During the year the highest paid director exercised BlackRock, Inc. share options.

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

### 6 Interest receivable and similar income

	2012 £ 000	2011 £ 000
Other interest receivable	33	-

### 7 Interest payable and similar charges

	2012 £ 000	2011 £ 000
Interest on loans from group undertakings	2,205	3,106
Other interest payable	-	523
	2,205	3,629

### 8 Taxation

#### Tax on profit on ordinary activities

	2012 £ 000	2011 £ 000
<b>Current tax</b>		
UK corporation tax charge on profit for the year	211	654
Double taxation relief	(211)	(654)
Adjustment in respect of prior periods	-	(2)
Foreign taxes paid on profits for the year	285	743
Total current tax	285	741
<b>Deferred tax</b>		
Current year origination and reversal of timing differences	(514)	(381)
Previous period origination and reversal of timing differences	(21)	(33)
Total deferred tax	(535)	(414)
Tax on profit on ordinary activities	(250)	327

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

### Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2011: lower than) the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £ 000	2011 £ 000
Profit on ordinary activities before taxation	32,765	14,369
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%).	8,027	3,808
Expenses not deductible for tax purposes	32	5
Depreciation in excess of capital allowances	53	19
Ineligible depreciation	43	47
Other short term timing differences	15	(16)
Impact of overseas taxes	73	89
Adjustments to tax in respect of previous periods	-	(2)
Non-taxable income	(6,370)	(2,385)
Deductible amounts in respect of shares awarded	33	(54)
Group relief received for nil payment	(1,621)	(770)
Total current tax	285	741

### Factors that may affect future tax charges

During the year, changes to the UK main corporation tax rate have resulted in the relevant deferred tax balances being remeasured. The corporation tax rate of 24% was substantively enacted on 26 March 2012 and was effective from 1 April 2012, and a future corporation tax rate of 23% was substantively enacted on 3 July 2012 and will be effective from 1 April 2013.

The Autumn Statement 2012 announced further reductions to the UK corporation tax rate, which is proposed to reduce to 21% from 1 April 2014. This change had not been substantively enacted at the balance sheet date and is therefore not recognised in these financial statements.

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

### 9 Tangible fixed assets

	Short leasehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2012	2,501	2,361	4,862
Additions	1,394	58	1,452
Disposals	-	(160)	(160)
At 31 December 2012	<u>3,895</u>	<u>2,259</u>	<u>6,154</u>
<b>Depreciation</b>			
At 1 January 2012	1,728	1,847	3,575
Charge for the year	848	180	1,028
Eliminated on disposals	-	(157)	(157)
At 31 December 2012	<u>2,576</u>	<u>1,870</u>	<u>4,446</u>
<b>Net book value</b>			
At 31 December 2012	<u>1,319</u>	<u>389</u>	<u>1,708</u>
At 31 December 2011	<u>773</u>	<u>514</u>	<u>1,287</u>

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

### 10 Fixed asset investments

	Subsidiary undertakings £ 000
<b>Cost</b>	
At 1 January 2012	512,025
At 31 December 2012	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%	Dormant

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

### 11 Debtors

	2012 £ 000	2011 £ 000
Trade debtors	10,310	8,305
Amounts due from group companies	22,941	18,253
Deferred tax (note 12)	938	403
Other debtors	996	603
Corporation tax	218	543
	<u>35,403</u>	<u>28,107</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 £19,233,000 (2011: £21,998,000) is included within 'Amounts due from group companies'.

Excluding cash management balances, all other amounts due from group companies are unsecured, interest free and repayable on demand.

### 12 Deferred tax asset

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

	£ 000
At 1 January 2012	403
Deferred tax credited to the profit and loss account in respect of current period	514
Deferred tax credited to the profit and loss account in respect of previous period	<u>21</u>
At 31 December 2012	<u>938</u>

The deferred tax asset is made up as follows:

	2012 £ 000	2011 £ 000
Accelerated capital allowances	105	23
Losses carried forward	<u>833</u>	<u>380</u>
	<u>938</u>	<u>403</u>

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

### 13 Current asset investments

	2012 £ 000	2011 £ 000
Listed investments	-	88

#### Listed investments

Investments having a net book value of £nil (2011: £88,000) were listed on a recognised stock exchange and had a market value of £nil at the end of the year (2011: £116,000).

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

	2012 £ 000	2011 £ 000
Bank overdraft	30	-
Amounts due to group companies	6,953	4,537
Other taxes and social security	1	1
Other creditors	179	693
	<u>7,163</u>	<u>5,231</u>

Amounts due to group companies are unsecured, interest free and repayable on demand.

Outstanding amounts in respect of the defined contribution pension scheme payable at 31 December 2012 were £nil (2011: £42,000) are shown in other creditors.

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

	2012 £ 000	2011 £ 000
Subordinated debt	<u>49,000</u>	<u>81,000</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 £32,000,000 (2011: £39,000,000) were made. The loan is repayable at maturity on 30 September 2018 and is unsecured.



# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

### 16 Provisions

	Property - related provisions £ 000	Total £ 000
At 1 January 2012	-	-
Provided in the year	4,408	4,408
At 31 December 2012	4,408	4,408

#### Property-related provisions

A provision of £4,408,000 has been recognised during the year in respect of onerous lease and dilapidation costs on the Company's lease for its Torphichen Street premises. The provision is primarily based on expected rental payments from the date of exiting the property until the end of the lease term.

### 17 Share capital

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

	2012		2011	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1,300	1,300	1,300	1,300

### 18 Reserves

	Share premium account £ 000	Capital contribution £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2012	353,406	8,019	11	92,830	454,266
Profit for the year	-	-	-	33,015	33,015
Movement in employee equity settled share schemes	-	-	32	(48)	(16)
At 31 December 2012	353,406	8,019	43	125,797	487,265

Other reserves relate to equity settled share schemes (see note 20).

**BlackRock International Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2012**

*..... continued*

**19 Reconciliation of movement in shareholders' funds**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit attributable to the members of the company	33,015	14,042
Other recognised gains and losses relating to the year	32	(13)
Deemed distribution related to share based payments	(48)	-
Net addition to shareholders' funds	32,999	14,029
Shareholders' funds at 1 January	455,566	441,537
Shareholders' funds at 31 December	488,565	455,566

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

#### 20 Share-based payments

Employees of the company may be granted stock-based compensation in the form of restricted stock and Restricted Stock Unit ("RSU") award schemes. All schemes are accounted for on an equity-settled basis.

##### Restricted stock and RSUs

Restricted stock and RSUs are issued by the ultimate parent company, BlackRock, Inc., and RSUs are converted into shares of BlackRock, Inc. on each of the vesting dates. Substantially all 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. Prior to 2009, the Company awarded restricted stock and RSUs with non-forfeitable dividend equivalent rights. Dividend equivalents on restricted stock and RSU awards granted from 2009 onwards are subject to forfeiture prior to vesting of the award, and as such are not paid to employees until that date.

The majority of stock-based compensation awards include a service condition and will be forfeited if the employee leaves BlackRock before the end of the service period. These awards are valued at their grant-date fair value as measured by BlackRock, Inc's common stock price. The total fair value amortised over the vesting period is adjusted for future forfeitures based on management's best estimate of restrictions and behavioural considerations.

	Restricted Stock and RSUs			
	Number of Units		Weighted average grant date price (\$)	
	2012	2011	2012	2011
Outstanding at beginning of year	668	663		
Granted	156	291	\$183.71	\$240.01
Vested	(359)	(286)	\$168.10	\$162.77
Outstanding at end of year	<u>465</u>	<u>668</u>		

The Company recognised total expenses of £175,000 (2011: £38,000) in the profit and loss account related to equity-settled share-based payment transactions during the year.

##### *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 Share-based Payment.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2012**

*..... continued*

#### **21 Commitments**

##### **Operating lease commitments**

As at 31 December 2012 the Company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Land and buildings</b>		
Within two and five years	<u>1,034</u>	<u>1,012</u>

#### **22 Related party transactions**

The Company is exempt from disclosing related party transactions, under paragraph 3c of Financial Reporting Standard 8 Related Party Disclosures, with members of the group, as it is a wholly-owned subsidiary and disclosures are therefore not required provided that any other subsidiary undertaking which is a party to the transactions is wholly-owned by a member of that group. The consolidated financial statements of the ultimate parent company are publicly available as detailed in Note 24.

#### **23 Subsequent events**

The Company's Munich branch was closed with effect from 1 January 2013.

#### **24 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).