

Registration number 951043

BlackRock Group Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2012

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BlackRock Group Limited
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BlackRock Group 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 Group Limited (the "Company") (registered number 951043) for the year ended 31 December 2012

Principal activity

The principal activity of the Company is to act as the United Kingdom holding company of certain companies of BlackRock group collectively "the Group" being BlackRock Group Limited and its subsidiaries. The Group, through its operating subsidiaries, is engaged in the provision of investment management and advisory services.

The Company's ultimate parent, BlackRock, Inc ("BlackRock"), is listed on the New York Stock Exchange.

Results and dividends

The Company made a profit for the year of £309.9m (2011: £256.4m). Interim dividends of £404.5m were paid in 2012 (2011: £377.3m). The directors have recommended the payment of a final dividend of £150.0m (2011: £146.0m).

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 - Chairman

J DesMarais

E Fishwick

N Hall

E Hart (resigned 1 March 2013)

J Linhares

M Naylor (appointed 17 April 2012)

Q Price

C Prideaux

B Sklar (appointed 20 September 2012)

M Slendebroek (resigned 27 April 2012)

S Thiel (resigned 30 November 2012)

C Thomson

R Tooze

R Webb

T Webb (appointed 19 July 2012)

Officers

A Caban - Company secretary

G Craig - Company secretary

BlackRock Group Limited

Directors' Report for the Year Ended 31 December 2012

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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.

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.

On 4 September 2012 BlackRock acquired Swiss Re Private Equity Partners AG ("SRPEP"), which was subsequently renamed BlackRock Private Equity Partners AG. SRPEP was the European private equity and infrastructure fund of funds franchise of Swiss Re. BlackRock and Swiss Re have also entered into a strategic alternative investment relationship agreement, centered on BlackRock Alternative Investors ("BAI"), which reinforces Swiss Re's current investments in SRPEP products and establishes future Swiss Re commitments to the BAI platform. Operating from Zurich, Hong Kong, New York and Bratislava, SRPEP had \$7.5 billion in total commitments at May 31, 2012, including a significant commitment from Swiss Re as it invested alongside its clients.

The balance sheet as at 31 December 2012 shows net assets of £2,051.6m (2011: £2,069.6m) a decrease of 1%. This is due to dividends paid of £404.5m in the year being greater than the retained profit for the year of £386.5m. The retained profit for the year largely consisted of dividend income of £389.0m (2011: £262.7m). Dividends received include £76.6m relating to investments in BlackRock Asset Management Schweiz AG and BlackRock UK Holdco Limited which were distributed to the Company by BlackRock Investment Management (UK) Limited by way of dividends in specie. The dividends in specie were recognised at fair value in the Statement of Total Recognised Gains and Losses. These transfers were part of group restructuring pursuant to the acquisition of SRPEP. For further details please refer to note 9.

On 14 March 2013 the Company approved an amendment to the \$3.785bn five year revolving credit agreement, with the aggregate commitment increasing to \$3.99bn from \$3.785bn and the maturity date extended to 30 March 2018 from 30 March 2017. The transaction is scheduled to close on 28 March 2013. For further details of this and other significant post balance sheet events, please refer to note 20.

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 Group 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 Company has low exposure to market risk specifically interest rate risk, credit risk and liquidity risk in relation to its cash, short-term financial instruments and intercompany borrowings. The Company has low exposure to currency risk, in relation to the impacts of changes in the value of foreign currencies on amounts receivable and payable. The Company manages the exposure to credit and liquidity risk through investing surplus cash on deposit with highly rated and liquid sovereign debt. The Company manages the exposure to foreign exchange by converting cash balances to functional currency where this is causing ongoing exposure.

The Company, through its role as the holding company of the Group, mainly derives its revenues from dividends received from investments in Group companies. As a result the Company is indirectly exposed to the same risks and uncertainties as its operating subsidiaries.

The specific risks and uncertainties relevant to the Group's operating subsidiaries may be categorised under three broad categories which are expanded on below:

- 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 Group 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 clients' portfolios and hence associated revenues.

Operational risk

- One of the major risks faced by the Group 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 Group'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 Group 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 Group. Operational risks are regularly monitored and reported to senior management, the Board and relevant internal oversight Committees.

- The Group 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 Group'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.

BlackRock Group Limited

Directors' Report for the Year Ended 31 December 2012

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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

Balance Sheet risk

- Liquidity risk is the risk that the Group's cash and committed facilities may be insufficient to meet its payment obligations as they fall due. The Group 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 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 Group 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 Group manages its cash through a UK cash-pooling arrangement between 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 Group'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 Group 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 Group'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 Group 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 Group's diversification across the entire population of portfolios partly mitigates exposure to price risk. The Group 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 Group's interest-bearing financial assets will fluctuate as interest rates fluctuate. The Group does not have any borrowings and so does not have any interest payable commitments

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

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Capital risk management

The Company's objectives when managing capital are

- to safeguard the Company's ability to continue as a going concern,
- to maintain financial strength to support new business growth, and
- in terms of its role in the Group, to satisfy the requirements of its regulators

The Group 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 in terms of its role in the Group, that the Group has a sufficient capital surplus to meet the regulatory requirement at all times during the year.

Internal Capital Adequacy Assessment Process ("ICAAP")

The Group's regulatory capital requirement is established by reference to the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the Company, as required by the FSA. The detailed analysis therein encompasses all the subsidiaries of the Company. In particular, the ICAAP establishes the minimum capital requirement with reference to a number of stress-tests and scenario analyses. The capital plan for the Group 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 Group'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 have a material impact on the Group's risk profile. This can be found at the following website address:

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.

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

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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. There were no political donations made during the year (2011: £nil).

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 Group Limited

We have audited the financial statements of BlackRock Group Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses ("STRGL"), Balance Sheet and the related notes set out on pages 12 to 23. 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 Group Limited**

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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 Group Limited
Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 £ 000
Income from current asset investments		-	45
Amounts written back/(off) current asset investments		911	(1,528)
Administrative expenses (charge)/credit		(342)	178
Profit/(loss) on disposal of current asset investments		<u>2,801</u>	<u>(240)</u>
Operating profit/(loss)	3	3,370	(1,545)
Loss on disposal of fixed assets		-	(3,633)
Dividends received from investments in group companies		312,388	262,743
Interest receivable and similar income	5	802	3,602
Interest payable and similar charges	6	<u>(7,999)</u>	<u>(6,862)</u>
Profit on ordinary activities before taxation		308,561	254,305
Tax on profit on ordinary activities	7	<u>1,310</u>	<u>2,052</u>
Profit on ordinary activities after taxation	16	<u>309,871</u>	<u>256,357</u>

Results derive wholly from continuing operations

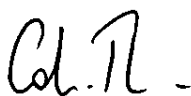
BlackRock Group Limited
Statement of Total Recognised Gains and Losses ("STRGL") for the Year Ended 31
December 2012

	Note	2012 £ 000	2011 £ 000
Profit for the financial year		309,871	256,357
Investments in subsidiaries received by way of dividends in specie	9	<u>76,580</u>	<u>-</u>
Total recognised gains and losses relating to the year		<u><u>386,451</u></u>	<u><u>256,357</u></u>

BlackRock Group Limited
Balance Sheet at 31 December 2012
Registered number: 951043

	Note	2012 £ 000	2011 £ 000
Fixed assets		.	
Investments	9	2,424,675	2,247,456
Current assets			
Debtors	10	3,572	2,728
Investments	12	481,675	444,731
Cash at bank		2,561	-
		487,808	447,459
Creditors Amounts falling due within one year	13	(741,914)	(510,328)
Net current liabilities		(254,106)	(62,869)
Total assets less current liabilities		2,170,569	2,184,587
Creditors Amounts falling due after more than one year	14	(119,000)	(115,000)
Net assets		2,051,569	2,069,587
Capital and reserves			
Called up share capital	15	235,166	235,166
Share premium account	16	1,299,918	1,766,918
Capital redemption reserve	16	7,029	7,029
Profit and loss account	16	509,456	60,474
Shareholders' funds	17	2,051,569	2,069,587

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



C Thomson
Director

BlackRock Group Limited

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

1 Reporting entity

These financial statements are prepared for BlackRock Group Limited, (the "Company"), the principal activity of which is to act as the United Kingdom holding company of certain companies of the BlackRock group collectively "the Group" being BlackRock Group Limited and its subsidiaries. The Company's immediate parent is BlackRock Jersey International Holdings L P 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 12 Throgmorton Avenue, London, EC2N 2DL.

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 2 to 5 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, in particular the significant net assets position and dividend stream generated by its subsidiaries. The Company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next twelve months. This 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 Directors' Report and financial statements.

Cash flow

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard ("FRS") 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 Group Limited

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

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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.

Taxation

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

Fixed asset investments

Investments held as fixed assets are carried at cost less provisions for impairment. 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.

BlackRock Group Limited

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

..... *continued*

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2012 £ 000	2011 £ 000
Foreign currency losses/(gains)	342	(180)
(Profit)/loss on disposal of investments	<u>(2,801)</u>	<u>240</u>

Auditor's remuneration has been borne by another group company in the current and preceding years. Fees payable to the Company's auditor, Deloitte LLP for the 2012 audit of the Company's annual accounts were £52,000 (2011: £50,000).

4 Employees and directors

The Company had no employees in the current or preceding year.

Directors' emoluments

Of the 16 (2011: 14) 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 are 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	8,081	7,379
Company contributions in respect of defined contribution pension schemes	<u>360</u>	<u>106</u>
	<u>8,441</u>	<u>7,485</u>

BlackRock Group Limited

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

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During the year retirement benefits were accruing to 14 directors (2011 11) in respect of defined contribution pension schemes

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

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 12)

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)

Highest paid director

Remuneration of the highest paid director

	2012 £ 000	2011 £ 000
Remuneration	1,636	1,548
Company contributions in respect of defined contribution pension schemes	<u>3</u>	<u>12</u>

During the year the highest paid director received or was entitled to receive shares under a service condition based incentive scheme

During the year 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 did not exercise BlackRock Inc share options

5 Interest receivable and similar income

	2012 £ 000	2011 £ 000
Other interest receivable	802	1,427
Interest receivable from group companies	<u>-</u>	<u>2,175</u>
	<u>802</u>	<u>3,602</u>

6 Interest payable and similar charges

	2012 £ 000	2011 £ 000
Interest payable to group companies	<u>7,999</u>	<u>6,862</u>

BlackRock Group Limited

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

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7 Taxation

Tax on profit on ordinary activities

	2012 £ 000	2011 £ 000
Current tax		
UK corporation tax credit on profit for the year	(1,121)	(1,286)
Adjustment in respect of prior periods	(65)	(596)
Total current tax	(1,186)	(1,882)
Deferred tax		
Current year origination and reversal of timing differences	(124)	(170)
Tax on profit on ordinary activities	(1,310)	(2,052)

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	308,561	254,305
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	75,597	67,391
Non deductible expenses	(317)	1,359
Movement in other short-term timing differences	134	167
Adjustments to tax charge in respect of prior periods	(65)	(596)
Non taxable income	(76,535)	(70,203)
Total current tax	(1,186)	(1,882)

BlackRock Group Limited

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

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8 Dividends

	2012 £ 000	2011 £ 000
Dividends on ordinary shares		
Interim dividends paid	<u>404,469</u>	<u>377,308</u>
Interim dividends are recognised when declared		

9 Fixed asset investments

	Subsidiary undertakings £ 000	Total £ 000
Cost		
At 1 January 2012	2,247,456	2,247,456
Additions	328,799	328,799
Disposals	<u>(151,580)</u>	<u>(151,580)</u>
At 31 December 2012	<u>2,424,675</u>	<u>2,424,675</u>

On 10 August 2012 BlackRock (Slovakia) s r o was incorporated with share capital of 5,000 ordinary shares of 1 Euro each for aggregate consideration of £4,000. In addition on 11 October 2012 a further 800,000 ordinary shares of 1 Euro each were acquired for an aggregate consideration of £635,000.

On 30 August 2012 the Company received 600,000 ordinary shares of £1 each for fair value of £1,580,000 in BlackRock UK Holdco Limited by way of a dividend in specie from BlackRock Investment Management (UK) Limited ("BIM").

On 30 August 2012 the Company acquired 100,000 ordinary shares of £1 in BlackRock UK Holdco Limited for an aggregate consideration of £75,000,000.

On 30 August 2012 the Company received 1,000 ordinary shares of 1,000 Swiss Francs each for fair value of £75,000,000 in BlackRock Asset Management Schweiz AG by way of a dividend in specie from BIM.

On 30 August 2012 the Company contributed all of the outstanding shares of ownership in BlackRock Asset Management Schweiz AG to BlackRock UK Holdco Limited, in satisfaction of a loan of £75,000,000.

On 30 August 2012 the Company contributed all of the outstanding shares of ownership in BlackRock UK Holdco Limited to BlackRock Luxembourg Holdco S a r l in exchange for 19,111 shares with a nominal value of £160 each for an aggregate consideration of £76,580,000.

On 3 December 2012 the Company acquired 1 ordinary share of £1 in BIM for an aggregate consideration of £100,000,000.

BlackRock Group Limited

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

..... *continued*

Subsidiary undertakings

The proportion of ordinary share capital in each subsidiary held by the Company is listed below

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
Subsidiary undertakings			
BlackRock Investment Management (UK) Limited	UK	100%	Provider of investment management services
Mercury Carry Company Limited	Isle of Man	100%	Founding and limited partner in limited partnership
BlackRock Asset Management UK Limited	UK	100%	Finance company and provider of seed investment capital
BlackRock (Netherlands) B V	Netherlands	100%	Provider of investment management services
BlackRock Fund Management Company S A	Luxembourg	100%	Unit trust management
BlackRock Finance Europe Limited	UK	100%	Finance company
BlackRock Luxembourg Holdco S a r l	Luxembourg	100%	Holding company
BlackRock Advisors (UK) Limited	UK	100%	Provider of investment management services
BlackRock Asset Management Investor Services Limited	UK	100%	Provider of central group services
BlackRock International Limited	UK	100%	Provider of investment management services
BlackRock (Slovakia) s r o	Slovakia	100%	Provider of fund accounting and administration services
BlackRock Fund Managers Limited*	UK	100%	Provider of investment management services

BlackRock Group Limited

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

..... *continued*

BlackRock Investment Management (Korea) Limited*	Republic of Korea	100%	Provider of investment management services
BlackRock Asset Management Deutschland AG*	Germany	100%	Provider of investment management services
BlackRock (Luxembourg) S A *	Luxembourg	100%	Provider of investment management services
BlackRock Investment Management Ireland Holdings Limited*	Ireland	100%	Holding company
BlackRock Investment Management (Dublin) Limited*	Ireland	100%	Provider of central group services
BlackRock Asset Management Ireland Limited*	Ireland	100%	Provider of investment management services
BlackRock Life Limited*	UK	100%	Provider of investment management policies for unit linked pension schemes
BlackRock Holdings Deutschland GmbH*	Germany	100%	Holding company
BlackRock Asset Management Schweiz AG*	Switzerland	100%	Sales and marketing services
BlackRock Private Equity Partners AG*	Switzerland	100%	Provider of investment management services
BlackRock UK Holdco Limited (formerly BlackRock Investment Management International Limited)*	UK	100%	Holding company

* Indirectly held subsidiaries

To avoid a statement of excessive length, details of the investments which are not significant have been omitted

BlackRock Group Limited

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

..... *continued*

10 Debtors

	2012 £ 000	2011 £ 000
Amounts owed from group companies	17	11
Deferred tax (note 11)	138	14
Other debtors	2,202	-
Corporation tax	1,215	2,703
	<u>3,572</u>	<u>2,728</u>

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

11 Deferred tax asset

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

	£ 000
At 1 January 2012	14
Deferred tax credited to the profit and loss account	<u>124</u>
At 31 December 2012	<u>138</u>

The deferred tax asset is made up as follows

	2012 £ 000	2011 £ 000
Short-term timing differences	<u>138</u>	<u>14</u>
	<u>138</u>	<u>14</u>

The deferred tax asset is included in Debtors (note 10). A deferred tax asset has not been recognised in respect of timing differences relating to the tax treatment of investments and capital losses. At 31 December 2012, the deferred tax asset not recognised by the Company was £1,263,000 (2011: £1,624,000).

12 Current asset investments

	2012 £ 000	2011 £ 000
Listed investments	<u>481,675</u>	<u>444,731</u>

BlackRock Group Limited

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

..... *continued*

Listed investments

The market value of the listed investments at 31 December 2012 was £483,364,000 (2011 £445,728,000)

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 BIM. BIM then lends this cash to the Company, which in turn invests it by purchasing highly liquid short-term instruments.

13 Creditors: Amounts falling due within one year

	2012 £ 000	2011 £ 000
Amounts owed to group companies	741,902	510,316
Other creditors	12	12
	<u>741,914</u>	<u>510,328</u>

Included in 'Amounts owed to group companies' is £645,763,000 (2011 £345,490,000) payable to BIM in relation to the UK cash-pooling arrangement, refer to note 12 for further details. Also included within 'Amounts owed to group companies' is £91,000,000 (2011 £nil), relating to loan notes falling due within one year. The loan was received from BlackRock Finance Europe Limited, is Sterling denominated, bears an interest rate of 6 month LIBOR plus a 150 basis point margin, payable semi-annually and matures on 30 June 2013.

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

14 Creditors: Amounts falling due after more than one year

	2012 £ 000	2011 £ 000
Amounts owed to group companies - loan notes	<u>119,000</u>	<u>115,000</u>

The Company is a designated borrower on the original BlackRock, Inc. \$3.5bn five year revolving credit agreement, and may receive loans and have Letters of Credit issued for its account, the Company also received a parental guarantee from BlackRock, Inc. in connection with this facility. Under the terms of the original agreement, by prior agreement from BlackRock, Inc. the Company had access to a \$3.5bn credit facility, \$1bn Letter of Credit and \$250m swingline. The facility was due to mature on 10 March 2016. However, on 30 March 2012 this facility was amended, with the aggregate commitment increasing from \$3.5bn to \$3.785bn and the maturity date extended to 30 March 2017 from 10 March 2016. The Company has not drawn down any of the funds available under this facility. Subsequent to the year end this agreement was approved for amendment as detailed in note 20.

On 22 March 2012 the Company received £85,000,000 on loan from BlackRock Finance Europe Limited. The loan is Sterling denominated, bears an interest rate of 6 month LIBOR plus a 175 basis point margin, payable semi-annually and matures on 31 March 2014.

On 25 September 2012 the Company received £34,000,000 on loan from BlackRock Finance Europe Limited. The loan is Sterling denominated, bears an interest rate of 6 month LIBOR plus a 175 basis point margin, payable semi-annually and matures on 30 September 2014.

BlackRock Group Limited

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

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15 Share capital

Allotted, called up and fully paid shares

			No. 000	2012 £'000	No. 000	2011 £'000
Class A Ordinary Shares	£0.05	each	2,351,664	117,583	2,351,664	117,583
Class B Ordinary Shares	£0.00263157	each	44,681,616	117,583	44,681,616	117,583
			<u>47,033,280</u>	<u>235,166</u>	<u>47,033,280</u>	<u>235,166</u>

16 Reserves

	Share premium account £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2012	1,766,918	7,029	60,474	1,834,421
Profit for the year	-	-	309,871	309,871
Dividends	-	-	(404,469)	(404,469)
Investments in subsidiaries received by way of dividends in specie	-	-	76,580	76,580
Transfer to distributable reserves	<u>(467,000)</u>	<u>-</u>	<u>467,000</u>	<u>-</u>
At 31 December 2012	<u>1,299,918</u>	<u>7,029</u>	<u>509,456</u>	<u>1,816,403</u>

On 15 March 2012 £100,000,000 was transferred from the share premium account into distributable reserves, from which dividends could subsequently be declared

Further, on 24 September 2012 an additional £367,000,000 was transferred from the share premium account into distributable reserves, from which dividends could subsequently be declared

BlackRock Group Limited

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

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17 Reconciliation of movement in shareholders' funds

	2012 £ 000	2011 £ 000
Profit attributable to the members of the company	309,871	256,357
Investments in subsidiaries received by way of dividends in specie	76,580	-
Dividends	(404,469)	(377,308)
Net reduction to shareholders' funds	(18,018)	(120,951)
Shareholders' funds at 1 January	2,069,587	2,190,538
Shareholders' funds at 31 December	<u>2,051,569</u>	<u>2,069,587</u>

18 Contingent liabilities

Guarantees provided to subsidiaries amounted to £14,000,000 (2011 £15,000,000)

19 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 21.

20 Subsequent events

On 14 March 2013 the Company approved an amendment to the \$3 785bn five year revolving credit agreement, with the aggregate commitment increasing to \$3 99bn from \$3 785bn and the maturity date extended to 30 March 2018 from 30 March 2017. The transaction is scheduled to close on 28 March 2013.

The Company proposes a final dividend of £150,000,000. The final dividend, if approved, will be paid on 25 March 2013, £142,500,000 to BlackRock Finco UK Limited and £7,500,000 to BlackRock Jersey International Holdings L.P.

21 Parent undertakings and ultimate controlling party

The Company's immediate parent company is BlackRock Jersey International Holdings L.P. 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 or requests may be addressed to Investor Relations at 55 East 52nd St, New York, NY 10055, USA or by e-mail at invrel@blackrock.com.