

Registration number: 1102517

# BlackRock Fund Managers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2014

MONDAY



\*L43TAPYR\*

LD6

23/03/2015

#71

COMPANIES HOUSE

# **BlackRock Fund Managers Limited**

## **Contents**

Strategic Report	1 to 5
Directors' Report	6 to 7
Independent Auditor's Report for the Members of BlackRock Fund Managers Limited	8 to 9
Profit and Loss Account	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 23

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2014**

The directors present their Strategic Report for the year ended 31 December 2014.

#### ***The company's role in the global group***

The company is part of BlackRock, Inc. ("BlackRock"), a leading global asset management firm with \$4.7tn in assets under management ("AUM") as at 31 December 2014. 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 2015. 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 2015.

#### ***Corporate strategy***

Corporate strategy is developed and reviewed at a global and European, Middle East and Africa ("EMEA") regional level. The company provides fund management, advisory and administrative services to clients and other group companies in support of the corporate strategy. The Strategic Report will therefore focus on both global and regional industry trends and areas of strategic focus, while relating them to the services that the company provides.

#### ***Industry profile***

##### ***Global***

The asset management industry, both globally and regionally, continues to be highly fragmented. BlackRock has the largest market share with \$4.7tn of AUM of the global managed assets of c\$60tn.

The following key client trends have accounted for more than 100% of all industry flows in recent years:

- Investor appetite for index/ETF products
- Broad adoption of alternative investment products
- Movement towards unconstrained fixed income
- Shift to outcome and solutions investing
- Greater focus on income
- Planning for longevity and retirement
- Evolution of emerging markets

BlackRock is a top 10 firm in each of these areas, both in terms of AUM and inflows. In the areas of Index, Outcome and Solutions and Emerging Markets BlackRock is the market leader, while in the remaining areas BlackRock's market share has been expanding in these growing markets

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2014**

#### ***Regional***

On a regional basis, BlackRock in EMEA manages >\$1.4tn of AUM for its clients. This generates \$3.6bn of revenue from a diversified client base and product range. Growth in the region has been powered by Retail and iShares® growth, this growth resulted from BlackRock's ability to take advantage of key changes in the European market including:

1. Regulatory changes - banning of commission payments to intermediaries as well as capital pressures on banks has led to changes in distribution models in Europe. BlackRock maintains the largest share of managed AUM in the region.
2. Increased focus by investors on product costs has led to the increase in indexed products, where BlackRock has a c26% share.
3. Changes in investor preferences towards outcome and solutions investing where BlackRock has the largest share of AUM.
4. Client's heightened risk aversion and desire to focus on risk management and reporting where BlackRock provides both advisory services through BlackRock Solutions® and its technology solution Aladdin.

#### ***Areas of strategic focus***

Against the industry profile and key industry trends the company, as part of the global group, will seek to achieve its mission of creating a better financial future for its clients through focusing on the following strategic areas:

- Outcome investing
- Retirement solutions
- Income investment
- Alternatives
- Emerging Markets

The company was authorised as a UK Alternative Investment Fund Manager under the EU Alternative Investment Fund Managers Directive ("AIFMD") from 1 May 2014. The company manages unit trusts, hedge funds and investment trusts for which it receives management and performance fees.

#### ***Key Performance Indicators***

##### ***Assets under management***

Net AUM has increased by £9.6bn to £41.7bn at 31 December 2014 (2013: £32.1bn) following growth in tracker fund assets and the transfer of Investment Trusts and Cayman domiciled Hedge Funds to the company following its authorisation as a UK Alternative Investment Fund Manager.

##### ***Fee income***

Turnover, which largely consists of management fees, performance fees and unit sales, increased by 37% from £16.5m in 2013 to £22.7m in 2014. This is explained by a decrease in management fee expenses paid to other group companies, significant performance fee locks and new management fees on the funds noted above.

##### ***Administrative expenses***

Administrative expenses increased by 4% from £10.6m in 2013 to £11.1m in 2014 following an increase in assets under management.

##### ***Profit after tax***

Profit after tax increased by 100% from £4.6m in 2013 to £9.2m in 2014 as a result of the aforementioned movements in the year.

##### ***Net assets***

Net assets increased from £25.1m in 2013 to £34.3m in 2014 following the inclusion of profits made in 2014.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2014**

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.

#### ***Going concern***

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 Annual Report and financial statements.

#### ***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 and managing 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 clients' 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. The company has a well-established operational risk management framework that provides appropriate control and oversight over risk management arrangements. The operational risk management framework supports the firm's fiduciary obligations to clients and mitigates the potential impacts of poor customer outcomes. The strong management of risk also ensure that disruptions to delivering client services are at a minimum.

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. A detailed model approach, based on scenario analysis and statistical modelling, is used to assess the operational risk capital requirement. The company seeks to manage operational risk by means of a variety of controls to prevent or mitigate the occurrence of operational risk events and losses. Escalation procedures are in place and operational risks are regularly monitored and reported to senior management, the Board and relevant internal oversight Committees.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2014**

#### ***Balance sheet risk***

Liquidity risk is the risk that the company is unable to meet financial obligations as they fall due without adversely affecting its financial position, the normal course of its business or its reputation. The company has a governance framework and a Liquidity Policy aimed to:

- identify, quantify and monitor the liquidity needs, risks and requirements of the company;
- maintain liquidity resources in excess of liquidity requirements; and
- maintain rules and procedures in connection with a liquidity management framework.

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. The company minimises exposure to credit risk with respect to accounts receivable by actively pursuing settlement of outstanding management fee invoices and performance fee invoices 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***

Market risk can be defined as the risk of loss resulting from fluctuations in the market value of positions and asset values attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness. Fluctuations in markets could cause the value of AUM to decline, which would result in lower investment advisory and administration fees.

As the company does not undertake trading on its own account, market risk is the risk associated with failure to realise the full value of the firm's assets as a result of fluctuations in foreign exchange rates.

The company is exposed to foreign exchange risk on all income, all expenditure and all transfer pricing (both income and expenditure) that arise in currencies other than sterling.

#### ***Capital 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 Financial Conduct Authority ("FCA"). 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 and eligible assets surplus to meet the regulatory requirement at all times during the year.

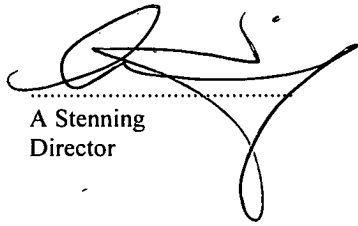
## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2014**

#### ***Regulatory Capital Requirement***

The company's regulatory capital requirement is established by reference to the Alternative Investment Fund Managers Directive that was published in the Official Journal of the European Union on 1 July 2011 and transposed into UK law on 22 July 2013.

Approved by the Board on 19 March 2015 and signed on its behalf by:



A Stenning  
Director

## **BlackRock Fund Managers Limited**

### **Directors' Report for the Year Ended 31 December 2014**

The directors present their report together with the audited financial statements of BlackRock Fund Manager's Limited (registered number: 1102517) for the year ended 31 December 2014.

#### **Principal activity**

The principal activities of the company remain the provision of investment management, advisory and administrative services.

The company is authorised and regulated by the FCA.

#### **Directors and Officers of the company**

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

G Bamping - Chairman

N Hall

A Higgins (resigned 19 May 2014)

A Lawrence

A Stenning

E Tracey

R Hayes (appointed 18 February 2014)

R Damm (appointed 27 March 2014)

G van Berkel - (resigned 27 March 2014)

Officers:

A Caban - Company secretary

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 year.

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 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.



## **BlackRock Fund Managers Limited**

### **Directors' Report for the Year Ended 31 December 2014**

#### **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 2014 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.

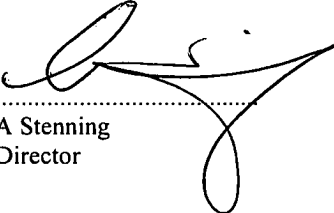
#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### **Reappointment of auditors**

Deloitte LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006.

Approved by the Board on 19 March 2015 and signed on its behalf by:



A Stenning  
Director

## **BlackRock Fund Managers Limited**

### **Independent Auditor's Report for the Members of BlackRock Fund Managers Limited**

We have audited the financial statements of BlackRock Fund Managers Limited for the year ended 31 December 2014, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and related notes set out on pages 13 to 23. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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, 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**BlackRock Fund Managers Limited**

**Independent Auditor's Report for the Members of BlackRock Fund Managers 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

.....  
Stuart McLaren (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor

London  
United Kingdom

19 March 2015

## BlackRock Fund Managers Limited

### Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £ 000	2013 £ 000
Turnover	5	22,703	16,529
Administrative expenses		<u>(11,067)</u>	<u>(10,638)</u>
Operating profit	6	11,636	5,891
Interest receivable and similar income	7	<u>122</u>	<u>118</u>
Profit before tax		11,758	6,009
Tax on profit on ordinary activities	10	<u>(2,528)</u>	<u>(1,397)</u>
Profit for the year		<u><u>9,230</u></u>	<u><u>4,612</u></u>

Turnover and operating profit derive wholly from continuing operations.

The company has no other comprehensive income for the year other than the results above.

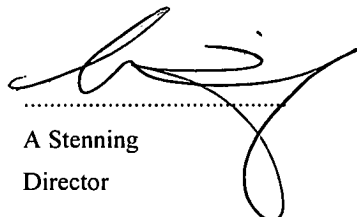
The notes on pages 13 to 23 form an integral part of these financial statements.

# BlackRock Fund Managers Limited

(Registration number: 1102517)  
Balance Sheet as at 31 December 2014

	Note	31 December 2014 £ 000	31 December 2013 £ 000
<b>Fixed assets</b>			
Investments	11	7,490	7,490
<b>Current assets</b>			
Debtors	13	155,541	180,434
Cash and cash equivalents	14	20,641	-
		<u>176,182</u>	<u>180,434</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(149,289)</u>	<u>(162,771)</u>
Net current assets		<u>26,893</u>	<u>17,663</u>
<b>Net assets</b>		<u>34,383</u>	<u>25,153</u>
<b>Capital and reserves</b>			
Called up share capital	16	18,100	18,100
Profit and loss account		<u>16,283</u>	<u>7,053</u>
<b>Shareholders' funds</b>		<u>34,383</u>	<u>25,153</u>

Approved by the Board on 19 March 2015 and signed on its behalf by:



A Stenning  
Director

The notes on pages 13 to 23 form an integral part of these financial statements.

# BlackRock Fund Managers Limited

## Statement of Changes in Equity for the Year Ended 31 December 2014

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	18,100	7,053	25,153
Profit for the year	-	9,230	9,230
At 31 December 2014	<u>18,100</u>	<u>16,283</u>	<u>34,383</u>

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2013	18,100	2,441	20,541
Profit for the year	-	4,612	4,612
At 31 December 2013	<u>18,100</u>	<u>7,053</u>	<u>25,153</u>

The notes on pages 13 to 23 form an integral part of these financial statements.

## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014**

#### **1 General information**

The company is a private company limited by share capital incorporated and domiciled in the UK.

The address of its registered office is:  
12 Throgmorton Avenue  
London  
EC2N 2DL

These financial statements were authorised for issue by the Board on 19 March 2015.

#### **2 Transition to FRS 101**

##### **First time adoption of FRS 101**

These financial statements, for the year ended 31 December 2014, are the first the company has prepared in accordance with FRS 101. For periods up to and including the year ended 31 December 2013, the company prepared its financial statements in accordance with UK GAAP ("Local GAAP").

Accordingly, the company has prepared financial statements which comply with FRS 101 applicable for periods ending on or after 31 December 2014, together with the comparative period data as at and for the year ended 31 December 2013. In preparing these financial statements, the company's balance sheet was prepared at 1 January 2013, the company's date of transition to FRS 101.

The estimates at 1 January 2013 and at 31 December 2013 are consistent with those made at the same dates in accordance with local GAAP. There are no local GAAP to FRS 101 transition adjustments requiring the reconciliation of local GAAP to FRS 101 financial statements.

#### **3 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year and the preceding year.

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

The company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 ("FRS 100") as issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2014 financial statements have been prepared in accordance with applicable law and FRS 101 as issued by the Financial Reporting Council. The company has voluntarily applied FRS 100 and FRS 101 prior to the mandatory implementation date of 1 January 2015.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash-flow statement, standards not yet effective, impairment of assets, and related party transactions.

Where required, equivalent disclosures are given in the group accounts of BlackRock, Inc. These accounts are available to the public and can be obtained as set out in note 20.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)**

#### **3 Accounting policies (continued)**

##### **Exemption from preparing group accounts**

The financial statements contain information about BlackRock Fund Managers Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, BlackRock, Inc, a company incorporated in United States of America. The group accounts of BlackRock, Inc. are publicly available and can be obtained as set out in note 20.

##### **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 Strategic Report on pages 1 to 5, along with key risks facing the company.

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

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

##### **Turnover**

Turnover is measured at the fair value of the consideration received or receivable, net of VAT or trade discounts.

##### **Investment management fees**

Investment advisory and administration fees are recognised as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM.

The company contracts with third parties and related parties for various fund distribution and shareholder servicing to be performed on behalf of certain funds managed by the company. Such arrangements generally are priced as a portion of the management fee paid by the fund. In certain cases, the fund takes on the primary responsibility for payment for services such that BlackRock bears no credit risk to the third party. The company accounts for such retrocession arrangements in accordance with IAS 18 Revenue and records its management fees net of retrocessions.

The company receives performance fees or incentive allocations from alternative investment products and certain separately managed accounts. These are earned upon exceeding specified relative and/or absolute investment return thresholds. Such fees are recorded upon completion of the measurement period, which varies by product or account, and could be monthly, quarterly, annually or longer.



## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)**

#### **3 Accounting policies (continued)**

##### **Foreign currency transactions and balances**

The financial statements are presented in sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

##### **Tax**

Income tax expense represents the sum of the tax currently payable.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### **Investments**

Investments in subsidiaries are accounted for at cost less any provision for impairment. Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### **4 Critical accounting judgements and estimates**

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The following are the critical judgements that the directors have made.

##### **Disclosure of interests in other entities**

Management's judgement has been exercised when applying the principles of IFRS 12 Disclosure of Interests in Other Entities.

Full details are set out in note 12.

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 5 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Performance fees	1,875	-
Management fees	20,137	15,964
Unit sales	666	565
Other revenue	25	-
	<u>22,703</u>	<u>16,529</u>

All turnover arose in the United Kingdom.

Turnover includes net management fees expenses to other group companies of £151,394,000 (2013: £116,475,000).

Unit sales have been disclosed net of management fee expenses under FRS 101. In the 2013 financial statements unit sales were disclosed gross with related management fee expenses disclosed within cost of sales. The disclosure change has no impact on the gross profit disclosed in the 2013 financial statements.

#### 6 Operating profit

Arrived at after crediting

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Foreign exchange gains	<u>(1,502)</u>	<u>(68)</u>

#### 7 Interest receivable and similar income

	<b>2014</b>	<b>2013</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest income on bank deposits	<u>122</u>	<u>118</u>

Interest receivable relates to interest received on cash and the UK cash-pooling arrangement (note 15).

# BlackRock Fund Managers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2014 £ 000	2013 £ 000
Aggregate emoluments	721	472
Company contributions in respect of defined contribution pension schemes	21	73
	<u>742</u>	<u>545</u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	2014 No.	2013 No.
Received or were entitled to receive shares under long term incentive schemes	7	5
Accruing benefits under defined contribution pension scheme	<u>5</u>	<u>4</u>

In respect of the highest paid director:

	2014 £ 000	2013 £ 000
Aggregate emoluments	332	223
Company contributions in respect of defined contribution pension schemes	15	56
	<u>347</u>	<u>279</u>

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

### 9 Auditors' remuneration

	2014 £ 000	2013 £ 000
Audit of the financial statements	<u>245</u>	<u>230</u>
<b>Other fees to auditors</b>		
The auditing of financial statements of any associate of the company	50	44
Audit-related assurance services	<u>24</u>	<u>20</u>
	<u>74</u>	<u>64</u>

# BlackRock Fund Managers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

### 10 Income tax

Tax charged in profit or loss

	2014 £ 000	2013 £ 000
<b>Current taxation</b>		
UK corporation tax	<u>2,528</u>	<u>1,397</u>

The tax on profit on ordinary activities before tax for the year is the same as the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
Profit before tax	<u>11,758</u>	<u>6,009</u>
Corporation tax at standard rate	<u>2,528</u>	<u>1,397</u>
Total tax charge	<u>2,528</u>	<u>1,397</u>

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 11 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2014	7,490
At 31 December 2014	7,490

Details of the subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2014	2013
BlackRock Investment Management (Korea) Limited	Provider of investment management, investment advisory services and discretionary investment business	Republic of Korea	100%	100%

#### 12 Interests in unconsolidated structured entities

The company manages several investment funds, some of which are considered to be structured entities within the definition of IFRS 12, and which are not consolidated. The company receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities are constituted as unit trusts, hedge funds and investment trusts. These unconsolidated structured entities invest in a range of asset classes as detailed in the table below which also sets out the carrying values of the company's interests in these unconsolidated structured entities as recognised in the balance sheet as at 31 December 2014 and the management fee, performance fee and revenue from related parties recognised in the company's profit and loss account for the year ended 31 December 2014. The total AUM for these funds amounts to £41.7 billion which constitutes AUM for which the company is the legally contracted entity.

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest capital primarily from third-party investors in a portfolio of assets in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, they are susceptible to market price risk arising from uncertainties about future values of the assets they hold.

The unconsolidated structured entities are financed through equity capital provided by investors.

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 12 Interests in unconsolidated structured entities (continued)

Asset class	Net revenues £ 000	Accrued income - fees paid in arrears £ 000
Alternative mandates	5,788	13,732
Cash management mandates	1,020	2,822
Equity mandates	11,568	113,441
Fixed income mandates	2,614	8,826
Multi-asset class mandates	1,713	15,061
Total	<u>22,703</u>	<u>153,882</u>

#### Maximum exposure to loss

The company's maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amount shown in the table above.

#### Financial support

The company has not provided financial support to any of its unconsolidated structured entities during the year, and has no contractual obligations or current intention of providing financial support in the future.

#### Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the company's interest in the unconsolidated structured entities.

#### 13 Debtors

	31 December 2014 £ 000	31 December 2013 £ 000
Trade debtors	153,882	177,202
Amounts due from group companies	1,552	3,139
Other debtors	107	93
Total current trade and other debtors	<u>155,541</u>	<u>180,434</u>

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

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

#### 14 Cash and cash equivalents

	31 December 2014 £ 000	31 December 2013 £ 000
Cash at bank	<u>20,641</u>	<u>-</u>

#### Balances held by the company that are not available for use by the company

	31 December 2014 £ 000	31 December 2013 £ 000
Balances held by the company that are not available for use by the company	<u>11,000</u>	<u>-</u>

This is cash held to satisfy regulatory requirements under The Alternative Investment Fund Managers Directive.

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

	31 December 2014 £ 000	31 December 2013 £ 000
Bank overdrafts	-	5,557
Trade creditors	103,540	122,314
Amounts due to group companies	39,331	29,510
Corporation tax liability	2,528	1,397
Social security and other taxes	563	756
Other creditors	<u>3,327</u>	<u>3,237</u>
	<u>149,289</u>	<u>162,771</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 £31,783,000 (2013: £13,195,000) in relation to this arrangement included within 'Amounts due to group companies'. This is netted against the creditor position with BIM (UK).

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

# BlackRock Fund Managers Limited

## Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)

### 16 Share capital

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

	No. 000	2014 £ 000	No. 000	2013 £ 000	1 January 2013 No. 000	£ 000
Ordinary Shares of £1 each	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>

### 17 Contingent liabilities

The company is an authorised institution and operates in the UK within the regulatory framework established by the FCA.

In the normal course of business, the company may, from time to time, be subject to claims, actions or proceedings. While there can be no assurances, the directors believe, based on information currently available to them, that the likelihood of a material outflow of economic benefits is not probable.

### 18 Financial instruments

#### Fair value of financial instruments

Disclosed in the table below is the categorisation of financial instruments.

	2014 £ 000	2013 £ 000
<b>Financial Assets</b>		
Cash and cash equivalents	20,641	-
Trade and other debtors	<u>155,541</u>	<u>180,434</u>
<b>Financial Liabilities</b>		
Trade and other creditors	<u>146,761</u>	<u>161,374</u>

### 19 Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

Details of Directors' emoluments are set out in note 8. There are no personnel other than Directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the company.



## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2014 (continued)**

#### **20 Parent and ultimate parent undertaking**

The company's immediate holding company is BlackRock Investment Management (UK) 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 are available upon request 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 email at [invrel@blackrock.com](mailto:invrel@blackrock.com).