

Registration number: SC160821

# BlackRock International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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# **BlackRock International Limited**

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# **BlackRock International Limited**

## **Strategic Report for the Year Ended 31 December 2016**

The directors present their strategic report for BlackRock International Limited (the "company") for the year ended 31 December 2016.

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

The company is part of BlackRock, Inc. ("BlackRock"), a leading publicly traded investment management firm with \$5.1tn in assets under management ("AUM"), at 31 December 2016. With approximately 13,000 employees in more than 30 countries who serve clients in over 100 countries across the globe, BlackRock provides a broad range of investment and risk management services to institutional and retail clients worldwide.

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 2017.

### ***Corporate strategy***

Corporate strategy is developed and reviewed at a global and regional level. The company provides investment 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***

BlackRock's highly diversified multi-product platform was created to meet the needs of its clients in all market environments. BlackRock is positioned to provide active and index investment solutions across asset classes and geographies and leverage *BlackRock Solutions*'® ("BRS") world-class risk management, analytics and advisory capabilities on behalf of clients. BlackRock serves a diverse mix of institutional and retail clients across the globe, including investors in *iShares*® ETFs, maintaining differentiated client relationships and a fiduciary focus.

BlackRock's Retail strategy is focused on an outcome-oriented approach to creating client solutions, including active, index and alternative products, enhanced distribution and technology offerings. In the United States, BlackRock is leveraging its integrated wholesaler force to further penetrate distribution platforms and gain share amongst registered investment advisors. Internationally, BlackRock continues to diversify the range of investment solutions available to clients, penetrate new distribution channels and position effectively for regulatory change.

*iShares*® growth strategy is centred on increasing global *iShares*® market share and driving global market expansion. BlackRock intends to achieve these goals by pursuing global growth themes in client and product segments including core investments, fixed income, smart beta, financial instruments and precision exposures.

BlackRock believes Institutional results will be driven by enhancing BlackRock's solutions-oriented approach; deepening client relationships through product diversification and higher value-add capabilities; and leveraging *BlackRock Solutions*'® analytical and risk management expertise.

#### ***Regional***

On a regional basis, BlackRock in EMEA manages \$1.5tn of AUM for its clients. This generates \$3.1bn of revenue from a diversified client base and product range. Growth in the region has been powered by fixed income net inflows, reflecting strong flows into *iShares* and liability-driven investment solutions.

In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union ("EU"), commonly referred to as "Brexit", which resulted in significant volatility in several international markets. The timing and the outcome of the negotiations between the United Kingdom and the EU in connection with Brexit are highly uncertain and information regarding the long-term consequences of the vote is expected to become clearer over time. The company will continue to monitor the potential impact of Brexit on its results of operations and financial condition.

## **BlackRock International Limited**

### **Strategic Report for the Year Ended 31 December 2016 (continued)**

#### ***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 by capitalising on the following factors:

- the company's focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- the company's diversified active and index product offerings, which enhance its ability to offer a variety of traditional and alternative investment products across the risk spectrum and to tailor single and multi-asset investment solutions to address specific client needs;
- the company's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the secular shift to passive investing, a focus on income and retirement, and barbell of risk using index and active products; and
- the company's longstanding commitment to risk management.

Specifically the company provides investment management and client business support to other group companies.

#### ***Key performance indicators***

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

AUM have decreased by £3.6bn from £11.1bn at 31 December 2015 to £7.5bn at 31 December 2016 following an outflow of funds. The value of AUM disclosed here represents the total value of all assets in portfolios managed by employees of the company whereas AUM disclosed in note 14, Interests in unconsolidated structured entities, represents the total value of all assets in portfolios for which the company provides services.

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

Turnover, which largely consists of management fee and performance fee income has decreased by 20.7% from £47.9m in 2015 to £38.0m in 2016. This is primarily due to decreased portfolio management fees from other group companies.

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

Administrative expenses have increased by 5.2% from £29.0m in 2015 to £30.5m in 2016. The increase is driven by a rise in staff costs.

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

Profit after tax decreased by £12.2m from £19.5m in 2015 to £7.3m in 2016, as a result of the aforementioned movements.

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

Nets assets have increased by £7.4m from £618.0m in 2015 to £625.4m in 2016. The increase represents profit for the period and foreign currency translation.

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**

### **Strategic Report for the Year Ended 31 December 2016 (continued)**

#### **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. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. 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 credit risk losses on balance sheet assets or from a lack of liquidity causing the company to be unable to meet payment obligations; and
- market risk events, whereby the company fails to realise the full value of the firm's assets as a result of fluctuations in foreign exchange rates.

#### ***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.

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 EMEA Executive Committee and BlackRock, Inc. board of directors to ensure a culture of excellence, monitor the business and financial performance and protect the brand and reputation of the firm.

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

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.

## **BlackRock International Limited**

### **Strategic Report for the Year Ended 31 December 2016 (continued)**

HSBC is the main cash management service provider. A concentration risk does exist in respect of BlackRock Group Limited's ("BGL") main pan-European bank service provider, HSBC. BlackRock group companies maintain higher credit exposure on its cash with HSBC than with other banks because as HSBC is an AA- rated bank, the risk of default is considered negligible. The creditworthiness of HSBC is continuously monitored by both the Treasury and Risk and Quantitative Analysis departments.

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 liquidity risk management framework ensures that the company shall remain solvent in any reasonably foreseeable stress scenarios, factoring unlikely but plausible events. The governance framework and liquidity policy of the company are designed to: identify, quantify and monitor the liquidity needs, risks and requirements; maintain liquidity resources in excess of liquidity requirements; and maintain an appropriate governance and controls framework for the measurement, monitoring, forecasting, stress testing, usage and allocation of corporate liquidity.

#### ***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; or that arise in sterling, but are booked in foreign operations where the functional currency is not sterling. The company is also exposed to foreign exchange risk on the revaluation of any non-sterling net assets; or sterling net assets booked in foreign operations where the functional currency is not 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 of directors (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**

### **Strategic Report for the Year Ended 31 December 2016 (continued)**

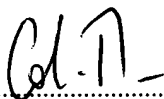
#### ***Internal Capital Adequacy Assessment Process ("ICAAP")***

The company's regulatory capital requirement is established by reference to the ICAAP undertaken by its immediate parent, BGL, as reviewed by the FCA. The detailed analysis therein encompasses all the subsidiaries of BGL.

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:

<https://www.blackrock.com/uk/individual/literature/annual-report/pillar-three-disclosure-uk-annual-report.pdf>

Approved by the Board on 22 March 2017 and signed on its behalf by:



.....  
C Thomson  
Director

## **BlackRock International Limited**

### **Directors' Report for the Year Ended 31 December 2016**

The Board present their report together with the audited financial statements of BlackRock International Limited (registered number: SC160821) for the year ended 31 December 2016.

#### **Principal activity**

The principal activity of the company is the provision of investment management, advisory and administrative services. The company operates a branch outside the UK in Dublin.

The company is authorised and regulated by the FCA.

#### **Directors and officers of the company**

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

D Blumer

J Charrington - Chairman

A Damm (appointed 16 November 2016)

E Fishwick

E de Freitas

N Hall

P Olson

C Thomson

R Webb

M Young

Officers:

BlackRock Company Secretarial Services (UK) Limited - Company secretary (appointed 22 January 2016)

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

The directors are responsible for preparing the Annual Report and 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.



## **BlackRock International Limited**

### **Directors' Report for the Year Ended 31 December 2016 (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **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.

#### **Directors' third-party indemnity provisions**

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2016 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.

#### **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.

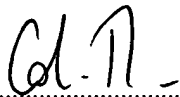
#### **Disclosure of information to the auditors**

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Reappointment of auditors**

The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 22 March 2017 and signed on its behalf by:

  
.....  
C Thomson  
Director

## **BlackRock International Limited**

### **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 2016, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes set out on pages 14 to 34. 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), including FRS 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 (set out on page 6), 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 2016 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 matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

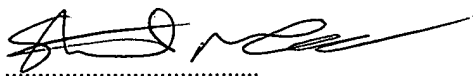
## **BlackRock International Limited**

### **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



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

London  
United Kingdom

22 March 2017

# BlackRock International Limited

## Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	4	37,979	47,872
Administrative expenses		<u>(30,508)</u>	<u>(28,974)</u>
Operating profit	5	7,471	18,898
Interest receivable and similar income	9	1,156	856
Interest payable and similar charges	10	<u>(97)</u>	<u>(100)</u>
Profit before tax		8,530	19,654
Tax on profit on ordinary activities	11	<u>(1,254)</u>	<u>(204)</u>
Profit for the year		<u><u>7,276</u></u>	<u><u>19,450</u></u>

Turnover and operating profit derive wholly from continuing operations.

# **BlackRock International Limited**

## **Statement of Comprehensive Income for the Year Ended 31 December 2016**

	Note	2016 £ 000	2015 £ 000
Profit for the year		7,276	19,450
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation gains		<u>197</u>	<u>7</u>
Total comprehensive income for the year		<u>7,473</u>	<u>19,457</u>

The notes on pages 14 to 34 form an integral part of these financial statements.

**BlackRock International Limited**  
**(Registration number: SC160821)**  
**Balance Sheet as at 31 December 2016**

	Note	2016 £ 000	2015 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	12	9,005	9,960
Investments	13	<u>547,025</u>	<u>547,025</u>
		<u>556,030</u>	<u>556,985</u>
<b>Current assets</b>			
Debtors: amounts falling due after one year	15	69,000	52,000
Debtors: amounts falling due within one year	16	<u>13,774</u>	<u>22,074</u>
		82,774	74,074
<b>Creditors: amounts falling due within one year</b>	17	<u>(5,532)</u>	<u>(5,617)</u>
Net current assets		<u>77,242</u>	<u>68,457</u>
Total assets less current liabilities		633,272	625,442
Provisions for liabilities	18	<u>(7,836)</u>	<u>(7,479)</u>
<b>Net assets</b>		<u>625,436</u>	<u>617,963</u>
<b>Capital and reserves</b>			
Called up share capital	19	1,300	1,300
Share premium reserve		353,406	353,406
Capital contribution reserve		8,019	8,019
Other reserves		371	174
Profit and loss account		<u>262,340</u>	<u>255,064</u>
<b>Shareholders' funds</b>		<u>625,436</u>	<u>617,963</u>

Approved by the Board on 22 March 2017 and signed on its behalf by:

  
.....

C Thomson  
Director

**BlackRock International Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2016**

	Share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £ 000	Foreign currency translation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	1,300	353,406	8,019	174	255,064	617,963
Profit for the year	-	-	-	-	7,276	7,276
Other comprehensive income	-	-	-	197	-	197
Total comprehensive income	-	-	-	197	7,276	7,473
At 31 December 2016	1,300	353,406	8,019	371	262,340	625,436

	Share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £ 000	Foreign currency translation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	1,300	353,406	8,019	167	235,614	598,506
Profit for the year	-	-	-	-	19,450	19,450
Other comprehensive income	-	-	-	7	-	7
Total comprehensive income	-	-	-	7	19,450	19,457
At 31 December 2015	1,300	353,406	8,019	174	255,064	617,963

The notes on pages 14 to 34 form an integral part of these financial statements.

# **BlackRock International Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2016**

### **1 General information**

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

The address of its registered office is:

Exchange Place One

1 Semple Street

Edinburgh

EH3 8BL

These financial statements were authorised for issue by the Board on 22 March 2017.

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **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 ("FRC"). Accordingly, in the year ended 31 December 2016 the company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") issued by the FRC incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes, and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

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.

#### **Summary of disclosure exemptions**

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, share-based payments 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 25.

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

The financial statements contain information about BlackRock International 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.



## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

##### **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. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

The assets and liabilities of the company's foreign operations are translated into sterling using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributable to non-controlling interests as appropriate). On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

##### **Turnover**

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

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 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.

##### **Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **Tax**

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

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 in the countries where the company operates and generates taxable income.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Cost includes directly attributable incremental costs incurred in their acquisition and installation.

##### **Depreciation**

Depreciation is charged so as to write off the cost or valuation of assets, less any estimated residual value, over their expected useful economic life, using the straight-line method, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Short-term leasehold property	fifteen years or term of lease if shorter
Furniture, fittings and equipment	three to seven years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement is determined by the difference between sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **Investments**

Investments are equity holdings in subsidiaries. They are measured at cost less any provision for impairment.

Investments are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

##### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the terms of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### **Defined contribution pension obligation**

Payments to defined contribution retirement benefit plans are recognised as an expense when the employees have rendered service entitling them to the contributions.

##### **Financial instruments**

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial assets and liabilities**

###### ***Classification***

Financial assets are classified as loans and receivables.

Financial liabilities are classified as "other financial liabilities".

###### ***Recognition and measurement***

This classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets or liabilities are recognised and derecognised on a trade date basis. Regular way purchases or sales are those that require delivery of assets within the time frame established by regulation or convention of market place.

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the profit or loss.

###### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income or expense is recognised on an effective interest basis for financial assets or liabilities other than those financial assets or liabilities classified as Fair value through the Profit and Loss ("FVTPL").

###### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

###### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired when there is any objective evidence that, as a result of one or more events that occurred after the initial recognition of a financial asset, the estimate of the future cash flows of the investment have been impacted.

# **BlackRock International Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

### **2 Accounting policies (continued)**

#### **Derecognition of financial assets**

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risk and reward of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risk and reward of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### **3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described above, 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 to the disclosure of interests in other entities.

Full details are set out in note 14.

#### **Income taxes**

The company is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Full details are set out in note 11.

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Provisions

Provisions are liabilities with uncertain timing or amounts and therefore reflect significant levels of judgement or estimates used by management.

Full details are set out in note 18.

### 4 Turnover

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

	2016 £ 000	2015 £ 000
Management fees	37,025	43,426
Performance fees	954	4,446
	<u>37,979</u>	<u>47,872</u>

Turnover includes net management fee income from other group companies of £19,729,000 (2015: £28,684,000).

The analysis of the company's turnover for the year by geographical location is as follows:

	2016 £ 000	2015 £ 000
United Kingdom	36,331	47,872
Overseas	1,648	-
	<u>37,979</u>	<u>47,872</u>

### 5 Operating profit

Arrived at after charging/(crediting)

	2016 £ 000	2015 £ 000
Depreciation expense	1,006	1,001
Foreign exchange (gains)/losses	(569)	92
Operating lease expense - property	<u>1,592</u>	<u>1,643</u>

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **6 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	28,571	24,485
Social security costs	3,848	3,499
Pension costs, defined contribution scheme	119	146
	<u>32,538</u>	<u>28,130</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Office and management	<u>19</u>	<u>21</u>

In addition to the above, 7 employees (2015: 8) were seconded to the company from another group company. The cost of these employees is borne by the company through a secondment recharge of £31,333,000 (2015: £27,021,000). In addition, 3 employees (2015: 4) were seconded to the company's Dublin branch from another group company. The secondment recharge in relation to the branch is £1,205,000 (2015: £1,109,000).

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Aggregate emoluments	456	634
Company contributions in respect of defined contribution pension schemes	3	6
	<u>459</u>	<u>640</u>

Of the 10 (2015: 10) directors that served during the year, no directors were remunerated by the company (2015: no directors). The amounts included above relate to their service as directors of the company based on an estimated time allocation basis except 4 (2015: 4) directors, who were paid an agreed fee.

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

	2016 No.	2015 No.
Received or were entitled to receive shares under service condition based schemes	6	7
Received or were entitled to receive shares under market performance based schemes	4	4
Accruing benefits under defined benefit pension scheme	<u>6</u>	<u>6</u>

During the year, no directors (2015: no directors) exercised BlackRock, Inc. share options.

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Aggregate emoluments	<u>116,000</u>	<u>352,000</u>

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

### 8 Auditors' remuneration

	2016 £ 000	2015 £ 000
Audit of the financial statements	<u>142</u>	<u>151</u>
<b>Other fees to auditors</b>		
The auditing of accounts of any associate of the company	<u>243</u>	<u>226</u>



## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **9 Interest receivable and similar income**

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest income on bank deposits	31	161
Interest income on loan notes receivable from group undertakings	<u>1,125</u>	<u>695</u>
	<u>1,156</u>	<u>856</u>

Interest receivable on bank deposits principally relates to interest received on cash and the UK cash-pooling arrangement, see note 16.

#### **10 Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Other finance costs	<u>97</u>	<u>100</u>

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 11 Income tax

Tax charged/(credited) in the profit and loss account:

	2016 £ 000	2015 £ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	1,287	-
Foreign tax	12	25
Foreign tax adjustment to prior periods	(38)	(50)
Total current income tax	<u>1,261</u>	<u>(25)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	45	88
Arising from changes in tax rates and laws	(6)	(8)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(46)	149
Total deferred taxation	<u>(7)</u>	<u>229</u>
Tax expense in the profit and loss account	<u>1,254</u>	<u>204</u>

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 11 Income tax (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015: lower than the standard rate of corporation tax in the UK) of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	<u>8,530</u>	<u>19,654</u>
Corporation tax at standard rate	1,706	3,980
Increase (decrease) in current tax from adjustment for prior periods	1,249	149
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	66	64
Increase (decrease) arising from group relief tax reconciliation	(1,700)	(3,905)
Increase (decrease) from effect of foreign tax rates	(7)	(65)
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(46)	-
Deferred tax expense (credit) relating to changes in tax rates or laws	<u>(14)</u>	<u>(19)</u>
Total tax charge	<u>1,254</u>	<u>204</u>

The Finance (No.2) Act 2015 reduced the rate of UK corporation tax to 19% with effect from 1 April 2017. A further reduction was enacted by the Finance Act 2016 which reduced the UK corporation tax rate to 17% with effect from 1 April 2020. Accordingly, as both the 19% and 17% rates were enacted as at the Statement of Financial Position date, these rates applied in the measurement of the deferred tax balances as at 31 December 2016 depending on when the temporary differences are expected to reverse.

In prior years, the company claimed group relief for nil payment from another group company. The group company surrendering this relief has an ongoing open matter with Her Majesty's Revenue and Customs. If this open matter is resolved in favour of the group company, then the company's tax liability will decrease by approximately £1,287,000.

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 11 Income tax (continued)

#### Deferred tax

#### Deferred tax liabilities

	<b>Liability £ 000</b>
<b>2016</b>	
Accelerated tax depreciation	(152)
Tax losses carry-forwards	-
	<u>(152)</u>
<b>2015</b>	
Accelerated tax depreciation	(159)
Tax losses carry-forwards	-
	<u>(159)</u>

#### Deferred tax movement during the year:

	<b>At 1 January 2016 £ 000</b>	<b>Recognised in profit and loss £ 000</b>	<b>At 31 December 2016 £ 000</b>
Accelerated tax depreciation	(159)	7	(152)
Tax losses carry-forwards	-	-	-
Net tax assets/(liabilities)	<u>(159)</u>	<u>7</u>	<u>(152)</u>

#### Deferred tax movement during the prior year:

	<b>At 1 January 2015 £ 000</b>	<b>Recognised in profit and loss £ 000</b>	<b>At 31 December 2015 £ 000</b>
Accelerated tax depreciation	(54)	(105)	(159)
Tax losses carry-forwards	123	(123)	-
Net tax assets/(liabilities)	<u>69</u>	<u>(228)</u>	<u>(159)</u>

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 12 Tangible fixed assets

	Short-term leasehold property £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2016	9,719	2,644	12,363
Additions	61	-	61
Disposals	-	(172)	(172)
Cost adjustment	(10)	-	(10)
At 31 December 2016	<u>9,770</u>	<u>2,472</u>	<u>12,242</u>
<b>Depreciation</b>			
At 1 January 2016	1,361	1,042	2,403
Charge for the year	660	346	1,006
Eliminated on disposal	-	(172)	(172)
At 31 December 2016	<u>2,021</u>	<u>1,216</u>	<u>3,237</u>
<b>Carrying amount</b>			
At 31 December 2016	<u>7,749</u>	<u>1,256</u>	<u>9,005</u>
At 31 December 2015	<u>8,359</u>	<u>1,601</u>	<u>9,960</u>

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 13 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 January 2015	512,025
Additions	35,000
At 31 December 2015	<u>547,025</u>
At 1 January 2016	<u>547,025</u>
At 31 December 2016	<u>547,025</u>

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2016	2015
BlackRock Limited ("BLL")	Life Provider of investment management policies for occupational pension schemes for institutional and unit linked pension schemes	UK	100%	100%
BlackRock Pensions Limited ("BPL")	Dormant	UK	100%	100%

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **14 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, performance fees and revenue from related parties. The unconsolidated structured entities are constituted as open-ended and closed-ended investment companies, limited partnerships, 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 interest in these unconsolidated structured entities as recognised in the balance sheets as at 31 December 2015 and 31 December 2016 and the management fee, performance fee and revenue from related parties recognised in the company's profit and loss accounts for the years ended 31 December 2015 and 31 December 2016. The total AUM for these funds amounts to £25.0bn (2015: £29.4bn) which primarily includes 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 asset they hold.

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

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

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

The following table summarises the company's maximum exposure to loss by activity, from its interests in unconsolidated structured entities as at 31 December 2016.

Asset class	Net revenues £ 000	Fees paid in arrears £ 000
Fixed Income Mandates	720	2,024
Equity Mandates	31,837	4,445
Multi Asset Mandates	1,569	1,264
Alternative Mandates	3,815	745
Cash Management Mandates	38	12
	<u>37,979</u>	<u>8,490</u>

The following table summarises the company's maximum exposure to loss by activity, from its interests in unconsolidated structured entities as at 31 December 2015.

Asset class	Net revenues £ 000	Fees paid in arrears £ 000
Fixed Income Mandates	-	2,455
Equity Mandates	37,322	3,534
Multi Asset Mandates	1,419	922
Alternative Mandates	9,131	290
	<u>47,872</u>	<u>7,201</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 differences to the economic or voting rights attaching to the equity held by the company from those held by other investors. 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.



## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 15 Debtors amounts falling due after one year

£69,000,000 (2015: £52,000,000) of debtors greater than one year relate to loans due from group companies which are repayable on demand are summarised as follows:

Group Company	Description	Interest Rate	Maturity	2016	2015
				£000	£000
BlackRock Group Limited	Tranche 1	6M LIBOR +1%	19 September 2019	28,000	28,000
BlackRock Group Limited	Tranche 2	6M LIBOR +1%	24 September 2020	24,000	24,000
BlackRock Group Limited	Tranche 3	6M LIBOR +1%	31 March 2021	17,000	-
				<u>69,000</u>	<u>52,000</u>

#### 16 Debtors: amounts falling due within one year

	2016	2015
	£ 000	£ 000
Trade debtors	1,304	638
Amounts due from group companies	4,772	13,741
Accrued income	6,599	6,563
Prepayments	967	957
Other debtors	132	175
	<u>13,774</u>	<u>22,074</u>

In order to better reflect the nature of prior year trade debtor balances, accrued amounts of £6,563,000 are now presented separately from the billed amounts and prepaid amounts of £957,000 are now presented separately from other debtors.

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"). Any amounts contributed by the company are treated as an intercompany receivable from BIM. The balance receivable from BIM of £7,745,000 (2015: £18,457,000) in relation to this arrangement 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.

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

#### 17 Creditors: amounts falling due within one year

	2016 £ 000	2015 £ 000
Accrued expenses	258	562
Other creditors	-	527
Corporation tax liability	6	25
Amounts due to group companies	5,238	4,454
Bank overdraft	30	49
	<u>5,532</u>	<u>5,617</u>

In order to better reflect the nature of prior year other creditors, accrued expenses of £562,000 are now presented separately.

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

#### 18 Provisions

	Property-related provisions £ 000	Deferred tax provisions £ 000	Total £ 000
At 1 January 2016	7,320	159	7,479
Provided in year	283	-	283
Provisions utilised	(16)	(7)	(23)
Increase due to unwinding of discount	97	-	97
At 31 December 2016	<u>7,684</u>	<u>152</u>	<u>7,836</u>

Property-related provisions include a rent free period on the company's Exchange Place property with £283,000 (2015: £1,819,000) being provided for during the year. The company also recognises a provision for dilapidation on the Exchange Place property.

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

### 19 Share capital

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

	No. 000	2016 £ 000	No. 000	2015 £ 000
Ordinary shares of £1 each	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>

### 20 Pension and other schemes

#### *Defined contribution pension scheme*

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £119,000 (2015: £146,000).

### 21 Obligations under leases and hire purchase contracts

#### Operating leases

The company has the following outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £ 000	2015 £ 000
Within one year	2,074	1,355
In two to five years	8,298	8,297
In over five years	<u>13,873</u>	<u>15,932</u>
	<u>24,245</u>	<u>25,584</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,592,000 (2015: £1,643,000)

### 22 Contingent liabilities

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

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.

### 23 Financial instruments

The company has no financial assets or liabilities measured at fair value.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)**

#### **24 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 7. 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.

#### **25 Parent and ultimate parent undertaking**

The company's immediate holding 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 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).