

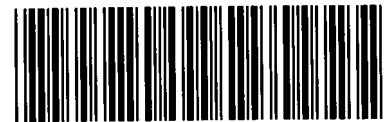
Registration number: SC160821

# BlackRock International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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## **BlackRock International Limited**

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## **BlackRock International Limited**

### **Strategic Report for the Year Ended 31 December 2017**

The directors present their strategic report for BlackRock International Limited (the "company") for the year ended 31 December 2017.

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

The company is part of BlackRock, Inc. ("BlackRock"), a leading publicly traded investment management firm with \$6.3tn in assets under management ("AUM"), at 31 December 2017. With approximately 13,900 employees in more than 30 countries who serve clients in over 100 countries across the globe, BlackRock provides a broad range of investment, risk management and technology 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 2018.

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

Corporate strategy is developed and reviewed at a global and regional level. The company provides investment management 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 diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes and geographies enables the company to tailor investment outcomes and asset allocation solutions for clients in all market environments. BlackRock also offers the investment and risk management technology platform, *Aladdin*®, risk analytics, advisory and technology services and solutions to a broad base of institutional and wealth management clients. BlackRock serves a diverse mix of institutional and retail clients across the globe, with a regionally focused business model including distinct leadership of the Americas, EMEA and Asia-Pacific regions.

BlackRock's retail strategy is focused on an outcome-oriented approach to creating client solutions, including alpha-seeking 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 among 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 *Aladdin*'s analytical and risk management expertise.

BlackRock continues to invest in technology and risk management offerings, which enhance our ability to generate alpha, effectively serve clients and operate efficiently. BlackRock's technology portfolio includes *Aladdin* and *Aladdin Risk for Wealth Management*, *FutureAdvisor*, *Cachematrix*, as well as minority investments in *Scalable Capital* and *iCapital*.

## **BlackRock International Limited**

### **Strategic Report for the Year Ended 31 December 2017 (continued)**

#### ***Regional***

On a regional basis, BlackRock in EMEA manages \$1.8tn of assets 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 strong fixed income net inflows into *iShares* and liability-driven investment solutions.

#### ***British exit from the European Union***

Following the June 2016 vote to exit the European Union ("EU"), the United Kingdom served notice under Article 50 of the Treaty on European Union on March 29, 2017 to initiate the process of exiting from the EU, commonly referred to as "Brexit". The outcome of the negotiations between the United Kingdom and the EU in connection with Brexit is highly uncertain and information regarding the long-term consequences is expected to become clearer over time as negotiations progress. BlackRock continues to engage with European regulators to prepare for a range of potential outcomes in connection with Brexit to ensure that it continues to be able to access the EU market and service customers in those jurisdictions.

#### ***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 differentiating BlackRock in the following ways:

- the company's focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- the company's diverse spectrum of investment strategies, including market-cap weighted index, smart beta and factor-based, high conviction alpha and liquid and illiquid alternative product offerings, which enhance its ability 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 index investing, a focus on income and retirement, and barbell of risk using index and active products, including alternatives; and
- the company's longstanding commitment to technology and risk management and the continued development of, and increased interest in, BlackRock technology products and solutions, including *Aladdin*, *Cachematrix*, and *FutureAdvisor*, as well as *Scalable Capital* and *iCapital*, in which BlackRock has made minority investments.

Specifically the company provides investment management to other group companies.

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

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

AUM decreased by £1.8bn to £5.7bn at 31 December 2017 (2016: £7.5bn) following an outflow of funds. The value of AUM disclosed represents the total value of all assets in portfolios managed by employees of the company.

##### ***Turnover***

Turnover, which largely consists of management fee and performance fee income has decreased by 24.7% to £28.6m in 2017 (2016: £38.0m). This is primarily due to decreased portfolio management fees from other group companies.

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

Administrative expenses have decreased by 24.9% to £22.9m in 2017 (2016: £30.5m). The decrease is driven by increased global executive recharges and reduced staff costs.

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

Profit after tax increased by £35.1m to £42.4m in 2017 (2016: £7.3m), as a result of dividends received.

## **BlackRock International Limited**

### **Strategic Report for the Year Ended 31 December 2017 (continued)**

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

Net assets have increased by 6.8% to £667.9m at 31 December 2017 (2016: £625.4m). 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.

#### ***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 as follows:

#### ***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, outsourced third party service providers or from external events, this includes cyber risk. 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 ensures that disruptions to delivering client services are minimised.

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 of directors (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.

BlackRock considers information security and cyber security to be of paramount importance and an essential cornerstone of its operations, and has implemented security policies and controls that seek to ensure adequate protection against the adverse effects of failures in confidentiality, integrity and availability of information and information systems. The policies are reviewed and revised on an annual basis through a formal governance process, including approval across senior management, and there is a rolling programme of security awareness communication and training for all staff.

## **BlackRock International Limited**

### **Strategic Report for the Year Ended 31 December 2017 (continued)**

#### ***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 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.

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 their 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 the liquidity policy of the company are designed to: identify, quantify and monitor the liquidity needs, risks and the 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 the risk of loss resulting from fluctuations in the market value of net positions attributable to changes 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 positions; or sterling net positions 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.

## **BlackRock International Limited**

### **Strategic Report for the Year Ended 31 December 2017 (continued)**

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 surplus to meet the regulatory requirement at all times during the year.

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

The company's regulatory capital requirement is established by reference to the ICAAP undertaken by its immediate parent, BGL, as reviewed by the FCA. The detailed analysis therein encompasses subsidiaries and participations of BGL that are included within its prudential consolidation.

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 19 April 2018 and signed on its behalf by:



.....  
C Thomson  
Director

## **BlackRock International Limited**

### **Directors' Report for the Year Ended 31 December 2017**

The Board present their report together with the audited financial statements of BlackRock International Limited (registered number: SC160821) for the year ended 31 December 2017.

The directors have chosen, in accordance with section 414C (11) of the Companies Act 2006, to include certain additional matters in the Strategic Report that would otherwise be required to be disclosed in the Directors' Report.

#### **Principal activity**

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

The company is authorised and regulated by the FCA.

#### **Directors and officer of the company**

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

D Blumer (resigned 27 September 2017)

J Charrington - Chairman

C Clausen (appointed 23 November 2017 and resigned 28 March 2018)

R Damm

E de Freitas

E Fishwick

N Hall (resigned 31 May 2017)

R Lord (appointed 27 September 2017)

P Olson

C Thomson

R Webb (resigned 12 December 2017)

M Young

The following director was appointed after the year end:

S Mullin Outhwaite (appointed 27 March 2018)

Officer:

BlackRock Company Secretarial Services (UK) Limited - Company Secretary

#### **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:



## **BlackRock International Limited**

### **Directors' Report for the Year Ended 31 December 2017 (continued)**

- 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.

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. 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 2017 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. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

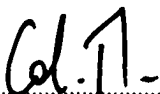
#### **Reappointment of auditor**

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**BlackRock International Limited**

**Directors' Report for the Year Ended 31 December 2017 (continued)**

Approved by the Board on 19 April 2018 and signed on its behalf by:

  
.....  
C Thomson  
Director

## **BlackRock International Limited**

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

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BlackRock International Limited for the year ended 31 December 2017, which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Accounting Policies; and
- the related Notes to the Financial Statements 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **BlackRock International Limited**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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.

#### **Report on other legal and regulatory requirements**

##### **Opinion on other matter 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 Directors' Report have been prepared in accordance with applicable legal requirements.

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

**BlackRock International Limited**

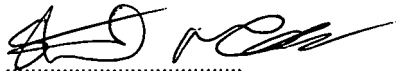
**Independent Auditor's Report to the Members of BlackRock International Limited  
(continued)**

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Stuart McLaren (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

19 April 2018

## BlackRock International Limited

### Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	28,647	37,979
Administrative expenses		<u>(22,925)</u>	<u>(30,508)</u>
Operating profit	5	5,722	7,471
Interest receivable and similar income	9	1,237	1,156
Interest payable and similar charges	10	(100)	(97)
Net gains on derivative financial instruments		539	-
Dividends received		<u>35,000</u>	<u>-</u>
Profit before tax		42,398	8,530
Tax on profit on ordinary activities	11	<u>(45)</u>	<u>(1,254)</u>
Profit for the year		<u><u>42,353</u></u>	<u><u>7,276</u></u>

Turnover and operating profit derive wholly from continuing operations in the UK and Ireland.

# BlackRock International Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2017

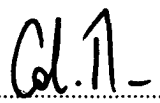
	Note	2017 £ 000	2016 £ 000
Profit for the year		42,353	7,276
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation gains		88	197
Total comprehensive income for the year		42,441	7,473

The notes on pages 16 to 35 form an integral part of these financial statements.

**BlackRock International Limited**  
**(Registration number: SC160821)**  
**Balance Sheet as at 31 December 2017**

	Note	31 December 2017 £ 000	31 December 2016 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	12	8,334	9,005
Investments	13	<u>547,025</u>	<u>547,025</u>
		<u>555,359</u>	<u>556,030</u>
<b>Current assets</b>			
Debtors: amounts falling due after one year	15	69,000	69,000
Debtors: amounts falling due within one year	16	<u>56,851</u>	<u>13,774</u>
		125,851	82,774
<b>Creditors: amounts falling due within one year</b>	17	<u>(5,817)</u>	<u>(5,532)</u>
Net current assets		<u>120,034</u>	<u>77,242</u>
Total assets less current liabilities		675,393	633,272
Provisions	18	<u>(7,516)</u>	<u>(7,836)</u>
<b>Net assets</b>		<u><u>667,877</u></u>	<u><u>625,436</u></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		459	371
Profit and loss account		<u>304,693</u>	<u>262,340</u>
<b>Shareholders' funds</b>		<u><u>667,877</u></u>	<u><u>625,436</u></u>

Approved by the Board on 19 April 2018 and signed on its behalf by:

  
.....  
C Thomson  
Director



# BlackRock International Limited

## Statement of Changes in Equity for the Year Ended 31 December 2017

	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 2017	1,300	353,406	8,019	371	262,340	625,436
Profit for the year	-	-	-	-	42,353	42,353
Other comprehensive income	-	-	-	88	-	88
Total comprehensive income	-	-	-	88	42,353	42,441
At 31 December 2017	1,300	353,406	8,019	459	304,693	667,877

	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

The notes on pages 16 to 35 form an integral part of these financial statements.  
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## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **1 General information**

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

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 19 April 2018.

#### **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 2017 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.

The financial statements have been prepared on the historical cost basis, except for the revaluation of any financial instruments held at fair value. 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 comparative information in respect of certain standards, 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 the United States of America.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (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.

##### **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 or net asset value ("NAV"), as appropriate.

The company receives performance fees or incentive allocations from 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.

At the date of authorisation of these financial statements, IFRS 15 Revenues from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018), was issued but not yet effective and as such has not yet been applied by the company.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations when it becomes effective. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the specific performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by IFRS 15.

Based on an analysis of the company's revenue streams as at 31 December 2017 and on the facts and circumstances that existed at that date, the directors have assessed the main impact of IFRS 15 to the company's financial statements as follows:

- Revenue will need to be disclosed gross of certain fees paid to group companies. This will increase the amount of revenue disclosed, but will not affect the net profit or loss for the year.
- Revenue (and expenses) for services which are sub-delegated to other affiliated counterparties will now be recognised gross in the profit or loss account of the contract legal entity who retains control of the risks, but this will not affect the net profit or loss for the year.
- Apart from providing more extensive disclosures on the company's revenue transactions, the directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and financial performance of the company.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **2 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. 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.

##### **Interest income**

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

##### **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.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 lives, 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.

#### **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.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Dividends**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Dividends payable are included in the financial statements in the period in which they are approved by the directors.

##### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, or 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.

##### **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 or 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.

##### **Other employee benefits**

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Short-term compensated absences are recognised, in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences or, in the case of non-accumulating compensated absences, when the absences occur.

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method, which views each period of employee service as giving rise to an additional unit of benefit entitlement. The liabilities are discounted, if material, using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **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.

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

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

Financial assets are classified into the following categories:

- Loans and receivables
- Fair value through the profit and loss ("FVTPL")

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

Financial liabilities are classified into the following categories:

- Fair value through the profit and loss ("FVTPL")
- Other financial liabilities

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

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 FVTPL) 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 FVTPL 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 FVTPL.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Financial assets at FVTPL**

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities, or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and accounting standards permit the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets held at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'net gains/(losses) on financial instruments held at fair value though profit or loss' line item within the profit or loss. Fair value is determined in the manner described in note 23.

##### **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.

For financial assets carried at amortised cost, the amount of impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.



## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (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.

##### **Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net gains/(losses) on financial instruments held at fair value through profit or loss'. Fair value is determined in the manner described in note 23.

##### **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.

## **BlackRock International Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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

##### **Valuation techniques and assumptions applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair values of financial assets and financial liabilities derived from valuation techniques that are not based on observable market data (unobservable market inputs).

##### **Derivatives and hedging**

In limited circumstances, the company uses derivative financial instruments to economically hedge its risk associated with foreign exchange movements and to economically hedge against market price exposure with respect to certain seed investments. It is not the company's policy to trade in derivative instruments. The company does not designate its derivative instrument as a formal hedging instrument and hedge accounting is not applied.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit and loss account immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

#### **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.

##### ***Critical judgements in applying the company's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

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

##### Impairment of non-financial assets

In assessing the recoverable amount of an asset or cash-generating unit under a fair value less costs of disposal approach, management's judgement is exercised to best determine risk adjusted multipliers to reflect the risk profile of the asset or cash-generating unit under review.

In assessing the recoverable amount of an asset or cash-generating unit under a value in use approach, management's judgement is exercised to best estimate future cash flows and a post-tax discount rate, based upon a group adjusted weighted average cost of capital, to reflect the risks associated with the asset or cash-generating unit.

##### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### Provisions

Provisions are liabilities with uncertain timing or amounts and therefore reflect significant levels of judgement or estimates used by management. In assessing the provisions required, management exercise judgement in relation to best estimates of future cash flows and discount rates applied.

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:

	2017 £ 000	2016 £ 000
Management fees	26,509	37,025
Performance fees	2,138	954
	<u>28,647</u>	<u>37,979</u>

Turnover includes net management fee income from other group companies of £10,997,000 (2016: £19,729,000).

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

	2017 £ 000	2016 £ 000
United Kingdom	26,878	36,331
Overseas	1,769	1,648
	<u>28,647</u>	<u>37,979</u>

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 5 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	994	1,006
Foreign exchange losses/(gains)	1,069	(569)
Operating lease expense - property	<u>1,664</u>	<u>1,592</u>

#### 6 Staff costs

The aggregate payroll costs were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	25,747	28,571
Social security costs	3,857	3,848
Pension costs, defined contribution scheme	<u>125</u>	<u>119</u>
	<u>29,729</u>	<u>32,538</u>

During the year, 6 employees (2016: 7) were seconded to the company from another group company. The cost of these employees is borne by the company through a secondment recharge of £28,394,000 (2016: £31,333,000). In addition, 3 employees (2016: 3) were seconded to the company's Dublin branch from another group company. The secondment recharge in relation to the branch is £1,335,000 (2016: £1,205,000).

#### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Aggregate emoluments	475	456
Company contributions in respect of defined contribution pension schemes	<u>10</u>	<u>3</u>
	<u>485</u>	<u>459</u>

Of the 12 (2016: 10) directors that served during the year, no directors were remunerated by the company (2016: no directors). The amounts included above relate to their service as directors of the company based on an estimated time allocation basis except 6 (2016: 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:

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 7 Directors' remuneration (continued)

	2017 No.	2016 No.
Received or were entitled to receive shares under service condition based schemes	8	6
Received or were entitled to receive shares under market performance based schemes	2	4
Accruing benefits under defined contribution pension scheme	<u>5</u>	<u>6</u>

During the year, no directors (2016: no directors) exercised BlackRock, Inc. share options.

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Aggregate emoluments	<u>116</u>	<u>116</u>

#### 8 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>140</u>	<u>142</u>
<b>Other fees to auditors</b>		
The auditing of accounts of any associate of the company	<u>218</u>	<u>243</u>

#### 9 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Interest income on bank deposits	35	31
Interest income on loan notes receivable from group companies	<u>1,202</u>	<u>1,125</u>
	<u>1,237</u>	<u>1,156</u>

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

Details of the loan notes receivable from group undertakings are detailed in note 15.

#### 10 Interest payable and similar charges

	2017 £ 000	2016 £ 000
Other finance costs	<u>100</u>	<u>97</u>

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 11 Income tax

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

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	-	1,287
Foreign tax	20	12
Foreign tax adjustment to prior periods	3	(38)
Total current income tax	<u>23</u>	<u>1,261</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	26	45
Arising from changes in tax rates and laws	-	(6)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(4)	(46)
Total deferred taxation	<u>22</u>	<u>(7)</u>
Tax expense in the profit and loss account	<u><u>45</u></u>	<u><u>1,254</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016: lower than the standard rate of corporation tax in the UK) of 19.25% (2016: 20%).

The differences are reconciled below:

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 11 Income tax (continued)

	2017 £ 000	2016 £ 000
Profit before tax	42,398	8,530
Corporation tax at standard rate	8,160	1,706
Increase (decrease) in current tax from adjustment for prior periods	3	1,249
Increase (decrease) from effect of revenues exempt from taxation	(6,767)	(20)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	72	66
Increase (decrease) arising from group relief tax reconciliation	(1,436)	(1,700)
Increase (decrease) arising from overseas tax suffered (expensed)	20	13
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(4)	(46)
Deferred tax expense (credit) relating to changes in tax rates or laws	(3)	(14)
Total tax charge	45	1,254

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 Balance Sheet date, these rates applied in the measurement of the deferred tax balances as at 31 December 2017 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.

#### Deferred tax

##### Deferred tax liabilities

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in profit and loss £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	(152)	(22)	(174)

Deferred tax movement during the prior year:

# BlackRock International Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

### 11 Income tax (continued)

	At 1 January 2016 £ 000	Recognised in profit and loss £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	(159)	7	(152)

### 12 Tangible fixed assets

	Short-term leasehold property £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2017	9,770	2,472	12,242
Additions	162	163	325
At 31 December 2017	9,932	2,635	12,567
<b>Depreciation</b>			
At 1 January 2017	2,021	1,218	3,239
Charge for the year	665	329	994
At 31 December 2017	2,686	1,547	4,233
<b>Carrying amount</b>			
At 31 December 2017	7,246	1,088	8,334
At 31 December 2016	7,749	1,256	9,005

### 13 Investments

Subsidiaries	£ 000
<b>Cost or valuation</b>	
At 1 January 2016	547,025
At 31 December 2016	547,025
At 1 January 2017 and 31 December 2017	547,025



## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 13 Investments (continued)

Details of the subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2017	2016
BlackRock Limited ("BLL")	Life Provider of investment management policies for occupational pension schemes for institutional and unit linked pension schemes	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock Limited ("BPL")	Pensions Dormant	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%

#### 14 Interests in unconsolidated structured entities

The company manages investment funds which are considered to be structured entities within the definition of IFRS 12. Structured entities are not consolidated as the company does not have "control" as defined under IFRS 10. The company receives an interest in these unconsolidated structured entities through the receipt of management and performance fees and revenue from related parties. The unconsolidated structured entities are constituted as open-ended and closed-ended investment companies, unit trusts and investment trusts.

The unconsolidated structured entities have individual 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, third party investors 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.

The fees received during the year to 31 December 2017, in relation to the above, were £28,647,000 (2016: £37,979,000). The carrying value on the balance sheet as at 31 December 2017 is £8,032,000 (2016: £7,903,000), as represented by trade debtors and accrued income.

The value of the AUM for which the company performs portfolio management services is £5.7bn (2016: £7.5bn). In order to better reflect the nature of the company's business, the basis of the comparative AUM disclosed differs from that in the prior year financial statements.

#### 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 amounts detailed above.

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

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

##### 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.

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

£69,000,000 (2016: £69,000,000) of debtors greater than one year relate to loans due from group companies which are repayable on demand, summarised as follows:

Group Company	Description	Interest Rate	Maturity	2017	2016
				£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	17,000
				<u>69,000</u>	<u>69,000</u>

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

	31 December 2017 £ 000	31 December 2016 £ 000
Trade debtors	1,871	1,304
Amounts due from group companies	46,814	4,772
Accrued income	6,161	6,599
Prepayments	1,040	967
Other debtors	932	132
Corporation tax asset	33	-
	<u>56,851</u>	<u>13,774</u>

Cash management within the BlackRock group is governed by a 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 £42,655,000 (2016: £7,745,000) 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 2017 (continued)

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

	31 December 2017 £ 000	31 December 2016 £ 000
Accrued expenses	384	258
Other creditors	4	-
Corporation tax liability	-	6
Amounts due to group companies	5,354	5,238
Bank overdraft	75	30
	<u>5,817</u>	<u>5,532</u>

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 2017	7,684	152	7,836
Provided in year	-	22	22
Provisions utilised	(442)	-	(442)
Increase due to unwinding of discount	100	-	100
At 31 December 2017	<u>7,342</u>	<u>174</u>	<u>7,516</u>

Property-related provisions include a rent free period on the company's Exchange Place property with £425,000 being utilised during the year (2016: £283,000 provided in the year). The company also recognises a provision for dilapidation on the Exchange Place property based on the estimated costs of returning the property to its original condition at the end of the lease term, discounted back to the current equivalent expense.

#### 19 Share capital

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

	No. 000	2017 £ 000	No. 000	2016 £ 000
Ordinary shares of £1 each	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 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 £125,000 (2016: £119,000).

#### 21 Obligations under leases

##### **Operating leases**

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

	31 December 2017 £ 000	31 December 2016 £ 000
Within one year	2,074	2,074
In two to five years	8,298	8,298
In over five years	11,798	13,873
	<u>22,170</u>	<u>24,245</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,664,000 (2016: £1,592,000).

#### 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.

## BlackRock International Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 23 Financial instruments

##### Financial assets

##### *Derivative financial assets at fair value through profit and loss held for trading*

	2017 £ 000	2016 £ 000
Foreign exchange forward contracts	66	-

At the balance sheet date foreign exchange forward contracts were in place to hedge the foreign exchange exposure of the entity. These forwards have a tenor of less than one month.

##### Financial liabilities

##### *Derivative financial liabilities at fair value through profit and loss held for trading*

	2017 £ 000	2016 £ 000
Foreign exchange forward contracts	4	-

At the balance sheet date foreign exchange forward contracts were in place to hedge the transactional foreign exchange exposure of the entity. These forwards have a tenor of less than one month.

#### 24 Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 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).