

Registration number: 05853856

BlackRock Finco UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017



BlackRock Finco UK Limited

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BlackRock Finco UK Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for BlackRock Finco UK 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 global asset management firm with \$6.3tn in assets under management ("AUM"), as 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 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 2018.

Corporate strategy

Corporate strategy is developed and reviewed at a global and regional level. The company acts as an intermediate holding and finance company. 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 Finco UK Limited

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

Regional

On a regional basis, BlackRock in EMEA manages \$1.8tn of AUM for its clients. This generates \$3.6bn of revenue from a diversified client base and product range. Growth in the region has been powered by fixed income net inflows, reflecting strong flows 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.

Key Performance Indicators

Profit after tax

Profit/loss after tax has decreased by \$652.0m from a profit of \$546.9m in 2016 to a loss of \$105.1m in 2017, driven by decreased dividends received from investments in group companies.

Net assets

Net assets have increased by \$3,526.6m from \$8,362.8m in 2016 to \$11,889.4m in 2017, arising from an upward revaluation of other investments.

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:

Balance sheet risk

Credit risk arises in relation to accounts receivable, surplus cash held in bank accounts and other asset investments. Intercompany balances are managed centrally and agreed upon and settled on a regular basis.

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 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.

BlackRock Finco UK Limited

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

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.

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 net positions attributable to changes in foreign exchange rates.

The company is exposed to foreign exchange risk on all income and expenditure that arise in currencies other than US Dollar. The company is also exposed to foreign exchange risk on the revaluation of any non-US Dollar net assets.

Approved by the Board on 9 August 2018 and signed on its behalf by:



.....
C Thomson
Director

BlackRock Finco UK Limited

Directors' Report for the Year Ended 31 December 2017

The board of directors (the "Board") presents its report together with the audited financial statements of BlackRock Finco UK Limited (registered number: 05853856) 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 to act as an intermediate holding and finance company.

Dividends

No dividends were paid in 2017 (2016: \$548.7m).

Directors and officers of the company

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

J Feliciani (resigned 23 March 2018)

C Thomson

N Fleming

The following director was appointed after the year end:

M Comerchero (appointed 23 March 2018)

Officers:

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:

- 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.

BlackRock Finco UK Limited

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

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.

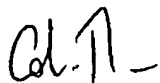
Disclosure of information to the auditors

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 auditors

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

Approved by the Board on 9 August 2018 and signed on its behalf by:



.....
C Thomson
Director

BlackRock Finco UK Limited

Independent Auditor's Report to the Members of BlackRock Finco UK 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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 Finco UK 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 related Notes to the Financial Statements 1 to 20

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 Finco UK Limited

Independent Auditor's Report to the Members of BlackRock Finco UK 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. 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 and the Directors' Report.

BlackRock Finco UK Limited

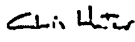
**Independent Auditor's Report to the Members of BlackRock Finco UK Limited
(continued)**

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.



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Chris Hunter CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

9 August 2018

BlackRock Finco UK Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 \$ 000	2016 \$ 000
Dividends received from investments in group companies	10	127,317	789,742
Administrative expenses		<u>(66,363)</u>	<u>(1,996)</u>
Operating profit	4	<u>60,954</u>	<u>787,746</u>
Interest receivable and similar income	7	100	187
Interest payable and similar charges	8	(225,842)	(241,079)
Net gains on derivative financial instruments		<u>59,646</u>	<u>-</u>
		<u>(166,096)</u>	<u>(240,892)</u>
(Loss)/profit before tax		(105,142)	546,854
Tax on (loss)/profit on ordinary activities	9	-	-
(Loss)/profit for the year		<u><u>(105,142)</u></u>	<u><u>546,854</u></u>

Results are derived wholly from continuing operations.

BlackRock Finco UK Limited

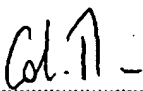
Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 \$ 000	2016 \$ 000
(Loss)/profit for the year		(105,142)	546,854
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Fair value gain/(loss) on available for sale financial assets	10	<u>3,631,727</u>	<u>(681,675)</u>
Total comprehensive income/(loss) for the year		<u>3,526,585</u>	<u>(134,821)</u>

BlackRock Finco UK Limited
(Registration number: 05853856)
Balance Sheet as at 31 December 2017

	Note	31 December 2017 \$ 000	31 December 2016 \$ 000
Fixed assets			
Other investments	10	15,950,052	12,318,325
Current assets			
Debtors: amounts falling due within one year	11	43,734	12,433
Debtors: amounts falling due after one year	12	464	2,719
Cash and cash equivalents		61,661	2,248
		<u>105,859</u>	<u>17,400</u>
Creditors: amounts falling due within one year	13	<u>(1,694,699)</u>	<u>(290,405)</u>
Net current liabilities		<u>(1,588,840)</u>	<u>(273,005)</u>
Total assets less current liabilities		14,361,212	12,045,320
Creditors: amounts falling due after more than one year			
Loans and borrowings	14	<u>(2,471,792)</u>	<u>(3,682,485)</u>
Net assets		<u>11,889,420</u>	<u>8,362,835</u>
Capital and reserves			
Called up share capital	15	206,593	206,593
Share premium reserve		3,465,810	3,465,810
Other reserves		7,862,479	4,230,752
Profit and loss account		354,538	459,680
Shareholders' funds		<u>11,889,420</u>	<u>8,362,835</u>

Approved by the Board on 9 August 2018 and signed on its behalf by:


.....
C Thomson
Director

BlackRock Finco UK Limited

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

	Share capital \$ 000	Share premium reserve \$ 000	Other reserves \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2017	206,593	3,465,810	4,230,752	459,680	8,362,835
Loss for the year	-	-	-	(105,142)	(105,142)
Other comprehensive loss	-	-	3,631,727	-	3,631,727
Total comprehensive loss	-	-	3,631,727	(105,142)	3,526,585
At 31 December 2017	206,593	3,465,810	7,862,479	354,538	11,889,420

	Share capital \$ 000	Share premium reserve \$ 000	Other reserves \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2016	206,593	3,465,810	4,912,427	461,489	9,046,319
Profit for the year	-	-	-	546,854	546,854
Other comprehensive income	-	-	(681,675)	-	(681,675)
Total comprehensive income	-	-	(681,675)	546,854	(134,821)
Dividends	-	-	-	(548,663)	(548,663)
At 31 December 2016	206,593	3,465,810	4,230,752	459,680	8,362,835

The notes on pages 13 to 28 form an integral part of these financial statements.

BlackRock Finco UK 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 the UK.

The address of its registered office is:

12 Throgmorton Avenue

London

EC2N 2DL

These financial statements were authorised for issue by the Board on 9 August 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 19.

BlackRock Finco UK 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 3, 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 ongoing dividend stream generated by its investments. 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 US Dollars, 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.

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.

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.

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.

BlackRock Finco UK Limited

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

2 Accounting policies (continued)

Other investments

Investments in securities are classified on initial recognition as available-for-sale ("AFS") and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in profit and loss.

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:

- Fair value through the profit and loss ("FVTPL")
- Available-for-sale ("AFS")
- Loans and receivables.

Financial liabilities are classified into the following categories:

- FVTPL; and
- Other financial liabilities.

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

Debt is classified as other financial liabilities in accordance with the substance of the contractual arrangement.

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.

BlackRock Finco UK Limited

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

2 Accounting policies (continued)

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 is recognised on an effective interest basis for financial assets and liabilities.

Financial assets at FVTPL

Financial assets are classified as at 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 at 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 at FVTPL.

Financial assets 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 and loss. Fair value is determined in the manner described in note 17.

BlackRock Finco UK Limited

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

2 Accounting policies (continued)

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets which are either designated to this category or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) FVTPL.

The company has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 17. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated within the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the company's right to receive the dividend is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. Exchange gains and losses are taken to other reserves and are recognised in other comprehensive income.

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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in OCI are reclassified to profit or loss in that year.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payment; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with the default on receivables.

BlackRock Finco UK Limited

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

2 Accounting policies (continued)

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.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through the profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through the profit or loss if an increase in the fair value of an investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

On derecognition of financial assets in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had previously been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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 repurchasing 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.

BlackRock Finco UK Limited

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

2 Accounting policies (continued)

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 17.

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.

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 ("level 1");
- 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 ("level 2");
- the fair values of financial assets and financial liabilities derived from valuation techniques that are not based on observable market data (unobservable market inputs) ("level 3").

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.

BlackRock Finco UK 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)

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.

Available-for-sale assets

AFS financial assets are fair valued at the end of each reporting period and more frequently where impairment indicators, or the reversal of prior period impairment indicators, exist.

The fair value of unlisted available-for-sale equity shares has been estimated using discounted cash flow projections, with an appropriate long-term growth rate assumed and a discount rate applied based on the relevant cost of equity, and an additional risk adjustment to discount for the lack of marketability and control.

Management also exercises judgement in determining whether a decrease, or increase, in recoverable amount meets the prolonged or significant tests.

Full details are set out in note 17.

4 Operating profit

Arrived at after charging:

	2017	2016
	\$ 000	\$ 000
Foreign exchange losses	66,410	1,996

BlackRock Finco UK Limited

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

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 \$ 000	2016 \$ 000
Aggregate emoluments	361	360
Company contributions in respect of defined contribution pension schemes	1	15
	<u>362</u>	<u>375</u>

Of the 3 (2016: 3) 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.

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

	2017 No.	2016 No.
Received or were entitled to receive shares under service condition based schemes	3	3
Accruing benefits under defined contribution pension scheme	<u>2</u>	<u>3</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	340	344
Company contributions to defined contribution schemes	-	14
	<u>340</u>	<u>358</u>

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

6 Auditors' remuneration

Auditors' remuneration for the audit of the financial statements was \$22,000 (2016: \$23,000). This was borne by another group company in the current and preceding year.

BlackRock Finco UK Limited

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

7 Interest receivable and similar income

	2017 \$ 000	2016 \$ 000
Loan interest receivable	<u>100</u>	<u>187</u>

8 Interest payable and similar charges

	2017 \$ 000	2016 \$ 000
Interest payable on loan notes payable to group companies	<u>225,842</u>	<u>241,079</u>

9 Income tax

The total tax charge for 2017 is nil (2016: nil). The tax on profit before tax for the year is higher 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:

	2017 \$ 000	2016 \$ 000
(Loss)/profit before tax	<u>(105,142)</u>	<u>546,854</u>
Corporation tax at standard rate	(20,236)	109,371
Increase (decrease) from effect of revenues exempt from taxation	(24,504)	(157,949)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	3,125	3,889
Increase (decrease) from tax losses for which no deferred tax asset was recognised	1,243	-
Increase (decrease) arising from group relief tax reconciliation	129,996	44,689
Increase (decrease) in current tax from unrecognised temporary difference from a prior period	<u>(89,624)</u>	<u>-</u>
Total tax charge/(credit)	<u>-</u>	<u>-</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.

BlackRock Finco UK Limited

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

9 Income tax (continued)

Deferred tax

There are \$2,146,000 of unused tax losses (2016 - \$1,960,000) for which no deferred tax asset is recognised in the balance sheet.

10 Other investments

Movement in available-for-sale assets

	31 December 2017 \$ 000	31 December 2016 \$ 000
Carrying amount		
At 1 January	12,318,325	13,000,000
Fair value adjustments	<u>3,631,727</u>	<u>(681,675)</u>
At 31 December	<u>15,950,052</u>	<u>12,318,325</u>

Available-for-sale financial assets represents the Class B Ordinary shares of BlackRock Group Limited which are unlisted and have no fixed maturity or coupon rate. For details on the valuation approach, please refer to note 17.

During the year dividends of \$127.3m (2016: \$789.7m) were received from BlackRock Group Limited.

11 Debtors: amounts falling due within one year

	31 December 2017 \$ 000	31 December 2016 \$ 000
Amounts due from group companies	34,062	1,029
Amounts receivable on derivative financial instruments	9,672	-
Corporation tax asset	<u>-</u>	<u>11,404</u>
	<u>43,734</u>	<u>12,433</u>

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

BlackRock Finco UK Limited

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

12 Debtors: amounts falling due after one year

	2017	2016
	\$ 000	\$ 000
Loans to third parties	464	2,719

The breakdown of loans due from third parties is as follows:

Counterparty	Interest Rate	Maturity	2017 \$ 000	2016 \$ 000
Fleet Mortgages Limited	8%	22 August 2019	0*	2,148**
London Wall Investment Warehouse 01 Limited	0%	31 December 2019	447	556
Law Debenture Trustees Limited	0%	N/A	17	15
			<u>464</u>	<u>2,719</u>

* Early repayment was received against the full balance of this loan in July 2017

** Includes accrued interest

13 Creditors: amounts falling due within one year

	31 December 2017 \$ 000	31 December 2016 \$ 000
Loans due to group companies	1,634,028	-
Amounts payable on derivative financial instruments	4,904	-
Amounts due to group companies	<u>55,767</u>	<u>290,405</u>
	<u>1,694,699</u>	<u>290,405</u>

All amounts due to group companies are unsecured and, excluding the notes shown in the table in note 14, repayable on demand.

14 Loans and borrowings

	31 December 2017 \$ 000	31 December 2016 \$ 000
Non-current loans and borrowings		
Loans due to group companies	<u>2,471,792</u>	<u>3,682,485</u>

BlackRock Finco UK Limited

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

14 Loans and borrowings (continued)

The breakdown of the loan notes due, both within one year and after more than one year, are as follows:

Group Company	Description	Interest Rate	Maturity	2017	2016
				\$ 000	\$ 000
BlackRock Group Limited	BFUK Note 1	0.93%	14 June 2018	689,901	-
BlackRock Jersey Finco 2 Limited	Tranche 1A	5.45%	28 December 2018	944,127	947,723
BlackRock Jersey Finco 2 Limited	Tranche 1B	5.65%	28 December 2020	425,636	425,636
BlackRock Jersey Finco 2 Limited	Tranche 2A	6.47%	28 December 2020	985,207	985,207
BlackRock Jersey Finco 2 Limited	Tranche 2B	6.58%	28 December 2021	140,618	140,618
BlackRock Jersey Finco 2 Limited	Tranche 3	8.23%	28 December 2021	737,744	737,744
BlackRock Jersey Finco 2 Limited	Tranche 4	3.70%	30 September 2023	96,423	96,423
BlackRock Jersey Finco 2 Limited	Tranche 5	3.80%	31 March 2024	86,164	86,164
BlackRock Jersey Finco 2 Limited	Tranche 2C	3.81%	1 July 2023	-	52,594
BlackRock Jersey Finco 2 Limited	Tranche 2D	3.81%	1 July 2023	-	52,594
BlackRock Jersey Finco 2 Limited	Tranche 2E	3.81%	1 July 2023	-	52,594
BlackRock Jersey Finco 2 Limited	Tranche 2F	3.81%	1 July 2023	-	52,594
BlackRock Jersey Finco 2 Limited	Tranche 2G	3.81%	1 July 2023	-	52,594
				<u>4,105,820</u>	<u>3,682,485</u>

On 6 March 2017 the company received a loan of £510.0m from BlackRock Group Limited.

On 7 March 2017 the company made a loan principal repayment of \$263.0m to BlackRock Jersey Finco 2 Limited in respect of the full balance on Tranches 2C - 2G and a partial loan principal repayment of \$3.6m to BlackRock Jersey Finco 2 Limited in respect of Tranche 1A.

15 Share capital

Authorised, called up and fully paid shares

	No. 000	2017 \$ 000	No. 000	2016 \$ 000
Ordinary shares of \$1 each	<u>206,593</u>	<u>206,593</u>	<u>206,593</u>	<u>206,593</u>

16 Dividends

	2017 \$ 000	2016 \$ 000
Dividend of \$Nil (2016: \$2.66) per ordinary share	<u>-</u>	<u>548,663</u>

BlackRock Finco UK Limited

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

17 Financial instruments

Categories of financial instruments

Financial assets at fair value through profit or loss

Derivative held for trade

	2017 \$ 000	2016 \$ 000
Foreign exchange forward contracts	<u>9,672</u>	<u>-</u>

Valuation methods and assumptions

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.

Financial assets at fair value

	2017 \$ 000	2016 \$ 000
Other investments	<u>15,950,052</u>	<u>12,318,325</u>

Valuation methods and assumptions

The fair value of unlisted available-for-sale equity shares has been estimated using discounted cash flow projections, with an appropriate long-term growth rate assumed and a discount rate applied based on the relevant cost of equity, and an additional risk adjustment to discount for the lack of marketability and control.

Changes in fair value in respect of financial instruments classified as available-for-sale are recognised in other comprehensive income.

Financial liabilities

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

	2017 \$ 000	2016 \$ 000
Foreign exchange forward contracts	<u>4,904</u>	<u>-</u>

Valuation methods and assumptions

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.

BlackRock Finco UK Limited

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

17 Financial instruments (continued)

Other financial liabilities

	2017 \$ 000	2016 \$ 000
Trade and other creditors	60,671	290,405
Loans and borrowings	<u>4,109,416</u>	<u>3,682,485</u>
	<u>4,170,087</u>	<u>3,972,890</u>
	2017 £ 000	2016 £ 000

Categories of Financial Instruments

Financial assets at fair value

Available-for-sale financial assets	<u>15,950,052</u>	<u>12,318,325</u>
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Changes in value of financial instruments at fair value

Other comprehensive income has been arrived at after (crediting)/charging:

Available-for-sale financial assets	<u>(3,631,727)</u>	<u>681,675</u>
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The fair value 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 ("level 1");
- the fair values of other 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 ("level 2");
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives ("level 3").

Significant assumptions used in determining fair value of financial assets and liabilities:

Unlisted AFS investments

The fair value of unlisted AFS equity shares has been estimated using a dividend discount cash flow projections model, with an appropriate long term growth rate assumed and a discount rate applied based on the relevant cost of equity, an additional risk adjustment to discount for the lack of marketability.

18 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 5. There are no personnel other than Directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the company.

BlackRock Finco UK Limited

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

19 Parent and ultimate parent undertaking

The company's immediate holding company is BlackRock UK 1 LP 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 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.

20 Post balance sheet events

On 28 March 2018 the company made a distribution of \$23.5m to BlackRock UK 1 LP.

On 13 April 2018 the company received a loan of £400.0m from BlackRock Group Limited. This loan has an interest rate of 1.37% and matures on 24 May 2019. Subsequently, the company made a loan of \$400.0m to BlackRock Holdco 2, Inc. This loan has an interest rate of 2.76% and matures on 30 September 2018.

On 24 May 2018 the company received a full repayment of the loan to BlackRock Holdco 2, Inc as outlined above. Subsequently, the company made a loan to BlackRock Financial Management, Inc of \$400.0m. This loan has an interest rate of 2.17% and matures on 30 September 2018.

On 21 June 2018 the company received a distribution of £570.0m from BlackRock Group Limited.

On 21 June 2018 the company made a loan of \$700.0m to BlackRock Financial Management, Inc. This loan has an interest rate of 2.17% and matures on 24 May 2020.

On 30 June 2018 the loan from BlackRock Group Limited of £510.0m was extended with a new maturity date of 30 June 2019.