

Registered number: OC371085

# BlackRock UK 3 LLP

Members' Annual Report and Financial Statements  
for the Year Ended 31 December 2017

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# **BlackRock UK 3 LLP**

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# **BlackRock UK 3 LLP**

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

The members present their Strategic Report for BlackRock UK 3 LLP (the “partnership”) for the year ended 31 December 2017.

### ***The Partnership’s role in the global group***

The partnership is part of BlackRock, Inc. (“BlackRock”), a leading publicly traded investment 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, 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 partnership’s principal activities in the period under review and the management board proposes that the principal activities will continue during 2018.

### ***Corporate strategy***

Corporate strategy is developed and reviewed at a global and regional level. The partnership holds an investment in group undertakings and seed investments in sponsored investment products. 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 partnership 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 partnership 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 active, index and alternative products, enhanced distribution and technology offerings. In the United States, BlackRock is leveraging its integrated wholesaler force to further penetrate distribution platforms and gain share amongst registered investment advisors. Internationally, BlackRock continues to diversify the range of investment solutions available to clients, penetrate new distribution channels and position effectively for regulatory change.

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

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

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.

#### ***Regional***

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

### ***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

## **BlackRock UK 3 LLP**

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

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 for the Year***

The partnership made a profit for the year, which increased by €163.9m from €151m in 2016 to €314.9m in 2017, driven by an increase in dividends received from investments in group companies during the year.

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

Net assets of the partnership have decreased from €2,780.35m in 2016 to €2,780.24m in 2017, primarily due to increased creditor balances.

The performance of the partnership 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 partnership's members believe that providing further performance indicators for the partnership itself would not enhance an understanding of the development, performance or position of the business of the partnership.

#### ***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 partnership may be categorised under three broad categories:

##### ***Operational risk:***

One of the major risks faced by the partnership 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 providers or from external events, this includes cyber risk. The partnership benefits from 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.

BlackRock considers information security and cyber security to be of paramount importance and an essential cornerstone of its operations, and has implemented information 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.

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

Balance sheet risk arises from credit risk losses on balance sheet assets or from a lack of liquidity causing the partnership to be unable to meet payment obligations.

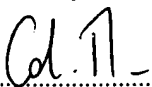
##### ***Market risk:***

Market risk arises from events whereby the partnership fails to realise the full value of the firm's assets as a result of fluctuations in interest rates.

**BlackRock UK 3 LLP**  
**Strategic Report for the Year Ended 31 December 2017**

The partnership has low exposures to credit risk and liquidity risk in relation to its cash and current asset investments. The partnership participates in BlackRock's Seed Capital Hedge Programme ("SCHP") which involves participants entering into derivative financial instrument transactions, in this case total return swaps, to economically hedge against market price exposures with respect to certain seed investments. The partnership has limited exposure to market risk in relation to its intercompany debt, specifically interest rate risk as all loan interest rates are fixed.

Approved by the Board on 28 June 2018 and signed on its behalf by:

  
.....

C Thomson  
Member of Management Board

# **BlackRock UK 3 LLP**

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

The Management Board (the "Board") present their report together with the audited financial statements of BlackRock UK 3 LLP (registered number: OC371085) for the year ended 31 December 2017.

### **Principal activities**

The principal activity of the partnership is to hold investments in group undertakings and to hold seed investments in sponsored investment products.

### **Management board**

The management board members who held office during the year and up to the date of signing were as follows:

P Matsumoto  
C Thomson  
M Oh (resigned 20 December 2017)  
A Peters (appointed 20 December 2017)

### **Designated members**

The designated members (as defined in the Limited Liability Partnerships Act 2000) who served on the board of members ("the Board") during the period were:

BlackRock Cayman Finco Limited ("Cayman Finco")  
BlackRock UK 2 LLP ("LLP2")

### **Members' drawings and capital**

All members are equity members and share in the profits and subscribe to the capital of the partnership.

Each member's capital account has been credited to reflect the aggregate of the amount of each member's capital contribution. Members' accounts will be credited to reflect any further capital contributions made as determined by the financing requirements of the business. The Board shall not be obliged to make any distributions unless there is sufficient cash available, which would render the partnership insolvent, or which would leave the partnership with insufficient funds to meet any future obligations.

### **Members' profit sharing**

Net profits or net losses arising in each accounting period shall be allocated to the members in proportion to their respective capital contributions or on such different basis as may be determined by the members of the Board.

### **Statement of members' responsibilities**

The members are responsible for preparing the members' Annual Report and Financial Statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members 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 members 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 partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 partnership will continue in business.

**BlackRock UK 3 LLP**  
**Members' Report for the Year Ended 31 December 2017**

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

These responsibilities are exercised by the Management Board on behalf of the members.

**Going concern**

The members believe that the partnership is well placed to manage its business risks successfully despite the current economic outlook. After making enquiries, the members have a reasonable expectation that the partnership 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.

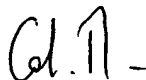
**Disclosure of information to the auditor**

Each member has taken steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that the partnership's auditor is aware of that information. The members 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 as applied to limited liability partnerships.

Approved by the members on 28 June 2018 and signed on their behalf by:



C Thomson  
Member of the Management Board

# **BlackRock UK 3 LLP**

## **Independent Auditor's Report to the Members of BlackRock UK 3 LLP**

### ***Report on the audit of the financial statements***

#### ***Opinion***

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership'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 Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements of BlackRock UK 3 LLP (the 'limited liability partnership') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' interests; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

#### ***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 limited liability partnership 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 members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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 members 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 we do not express any form of assurance conclusion thereon.

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.



**BlackRock UK 3 LLP**  
**Independent Auditor's Report to the Members of BlackRock UK 3 LLP**

We have nothing to report in respect of these matters.

***Responsibilities of members***

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership 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 limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

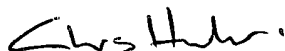
***Report on other legal and regulatory requirements***

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

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns; 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.



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

28 June 2018

**BlackRock UK 3 LLP**  
**Profit and Loss Account for the Year Ended 31 December 2017**

	Note	2017 €000	2016 €000
Net gains/(losses) on financial instruments held at fair value through profit or loss		79	(521)
Administrative (expenses)/income		(188)	48
Operating (loss)	4	(109)	(473)
Dividends received from investments in group companies		315,027	151,441
Interest receivable and similar income	6	-	55
Interest payable and similar charges	7	-	(50)
<b>Profit for the financial year available for discretionary division among members</b>	8	<u>314,918</u>	<u>150,973</u>

Profit for the year derives wholly from the partnership's continuing operations.

The partnership has no other comprehensive income for the current or prior year.

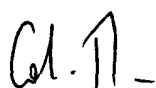
The notes on pages 11 to 21 form an integral part of these financial statements.

**BlackRock UK 3 LLP**  
**Balance Sheet as at 31 December 2017**

	Note	2017 €000	2016 €000
<b>Fixed assets</b>			
Investments in subsidiaries	9	2,780,036	2,780,036
<b>Current assets</b>			
Investments	11	363	295
Cash at bank		49	45
Debtors	12	-	34
		412	374
Creditors: amounts falling due within one year	13	(58)	(58)
Net current assets		354	316
Total assets less current liabilities		2,780,390	2,780,352
Creditors: amounts falling due after more than one year	14	(147)	-
<b>Net assets attributable to members</b>		2,780,243	2,780,352
<b>Represented by:</b>			
<b>Members' capital classified as equity</b>		2,780,243	2,780,352

The notes on pages 11 to 21 form an integral part of these financial statements.

The financial statements of BlackRock UK 3 LLP (registered number OC371085) on pages 8 to 10, and accompanying notes, were approved by the members and authorised for issue on 28 June 2018. They were signed on the members' behalf by:



C Thomson

Member of the Management Board

**BlackRock UK 3 LLP**  
**Statement of Changes in Members' Interests for the Year Ended 31 December 2017**

	<b>Members' capital</b>	<b>Income account</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Members' interests at 1 January 2017	2,807,962	(27,610)	2,780,352
Profit for the financial year	-	314,918	314,918
Dividends paid	-	(315,027)	(315,027)
<b>Members' interests at 31 December 2017</b>	<u>2,807,962</u>	<u>(27,719)</u>	<u>2,780,243</u>

	<b>Members' capital</b>	<b>Income account</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
BlackRock UK 2 LLP	2,806,034	(27,700)	2,778,334
BlackRock Cayman Finco Limited	1,928	(19)	1,909
<b>Members' interests at 31 December 2017</b>	<u>2,807,962</u>	<u>(27,719)</u>	<u>2,780,243</u>

	<b>Members' capital</b>	<b>Income account</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Members' interests at 1 January 2016	2,807,962	(342)	2,807,620
Profit for the financial year	-	150,973	150,973
Dividends paid	-	(178,241)	(178,241)
<b>Members' interests at 31 December 2016</b>	<u>2,807,962</u>	<u>(27,610)</u>	<u>2,780,352</u>

	<b>Members' capital</b>	<b>Income account</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
BlackRock UK 2 LLP	2,806,034	(27,591)	2,778,443
BlackRock Cayman Finco Limited	1,928	(19)	1,909
<b>Members' interests at 31 December 2016</b>	<u>2,807,962</u>	<u>(27,610)</u>	<u>2,780,352</u>

The notes on pages 11 to 21 form an integral part of these financial statements.

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**1. General information**

The partnership is incorporated as a limited liability partnership under the Limited Liability Partnership Act 2000 and was incorporated and domiciled in the United Kingdom.

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

The financial statements were authorised for issue by the members on 28 June 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 partnership meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100") as issued by the Financial Reporting Council ("FRC"). Accordingly, in the year ended 31 December 2017 the partnership 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 financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

**Summary of disclosure exemptions**

As permitted by FRS 101, the partnership 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 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 18.

**Exemption from preparing group accounts**

The financial statements contain information about BlackRock UK 3 LLP as an individual partnership and do not contain consolidated financial information as the parent of a group.

The partnership 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 ultimate parent, BlackRock, Inc., a company incorporated in the United States of America.

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**2. Accounting policies (continued)**

**Going concern**

The partnership'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 partnership.

In assessing the partnership's going concern status, the members have taken into account the above factors, including the financial position of the partnership and in particular the net-cash position. The partnership 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 members with the confidence that the partnership is well placed to manage its business risks successfully.

After making appropriate enquiries, the members have a reasonable expectation that the partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements.

**Foreign currency transactions and balances**

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

Transactions in currencies other than the partnership'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**

The taxation payable on profits of the partnership is a liability of the members and is not dealt with in these financial statements.

**Members' remuneration**

Remuneration paid to members under employment contracts, any other non-discretionary amounts payable to members and any automatic divisions of profit are recognised as an expense in the profit and loss account as incurred.

A division of profits that is discretionary on the part of the partnership is recognised as an appropriation of equity when the division occurs.

**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 circumstances indicate that the carrying amount may not be recoverable.

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**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 members.

**Financial instruments**

Financial assets and financial liabilities are recognised on the partnership's balance sheet when the partnership 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"); and
- Loans and receivables.

The partnership's financial liabilities are classified as either 'FVTPL' or 'other financial liabilities'.

Debt and equity instruments are classified as 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.

**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 UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**2. Accounting policies (continued)**

**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 partnership 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 partnership'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 remeasurement 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 through profit or loss' line item within the profit and loss. Fair value is determined in the manner described in note 15.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the 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 the financial asset, the estimate of the future cash flows of the investment have been impacted.

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 financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of financial assets is reduced by the impairment loss.



**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**Accounting policies (continued)**

**Derecognition of financial assets**

The partnership 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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 partnership 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 partnership'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 IAS 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 15.

**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 partnership'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 UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**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 ("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").

**Derivatives and hedging**

The partnership participates in the BlackRock, Inc. Seed Capital Hedge Programme ("SCHP") which involves participants entering into derivative financial instrument transactions, in this case total return swaps and foreign currency derivative contracts, to economically hedge against market price exposures with respect to certain seed investments in sponsored investment products. It is not the partnership's policy to trade in derivative instruments. The partnership 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 profit or loss 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. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

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

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

The members do not consider that any critical accounting estimates or significant judgements, over and above those disclosed in the accounting policies in note 2, have been made in the current period.

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**4. Operating (loss)**

	2017 €000	2016 €000
Operating (loss) is stated after charging:		
Foreign exchange (losses)/gains	(186)	50

**5. Auditor's remuneration**

	2017 €000	2016 €000
Audit of the financial statements	16	17

Auditor's remuneration has been borne by another group company in the current year.  
There were no non-audit fees payable by the partnership to the auditor during 2017 (2016: €nil).

**6. Interest receivable and similar income**

	2017 €000	2016 €000
Other interest receivable	-	55

**7. Interest payable and similar charges**

	2017 €000	2016 €000
Other interest	-	50

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**8. Profit for the financial year available for discretionary division among members**

The amount of profits to be distributed is determined after the financial statements have been finalised and approved by the members. The profits are then shared amongst the members after the end of the period in accordance with agreed profit sharing arrangements.

Members do not receive any interest on their capital contributions or any remuneration other than their share of profits in accordance with profit sharing agreements.

The average profit per member is calculated by dividing the profit for the period before members' remuneration and profit shares by the average number of members.

The average number of members during the year was two (2016: two).

The average profit per member was €157,459,000 (2016: €75,487,000).

The share of profit (including remuneration) attributable to the member with the largest entitlement to profit, consisting of profits allocated after the balance sheet date and remuneration during the year, was €314,702,000 (2016: €150,869,000).

**9. Fixed asset investments**

	Subsidiary undertakings €000
<b>Cost</b>	
At 1 January & 31 December 2017	<u>2,780,036</u>

The following are investments in subsidiary undertakings:

Name of subsidiary	Country of Incorporation and registered office	% Holding	Principal activity
BlackRock UK 4 LLP*	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	99.93% of members' capital	To hold investments in group undertakings and seed investments
BlackRock Finco LLC	Wilmington, Delaware, USA	100%	Financing and intermediary holding company
BlackRock Jersey Finco 2 Limited	Suite 130, Liberation Station, Jersey, JE1 0BR, Channel Islands	100%	Financing company

\*indicates direct investment of the company

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**10. Interest in unconsolidated structured entities**

The partnership holds interests in investment funds, some of which are considered to be structured entities within the definition of IFRS 12. Structured entities are not consolidated as the partnership does not have “control” as defined under IFRS 10. The partnership holds an interest in these unconsolidated structured entities through a direct equity holding. The unconsolidated structured entities are constituted as open-ended and closed-ended investment companies, limited partnerships and investment trusts.

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

The unconsolidated structured entities are financed through a combination of equity capital provided by third party investors and seeding capital provided by the partnership. The carrying values of the partnership’s interests in unconsolidated structured entities funds as recognised in the partnership’s balance sheet as at 31 December 2017 are €0.36m (2016: €0.30m). The fair value gains recognised in the partnership’s profit and loss account for the year ended 31 December 2017 were €0.08m (2016: loss of €0.52m).

**Maximum exposure to loss**

The partnership’s maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amounts detailed above.

**Financial support**

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

**Other information**

There are no differences to the economic or voting rights attaching to the equity held by the partnership from those held by other investors. There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the partnership’s interest in the unconsolidated structured entities.

**11. Current asset investments**

	2017 €000	2016 €000
Financial assets designated at FVTPL	<u>363</u>	<u>295</u>

These are unlisted investments relating to MGPA Limited’s limited partnership interests in MGPA funds acquired by the partnership in 2013. The fair value of unlisted investments is based on the partnership’s share of the net asset value (“NAV”) of each fund. As the investments in the financial assets are not traded in active markets, the fair value is determined using valuation techniques. The partnership uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. In addition, during the year, there have been further investments in alternative funds which are not listed.

Any movements in the fair value of the current asset investments listed above have been included in the profit and loss account.

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

**12. Debtors**

	2017 €000	2016 €000
Other debtors: Co-investment payment deed	-	34

The partnership acquired the MGPA Limited's Limited partnership interests in MGPA funds in October 2013. The partnership had a receivable in 2016 (for 2017 see note 14) from the seller due upon payments being made to the funds.

**13. Creditors: Amounts falling due within one year**

	2017 €000	2016 €000
Other creditors	58	58

**14. Creditors: Amounts falling due after more than one year**

	2017 €000	2016 €000
Co-investment payment deed	147	-

The partnership acquired the MGPA Limited's Limited partnership interests in MGPA funds in October 2013. As at 31 December 2017, the partnership has a deferred liability to the seller payable upon receipt of distributions from the funds.

**15. Financial instruments**

**Financial assets**

***Financial assets at fair value through profit or loss***

**Non-derivative designated at FVTPL**

	2017 €000	2016 €000
Seed investments held	363	295

***Valuation methods and assumptions***

**Seed investments (unlisted)**

As the investments in the financial assets are not traded in active markets, the fair value is determined using valuation techniques (see note 2). The partnership uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

**BlackRock UK 3 LLP**  
**Notes to the Financial Statements for the Year ended 31 December 2017**

***Loans and receivables***

	2017 €000	2016 €000
Cash at bank and in hand	49	45
Trade and other debtors	-	34
	<u>49</u>	<u>79</u>

**Financial liabilities**

***Other financial liabilities***

	2017 €000	2016 €000
Trade and other creditors	<u>205</u>	<u>58</u>

**16. Subsequent events**

There are no subsequent events to report that occurred after the balance sheet date, but before the financial statements were authorised for issue.

**17. Related party transactions**

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

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

**18. Ultimate controlling party**

The partnership's 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 partnership 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).