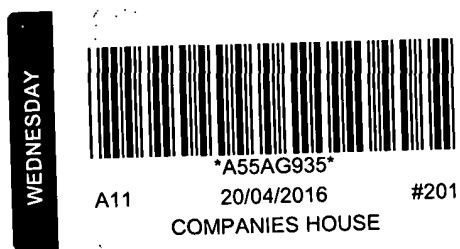


Registration number: 2020394

# BlackRock Investment Management (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015



\*A55AG935\*

A11

20/04/2016

#201

COMPANIES HOUSE

# **BlackRock Investment Management (UK) Limited**

## **Contents**

|                                   |          |
|-----------------------------------|----------|
| Strategic Report                  | 1 to 5   |
| Directors' Report                 | 6 to 7   |
| Independent Auditor's Report      | 8 to 9   |
| Profit and Loss Account           | 10       |
| Statement of Comprehensive Income | 11       |
| Balance Sheet                     | 12       |
| Statement of Changes in Equity    | 13 to 14 |
| Notes to the Financial Statements | 15 to 41 |
| Country by Country Report         | 42 to 44 |

## **BlackRock Investment Management (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2015**

The directors present their Strategic Report for the year ended 31 December 2015.

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

The company is part of BlackRock, Inc. ("BlackRock"), a leading global asset management firm with \$4.6tn in assets under management ("AUM"), as at 31 December 2015. With approximately 13,000 employees in more than 30 countries, 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 2016.

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

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

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

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

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

BlackRock's Retail strategy is focused on an outcome-oriented approach to creating client solutions, including active, index and alternative products, and enhanced distribution. In the United States, BlackRock is leveraging its integrated wholesaler force to further penetrate warehouse 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 capitalise on regulatory change impacting retrocession arrangements.

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

BlackRock believes Institutional results will be driven by strength in speciality areas, including Defined Contribution, Financial Institutions, Official Institutions and Foundations, Family Offices and Endowments; deepening client relationships through effective cross-selling efforts; enhancing BlackRock's solutions-oriented approach and leveraging *BlackRock Solutions*' analytical and risk management expertise.

##### ***Regional***

On a regional basis, BlackRock in EMEA manages \$1.3tn of AUM for its clients. This generates \$3.4bn of revenue from a diversified client base and product range. Growth in the region has been powered by Retail and *iShares* growth, this growth resulted from BlackRock's ability to take advantage of key changes in the European market.

## **BlackRock Investment Management (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2015 (continued)**

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

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

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

Specifically the company provides investment management and client business support to other group companies. Additionally the company manages a diversified portfolio covering fixed income, equity and multi-asset solutions.

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

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

AUM has decreased by £53.9bn to £284.4bn at 31 December 2015 (2014: £338.3bn), with the decrease largely due to transfers to other group companies during the year. The value of AUM disclosed here represents the total value of all assets in portfolios managed by employees of the company whereas AUM disclosed within note 15, Interests in unconsolidated structured entities, represents the total value of all assets in portfolios for which the company provides services.

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

Turnover, which largely consists of management fee and performance fee income, has increased 15.0% from £1,005.1m in 2014 to £1,155.4m in 2015, with the company earning increased performance fees and increased income from other BlackRock entities in respect of investment management and administration services performed by the company.

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

Administrative expenses have increased by 5.6% from £705.1m in 2014 to £744.6m in 2015, with the increase principally reflecting an increased headcount and corresponding increases in employee costs and associated expenses.

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

Profit after tax has increased by 45.6% from £234.1m in 2014 to £340.8m in 2015 as a result of the aforementioned movements in the year. This represents a return on assets of 63.7% (2014: 41.2%).

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

Net assets have decreased by £33.3m from £568.2m in 2014 to £534.9m in 2015, reflecting the increased dividends paid by the company to its parent.

## **BlackRock Investment Management (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2015 (continued)**

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. BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring and managing risks, and invests in personnel and technology accordingly.

The specific risks and uncertainties relevant to the company may be categorised under three broad categories:

- operational risk events, arising from inadequate or failed internal processes, people and systems, or from external events, may result in direct costs and/or subsequent litigation and reputational damage;
- balance sheet risk events, arising from credit risk losses on balance sheet assets or from a lack of liquidity causing the company to be unable to meet payment obligations; and
- market risk events, whereby adverse economic conditions could lead to a decline in the value of clients' portfolios and hence associated revenues.

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

One of the major risks faced by the company is operational risk, which is the risk of direct or indirect impacts resulting from inadequate or failed internal processes, people and systems, or from external events. The company has a well-established operational risk management framework that provides appropriate control and oversight over risk management arrangements. The operational risk management framework supports the firm's fiduciary obligations to clients and mitigates the potential impacts of poor customer outcomes. The strong management of risk also ensure that disruptions to delivering client services are at a minimum.

The company operates in a competitive and highly regulated environment and there are a number of factors which could increase the number and severity of operational risks faced by the company. A detailed model approach, based on scenario analysis and statistical modelling, is used to assess the operational risk capital requirement. The company seeks to manage operational risk by means of a variety of controls to prevent or mitigate the occurrence of operational risk events and losses. Escalation procedures are in place and operational risks are regularly monitored and reported to senior management, the Board and relevant internal oversight committees.

The company also considers risk management when setting remuneration policies and practices to govern those staff whose professional activities could potentially have a material impact on the company's risk profile. Whilst employees are compensated for strong performance in their management of client portfolios, they are required to manage risk within the risk profiles appropriate for their clients.

The list of Remuneration Code Staff is reviewed and agreed by the EMEA Compensation Committee, the Management Development and Compensation Committee, the EMEA Executive Committee and BlackRock, Inc.'s board of directors to ensure a culture of excellence, monitor the business and financial performance and protect the brand and reputation of the firm.

## **BlackRock Investment Management (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2015 (continued)**

#### ***Balance Sheet risk***

Credit risk arises in relation to accounts receivable, surplus cash held in bank accounts or held on account with other BlackRock group companies as part of normal treasury operations, and other asset investments. The risk of default in relation to accounts receivable arising from fee income debtors is considered low. The company minimises exposure to credit risk with respect to accounts receivable by actively pursuing settlement of outstanding management fee invoices and performance fee invoices within the terms and conditions of the underlying agreement and in some circumstances retains the right to offset unpaid invoices against any client assets. Intercompany balances are managed centrally and agreed upon and settled on a regular basis. The company manages its cash through a UK cash-pooling arrangement between BlackRock group entities, with any cash not required for working capital invested in money market instruments or highly rated and liquid sovereign debt.

Liquidity risk is the risk that the company is unable to meet financial obligations as they fall due without adversely affecting its financial position, the normal course of its business or its reputation. The liquidity risk management framework ensures that the company shall remain solvent in any reasonably foreseeable stress scenarios, factoring unlikely but plausible events. The governance framework and liquidity policy of the company are designed to: identify, quantify and monitor the liquidity needs, risks and requirements; maintain liquidity resources in excess of liquidity requirements; and maintain an appropriate governance and controls framework for the measurement, monitoring, forecasting, stress testing, usage and allocation of corporate liquidity

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

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

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

The company is exposed to foreign exchange risk on all income, all expenditure and all transfer pricing (both income and expenditure) that arise in currencies other than sterling; or that arise in sterling, but are booked in legal entities where the functional currency is not sterling. The company is also exposed to foreign exchange risk on the revaluation of any non-sterling net assets; or sterling net assets booked in legal entities where the functional currency is not sterling.

#### ***Capital management***

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern;
- to satisfy the requirements of its regulators; and
- to maintain financial strength to support new business growth.

The company is subject to a minimum regulatory capital requirement imposed by the Financial Conduct Authority ("FCA"). In order to ensure compliance with this requirement throughout the year and to fund continued business expansion and development, a surplus was maintained throughout the year as deemed appropriate by the Board.

The company takes into account the amount of its distributable reserves and its cash flow position when making any decision to pay a dividend, thus ensuring that the company is able to continue as a going concern and has a sufficient capital surplus to meet the regulatory requirement at all times during the year.

## **BlackRock Investment Management (UK) Limited**

### **Strategic Report for the Year Ended 31 December 2015 (continued)**

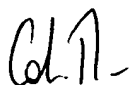
#### ***Internal Capital Adequacy Assessment Process ("ICAAP")***

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

In addition, details of BGL's approach to capital adequacy are included in its 'Pillar 3' Market disclosure document, which also provides information regarding the remuneration policies and practices for those staff whose professional activities could have a material impact on BGL's risk profile. This can be found at the following website address:

<http://www.blackrock.com/uk/individual/literature/simplified-prospectus/pillar-three-disclosure-uk.pdf>

Approved by the Board on 23 March 2016 and signed on its behalf by:



.....  
C Thomson  
Director

## **BlackRock Investment Management (UK) Limited**

### **Directors' Report for the Year Ended 31 December 2015**

The board of directors (the "Board") present their report together with the audited financial statements of BlackRock Investment Management (UK) Limited (registered number:2020394) for the year ended 31 December 2015.

#### **Principal activity**

The principal activity of the company is the provision of investment management, advisory and administrative services. The company operates branches outside the UK in Amsterdam, Athens, Brussels, Cape Town, Copenhagen, Frankfurt, Madrid, Munich, Milan, Paris, Stockholm, Vienna and Warsaw.

The company is authorised and regulated by the FCA.

#### **Dividends**

Dividends of £360.0m were paid in 2015 (2014: £174.0m). The directors recommend a dividend payment of £150.0m be made in respect of the financial year ended 31 December 2015 (2014: £120.0m).

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

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

D Blumer

J Charrington - Chairman

E Fishwick

E de Freitas

N Hall

K Ironmonger (resigned 28 May 2015)

P Olson (appointed 3 June 2015)

C Thomson

R Webb

M Young

Officers:

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

A Caban - Company secretary (resigned 16 December 2015)

J Taylor - Company secretary (resigned 15 April 2015)

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:



## **BlackRock Investment Management (UK) Limited**

### **Directors' Report for the Year Ended 31 December 2015 (continued)**

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

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

#### **Going concern**

The directors believe that the company is well placed to manage its business risks successfully despite the current economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31 December 2015 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

#### **Employee consultation**

It is the company's policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects.

#### **Disabled employees**

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers with the company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

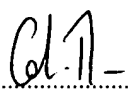
#### **Disclosure of information to the auditors**

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

#### **Reappointment of auditors**

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

Approved by the Board on 23 March 2016 and signed on its behalf by:

  
.....

C Thomson  
Director

## **BlackRock Investment Management (UK) Limited**

### **Independent Auditor's Report**

We have audited the financial statements of BlackRock Investment Management (UK) Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes set out on pages 15 to 41. 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Opinion on other matter prescribed by the Capital Requirements (Country-by-country reporting) Regulations 2013**

In our opinion the information for the financial year ended 31 December 2015 included on pages 42 to 44 has been properly prepared, in all material aspects in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

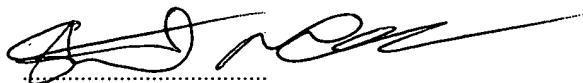
## **BlackRock Investment Management (UK) Limited**

### **Independent Auditor's Report (continued)**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

London  
United Kingdom

23 March 2016

# **BlackRock Investment Management (UK) Limited**

## **Profit and Loss Account for the Year Ended 31 December 2015**

|  | Note | 2015<br>£ 000         | 2014<br>£ 000         |
|--|------|-----------------------|-----------------------|
| Turnover                               | 4    | 1,155,448             | 1,005,097             |
| Administrative expenses                |      | <u>(744,649)</u>      | <u>(705,132)</u>      |
| Operating profit                       | 5    | 410,799               | 299,965               |
| Interest receivable and similar income | 9    | 962                   | 1,672                 |
| Interest payable and similar charges   | 10   | (6,568)               | (6,725)               |
| Dividends received                     |      | <u>32,764</u>         | <u>29,072</u>         |
| Profit before tax                      |      | 437,957               | 323,984               |
| Tax on profit on ordinary activities   | 11   | <u>(97,116)</u>       | <u>(89,887)</u>       |
| Profit for the year                    |      | <u><u>340,841</u></u> | <u><u>234,097</u></u> |

Turnover and operating profit derive wholly from continuing operations.

# BlackRock Investment Management (UK) Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2015

|   | Note | 2015<br>£ 000         | 2014<br>£ 000         |
|---|------|-----------------------|-----------------------|
| Profit for the year   |      | <u>340,841</u>        | <u>234,097</u>        |
| <b>Other comprehensive income:</b>  |      |                       |                       |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |      |                       |                       |
| Actuarial gain/(loss) on defined benefit pension schemes                  |      | 698                   | (679)                 |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |      |                       |                       |
| Surplus on revaluation of available-for-sale financial assets             |      | 5,155                 | 1,545                 |
| Foreign currency translation (losses)                                     |      | <u>(15,812)</u>       | <u>(22,137)</u>       |
|   |      | <u>(10,657)</u>       | <u>(20,592)</u>       |
| Total comprehensive income for the year                                   |      | <u><u>330,882</u></u> | <u><u>212,826</u></u> |

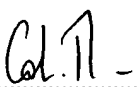
The notes on pages 15 to 41 form an integral part of these financial statements.

# BlackRock Investment Management (UK) Limited

(Registration number: 2020394)  
Balance Sheet as at 31 December 2015

|  | Note | 2015<br>£ 000 | 2014<br>£ 000 |
|--|------|---------------|---------------|
| <b>Fixed assets</b>  |      |               |               |
| Intangible assets  | 12   | 3,092         | 3,969         |
| Tangible fixed assets  | 13   | 64,662        | 68,103        |
| Investments  | 14   | 124,417       | 106,674       |
| Other investments  | 16   | 22,897        | 17,742        |
| <b>Current assets</b>  |      |               |               |
| Debtors: amounts falling due within one year                   | 17   | 1,072,709     | 760,672       |
| Cash and cash equivalents                                      |      | 121,665       | 535,532       |
|  |      | 1,194,374     | 1,296,204     |
| <b>Creditors: amounts falling due within one year</b>          | 18   | (747,352)     | (791,384)     |
| Net current assets   |      | 447,022       | 504,820       |
| Total assets less current liabilities                          |      | 662,090       | 701,308       |
| <b>Creditors: amounts falling due after more than one year</b> |      |               |               |
| Loans and borrowings   | 19   | (73,702)      | (77,605)      |
| Provisions for liabilities                                     | 20   | (49,538)      | (50,754)      |
| Net assets excluding pension liability                         |      | 538,850       | 572,949       |
| Net pension liability  | 24   | (3,993)       | (4,794)       |
| <b>Net assets</b>  |      | 534,857       | 568,155       |
| <b>Capital and reserves</b>                                    |      |               |               |
| Called up share capital  | 21   | 94,485        | 94,485        |
| Share premium reserve  |      | 100,000       | 100,000       |
| Other reserves   |      | 97,171        | 90,328        |
| Profit and loss account  |      | 243,201       | 283,342       |
| <b>Shareholders' funds</b>                                     |      | 534,857       | 568,155       |

Approved by the Board on 23 March 2016 and signed on its behalf by:

  
.....

C Thomson  
Director

**BlackRock Investment Management (UK) Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2015**

|   | Share capital<br>£ 000 | Share<br>premium<br>reserve<br>£ 000 | Foreign<br>currency<br>translation<br>reserve<br>£ 000 | Available<br>-for-sale<br>reserve<br>£ 000 | Merger<br>reserve<br>£ 000 | Stock based<br>compensation<br>reserve<br>£ 000 | Profit and<br>loss account<br>£ 000 | Total<br>£ 000 |
|---|------------------------|--------------------------------------|--|--|----------------------------|---|-------------------------------------|----------------|
| At 1 January 2015                                       | 94,485                 | 100,000                              | (26,124)   | 16,642                                     | 6,896                      | 92,914  | 283,342                             | 568,155        |
| Profit for the year                                     | -                      | -                                    | -  | -  | -                          | -   | 340,841                             | 340,841        |
| Other comprehensive income                              | -                      | -                                    | (15,812)   | 5,155                                      | -                          | -   | 698                                 | (9,959)        |
| Total comprehensive income                              | -                      | -                                    | (15,812)   | 5,155                                      | -                          | -   | 341,539                             | 330,882        |
| Dividends   | -                      | -                                    | -  | -  | -                          | -   | (360,000)                           | (360,000)      |
| Deemed distribution relating to<br>share-based payments | -                      | -                                    | -  | -  | -                          | -   | (21,680)                            | (21,680)       |
| Share-based payment transactions                        | -                      | -                                    | -  | -  | -                          | 6,087   | -                                   | 6,087          |
| Recognition of deferred tax asset                       | -                      | -                                    | -  | -  | 11,413                     | -   | -                                   | 11,413         |
| At 31 December 2015                                     | 94,485                 | 100,000                              | (41,936)   | 21,797                                     | 18,309                     | 99,001  | 243,201                             | 534,857        |

The notes on pages 15 to 41 form an integral part of these financial statements.

**BlackRock Investment Management (UK) Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2015 (continued)**

|   | Share capital<br>£ 000 | Share<br>premium<br>£ 000 | Foreign<br>currency<br>translation<br>reserve<br>£ 000 | Available<br>-for-sale<br>reserve<br>£ 000 | Merger reserve<br>£ 000 | Stock based<br>compensation<br>reserve<br>£ 000 | Profit and<br>loss account<br>£ 000 | Total<br>£ 000 |
|---|------------------------|---------------------------|--|--|-------------------------|---|-------------------------------------|----------------|
| At 1 January 2014                                       | 94,485                 | 100,000                   | (3,987)  | 15,097                                     | 6,896                   | 91,341  | 246,951                             | 550,783        |
| Profit for the year                                     | -                      | -                         | -  | -  | -                       | -   | 234,097                             | 234,097        |
| Other comprehensive income                              | -                      | -                         | (22,137)   | 1,545                                      | -                       | -   | (679)                               | (21,271)       |
| Total comprehensive income                              | -                      | -                         | (22,137)   | 1,545                                      | -                       | -   | 233,418                             | 212,826        |
| Dividends   | -                      | -                         | -  | -  | -                       | -   | (174,000)                           | (174,000)      |
| Deemed distribution relating to<br>share-based payments | -                      | -                         | -  | -  | -                       | -   | (23,027)                            | (23,027)       |
| Share-based payment transactions                        | -                      | -                         | -  | -  | -                       | 1,573   | -                                   | 1,573          |
| At 31 December 2014                                     | 94,485                 | 100,000                   | (26,124)   | 16,642                                     | 6,896                   | 92,914  | 283,342                             | 568,155        |

The notes on pages 15 to 41 form an integral part of these financial statements.



## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **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 23 March 2016.

#### **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 applied consistently throughout the year and the preceding year.

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

The company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 ("FRS 100") as issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the financial statements have been prepared in accordance with applicable law and FRS 101 as issued by the Financial Reporting Council.

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

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

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

Where required, equivalent disclosures are given in the group accounts of BlackRock, Inc. These accounts are available to the public and can be obtained as set out in note 29.

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

The financial statements contain information about BlackRock Investment Management (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, BlackRock, Inc., a company incorporated in United States of America.

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

##### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 5, along with key risks facing the company.

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

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

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

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

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

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

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

##### **Turnover**

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

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

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

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

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

##### **Interest income**

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

##### **Tax**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

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

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

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

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

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

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

#### **Intangible assets**

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and any impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date which is regarded as their cost. Subsequently these are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The company carries out impairment reviews in respect of intangible assets at the end of the first full year following acquisition and in other period if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

| <b>Asset class</b>                               | <b>Amortisation method and rate</b> |
|--|-------------------------------------|
| Management contracts and distribution agreements | seven to eight years                |
| Internally generated software development costs  | three years                         |

#### **Tangible fixed assets**

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

##### **Depreciation**

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction over their estimated useful lives, as follows:

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

Assets in the course of construction are not depreciated until the assets are brought into use.

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

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

##### **Investments**

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

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

##### **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.

##### **Other investments**

Investments in securities are classified on initial recognition as available-for-sale 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.

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

##### **Provisions**

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

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

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

##### **Leases**

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

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

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

##### **Share-based payments**

The company has applied the requirements of IFRS 2 Share-based payments to all grants of equity instruments after 7 November 2002 that were uninvested as of 1 January 2013.

The ultimate parent company, BlackRock, Inc. issues equity-settled share-based payments to certain employees of the company. The fair values of equity-settled schemes, long-term incentives plan ("LTIP"), restricted stock grants and restricted stock units ("RSUs") are determined at the grant date and expense on a straight-line method over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards, based on the group's estimate of awards that will eventually vest and adjusted for the effect of non market-based vesting conditions.

RSUs are an unsecured promise to pay value in the form of BlackRock, Inc. stock. They do not carry voting rights until they are converted to stock. An RSU is deemed equivalent in fair market value to one share of common stock. Substantially all awards are settled in shares of common stock. Under these plans, such RSUs are restricted from sale, transfer, or assignment until the end of the restricted period. Such shares and units are subject to forfeiture during the vesting period.

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

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

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

##### **Defined benefit pension obligation**

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognised immediately in other comprehensive income. Past service cost is recognised in the profit and loss in the period of a plan amendment.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailments or settlement gains and losses on the defined benefit plan are recognised when the curtailment of settlement occurs.

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

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

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

##### **Financial instruments**

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

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

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

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

Financial assets are classified into the following categories: Available-for-sale ("AFS") and Loans and receivables.

Financial liabilities are classified as other financial liabilities.

Debt and equity instruments are classified as financial liabilities in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

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

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

All regular way purchases or sales of financial assets 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

##### **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) financial assets at FVTPL.

Listed shares and listed redeemable notes held by the company that are tradeable in an active market are classified as being AFS and are stated at fair value. The company also 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 27. 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 the available-for-sale reserve and are recognised in other comprehensive income.



## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

##### **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.

##### **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 and liabilities.

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

Financial assets 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.

##### **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 their entirety, the difference between the assets 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.

##### **Other financial liabilities**

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

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

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

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

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

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices ("level one");
- 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 two");
- 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 three").

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

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

##### **Deferred tax assets**

Significant judgement is required by management to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Full details are set out in note 11.

##### **Available-for-sale financial assets**

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

In assessing the fair value of financial assets that qualify as level three financial instruments, management's judgement is exercised to best determine future cash flows and a post-tax discount rate, based upon a group adjusted weighted average cost of capital.

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 27.

##### **Provisions**

Provisions reflect significant levels of judgement or estimates used by management.

Full details are set out in note 20.

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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

##### Disclosure of interests in other entities

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

Full details are set out in note 15.

#### 4 Turnover

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

|                  | 2015<br>£ 000    | 2014<br>£ 000    |
|------------------|------------------|------------------|
| Management fees  | 1,094,554        | 982,692          |
| Performance fees | 54,256           | 19,971           |
| Other revenue    | 6,638            | 2,434            |
|                  | <u>1,155,448</u> | <u>1,005,097</u> |

Turnover includes net management fee income from other group companies of £899,482,000 (2014: £807,549,000).

The geographical split of turnover from continuing operations is as follows:

|                | 2015<br>£ 000    | 2014<br>£ 000    |
|----------------|------------------|------------------|
| United Kingdom | 899,852          | 767,936          |
| Overseas       | 255,596          | 237,161          |
|                | <u>1,155,448</u> | <u>1,005,097</u> |

#### 5 Operating profit

Arrived at after charging/(crediting):

|                                    | 2015<br>£ 000 | 2014<br>£ 000 |
|------------------------------------|---------------|---------------|
| Depreciation expense               | 7,746         | 8,933         |
| Amortisation expense               | 877           | 885           |
| Foreign exchange gains             | (17,358)      | (22,969)      |
| Operating lease expense - property | <u>17,148</u> | <u>15,382</u> |

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 6 Staff costs

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

|  | 2015<br>£ 000  | 2014<br>£ 000  |
|--|----------------|----------------|
| Wages and salaries                         | 482,524        | 440,555        |
| Social security costs                      | 64,883         | 59,730         |
| Pension costs, defined contribution scheme | 19,433         | 17,177         |
| Other employee expense                     | 5,236          | 4,367          |
|  | <u>572,076</u> | <u>521,829</u> |

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

|                       | 2015<br>No.  | 2014<br>No.  |
|-----------------------|--------------|--------------|
| Office and management | <u>2,935</u> | <u>2,632</u> |

In addition to the above, 8 employees (2014: 12) were seconded from the company to another group company. The company was reimbursed for the related cost of these employees through a secondment recharge of £27,021,000 (2014: £18,833,000).

#### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

|  | 2015<br>£ 000 | 2014<br>£ 000 |
|--|---------------|---------------|
| Aggregate emoluments   | 1,590         | 1,324         |
| Company contributions in respect of defined contribution pension schemes | 21            | 20            |
|  | <u>1,611</u>  | <u>1,344</u>  |

Of the 10 (2014: 15) directors that served during the year, 8 were remunerated by the company (2014: 12). The amounts included above relate to their service as directors of the company based on an estimated time allocation basis except 4 (2014: 3) directors, who were paid an agreed fee.

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

|  | 2015<br>No. | 2014<br>No. |
|--|-------------|-------------|
| Received or were entitled to receive shares under service condition based schemes  | 7           | 12          |
| Received or were entitled to receive shares under market performance based schemes | 4           | 6           |
| Accruing benefits under defined contribution pension scheme                        | <u>6</u>    | <u>9</u>    |

# BlackRock Investment Management (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 7 Directors' remuneration (continued)

During the year, no directors (2014: no directors) exercised BlackRock, Inc. share options.

In respect of the highest paid director:

|   | 2015<br>£ 000 | 2014<br>£ 000 |
|---|---------------|---------------|
| Aggregate emoluments                                  | 564           | 290           |
| Company contributions to defined contribution schemes | 3             | -             |
|   | <u>567</u>    | <u>290</u>    |

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

### 8 Auditors' remuneration

|  | 2015<br>£ 000 | 2014<br>£ 000 |
|--|---------------|---------------|
| Audit of the financial statements                        | <u>496</u>    | <u>516</u>    |
| <b>Other fees to auditors</b>                            |               |               |
| The auditing of accounts of any associate of the company | 367           | 372           |
| Audit-related assurance services                         | 45            | 45            |
| All other assurance services                             | 125           | 15            |
| All other non-audit services                             | <u>129</u>    | <u>129</u>    |
|  | <u>666</u>    | <u>561</u>    |

### 9 Interest receivable and similar income

|                                  | 2015<br>£ 000 | 2014<br>£ 000 |
|----------------------------------|---------------|---------------|
| Interest income on bank deposits | <u>962</u>    | <u>1,672</u>  |

Interest receivable principally relates to interest received on cash and the UK cash-pooling arrangement, see note 17.

### 10 Interest payable and similar charges

|  | 2015<br>£ 000 | 2014<br>£ 000 |
|--|---------------|---------------|
| Interest payable on loan notes payable to group undertakings | 5,775         | 5,885         |
| Other finance costs  | <u>793</u>    | <u>840</u>    |
|  | <u>6,568</u>  | <u>6,725</u>  |

# BlackRock Investment Management (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 11 Income tax

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

|  | 2015<br>£ 000   | 2014<br>£ 000 |
|--|-----------------|---------------|
| <b>Current taxation</b>  |                 |               |
| UK corporation tax   | 46,345          | 29,283        |
| UK corporation tax adjustment to prior periods   | (201)           | 1,068         |
| Double taxation relief   | (198)           | -             |
| Foreign tax  | 80,887          | 59,643        |
| Foreign tax adjustment to prior periods  | (7,811)         | (321)         |
|  | <u>73,076</u>   | <u>59,322</u> |
| Total current income tax   | <u>119,022</u>  | <u>89,673</u> |
| <b>Deferred taxation</b>   |                 |               |
| Arising from origination and reversal of temporary differences                                     | (23,716)        | (1,303)       |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | 1,049           | 1,517         |
| Arising from changes in tax rates and laws   | 761             | -             |
| Total deferred taxation  | <u>(21,906)</u> | <u>214</u>    |
| Tax expense in the profit and loss account   | <u>97,116</u>   | <u>89,887</u> |

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2014 - higher than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

# BlackRock Investment Management (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 11 Income tax (continued)

|   | 2015<br>£ 000 | 2014<br>£ 000 |
|---|---------------|---------------|
| Profit before tax   | 437,957       | 323,984       |
| Corporation tax at standard rate  | 88,686        | 69,657        |
| Decrease (increase) from effect of revenues exempt from taxation                                    | (6,635)       | (5,547)       |
| Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss) | 918           | 1,571         |
| Increase (decrease) from effect of foreign tax rates  | 43,209        | 20,889        |
| Increase (decrease) arising from overseas tax (expensed)  | (82)          | -             |
| Increase (decrease) from changes in tax provisions due to legislation                               | 761           | -             |
| Increase (decrease) in current tax from adjustment for prior periods                                | (8,012)       | 747           |
| Deferred tax expense (credit) from unrecognised temporary difference from a prior period            | 1,049         | 1,517         |
| Increase (decrease) from effect of capital allowances depreciation                                  | (77)          | (50)          |
| Increase (decrease) from effect of exercise employee share options                                  | (550)         | (201)         |
| Increase (decrease) from effects of double taxation relief  | (198)         | -             |
| Other tax effects for reconciliation between accounting profit and tax expense (income)             | (21,953)      | 1,304         |
| Total tax charge  | 97,116        | 89,887        |

The March 2015 Budget announced further reductions to the UK corporation tax rate, which are proposed to reduce to 19% from 1 April 2017 and 18% from 1 April 2020. Both changes were substantively enacted on 18 November 2015 and have therefore been reflected in the valuation of relevant deferred tax balances recognised in these financial statements.

### Deferred tax

Deferred tax assets and liabilities

|                              | Asset<br>£ 000 | Liability<br>£ 000 | Net deferred<br>tax<br>£ 000 |
|------------------------------|----------------|--------------------|------------------------------|
| 2015                         |                |                    |                              |
| Accelerated tax depreciation | 1,020          | -                  | 1,020                        |
| Provisions                   | 4,978          | -                  | 4,978                        |
| Other items                  | 62,060         | (1,144)            | 60,916                       |
|                              | 68,058         | (1,144)            | 66,914                       |

# BlackRock Investment Management (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 11 Income tax (continued)

| 2014                         | Asset<br>£ 000 |
|------------------------------|----------------|
| Accelerated tax depreciation | 1,011          |
| Provisions                   | 5,479          |
| Other items                  | 30,625         |
|                              | <u>37,115</u>  |

Deferred tax movement during the year:

|                              | At 1 January<br>2015<br>£ 000 | Recognised in<br>profit and loss<br>£ 000 | Recognised in<br>other<br>comprehensive<br>income<br>£ 000 | Recognised in<br>equity<br>£ 000 | At<br>31 December<br>2015<br>£ 000 |
|------------------------------|-------------------------------|---|--|----------------------------------|------------------------------------|
| Accelerated tax depreciation | 1,011                         | 9   | -  | -                                | 1,020                              |
| Provisions                   | 5,479                         | (501)                                     | -  | -                                | 4,978                              |
| Other items                  | 30,625                        | 22,398                                    | (156)  | 8,049                            | 60,916                             |
| Net tax assets/(liabilities) | <u>37,115</u>                 | <u>21,906</u>                             | <u>(156)</u>   | <u>8,049</u>                     | <u>66,914</u>                      |

Deferred tax movement during the prior year:

|                              | At 1 January<br>2014<br>£ 000 | Recognised in<br>profit and loss<br>£ 000 | Recognised in<br>other<br>comprehensive<br>income<br>£ 000 | Recognised in<br>equity<br>£ 000 | At<br>31 December<br>2014<br>£ 000 |
|------------------------------|-------------------------------|---|--|----------------------------------|------------------------------------|
| Accelerated tax depreciation | 849                           | 162                                       | -  | -                                | 1,011                              |
| Provisions                   | 6,692                         | (1,213)                                   | -  | -                                | 5,479                              |
| Other items                  | 30,082                        | 837                                       | 85   | (379)                            | 30,625                             |
| Net tax assets/(liabilities) | <u>37,623</u>                 | <u>(214)</u>                              | <u>85</u>  | <u>(379)</u>                     | <u>37,115</u>                      |



# BlackRock Investment Management (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

### 12 Intangible assets

|                          | Management contracts and distribution agreements<br>£ 000 | Internally generated software development costs<br>£ 000 | Total<br>£ 000 |
|--------------------------|---|--|----------------|
| <b>Cost or valuation</b> |   |  |                |
| At 1 January 2015        | 4,266   | 709  | 4,975          |
| At 31 December 2015      | 4,266   | 709  | 4,975          |
| <b>Amortisation</b>      |   |  |                |
| At 1 January 2015        | 636   | 370  | 1,006          |
| Amortisation charge      | 538   | 339  | 877            |
| At 31 December 2015      | 1,174   | 709  | 1,883          |
| <b>Carrying amount</b>   |   |  |                |
| At 31 December 2015      | 3,092   | -  | 3,092          |
| At 31 December 2014      | 3,630   | 339  | 3,969          |

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 13 Tangible fixed assets

|                            | Short-term<br>leasehold<br>property<br>£ 000 | Furniture,<br>fittings and<br>equipment<br>£ 000 | Total<br>£ 000 |
|----------------------------|--|--|----------------|
| <b>Cost or valuation</b>   |  |  |                |
| At 1 January 2015          | 82,492                                       | 21,439   | 103,931        |
| Additions                  | 2,902  | 1,576  | 4,478          |
| Disposals                  | (610)  | (2,181)  | (2,791)        |
| Foreign exchange movements | (246)  | (7)  | (253)          |
| At 31 December 2015        | <u>84,538</u>                                | <u>20,827</u>                                    | <u>105,365</u> |
| <b>Depreciation</b>        |  |  |                |
| At 1 January 2015          | 19,477                                       | 16,351   | 35,828         |
| Charge for the year        | 5,946  | 1,800  | 7,746          |
| Eliminated on disposal     | (586)  | (2,167)  | (2,753)        |
| Foreign exchange movements | (117)  | (1)  | (118)          |
| At 31 December 2015        | <u>24,720</u>                                | <u>15,983</u>                                    | <u>40,703</u>  |
| <b>Carrying amount</b>     |  |  |                |
| At 31 December 2015        | <u>59,818</u>                                | <u>4,844</u>                                     | <u>64,662</u>  |
| At 31 December 2014        | <u>63,015</u>                                | <u>5,088</u>                                     | <u>68,103</u>  |

#### 14 Investments

|                          |                |
|--------------------------|----------------|
| <b>Subsidiaries</b>      | <b>£ 000</b>   |
| <b>Cost or valuation</b> |                |
| At 1 January 2014        | <u>106,674</u> |
| At 31 December 2014      | <u>106,674</u> |
| At 1 January 2015        | 106,674        |
| Additions                | <u>17,743</u>  |
| At 31 December 2015      | <u>124,417</u> |

Details of the subsidiaries as at 31 December 2015 are as follows:

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 14 Investments (continued)

| Name of subsidiary                         | Principal activity  | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held |      |
|--|---|--|---|------|
|  |   |  | 2015  | 2014 |
| BlackRock Fund Managers Limited*           | Provider of investment management, advisory and administrative services | UK   | 100%  | 100% |
| BlackRock Investment (Korea) Limited       | Provider of investment management services                              | Korea  | 100%  | 100% |
| BlackRock Asset Management Deutschland AG* | Provider of investment management services                              | Germany  | 100%  | 100% |

\* indicates direct investment of the company

#### 15 Interests in unconsolidated structured entities

The company manages several investment funds, some of which are considered to be structured entities within the definition of IFRS 12, and which are not consolidated. The company receives an interest in these unconsolidated structured entities through the receipt of management, performance fees and revenue from related parties. The unconsolidated structured entities are constituted as open-ended and closed-ended investment companies, limited partnerships, investment trusts. These unconsolidated structured entities invest in a range of asset classes as detailed in the table below which also sets out the carrying values of the company's interest in these unconsolidated structured entities as recognised in the balance sheets as at 31 December 2014 and 31 December 2015 and the management fee, performance fee and revenue from related parties recognised in the company's profit and loss accounts for the years ended 31 December 2014 and 31 December 2015. The total AUM for these funds amounts to £584.7bn (2014: £620.4bn) which primarily includes AUM for which the company is the legally contracted entity.

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

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

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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

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

| Asset class                | Net revenues<br>£ 000 | Accrued<br>income - fees<br>paid in<br>arrears<br>£ 000 |
|----------------------------|-----------------------|---|
| Advisory mandates          | 2,741                 | 1,675   |
| Alternative mandates       | 170,668               | 5,029   |
| Cash management mandates   | 39,937                | 1,037   |
| Equity mandates            | 495,826               | 60,015  |
| Fixed income mandates      | 337,526               | 37,326  |
| Multi-asset class mandates | 108,750               | 33,252  |
|                            | <u>1,155,448</u>      | <u>138,334</u>  |

The following table summarises the company's maximum exposure to loss by activity, from its interests in unconsolidated structured entities as at 31 December 2014.

| Asset class                | Net revenues<br>£ 000 | Accrued<br>income - fees<br>paid in<br>arrears<br>£ 000 |
|----------------------------|-----------------------|---|
| Advisory mandates          | 2,793                 | 93  |
| Alternative mandates       | 142,286               | 4,100   |
| Cash management mandates   | 44,158                | 57  |
| Equity mandates            | 488,896               | 24,715  |
| Fixed income mandates      | 223,785               | 36,780  |
| Multi-asset class mandates | 103,179               | 32,891  |
|                            | <u>1,005,097</u>      | <u>98,636</u>   |

#### Maximum exposure to loss

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

#### Financial support

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

#### Other information

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

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 16 Other investments

##### Movement in available-for-sale assets

|                        | 2015<br>£ 000        | 2014<br>£ 000        |
|------------------------|----------------------|----------------------|
| At 1 January           | 17,742               | 16,197               |
| Fair value adjustments | <u>5,155</u>         | <u>1,545</u>         |
| At 31 December         | <u>22,897</u>        | <u>17,742</u>        |
| <b>Carrying amount</b> |                      |                      |
| At 31 December         | <u><u>22,897</u></u> | <u><u>17,742</u></u> |

Available-for-sale financial assets consists of unlisted equity shares, which by their nature have no fixed maturity date or coupon rate. For details on how these instruments are fair valued, please refer to note 27.

Any movements in the fair value of the available-for-sale assets has been included in the statement of other comprehensive income.

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

|                                  | 2015<br>£ 000           | 2014<br>£ 000         |
|----------------------------------|-------------------------|-----------------------|
| Trade debtors                    | 34,324                  | 42,601                |
| Amounts due from group companies | 802,422                 | 582,126               |
| Accrued income                   | 112,556                 | 60,130                |
| Prepayments                      | 14,194                  | 10,228                |
| Other debtors                    | 8,218                   | 11,888                |
| Deferred tax asset               | 66,914                  | 37,115                |
| Corporation tax asset            | <u>34,081</u>           | <u>16,584</u>         |
|                                  | <u><u>1,072,709</u></u> | <u><u>760,672</u></u> |

Cash management within the BlackRock group is governed by a UK cash pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by the company. The balances are treated as intercompany loans between the company and the corresponding group companies. This cash in addition to the company's surplus cash, is then held as short-term instruments by BlackRock Group Limited ("BGL"). The balance due from BGL of £668,630,000 (2014: £525,779,000) in relation to this arrangement is included within 'Amounts due from group companies'. The balance receivable from BGL includes amounts payable to other BlackRock group companies under this arrangement of £461,684,000 (2014: £698,272,000) at the year end.

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

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

|                                 | 2015<br>£ 000  | 2014<br>£ 000  |
|---------------------------------|----------------|----------------|
| Amounts due to group companies  | 395,002        | 447,635        |
| Accrued expenses                | 245,876        | 216,231        |
| Corporation tax liability       | 14,317         | 35,215         |
| Social security and other taxes | 63,349         | 61,088         |
| Other creditors                 | 28,808         | 31,215         |
|                                 | <u>747,352</u> | <u>791,384</u> |

Excluding the loan note shown below, all other amounts due to group companies are unsecured and repayable on demand. The terms of the loan note are detailed in note 19.

Outstanding amounts in respect of the defined contribution pension scheme payable at 31 December 2015 of £44,000 (2014: £Nil) are included within accrued expenses.

#### 19 Loans and borrowings

|   | 2015<br>£ 000 | 2014<br>£ 000 |
|---|---------------|---------------|
| <b>Non-current loans and borrowings</b> |               |               |
| Loans due to group undertakings         | <u>73,702</u> | <u>77,605</u> |

The loan note shown above is interest bearing and represents tranches 1 and 2 of the notes payable to BlackRock Asset Management UK Limited. The loan notes were assumed on 30 June 2015 following the refinancing of an earlier loan note between the company and BlackRock Asset Management UK Limited. The outstanding balance of the loan is for a total of €100,000,000. Interest on the loan is payable semi-annually on 31 March and 30 September to the maturity date. Interest payable by the company during the year ended 31 December on the loan note is included in the profit and loss account as interest payable on loans from group undertakings. The repayment of the loan is contingent on the company having sufficient reference profits in the financial years from 31 December 2019. Early repayment is permissible at no penalty.

Tranches 1 and 2, of €50,000,000 each, are due to be repaid on 30 June 2030 subject to having sufficient reference profits. They bear interest rates of 7.36% and 10.84% respectively.

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 20 Provisions

|  | Property-related<br>provisions<br>£ 000 |
|--|---|
| At 1 January 2015                              | 50,754                                  |
| Provided in the year                           | 1,128                                   |
| Decrease in existing provisions                | (679)                                   |
| Provisions utilised                            | (2,398)                                 |
| Increase due to unwinding of discount          | 793                                     |
| (Decrease) due to foreign exchange differences | (60)                                    |
| At 31 December 2015                            | <u>49,538</u>                           |

Property-related provisions include a provision for the rent free period on the company's Drapers Gardens property. The company also recognises a provision for dilapidations on the Drapers Gardens property.

Dilapidations provisions were also recognised in respect of the company's offices in continental Europe. These amounts were based on the estimated costs of returning the property to its original condition at the end of the lease term, discounted back to the current equivalent expense.

#### 21 Share capital

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

|                            | No. 000       | 2015<br>£ 000 | No. 000       | 2014<br>£ 000 |
|----------------------------|---------------|---------------|---------------|---------------|
| Ordinary Shares of £1 each | <u>94,485</u> | <u>94,485</u> | <u>94,485</u> | <u>94,485</u> |

#### 22 Dividends

|   | 2015<br>£ 000  | 2014<br>£ 000  |
|---|----------------|----------------|
| Dividend of £3.81 (2014 - £1.84) per ordinary share | <u>360,000</u> | <u>174,000</u> |

The directors are proposing a final dividend of £1.59 (2014 - £1.27) per share totalling £150,000,000 (2014 - £120,000,000). This dividend has not been accrued in the balance sheet.

## **BlackRock Investment Management (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

#### **23 Share-based payments**

##### **Share-based payment scheme**

###### **Scheme description**

Employees of the company may be granted stock-based compensation in the form of restricted stock and Restricted Stock Unit ("RSU") award schemes. All schemes are accounted for on an equity-settled basis.

###### ***Restricted stock and RSUs***

Restricted stock and RSUs are issued by the ultimate parent company, BlackRock, Inc., and RSUs are converted into shares of BlackRock, Inc. on each of the vesting dates. Substantially all restricted stock and RSUs vest over periods ranging from one to three years, although conditions vary between different types of award. Prior to 2009, the company awarded restricted stock and RSUs with non-forfeitable dividend equivalent rights. Dividend equivalents on restricted stock and RSU awards granted from 2009 onwards are subject to forfeiture prior to vesting of the award, and as such are not paid to employees until that date.

###### ***Service condition awards***

The majority of restricted stock and RSU awards are granted with a service condition only. These awards are valued at their grant-date fair value as measured by BlackRock, Inc. common stock price. The total fair value amortised over the vesting period is adjusted for future forfeitures based on management's best estimate of restrictions and behavioural considerations.

###### ***Performance condition awards***

The company has granted two stock award types with performance conditions, "Challenge Awards" and "BlackRock Performance Incentive Plan Awards".

Challenge Awards were originally granted in 2012. The vesting of these awards is dependent upon the achievement of certain share price targets for BlackRock Inc. common stock over a performance period of 6 years from the grant date. The awards are split into three tranches and each tranche may vest if the specified target increase in share price is met. Eligible delivery dates for each tranche are the fourth, fifth or sixth anniversaries of the grant date and the awards are generally forfeited if the employee leaves BlackRock before the vesting date. These awards are amortised over a service period of four years, which is the longer of the explicit service period or the period in which the market target is expected to be met.

BlackRock Performance Incentive Plan Awards are new stock awards granted in 2015. The vesting of these awards is dependent upon the achievement of certain performance measures for BlackRock Inc. over a performance period of 3 years from the grant date. The awards vest at the end of the performance period, with the number of shares distributed based on a base number of RSUs granted, multiplied by a predetermined percentage determined in accordance with the level of attainment of BlackRock Inc. performance measures during the performance period and could be high or lower than the original RSU grant. The awards are generally forfeited if the employee leaves BlackRock before the vesting date. These awards are amortised over a service period of three years, as the probability of the performance targets being met is captured within the calculation of the fair value of the awards.



## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 23 Share-based payments (continued)

##### *Deferred compensation plans*

The company has additional compensation plans for the purpose of providing deferred compensation and retention incentives to certain employees. For these plans, the final value of the deferred amount to be distributed upon vesting is associated with the returns of certain investment funds. The liabilities for these plans were £31,349,000 at 31 December 2015 (2014: £23,801,000) and are reflected in the company's balance sheet as accrued compensation and benefits.

##### *Other share-based payment plans*

The employee stock purchase plan ("ESPP") is open to almost all employees and provides for a purchase price equal to the fair value of a share of common stock on the last business day of the offering period, less five percent. The shares can be purchased during four offering periods; being 1 January, 1 April, 1 July and 1 October of each year during the term of the ESPP. This amount for the company is wholly immaterial and therefore has not been considered further in terms of IFRS 2 Share-based Payments.

#### 24 Pension and other schemes

##### **Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £19,433,000 (2014 - £17,177,000).

##### **Post Retirement Medical Benefit scheme**

The company operates a number of defined benefit schemes, the largest of which is a post-retirement medical benefit scheme ("PRMB"). The PRMB liability is calculated by an external actuary using the projected unit credit method. The key financial assumptions used in this calculation are:

##### *Principal actuarial assumptions*

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

|  | 2015        | 2014        |
|--|-------------|-------------|
| Discount rate (%)                        | 4           | 3           |
| Medical cost inflation initial rate (%)  | 7           | 8           |
| Medical cost inflation ultimate rate (%) | 5           | 5           |
| Year ultimate rate reached               | <u>2019</u> | <u>2019</u> |

During the year, £249,000 (2014: £263,000) was posted to the profit and loss and a credit of £951,000 (2014: debit £161,000) taken to other comprehensive income, resulting in the PRMB liability moving from £3,556,000 as at 31 December 2014 to £2,854,000 as at 31 December 2015.

#### 25 Obligations under leases and hire purchase contracts

##### **Operating leases**

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

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 25 Obligations under leases and hire purchase contracts (continued)

The total future value of minimum lease payments is as follows:

|                      | 2015<br>£ 000  | 2014<br>£ 000  |
|----------------------|----------------|----------------|
| Within one year      | 20,661         | 19,318         |
| In two to five years | 96,153         | 69,447         |
| In over five years   | <u>290,897</u> | <u>249,602</u> |
|                      | <u>407,711</u> | <u>338,367</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £17,148,000 (2014 - £15,382,000).

#### 26 Contingent liabilities

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

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

#### 27 Financial instruments

##### Financial assets

##### *Loans and receivables*

|                          | 2015<br>£ 000    | 2014<br>£ 000    |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 121,665          | 535,532          |
| Trade and other debtors  | <u>957,520</u>   | <u>696,745</u>   |
|                          | <u>1,079,185</u> | <u>1,232,277</u> |

##### *Available-for-sale*

|                   | 2015<br>£ 000 | 2014<br>£ 000 |
|-------------------|---------------|---------------|
| Other investments | <u>22,897</u> | <u>17,742</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.

## BlackRock Investment Management (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 27 Financial instruments (continued)

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

##### Financial liabilities

##### *Other financial liabilities*

|                           | 2015<br>£ 000    | 2014<br>£ 000    |
|---------------------------|------------------|------------------|
| Trade and other creditors | (733,035)        | (756,169)        |
| Loans and borrowings      | <u>(73,702)</u>  | <u>(77,605)</u>  |
|                           | <u>(806,737)</u> | <u>(833,774)</u> |

#### 28 Related party transactions

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

Details of Directors' emoluments are set out in note 7. There are no personnel other than Directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the company.

#### 29 Parent and ultimate parent undertaking

The company's immediate holding company is BlackRock Group Limited and the ultimate parent company and controlling party is BlackRock, Inc. a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements are available upon request from the Investor Relations website at [www.blackrock.com](http://www.blackrock.com) or requests may be addressed to Investor Relations at 55 East 52nd Street, New York, NY 10055, USA or by email at [invrel@blackrock.com](mailto:invrel@blackrock.com).

The most senior parent entity producing publicly available financial statements is BlackRock, Inc..

#### 30 Post balance sheet events

In 2016, the company intends to close its Warsaw branch.

## BlackRock Investment Management (UK) Limited

### Country by Country reporting for the Year Ended 31 December 2015

The Company presents information on a consolidated basis on its establishments in existence during the year, in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council and Statutory Instrument 2013/3118 Capital Requirements (Country-by-Country Reporting Regulations 2013).

#### 2015

| Jurisdiction  | Turnover | Profit/(loss)<br>before tax | Corporate<br>income tax paid | Total income<br>tax charge | Average<br>number of<br>employees |
|---------------|----------|-----------------------------|------------------------------|----------------------------|-----------------------------------|
|               | £ 000    | £ 000                       | £ 000                        | £ 000                      | No.                               |
| UK*           | 943,802  | 246,871                     | 38,016                       | 50,869                     | 2,646                             |
| Germany       | 117,951  | 50,161                      | 41,094                       | 13,191                     | 120                               |
| Italy         | 53,873   | 39,811                      | 13,333                       | 11,255                     | 48                                |
| Netherlands   | 87,697   | 78,379                      | 20,620                       | 19,410                     | 51                                |
| France        | 17,096   | 9,520                       | 5,495                        | 3,522                      | 23                                |
| Spain         | 19,183   | 16,088                      | 6,016                        | 4,454                      | 19                                |
| Denmark       | 12,316   | 9,472                       | 3,158                        | 2,195                      | 17                                |
| South Korea** | 9,278    | 4,389                       | 317                          | 723                        | 26                                |
| Belgium       | 7,771    | 6,029                       | 2,777                        | 2,021                      | 7                                 |
| Sweden        | 5,686    | 3,895                       | (1,522)                      | 841                        | 11                                |
| Austria       | 3,818    | 2,572                       | 413                          | 631                        | 6                                 |
| Poland        | 939      | 573                         | 100                          | 106                        | 5                                 |
| South Africa  | -        | 4                           | 5                            | 1                          | 2                                 |
| Greece        | 10       | (23)                        | 1                            | (7)                        | 1                                 |

#### Provider of investment management, advisory and administrative services

| Jurisdiction | Name of establishment   |
|--------------|---|
| UK           | BlackRock Investment Management (UK) Limited<br>BlackRock Fund Managers Limited |
| Germany      | BlackRock Asset Management Deutschland AG                                       |

## **BlackRock Investment Management (UK) Limited**

### **Country by Country reporting for the Year Ended 31 December 2015 (continued)**

#### **Provider of local sales and marketing support**

| <b>Jurisdiction</b> | <b>Name of establishment</b>  |
|---------------------|---|
| Germany             | BlackRock Investment Management (UK) Limited - German branch, Munich<br>BlackRock Investment Management (UK) Limited - German branch, Frankfurt on Main |
| Italy               | BlackRock Investment Management (UK) Limited - Milan branch   |
| Netherlands         | BlackRock Investment Management (UK) Limited - Amsterdam branch   |
| France              | BlackRock Investment Management (UK) Limited - Paris branch   |
| Spain               | BlackRock Investment Management (UK) Limited - Madrid branch  |
| Denmark             | BlackRock Investment Management (UK) Limited - Copenhagen branch  |
| South Korea         | BlackRock Investment Management (Korea) Limited   |
| Belgium             | BlackRock Investment Management (UK) Limited - Brussels branch  |
| Sweden              | BlackRock Investment Management (UK) Limited - Stockholm branch   |
| Austria             | BlackRock Investment Management (UK) Limited - Vienna branch  |
| Poland              | BlackRock Investment Management (UK) Limited - Warsaw branch  |
| South Africa        | BlackRock Investment Management (UK) Limited - Cape Town branch   |
| Greece              | BlackRock Investment Management (UK) Limited - Athens branch  |

\* UK Corporate tax payments are made in instalments prior to the end of the period to which they relate. They are therefore based on forecasted profits and forecasted tax liabilities, which can vary from the final accrual in the financial statements.

UK Corporation tax may be reduced by factors such as income received that is not subject to UK taxation such as dividends, or losses incurred by other UK group companies and surrendered for nil payment. Please refer to the tax note at 11 for a further reconciliation of the tax charge.

\*\* BlackRock Investment Management (Korea) Limited had historic tax losses which have been used to offset taxable income. Tax losses were fully utilised part way through the period.

## **BlackRock Investment Management (UK) Limited**

### **Country by Country reporting for the Year Ended 31 December 2015 (continued)**

**The table above provides information on :**

Turnover

Turnover is stated net of VAT.

Profit/(loss) before tax

Profit/(loss) before tax represents accounting profits under FRS 101.

Corporate income tax paid

All corporate income tax payments and refunds are made and received during the year in the respective country. Corporate taxes paid in the year rarely relate to the profits earned in the year in which they are paid since tax for a given period is generally paid across multiple years and as such timing differences will exist between cash tax payments and accruals.

Total income tax charge

Current and deferred corporate income tax charges relating to the current year booked to the income statement in the year.

Average number of employees

The number of employees has been calculated as the average number of employees on a full time equivalents basis, who were permanent employees during the period.

Additional information

The company's directors have also included the combined results for BlackRock Investment Management (UK) Limited (excluding non UK branches) and BlackRock Advisors (UK) Limited (excluding non UK branches). BlackRock Investment Management (UK) Limited is also subject to the requirements of the Capital Requirements (Country-by-Country Reporting Regulations 2013). The combined results provides a more coherent view of their profile on the basis that, in substance, they operate as one business. Combined turnover for the companies was £1,376,400,000 combined profit was £554,852,000 combined corporate income tax paid was £71,784,000 and the combined total income tax charge for 2015 was £107,813,000.

The average number of employees for both the employees of BlackRock Investment Management (UK) Limited and the employees of BlackRock Asset Management Investor Services Limited which are at the disposal of BlackRock Advisors (UK) Limited was 2,986.