2016 年 10 月期　決算短信（2015 年 11 月 1 日～2016 年 10 月 31 日）

Earnings Report for Fiscal Year ended October 2016 (November 1, 2015 – October 31, 2016)

2017 年４月３日

April 3, 2017

ファンド名	ｉシェアーズ　米国債 ETF（米 7-10 年国債）		上場取引所	東
コード番号	1363		売買単位	1 口
連動対象指標	ICE 米国国債 7-10 年指数			
主要投資資産	有価証券			
外国投資法人	ｉシェアーズ Ⅱ パブリック・リミテッド・カンパニー			
代表者	(役職名)　ディレクター	(氏名)　バリー・オドワイアー		
管理会社	ブラックロック・アセット・マネジメント・アイルランド・リミテッド			
ＵＲＬ	http://www.blackrock.com/jp/products/271021/			
代表者	(役職名)　ディレクター	(氏名)　バリー・オドワイアー		
問合せ先責任者	(役職名)　代理人	(氏名)　本柳　祐介	(TEL) 03(6250)6200	

Fund name:	iShares $ Treasury Bond 7-10yr UCITS ETF USD (Dist)-JDR		Listed Exchange:	TSE
Code:	1363		Trading unit:	1 unit
Underlying indicator:	ICE U.S. Treasury 7-10 Year Bond Index			
Primary invested assets:	Securities			
Foreign Investment Corporation:	iShares II Public Limited Company			
Representative:	(Title) Director	(Name)	Barry O’Dwyer	
Management co.:	BlackRock Asset Management Ireland Limited			
URL:	http://www.blackrock.com/jp/products/271021/			
Representative:	(Title) Director	(Name)	Barry O’Dwyer	
Contact person:	(Title) Attorney-in-Fact	(Name)	Yusuke Motoyanagi	(TEL) 03(6250)6200

有価証券報告書提出予定日　　2017 年 4 月

Scheduled date of submission of securities report:　　April, 2017

Ⅰ　ファンドの運用状況
Ⅰ　Fund Management

１．2016年10月期の運用状況（2015年11月1日～2016年10月31日）
1. Management Status for Year Ended October 2016 (from November 1, 2015 to October 31, 2016)

（１）信託財産である外国ETFの資産内訳
(1)　Assets of Trust Asset Foreign ETF

（百万円未満切捨て）
(amounts below 1 mil. yen are disregarded)

	主要投資資産 Primary Invested Assets		現金・預金・その他の資産（負債控除後） Cash/Deposits/Other Assets (minus liabilities)		合計（純資産） Total (Net Assets)	
	金額 Amount	構成比 ratio	金額 Amount	構成比 ratio	金額 Amount	構成比 ratio
	百万円 JPY mil.	% %	百万円 JPY mil.	% %	百万円 JPY mil.	% %
2016年10月期 FY ended October 2016	273,522	99.19	2,245	0.81	275,767	100.00
2015年10月期 FY ended October 2015	213,896	99.22	1,691	0.78	215,587	100.00

（２）信託財産である外国ETFの設定・交換実績
(2)　Creation and Redemption of Trust Asset Foreign ETF

	前計算期間末発行済口数 No. of Issued Units at End of Previous Calculation Period (①)	設定口数 No. of Units Created (②)	交換口数 No. of Units Redeemed (③)	当計算期間末発行済口数 No. of Issued Units at End of Calculation Period (①＋②－③)
	千口 '000 units	千口 '000 units	千口 '000 units	千口 '000 units
2016年10月期 FY ended October 2016	9,620	7,260	4,880	12,000
2015年10月期 FY ended October 2015	5,260	11,660	7,300	9,620

（３）信託財産である外国ETFの基準価額
(3)　Net Asset Value of Trust Asset Foreign ETF

	総資産 Total Assets (①)	負債 Liabilities (②)	純資産 Net Assets (③(①－②))	１口当たり基準価額 Net Asset Value per unit ((③/当計算期間末発行済口数)×1) ((③/No. of Issued Units at End of Calculation Period)×1)
	百万円 JPY mil.	百万円 JPY mil.	百万円 JPY mil.	円 JPY
2016年10月期 FY ended October 2016	276,734	966	275,767	22,980.66
2015年10月期 FY ended October 2015	227,288	11,700	215,587	22,410.38

（４）上場外国 ETF 信託受益証券に係る設定・交換実績

(4) Creation and Redemption of Listed Foreign ETF Trust Beneficiary Certificates (JDR)

	前計算期間末発行済口数 No. of Issued Units at End of Previous Calculation Period (①)	設定口数 No. of Units Created (②)	交換口数 No. of Units Redeemed (③)	当計算期間末発行済口数 No. of Issued Units at End of Calculation Period (①＋②－③)
	千口 '000 units	千口 '000 units	千口 '000 units	千口 '000 units
2016 年 10 月期 FY ended October 2016	146.258	102.5	—	248.758
2015 年 10 月期 FY ended October 2015	—	166.258	20	146.258

※2015年10月期については、2014年11月18日～2015年10月31日の期間に関する実績のみを記載しております。

※The only figures regarding the Accounting Period starting November 18, 2014 and ending October 31, 2015 are described with respect to the Fiscal Year ended October 2015.

（５）上場外国 ETF 信託受益証券の分配金

(5) Dividend Payment of Listed Foreign ETF Trust Beneficiary Certificates (JDR)

2016 年 10 月期 FY ended October 2016	1 口当たり分配金 Dividend per unit	2015 年 10 月期 FY ended October 2015	1 口当たり分配金 Dividend per unit
※	円 JPY	※	円 JPY
2015 年 11 月 13 日 November 13, 2015	234	2015 年 5 月 1 日 May 1, 2015	245
2016 年 5 月 13 日 May 13, 2016	212	—	—

※ 当該期間における分配のための基準日を記載しております。

※ The record dates for distributions corresponding to the relevant period are indicated.

（注） 上記（１）～（３）の表における米ドルから日本円への換算は、1 米ドル＝112.56 円の換算率(2017 年 2 月 28 日に株式会社三菱東京 UFJ 銀行が公表した対顧客電信売買相場の仲値)により計算されています。

(Note) Conversion from United States dollars into Japanese yen with respect to the tables in (1) through (3) above has been made at the exchange rate of $1 = ¥112.56 (the telegraphic transfer middle exchange rate vis-à-vis customers quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on February 28, 2017).

２． 信託財産である外国 ETF の会計方針の変更

2. Change in Accounting Policies of Trust Asset Foreign ETF

（１）会計基準等の改正に伴う会計方針の変更 ：有

(1) Changes accompanying revision to accounting standards, etc. : Yes

（２）（１）以外の会計方針の変更 ：無

(2) Changes other than those in (1) : No

(注) 詳細は財務諸表 12、13 ページ「s) Changes in accounting policies」をご覧下さい。

Contents

IMPORTANT INFORMATION FOR JAPANESE INVESTORS
Some funds of the Company are not authorised for distribution in Japan. Therefore this report does not contain any information with regard to these funds. However, investors are being advised that some of the information in this report has been prepared on a consolidated basis and thus also includes data of those funds, which are not authorised for the distribution to unqualified investors in or from Japan.

This annual report and audited financial statements (the "Report and Accounts") may be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Report and Accounts. To the extent that there is any inconsistency between the English language Report and Accounts and the Report and Accounts in another language, the English language Report and Accounts will prevail, except to the extent (and only to the extent) that it is required by law of any jurisdiction where the shares are sold, that in an action based upon disclosure in a Report and Accounts in a language other than English, the language of the Report and Accounts on which such action is based shall prevail. Any disputes as to the terms of the Report and Accounts, regardless of the language of the Report and Accounts, shall be governed by and construed in accordance with the laws of Ireland.

Independent Auditors' report
to the members of iShares II plc (the "Company")

Report on the financial statements

Our opinion

In our opinion iShares II plc's financial statements (the "financial statements"):

- give a true and fair view of the Company's and Funds' (as detailed on pages 1 and 2) assets, liabilities and financial position as at 31 October 2016 and of their results for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

What we have audited

The financial statements, included within the Annual Report and Audited Financial Statements, comprise:

- the Company and Funds' Balance sheets as at 31 October 2016;
- the Company and Funds' Income statements for the year then ended;
- the Company and Funds' Statements of changes in net assets attributable to redeemable participating shareholders for the year then ended;
- the Schedule of investments for each of the Funds as at 31 October 2016;
- the Financial instruments and risks which are presented separately and are an integral part of the notes to the financial statements;
- the Basis of preparation, Accounting policies and Glossary; and
- the Notes to the financial statements for the Company and for each of its Funds which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Our audit approach

Overview

Materiality

- Overall materiality: 50 basis points of Net Asset Value ("NAV") at 31 October 2016 for each of the Company's Funds.

Audit scope

- The Company is an open-ended investment company with variable capital and engages BlackRock Asset Management Ireland Limited (the "Manager") to manage certain duties and responsibilities with regards to the day-to-day management of the Company.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to overleaf, the accounting processes and controls, and the industry in which the Company operates. We look at each Fund at an individual level.

Areas of focus

- Existence of financial assets at fair value through profit or loss.
- Valuation of financial assets at fair value through profit or loss.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.com/ie

Chartered Accountants

Independent Auditors' report
to the members of iShares II plc (the "Company") (continued)

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example the selection of pricing sources to value the investment portfolio. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Existence of financial assets at fair value through profit or loss The financial assets at fair value through profit or loss included in the Balance Sheet of each Fund are held in the Fund's name at 31 October 2016. We focused on this area because it represents the principal element of the financial statements.	We obtained independent confirmation from the Depositary and counterparties of the investment portfolio held at 31 October 2016, agreeing the amounts held to the accounting records.
Valuation of financial assets at fair value through profit or loss The financial assets at fair value through profit or loss included in the Balance Sheet of each Fund at 31 October 2016 are valued at fair value in line with Generally Accepted Accounting Practice in Ireland. We focused on this area because it represents the principal element of the financial statements.	We tested the investment portfolios by independently agreeing the valuation of investments to third party vendor sources.

How we tailored the audit scope

As at the year-end there are 37 Funds operating. The Company's Balance sheet, Income statement and the Statement of changes in net assets attributable to redeemable participating shareholders are an aggregation of the positions and results of the 37 Funds.

The Directors control the affairs of the Company and are responsible for the overall investment policy which is determined by them. The Company engages the Manager to manage certain duties and responsibilities with regards to the day to day management of the Company.

The Manager has delegated certain responsibilities to BlackRock Advisors (UK) Limited (the "Investment Manager") and to State Street Fund Services (Ireland) Limited (the "Administrator"). The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Administrator. The Company has appointed State Street Custodial Services (Ireland) Limited (the "Depositary") to act as Depositary of the Company's assets.

In establishing the overall approach to our audit we assessed the risk of material misstatement at a Fund level, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Administrator, and we assessed the control environment in place at the Administrator.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.com/ie

Chartered Accountants

Independent Auditors' report
to the members of iShares II plc (the "Company") (continued)

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for each of the Company's Funds as follows:

Overall materiality and how we determined it	50 basis points (2015: 50 basis points) of Net Asset Value ("NAV") at the year end for each of the Company's Funds.
Rationale for benchmark applied	We have applied this benchmark because the main objective of the Company is to provide investors with a total return at a Fund level.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 5 basis points (2015: 5 basis points) of each Fund's NAV, for NAV per share impacting differences, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 48, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements and their identification of any material uncertainties. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2014 opinion

In our opinion, the Directors' Report is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

information in the Annual Report is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or - is otherwise misleading.	We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.com/ie

Chartered Accountants

Independent Auditors' report
to the members of iShares II plc (the "Company") (continued)

ISAs (UK & Ireland) reporting (continued)

▸ the statement given by the Directors on page 47, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's and Funds' position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
▸ the section of the Annual Report on pages 43 and 44, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

The Directors' assessment of the prospects of the Company and the principal risks that would threaten the solvency or liquidity of the Company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

▸ the Directors confirmation on page 41 of the Annual Report in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.	We have nothing material to add or to draw attention to.
▸ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
▸ the Directors' explanation on page 49 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and a statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the company and the directors' statement in relation to the longer term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Directors' remuneration and transactions

Under the Companies Act 2014, we are required to report to you if, in our opinion, the disclosure of Directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of our audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2)(c) of the Companies Act 2014.

Independent Auditors' report to the members of iShares II plc (the "Company") (continued)

Corporate governance statement *(continued)*

- Based on our knowledge and understanding of the Company and its environment, obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information required by section 1373 (2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.
- Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code specified for our review. We have nothing to report having performed our review.

Other matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 46 and 47, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.com/ie

Chartered Accountants

Independent Auditors' report
to the members of iShares II plc (the "Company") (continued)

What an audit of financial statements involves (continued)

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.

Jonathan O'Connell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
Ireland

27 February 2017

Basis of preparation

The financial statements have been prepared for the year ended 31 October 2016.

Statement of compliance

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland including Financial Reporting Standard ("FRS") 102, the financial reporting standard applicable in the UK and Republic of Ireland for the first time and Irish statute comprising the Companies Act 2014 and the provisions of the UCITS Regulations. Accounting standards generally accepted in Ireland in preparing financial statements which present a true and fair view are promulgated by the Institute of Chartered Accountants in Ireland (the "Institute") and issued by the Financial Reporting Council ("FRC"). Due to the special nature of the Company's business, the Directors have adapted the arrangement and headings and sub-headings of the financial statements otherwise required by Schedule 3 to the Companies Act 2014.

The Company has availed of the exemption available to open ended investment funds that hold a substantial proportion of highly liquid and fair valued investments under Section 7 of FRS 102 and is not presenting cash flow statements.

The information required by FRS 102 to be included in a statement of comprehensive income is contained in the income statement of each Fund.

Transition to FRS102

In 2012, 2013 and 2014 the FRC revised Financial Reporting Standards in the United Kingdom and Republic of Ireland. The revisions fundamentally reformed financial reporting, replacing the extant standards with a number of new Financial Reporting Standards. The new standards relevant to the Company are FRS 102: the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 104: Interim Financial Reporting. FRS 102 and FRS 104 are effective for accounting periods beginning on or after 1 January 2015 with early adoption permitted.

From 1 November 2015, the Directors resolved to adopt and prepare the financial statements in accordance with Financial Reporting Standard ("FRS") 102; the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102").

The date of transition to the new accounting framework is 1 November 2014 and accordingly the comparative amounts presented for the year ended 31 October 2015 are based on the Company's financial statements for that year after adjustment for the transition to FRS 102.

The transition to FRS 102 has not resulted in any change to the financial position, financial performance or profit and loss amounts of the Company to that previously reported and presented in the financial statements as at 31 October 2015. The measurement basis to determine the Company's financial position and performance in the current year is the same as that reported under the previous financial reporting framework at and for the year ended 31 October 2015.

There is no difference in the profit or loss determined in accordance with the previous financial reporting framework for the latest period in the Company's/Fund's most recent annual financial statements to its profit or loss determined in accordance with FRS 102 for the same period.

The accounting policies applied in preparing these financial statements under FRS 102 are consistent with the accounting policies applied, except where noted, in preparing the prior year's financial statements under the previous accounting framework.

Fair value measurement and recognition

On initial application of FRS 102, in accounting for its financial instruments a reporting entity is required to apply either a) the full provisions of section 11 "Basic Financial Instruments" and section 12 "Other Financial Instruments" of FRS 102, b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and only the disclosure requirements of Sections 11 and 12 of FRS 102; or c) the recognition and measurement provisions of IFRS 9 Financial Instruments and/or IAS 39 (as amended following the publication of IFRS 9) and only the disclosure requirements of Sections 11 and 12 of FRS 102. The Company has chosen to implement the recognition and measurement provisions of IAS 39 and only the disclosure requirements of Sections 11 and 12 of FRS 102 as they relate to financial instruments.

Fair value disclosures

The requirement for the Company to measure financial instruments at fair value and estimation of that fair value has not changed with the adoption of FRS 102. Amendment to FRS 102 "Fair value hierarchy disclosures" effective for annual periods beginning on or after 1 January 2017 has been early adopted. This amendment improves the consistency of fair value disclosures for financial instruments with those required by EU adopted IFRS.

Basis of measurement

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. The Company will continue as a going concern and all Funds have been prepared on a going concern basis.

Basis of preparation (continued)

Basis of measurement (continued)

All references to net assets throughout this document refer to net assets attributable to redeemable participating shareholders unless otherwise stated.

Functional and presentation currency

The presentation currency of the Company's financial statements is Euro. Foreign currency items included in the Funds' financial statements are measured in the Funds' functional currency which is shown in the table below.

Fund	Currency
iShares $ Treasury Bond 7-10yr UCITS ETF	$

The presentation currency of the Funds' financial statements is the same as the functional currency.

The Company's balance sheet, income statement and the statement of changes in net assets attributable to redeemable participating shareholders are an aggregation of the positions and results of the Funds.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Management also makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the actual results. Actual results may differ from these estimates and these differences could be material. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities predominantly relate to the fair value of financial instruments, as discussed in the accounting policies.

Accounting policies*

The significant accounting policies adopted by the Company are:

a) Investments

Classification of investments

The Company classifies its investments as financial assets and financial liabilities at fair value through profit or loss. The category of financial assets and financial liabilities through profit or loss comprises financial instruments (equities, rights, bonds, mortgage backed securities ("MBS"), to be announced contracts ("TBA"), contracts for difference ("CFDs"), forward currency contracts, warrants and futures contracts), designated by the Investment Manager, at inception, as being at fair value through profit or loss. Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the documented investment strategy. Derivatives are classified as held for trading.

Recognition/derecognition of investments

Purchases and sales of investments are accounted for on the date the trade transaction takes place. Investments are derecognised when the rights to receive cashflows from the investments have expired or the risks and rewards of ownership have all been substantially transferred. Realised gains and losses on disposals are calculated using the average cost method and are reflected as net gains/(losses) on financial assets/liabilities at fair value through profit or loss in the income statement.

Initial measurement of investments

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities are presented in the income statement in the year in which they arise.

Valuation of investments

The estimation of fair value, after initial recognition, is determined as follows:

i) Listed investments

Investments which are quoted, listed, traded or dealt on a market or exchange are based on quoted prices which, for the purpose of the financial statements, is the closing bid-market price for financial assets and the closing ask market price for financial liabilities, as at the year end date, on the relevant market or exchange which is normally the principal market or exchange for such investments.

ii) Warrants

Warrants are financial instruments that convey the right, but not the obligation, to engage in a future transaction on an underlying security, within a certain time frame.

Warrants which are quoted, listed, traded or dealt on a market or exchange are valued based on quoted prices which, for the purpose of the financial statements are the closing bid-market price as at the year end date, on the relevant market or exchange which is normally the principal market or exchange for such investments.

iii) Financial derivative instruments

The Company's derivatives comprise futures contracts, forward currency contracts and CFD's and are recognised initially at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition they are measured at fair value with changes in fair value recognised in the income statement. Where appropriate, gains and losses from certain financial derivative instruments are included in income or as net gains/(losses) on financial assets/liabilities at fair value through profit or loss in the income statement depending on whether they are used to protect or enhance income or capital.

For further details on the types of derivatives held by the Company at year end please see the Glossary.

iv) Prices calculated in consultation with the Manager

A number of securities were valued by the Administrator in consultation with the Manager in the absence of year end vendor prices.

The total value of securities valued using a price calculated by the Manager as at 31 October 2016 and 31 October 2015 is less than 1% of the net asset value of the applicable Funds. Please refer to the *Valuation of financial instruments in section d) of Financial Instruments and risks* for further details.

b) Income/expenses

i) Dividend income

Dividend income is recognised when the securities are declared ex-dividend. Dividend income is shown gross of any non-reclaimable withholding tax, which is disclosed separately in the income statement.

ii) Interest income/ expense

Bank, cash equivalent and bond interest income and expense are accrued on a daily basis using the effective interest basis and are disclosed in the income statement as operating income and interest expense respectively.

iii) Amortisation/accretion of premium/discounts on purchase of interest-bearing investments

Premiums or discounts on the purchase of fixed and variable interest rate investments are amortised over the life of the investment on an effective interest basis.

* The accounting policies are an integral part of the notes to the financial statements.

Accounting policies* (continued)

b) Income/expenses (continued)

iv) Securities lending income

Securities lending income is earned from lending securities owned by the Fund to a number of third-party borrowers. Securities lending income is accounted for on an accruals basis.

c) Fees and expenses

Expenses are accounted for on an accruals basis with the exception of transaction charges relating to the acquisition and realisation of investments which are charged as incurred.

d) Distributions

Dividend distributions are accounted for as finance costs in the Income Statement.

The Company may declare distributions for each distributing Fund, in respect of each financial period. Dividends will normally be declared monthly, quarterly, semi-annually or such other times as the Directors deem appropriate.

As of 31 October 2016 and 31 October 2015 all of the Funds have adopted UK Reporting Fund Status.

Any dividend amounts which have remained unclaimed for twelve years from the date of its declaration shall be forfeited and cease to remain owing by the Company to investors and become the property of the relevant Fund.

e) Redeemable participating shares

Subscriptions and redemptions are accounted for on the day the trade transaction takes place.

Redeemable participating shares are redeemable at the option of the shareholders and are classified as financial liabilities.

f) Transaction costs

Transaction costs on purchases and sales of financial assets and financial liabilities are included in net gains/(losses) on financial assets at fair value through profit or loss in the income statement of the Fund. Separately identifiable transaction costs are disclosed in note 10 of the notes to the financial statements of the Company and in the notes to the Funds.

Custody transaction costs are not separately identifiable as they form part of the total expense ratio of the Fund. The Manager is responsible for discharging all operational expenses of the Fund, see note 5 of the notes to the financial statements of the Company for more details.

g) Foreign currency

Transactions and balances

Transactions in foreign currencies are translated into the functional currency of each Fund at the foreign currency exchange rate in effect at the date of the transaction.

Subscriptions and redemptions of shares in foreign currencies are translated at the foreign currency exchange rate in effect at the date of the transaction.

Foreign currency assets and liabilities, including investments, are translated at the exchange rate prevailing at year end. The foreign exchange gain or loss based on the translation of the investments, as well as the gain or loss arising on the translation of other assets and liabilities, is included in net gains/(losses) on financial assets/liabilities at fair value through profit or loss in the income statement.

For aggregation purposes, all assets and liabilities for all Funds are translated into the presentation currency of the Company, at the year-end exchange rate. All income, expenses and capital transactions are translated at the average rate.

h) Receivables

Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition. They are subsequently measured at amortised cost using the effective interest basis less provision for impairment.

i) Payables

Payables are recognised initially at fair value and subsequently stated at amortised cost. The difference between proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

j) Cash and cash equivalents

Cash in the balance sheet includes deposits held on call with banks.

Cash equivalents includes short-term liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are classified as liabilities in the balance sheet.

* The accounting policies are an integral part of the notes to the financial statements.

Accounting policies* (continued)

k) Margin cash

Cash balances held as margin with relevant brokers relating to investments in derivatives at the reporting date are included in current assets/liabilities in the balance sheet.

l) Negative yield on financial assets

Negative yield on financial assets relating to interest from a negative effective interest rate on a financial asset is accreted daily and is recognised in the income statement over the life of the underlying instrument.

m) Collateral

Cash collateral provided by the Company is identified on the balance sheet as pledged cash collateral and is not included as a component of cash and cash equivalents.

Cash collateral provided to the Company by counterparties is identified on the balance sheet as cash collateral payable. The Company may reinvest this cash collateral and the assets purchased are included in financial assets at fair value through profit or loss on the balance sheet.

For collateral received from counterparties other than cash, a disclosure of the value of collateral provided is made in the notes to the financial statements in the securities lending note.

n) Adjustment to align to the valuation methodology as set out in the prospectus

The accounting policy of the Company is to value its investments at the relevant fair value at the balance sheet date. Fair value is considered to be the relevant closing bid market price on the balance sheet date.

Any difference between the valuation methodology stated in the financial statements and the valuation methodology indicated in the prospectus results in an adjustment.

o) Equalisation on distributions

For tax and accounting purposes, the Manager implements income and equalisation arrangements, to ensure that the level of income derived from investments is not affected by the issue, conversion or redemption of shares during the accounting period.

Equalisation income and/or expense amounts are included in note 7 in the notes to the financial statements of the Company.

p) Comparative period

Certain prior year figures have been reclassified to correspond to current year presentation.

q) Taxation

Current tax
Current tax is recognised in the Income statement to the extent that it relates to items recognised directly in equity, it is the amount of income tax paid or payable in respect of the overseas taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax
A provision for deferred tax payable is recognised in respect of material timing differences on the taxation of gains that have originated but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Timing differences are differences between the Company's overseas taxable profits and its results as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

r) Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Company's other components, whose operating results are reviewed regularly to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

It is considered that each Fund is an operating segment which is investing in line with its investment objective. The segment information provided to the Investment Manager is the same as that disclosed in the income statement and balance sheet for each Fund.

s) Changes in accounting policies

Nature of change in accounting policy
Investments in constant NAV money market funds held in the functional currency of the Fund are now classified as cash equivalents on the balance sheet. The reason for the change in accounting policy is that under FRS 102 section 7 cash equivalents are defined as "short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value".

* The accounting policies are an integral part of the notes to the financial statements.

Accounting policies* (continued)

s) Changes in accounting policies (continued)

Nature of change in accounting policy (continued)
An investment normally qualifies as a cash equivalent when it has a short maturity. Investments in the Institutional Cash Series plc ("ICS") Institutional Euro Liquidity Fund, Institutional Sterling Liquidity Fund and Institutional US Dollar Liquidity Fund meet this definition and classifying them as cash equivalents more accurately reflects the economic substance of these transactions. The change had no impact on the NAV of the Funds.

The application of this change in policy has resulted in a reclassification which decreased the value of financial assets at fair value through profit or loss and increased the value of cash equivalents on the balance sheet. Please see cash equivalents in the Company and relevant Funds' balance sheet which shows the full amount of the ICS investment reclassification. Related balances in the relevant notes have also been updated to reflect the reclassification.

* The accounting policies are an integral part of the notes to the financial statements.

Financial instruments and risks*

Introduction and overview
The Company's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and investors should refer to the prospectus and supplements for a more detailed discussion of the risks inherent in investing in the Company.

Risk management framework
The Directors of the Company review quarterly investment performance reports and receive semi-annual presentations which cover the Company's performance and risk profile during the year. The Directors have delegated certain duties and responsibilities to the Manager with regard to the day-to-day management of the Company. The Manager has in turn delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Funds are managed within the terms of their investment guidelines and limits set out in the prospectus and supplements. The Directors reserve to themselves the investment performance and product risk monitoring and oversight and delegates to the Manager responsibility for the monitoring and oversight of regulatory and operational risk for the Funds. The Directors have delegated the responsibility of the daily risk management to key risk management personnel of the Manager

The principal risk exposure of the Funds is set out as follows:

a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Funds may suffer through holding market positions in the face of market movements. The Funds are exposed to market risk by virtue of their investments in equities, warrants, rights, government bonds, mortgage backed securities ("MBS"), TBAs, CFDs, forward currency contracts and futures contracts.

There is no assurance that each benchmark index will continue to be calculated on the basis described in the prospectus or that they will not be amended significantly. The past performance of each benchmark index is not necessarily a guide to future performance.

A key metric the Risk and Quantitative Analysis Group ("RQA Group") uses to measure market risk is Value at Risk ("VaR") which encompasses price, currency and interest rate risk. The RQA Group is a centralised group which performs an independent risk management function. The group independently identifies measures and monitors investment risk.

VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment.

VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on an adjusted historical simulation model with a confidence level of 99%, a holding period of one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Fund will lose no more than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of the VaR methodology has limitations, namely assumptions that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Fund can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts, will not occur more frequently.

The Funds' one day VaR as at 31 October 2016 and 31 October 2015 based on a 99% confidence level is outlined in the table below:

Fund	31 October 2016 %	31 October 2015 %
iShares $ Treasury Bond 7-10yr UCITS ETF	0.75	0.98

i) Market risk arising from foreign currency risk

Exposure to foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Funds may invest in securities, which as far as possible and practicable, consist of the component securities of the benchmark index of each Fund, and which may be denominated in currencies other than its reporting currency.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Financial instruments and risks* (continued)

a) Market risk (continued)

i) Market risk arising from foreign currency risk (continued)

Exposure to foreign currency risk (continued)
The Funds in line with its benchmark, are unhedged and are therefore exposed to foreign currency risk. Consequently, each Fund is exposed to the risk of currency fluctuations between the base currency of the benchmark index andthe base currency of the constituent securities of the benchmark index.

The Funds may also invest in forward currency contracts and thus gain further exposure to foreign currency risk.

Management of foreign currency risk
Exchange rate exposures are managed where appropriate and in compliance with the prospectus utilising forward currency contracts. The details of the contracts in place at the year-end date are disclosed in the schedules of investments.

ii) Market risk arising from other price risk

Exposure to other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Funds are exposed to market price risk arising from their investments in equities, warrants, rights, bonds, MBS, TBAs, CFDs, forward currency contracts and futures contracts. The movements in the prices of these investments result in movements in the performance of the Funds. The investment concentrations within the portfolio are disclosed in the schedules of investments by investment type.

Management of other price risk
The Investment Manager manages the Funds' market risk on a daily basis in accordance with the Fund's investment objective.

The investment objective of the Funds is to provide investors with a total return, taking into account the capital and income returns, which reflect the total returns of the respective benchmark. The Fund's performance is correlated to its benchmark. The correlation of the Fund's performance against the benchmark is a metric monitored by key management personnel.

iii) Market risk arising from interest rate risk

Exposure to interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds are exposed to interest rate risk through their cash and cash equivalent holdings including margin cash held with brokers. The Funds listed in the following tables are also exposed to interest rate risk through their investments in bonds, MBS and TBAs where the value of these securities may fluctuate as a result of a change in interest rates.

The Funds also have indirect exposure to interest rate risk through the investments into futures contracts, whereby the value of the underlying asset may fluctuate as a result of a change in interest rates.

The Fund that invests in CFDs is immaterially exposed to interest rate risk through these investments.

Management of interest rate risk
Movements in the prices of these investments are derived from movements in market interest rates and issuer credit-worthiness. Issuer credit-worthiness and credit spreads are monitored by the Investment Manager regularly. The securities in which the Funds invest will generally have a minimum rating of investment grade from a ratings agency as set out in the investment policy of the Funds.

The following table outlines the interest rate risk profile of the Funds as at 31 October 2016 and 31 October 2015 whereby short term financial assets and financial liabilities are those with a residual maturity date of less than one year and long term financial assets and financial liabilities are those with a residual maturity date of greater than one year.

31 October 2016

Exposure to interest rate risk	Floating interest rate	Fixed interest rate	Non–interest bearing**	Total
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	**$'000**	**$'000**	**$'000**
Short term financial assets	1,765	-	26,769	28,534
Long term financial assets	-	2,430,013	-	2,430,013
Short term financial liabilities	-	-	(8,583)	(8,583)
Net asset value	**1,765**	**2,430,013**	**18,186**	**2,449,964**

** The non-interest bearing category includes receivables and payables at year end.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Financial instruments and risks* (continued)

a) Market risk (continued)

iii) Market risk arising from interest rate risk (continued)

31 October 2015

Exposure to interest rate risk	Floating interest rate	Fixed interest rate	Non–interest bearing**	Total
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	**$'000**	**$'000**	**$'000**
Short term financial assets	104,891	-	14,595	119,486
Long term financial assets	-	1,900,287	-	1,900,287
Short term financial liabilities	-	-	(103,947)	(103,947)
Net asset value	**104,891**	**1,900,287**	**(89,352)**	**1,915,826**

** The non-interest bearing category includes receivables and payables at year end.

Brexit

In a United Kingdom ("UK") referendum held on 23 June 2016, the electorate of the UK resolved to leave the European Union. The result has led to political and economic instability, volatility in the financial markets of the UK and more broadly across Europe. It may also lead to weakening in consumer, corporate and financial confidence in such markets as the UK negotiates its exit from the European Union. The longer term process to implement the political, economic and legal framework between the UK and the European Union is likely to lead to continuing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets. In particular, the decision made in the referendum may lead to a call for similar referendums in other European jurisdictions which may also cause increased economic volatility in wider European and global markets.

The result of this referendum does not change how the Funds' portfolios are managed however the mid to long term uncertainty may have an adverse effect on the economy generally and therefore impact on the ability of a Fund to execute on its strategy and it may also result in increased costs to a Fund. For further details on the possible impact of the results of the referendum please refer to the Investment Manager's report.

b) Counterparty credit risk

Exposure to counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Funds are exposed to counterparty credit risk from the parties with which they trade and will bear the risk of settlement default.

Management of counterparty credit risk

Counterparty credit risk is monitored and managed by BlackRock's RQA Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Counterparty Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Counterparty Credit Officer and selected team members to whom specific credit authority has been delegated.

As such, counterparty approvals may be granted by the Chief Counterparty Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Counterparty Credit Officer.

The BlackRock RQA Counterparty & Concentration Risk Team completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures and the collateral management process.

There were no past due or impaired balances in relation to transactions with counterparties as at 31 October 2016 and 31 October 2015.

i) Exchange traded financial derivative instruments

The Funds' holdings in futures contracts expose the Funds to counterparty credit risk.

Management of counterparty credit risk related to futures contracts

The exposure is limited by trading the contracts through a clearing house. The Funds' exposure to counterparty credit risk on contracts in which they currently have a gain position is reduced by such gains received in cash from the counterparty under the daily mark-to-market mechanism on exchange traded futures contracts (variation margin). The Funds' exposure to credit risk on contracts in which they currently have a loss position is equal to the amount of margin posted to the counterparty which has not been transferred to the exchange under the daily mark-to-market mechanism. The counterparties for futures contracts are Barclay's Bank Plc and Credit Suisse International. The credit rating for Barclay's Bank Plc is A- (31 October 2015: A-) and Credit Suisse International is A (31 October 2015: A).

Margin is paid or received on futures contracts to cover any exposure by the counterparty or the Funds to each other. "Margin cash account" on the balance sheet consists of margin receivable from or payable to the Fund's clearing brokers and various counterparties.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Financial instruments and risks* (continued)

b) Counterparty credit risk (continued)

ii) Over-the-Counter ("OTC") financial derivative instruments

The Funds' holdings in OTC financial derivative instruments (including CFDs) exposes the Funds to counterparty credit risk.

Counterparty credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Funds exposure to counterparty credit risk is limited to the contracts in which it currently has a financial asset position reduced by any collateral received from the counterparty, or to counterparties who have received collateral from the Funds.

All OTC derivative transactions (including CFDs) are entered into by the Funds under an International Swaps and Derivatives Associations, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement. An ISDA Master Agreement is a bilateral agreement between the Funds and a counterparty that governs OTC derivative transactions (including CFDs) entered into by the parties.

The parties' exposures under the ISDA Master agreement are netted and collateralised together, therefore any collateral disclosures provided are in respect of all OTC derivative transactions entered into by the Funds under the ISDA Master agreement, not just CFDs. All non-cash collateral received/posted by the Funds under the ISDA Master Agreement is transferred bilaterally under a title transfer arrangement.

The carrying value of financial assets together with cash held with counterparties best represents the Fund's gross maximum exposure to counterparty credit risk at the reporting date, before including the effect of International Swaps and Derivatives Association, Inc. ("ISDA") master agreements and close-out netting, which reduces the overall counterparty credit risk exposure. Cash held as security by the counterparty to derivative contracts is subject to the credit risk of the counterparty.

The Funds' maximum exposure to counterparty credit risk from holding forward currency contracts will be equal to the notional amount of the currency and any net unrealised gains as disclosed in the relevant Fund's Schedule of Investments.

Management of counterparty credit risk related to OTC financial derivative instruments

For CFDs held by the Funds, cash movements take place on a daily basis, above a certain threshold for each counterparty. The risk is further mitigated as contracts are reset on a monthly basis (1 year rolling maturity at each monthly reset) with the gain or loss being realised in the relevant Fund. The Fund is required to maintain collateral with the counterparties to secure these financial instruments.

Forward currency contracts do not require variation margins and thus the counterparty credit risk is monitored through the BlackRock RQA Counterparty & Concentration Risk Team who monitor the creditworthiness of the counterparty. The counterparties for forward currency contracts are disclosed in the schedules of investments.

The lowest credit rating of any one counterparty is AA- (Standard and Poor's rating).

iii) Depositary

The Fund's Depositary is State Street Custodial Services (Ireland) Limited (the "Depositary"). Substantially all of the investments are held by same at year end. Investments are segregated from the assets of the Depositary, with ownership rights remaining with the Funds. Bankruptcy or insolvency of the Depositary may cause the Fund's rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk is the amount of long investments disclosed in the Schedule of Investments.

The Depositary has appointed State Street Bank and Trust Company (the "Sub-Custodian") as its global Sub-Custodian. Substantially all of the cash of the Funds are held with the Sub-Custodian.

The Funds' cash balances are held by the Sub-Custodian in its account together with its own cash balances and with those cash balances that are held on behalf of other clients. The Funds' cash balances are separately identified within the records of the Sub-Custodian.

In respect of the cash held by the Sub-Custodian or other depositaries it appoints, the Funds will be exposed to the counterparty credit risk of the Sub-Custodian or those depositaries. In the event of the insolvency or bankruptcy of the Sub-Custodian or other depositaries, the Funds will be treated as a general creditor of the Sub-Custodian or the depositaries.

Management of counterparty credit risk related to the Depositary

To mitigate the Fund's exposure to the Depositary, the Investment Manager employs specific procedures to ensure that the Depositary is a reputable institution and that the counterparty credit risk is acceptable to the Funds. The Funds only transact with Depositary's that are regulated entities subject to prudential supervision, or with "high credit ratings" assigned by international credit rating agencies.

The long term credit rating of the parent company of the Depositary and Sub-Custodian, State Street Corporation, as at 31 October 2016, is A (31 October 2015: A+) (Standard and Poor's rating). In order to further mitigate the Fund's counterparty credit risk exposure to the Sub-Custodian or depositary banks, the Funds may enter into additional arrangements such as the placing of residual cash in a money market fund for example Institutional Cash Series Plc ("ICS") shown as a cash equivalent on the balance sheet.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Financial instruments and risks* (continued)

b) Counterparty credit risk (continued)

iii) Depositary (continued)

ICS is a BlackRock umbrella fund and an open-ended investment company with variable capital incorporated in Ireland and having segregated liability between its funds. ICS is authorised as an undertaking for collective investment in transferable securities (UCITS).

iv) Counterparties

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

Management of counterparty credit risk related to Counterparties
The Funds monitor the credit rating and financial position of the brokers used to further mitigate this risk.

v) Debt securities

Issuer credit risk is the default risk of one of the issuers of any securities held by the Funds. Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating.

Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated. A number of the Funds invest into sovereign debt. This exposes the Funds to the risk that the issuer of the bonds may default on interest or principal payments.

Management of counterparty credit risk related to debt securities
To manage this risk, the Investment Manager invests in a wide range of securities, subject to the investment objectives of each Fund and monitors the credit ratings of the investments as disclosed in the schedules of investments. The ratings of the debt securities are continually monitored by the BlackRock Portfolio Management Group ("PMG").

The following table detail the credit rating profile of the debt securities held by the Funds as at 31 October 2016 and 31 October 2015:

31 October 2016	Currency	Investment grade %	Non-investment grade %	Not rated %	Total %
iShares $ Treasury Bond 7-10yr UCITS ETF	$	99.19	-	-	99.19

31 October 2015	Currency	Investment grade %	Non-investment grade %	Not rated* %	Total %
iShares $ Treasury Bond 7-10yr UCITS ETF	$	99.22	-	-	99.22

vi) Securities lending

The Funds engage in securities lending activities which expose the Funds to counterparty credit risk. The maximum exposure to each Fund is equal to the value of the securities loaned.

Securities lending transactions entered into by the Funds are subject to a written legal agreement between the Funds and the Securities Lending Agent, BlackRock Advisors (UK) Limited, a related party to the Company, and separately between the Securities Lending Agent and the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of the Depositary on behalf of the Funds. Collateral received is segregated from the assets belonging to the Funds' Depositary or the Lending Agent.

The value of securities on loan at the year end and the value of collateral held at the year end on behalf of the Funds is shown below:

	31 October 2016 $'000	31 October 2015 $'000
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	**$'000**
Value of securities on loan	2,087,927	1,460,286
Value of collateral held	2,302,936	1,604,460

Management of counterparty credit risk related to securities lending
To mitigate this risk, the Funds receive either cash or securities as collateral equal to a certain percentage in excess of the fair value of the securities loaned.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Financial instruments and risks* (continued)

b) Counterparty credit risk (continued)

vi) Securities lending (continued)

Management of counterparty credit risk related to securities lending (continued)
The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained, if necessary. As at the 31 October 2016 and 31 October 2015, all non-cash collateral received consists of securities admitted to or dealt on a regulated market.

The Funds also benefit from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities lent. BlackRock Inc. bears the cost of indemnification against borrower default.

vii) Collateral

The Funds engage in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

Management of counterparty credit risk related to collateral
The Funds use inbound collateral received from a counterparty to reduce the credit risk associated with any trading activity the Funds have engaged in.

c) Liquidity risk

Exposure to liquidity risk
Liquidity risk is the risk that the Funds will encounter difficulties in meeting obligations associated with financial liabilities.

Liquidity risk to the Funds arises from the redemption requests of investors and the liquidity of the underlying investments the Funds are invested in. The Funds' shareholders may redeem their shares on the close of any daily dealing deadline for cash equal to a proportionate share of the Funds' Net Asset Value. The Funds are therefore potentially exposed to the liquidity risk of meeting the shareholders' redemptions and may need to sell assets at prevailing market prices to meet liquidity demands. It is also exposed to the liquidity risk of daily margin calls on derivatives.

All derivative and non-derivative financial liabilities of the Funds held at the years ended 31 October 2016 and 31 October 2015 based on contractual maturities, fall due within one month.

Management of liquidity risk
Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

To manage this risk, if redemption requests on any dealing day represent 10% or more of the shares in issue in respect of any Fund, the Manager may, in its discretion, refuse to redeem any shares in excess of 10% (at any time including after the cut-off time on the dealing day). Any request for redemption on such dealing day shall be reduced rateably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all shares to which the original request related have been redeemed.

In any event settlement for redemptions will normally be made within fourteen days of the dealing day.

The Funds liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward looking cash reports which project cash obligations. These reports allow them to manage their cash obligations.

d) Valuation of financial instruments

The Funds classify financial instruments measured at fair value using a fair value hierarchy. The fair value hierarchy has the following categories:

Level 1 - Quoted prices for identical instruments in active markets
A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund does not adjust the quoted price for these instruments.

Level 2 - Valuation techniques using observable inputs
This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as OTC derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity determined inputs.

Level 3 - Valuation techniques using significant unobservable inputs
This category includes all instruments where the valuation techniques used include inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Financial instruments and risks* (continued)

d) Valuation of financial instruments (continued)

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager.

The Investment Manager considers observable inputs to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below is an analysis of the Funds' financial assets and liabilities measured at fair value as at 31 October 2016 and 31 October 2015:

31 October 2016

	Level 1	Level 2	Level 3	Total
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value through profit or loss				
- Debt securities	-	2,430,013	-	2,430,013
Total	**-**	**2,430,013**	**-**	**2,430,013**

31 October 2015

	Level 1	Level 2	Level 3	Total
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value through profit or loss				
- Debt securities	-	1,900,287	-	1,900,287
Total	**-**	**1,900,287**	**-**	**1,900,287**

Investments whose values are based on observable inputs are classified within level 2. These include equity securities that were suspended at year end but resumed trading shortly after the year ended 31 October 2016 and equity securities that were suspended at 31 October 2015 but resumed trading shortly after the year end.

Investments whose values are based on unobservable inputs are classified within level 3. These include equities and rights that are currently suspended at the year ended 31 October2016 and equities that were suspended, delisted and equities priced at zero at the year ended 31 October 2015.

e) Global exposure

In accordance with UCITS regulations and the requirements of CBI, the Manager is required to employ a risk management process which enables it to accurately monitor and manage the global exposure of the Funds to financial derivative instruments ("FDI").

The Investment Manager uses the methodology known as the "Commitment Approach" in order to measure the global exposure of the Funds and manage the potential loss to them due to market risk.

The commitment approach is a methodology that aggregates the underlying market or notional value of FDI to determine the global exposure of the Fund.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Financial instruments and risks* (continued)

e) Global exposure (continued)

In accordance with the UCITS Regulations, global exposure for a Fund utilising the commitment approach must not exceed 100% of the Fund's NAV.

The exposures to FDI at year end are marked on the relevant Fund's schedule of investments. For the years ended 31 October 2016 and 31 October 2015, global exposure is measured using the commitment approach for all funds.

f) Leverage

The use of derivatives may expose Funds to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure.

A relatively small market movement may have a potentially larger impact on derivatives than on non-derivative instruments. Leveraged derivative positions can therefore increase Fund volatility.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

INCOME STATEMENT

For the year ended 31 October 2016

	Note	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Operating income	3	1,334,448	1,084,362
Net (losses)/gains on financial assets/liabilities at fair value through profit or loss	4	(903,546)	664,505
Total gains		**430,902**	**1,748,867**
Operating expenses	5	(142,552)	(126,456)
Negative yield on financial assets		(712)	-
Net operating profit		**287,638**	**1,622,411**
Finance costs:			
CFD interest paid		(225)	(413)
Distributions to redeemable participating shareholders	7	(1,094,928)	(633,025)
Interest expense	8	(711)	(246)
Total finance costs		**(1,095,864)**	**(633,684)**
Net (loss)/profit for the financial year before tax		**(808,226)**	**988,727**
Taxation	9	(45,059)	(52,402)
Net (loss)/profit for the financial year after tax		**(853,285)**	**936,325**
Adjustment to align to the valuation methodology as set out in the prospectus	2	(16,569)	9,593
(Decrease)/increase in net assets attributable to redeemable participating shareholders from operations		**(869,854)**	**945,918**

There are no recognised gains or losses arising in the year other than those dealt with in the income statement. In arriving at the results of the financial year, all amounts relate to continuing operations.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS

For the year ended 31 October 2016

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Net assets attributable to redeemable participating shareholders at the beginning of the year	36,665,243	27,313,600
Notional foreign exchange adjustment*	(705,701)	1,939,908
(Decrease)/increase in net assets attributable to redeemable participating shareholders from operations	(869,854)	945,918
Share transactions:		
Proceeds from issue of redeemable participating shares	17,568,108	18,163,612
Payments on redemption of redeemable participating shares	(12,482,917)	(11,736,417)
Transfer due to merger into the Company**	-	38,622
Increase in net assets resulting from share transactions	**5,085,191**	**6,465,817**
Net assets attributable to redeemable participating shareholders at the end of the year	**40,174,879**	**36,665,243**

* The notional foreign exchange adjustment arises from the retranslation of the net assets at the beginning of the year using the exchange rate as at 31 October 2016. The average rate for the year is applied to income statement items and share transactions (see note 17).
** Please see details of Fund mergers in the income statement of iShares $ TIPS UCITS ETF.

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

As at 31 October 2016

	Note	31 October 2016 €'000	31 October 2015 €'000
CURRENT ASSETS			
Cash		266,264	273,699
Cash equivalents		257,922	170,605
Margin cash account		6,739	4,971
Cash collateral		360	-
Receivables	12	450,621	528,299
Financial assets at fair value through profit or loss	13	39,694,437	36,209,970
Total current assets		**40,676,343**	**37,187,544**
CURRENT LIABILITIES			
Bank overdraft		(251)	(202)
Cash collateral payable		(1,561)	(2,310)
Margin cash account		-	(111)
Payables	14	(501,774)	(544,201)
Provision for deferred capital gains tax	9	(5,308)	-
Financial liabilities at fair value through profit or loss	13	(1,198)	(674)
Total current liabilities excluding net assets attributable to redeemable participating shareholders		**(510,092)**	**(547,498)**
Net assets attributable to redeemable participating shareholders		**40,166,251**	**36,640,046**
Adjustment to align to the valuation methodology as set out in the prospectus	2	8,628	25,197
Net asset value attributable to redeemable participating shareholders at the end of the year		**40,174,879**	**36,665,243**

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors

Paul McNaughton
Director

27 February 2017

Paul McGowan
Director

27 February 2017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2016

1. COMPANY DETAILS

iShares II public limited company is organised as an open-ended investment company with variable capital. The Company was incorporated in Ireland on 16 December 1999, with limited liability and segregated liability between its Funds and is organised under the laws of Ireland as a Public Limited Company ("plc") pursuant to the Companies Act 2014 and the UCITS Regulations and is regulated by the CBI.

The registered office of the Company is J.P. Morgan House, International Financial Services Centre, Dublin 1, Ireland.

2. ACCOUNTING POLICIES, FINANCIAL INSTRUMENTS AND RISKS

The accounting policies are set out on pages 61 to 64. The adjustment between the financial statements net asset value and the valuation methodology set out in the prospectus is detailed further in accounting policy (n). The financial instruments and risks are set out on pages 65 to 100.

3. OPERATING INCOME

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Interest income	1,140	193
Dividend income	722,425	653,184
Bond interest income	590,407	413,433
Securities lending income	20,476	17,552
	1,334,448	**1,084,362**

4. NET (LOSSES)/GAINS ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Net (losses)/gains on investments in securities held at fair value through profit or loss	(891,743)	670,820
Net (losses)/gains on forward currency contracts	(2,759)	667
Net gains/(losses) on futures contracts	3,207	(1,295)
Net losses on CFDs	(8,602)	(4,431)
Net losses on foreign currency transactions	(3,649)	(1,256)
	(903,546)	**664,505**

5. OPERATING EXPENSES

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Management fees	(142,552)	(126,456)
	(142,552)	**(126,456)**

6. MANAGEMENT FEES

Fees earned by the Manager during the year and balances outstanding as at 31 October 2016 and 31 October 2015 are disclosed in note 5 and note 14 respectively.

Management fees (inclusive of investment management fees):

The Manager is entitled to an annual fee at rates not exceeding those set out on the following table. These rates are the maximum fee rates as at 31 October 2016:

Fund	Maximum fee rate (% of NAV)
iShares $ Treasury Bond 7-10yr UCITS ETF	0.20

The Company employs an "all in one" fee structure for its Funds, with each Fund paying all of its fees, operating costs and expenses (and its due proportion of any costs and expenses allocated to it) as a single flat fee (the "Total Expense Ratio" or "TER"). The TER is calculated in accordance with the Committee of European Securities Regulators ("CESR") guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document.

The Manager is responsible for discharging all operational expenses, including but not limited to fees and expenses of the Directors, Investment Manager, Depositary, Administrator, Transfer Agent and Registrar from the amounts received by the Manager from the TER. Such operational expenses include regulatory and audit fees but exclude transaction costs and extraordinary legal costs.

Directors' fees will not exceed the sum of €40,000 per annum per Director without the approval of the Board of Directors.

In the event a Fund's costs and expenses in connection with the operation of the Fund exceed the stated TER, the Manager will discharge any excess amount out of its own assets. The establishment costs of the Company have been paid by the Manager

The following fees were included in management fees for the year:

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Directors' fees	(26)	(26)
Audit fees (including expenses) relating to the audit of the annual financial statements	(259)	(252)
Other assurance services fee (including expenses) relating to Fund merger	-	(5)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2016

6. MANAGEMENT FEES (continued)

There were no other assurance, tax, advisory or non audit fees other than the audit fees disclosed above paid to PricewaterhouseCoopers in Dublin, Ireland as the Statutory Auditor of the Company as no other services were provided. The other assurance services relate to merger exchange ratios as required by Regulation 60 of Statutory Instrument ("S.I.") No 352/2011.

Whilst it is anticipated that the TER borne by a Fund shall not exceed the amounts set out on the previous page during the life of a Fund, such amounts may need to be increased. Any such increase will be subject to the prior approval of the shareholders of the relevant Fund evidenced either by a majority vote at a meeting of shareholders or by a written resolution of all of the shareholders. As disclosed, no commissions, discounts, brokerages or other special terms have been granted or are payable by the Company in connection with the issue or sale of any capital of the Company.

7. DISTRIBUTIONS TO REDEEMABLE PARTICIPATING SHAREHOLDERS*

The Company may declare and pay dividends on any distributing class of shares in the Company. In accordance with the prospectus, any dividend which has remained unclaimed for twelve years from the date of its declaration shall be forfeited and cease to remain owing by the Company to investors and become the property of the relevant Fund.

Distributions declared during the year were as follows:

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
November	271,919	12,488
December	15,622	9,068
January	17,617	67,758
February	85,703	12,485
March	15,519	14,858
April	18,775	255,982
May	367,860	13,449
June	19,198	13,004
July	22,086	264,120
August	217,871	13,376
September	24,914	14,675
October	24,372	-
	1,101,456	**691,263**
Equalisation income	(81,016)	(105,339)
Equalisation expense	74,488	47,101
	1,094,928	**633,025**

* For distributions being paid from October 2015 onwards, the ex-dates of the distributing funds were moved to the same calendar month as the pay date. See the Subsequent Events note to the financial statements of the Company for details of the November 2016 distributions.

8. INTEREST EXPENSE

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Bank interest	(711)	(246)
	(711)	**(246)**

9. TAXATION

Below is an analysis of the tax charge for the year:

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Current tax		
Non-reclaimable overseas income withholding tax	39,813	52,402
Non-reclaimable overseas capital gains tax	-	-
Deferred tax		
Provision for overseas capital gains tax payable	5,246	-
Total tax	**45,059**	**52,402**

Irish tax

Under current law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a "chargeable event". A chargeable event includes any distribution payments to shareholders or any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

a) A shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Company; or the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and

b) Certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed annual declarations; and

c) Any transaction (which might otherwise be a chargeable event) in relation to shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners (such as CREST) will not constitute a chargeable event. It is the current intention of the Directors that all the shares in the Company will be held in Crest or another recognised clearing system.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2016

9. TAXATION (continued)

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

Overseas tax

In September 2016, the Brazilian Tax Authorities issued Normative Instruction 1658/16 amending the list of countries considered to be 'low tax jurisdictions' to include Curacao, Saint Martin and Ireland and exclude the Netherlands Antilles and Saint Kitts and Nevis. The changes were effective from 1 October 2016 onwards. As a consequence, Brazilian Capital Gains Tax (CGT) and increased income withholding tax rates on interest on capital distributions apply to the Company.

For financial reporting purposes, and in accordance with FRS 102, this change in Brazilian CGT has resulted in the recognition of a provision for deferred tax payable arising from material timing difference between the taxation of unrealised gains in the financial statements and actual realisable taxable profits.

10. TRANSACTION COSTS

In order to achieve its investment objective, a Fund will incur transaction costs in relation to trading activity on its portfolio.

Disclosed in the table below are separately identifiable transaction costs incurred by the Company for the years ended 31 October 2016 and 31 October 2015. These include all brokers' commission, settlement fees, stamp duties and broker fees charges on equities, exchange traded futures contracts and some fixed income investments.

	Year ended 31 October 2016 €'000	Year ended 31 October 2015 €'000
Transaction costs	(6,731)	(9,597)

Not all transaction costs are separately identifiable. For some fixed income investments, transaction costs will be included in the purchase and sales price of the investment and are not separately disclosed. The portfolio transaction costs are not included in the TER.

11. SHARE CAPITAL

The issued and fully paid redeemable participating share capital is at all times equal to the net asset value of the Company. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

Redeemable Participating Shares - issued and fully paid

	31 October 2016 No. of Shares	31 October 2015 No. of Shares
Balance at the beginning of year	1,225,815,881	1,075,730,301
Issued during the year	431,297,123	468,305,941
Transfer due to merger	-	223,988
Redeemed during the year	(364,715,058)	(318,444,349)
Balance at the end of year	**1,292,397,946**	**1,225,815,881**

Authorised

The authorised share capital of the Company is £40,000 divided into 40,000 subscriber shares of a par value of £1 each and 500 billion participating shares of no par value ("NPV").

Subscriber shares

There are 7 subscriber shares currently in issue which are held by the Manager and nominees of the Manager at 31 October 2016 and 31 October 2015. They do not form part of the net asset value of the Company. They are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors this disclosure reflects the nature of the Company's investment business.

12. RECEIVABLES

	31 October 2016 €'000	31 October 2015 €'000
Sale of securities awaiting settlement	90,533	320,732
Subscription for shares awaiting settlement	126,401	18,234
Dividend income receivable	17,330	17,411
Interest receivable	236	23
Bond income receivable	192,497	154,563
Securities lending income receivable	1,563	1,769
Tax reclaim receivable	22,019	15,542
Other receivables	42	20
Receivable due to Merger	-	5
	450,621	**528,299**

13. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets:	31 October 2016 €'000	31 October 2015 €'000
Investment in equities	18,196,094	21,405,876
Investment in bonds	21,063,533	14,615,519
Investment in rights	783	567

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2016

13. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial assets:	31 October 2016 €'000	31 October 2015 €'000
Investment in warrants*	-	6
Investment in MBSs	210,106	82,029
Investment in TBA contracts	220,272	99,232
Unrealised gains on CFDs	787	1,232
Unrealised gains on forward currency contracts*	202	-
Unrealised gains on futures contracts	2,660	5,509
	39,694,437	36,209,970

* Investments which are less than €500 are rounded to zero.

Financial liabilities:	31 October 2016 €'000	31 October 2015 €'000
Unrealised losses on CFDs	(400)	(428)
Unrealised losses on futures contracts	(798)	(19)
Unrealised losses on forward currency contracts	-	(227)
	(1,198)	(674)

14. PAYABLES

	31 October 2016 €'000	31 October 2015 €'000
Purchase of securities awaiting settlement	(419,000)	(474,769)
Payable for fund shares repurchased	(69,874)	(58,269)
Interest payable	(38)	(15)
Management fees payable	(12,829)	(11,131)
CFD interest payable	-	(7)
Other payables	(33)	(10)
	(501,774)	(544,201)

15. SOFT COMMISSIONS

There were no soft commissions arrangements entered into by the Investment Manager on behalf of the Company during the years ended 31 October 2016 and 31 October 2015, other than those disclosed in the financial statements of the Funds.

16. COMMITMENTS AND CONTINGENT LIABILITIES

There were no significant commitments or contingent liabilities at the years ended 31 October 2016 and 31 October 2015 other than those disclosed in the financial statements of the Funds.

17. EXCHANGE RATES

The rates of exchange ruling at 31 October 2016 and 31 October 2015 were:

		31 October 2016	31 October 2015
EUR1=	CHF	1.0840	1.0889
	DKK	7.4390	7.4577
	GBP	0.8979	0.7153
	JPY	115.1942	133.3037
	KRW	1,254.3273	1,259.3564
	NOK	9.0452	9.3473
	SEK	9.8894	9.3795
	USD	1.0962	1.1047
GBP1=	EUR	1.1138	1.3981
	USD	1.2209	1.5444
USD1=	AED	3.6731	3.6729
	AUD	1.3141	1.4016
	BRL	3.1659	3.8437
	CAD	1.3403	1.3084
	CHF	0.9889	0.9858
	CLP	653.3200	690.8750
	CNY	6.7708	6.3175
	COP	2,996.1050	2,891.5000
	CZK	24.6534	24.5277
	DKK	6.7862	6.7512
	EGP	8.8800	8.0301
	EUR	0.9122	0.9053
	GBP	0.8191	0.6475
	HKD	7.7549	7.7501
	HUF	281.0436	281.4421
	IDR	13,048.0000	13,687.5000
	ILS	3.8407	3.8624
	INR	66.7865	65.3450
	JPY	105.0850	120.6750
	KRW	1,144.2500	1,140.0500
	MXN	18.8075	16.5288
	MYR	4.1950	4.2960
	NOK	8.2515	8.4618
	NZD	1.3978	1.4780
	PHP	48.4225	46.8200
	PLN	3.9359	3.8522
	QAR	3.6416	3.6403
	RUB	63.2894	63.8453
	SEK	9.0215	8.4910
	SGD	1.3919	1.4005
	THB	34.9975	35.5675
	TRY	3.0966	2.9116
	TWD	31.5575	32.4635
	ZAR	13.4825	13.8067

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2016

17. EXCHANGE RATES (continued)

The average rates of exchange for the years ended 31 October 2016 and 31 October 2015 were:

		31 October 2016	31 October 2015
EUR1=	GBP	0.7962	0.7373
	USD	1.1091	1.1338

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or is able to exercise significant influence over the other party, in making financial or operational decisions.

The following entities were related parties to the Company during the year ended 31 October 2016:

Board of Directors of the Company

Manager:	BlackRock Asset Management Ireland Limited
Investment Manager, Promoter and Securities Lending Agent:	BlackRock Advisors (UK) Limited
Sub-Investment Managers:	BlackRock Financial Management, Inc. BlackRock (Singapore) Limited
Representative in Switzerland:	BlackRock Asset Management Schweiz AG

The ultimate holding Company of the Manager, Investment Manager, Promoter, Sub-Investment Managers, Securities Lending Agent and representative in Switzerland is BlackRock Inc., a company incorporated in Delaware USA.

PNC Financial Services Group, Inc. (“PNC”), is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Company in the years ended 31 October 2016 and 31 October 2015.

When arranging transactions in securities for the Company, affiliates of PNC may provide securities brokerage, foreign exchange, banking and other services, or may act as principal, on their usual terms and may benefit therefrom. Commissions have been paid to brokers and agents in accordance with the relevant market practice and the benefit of any bulk or other commission discounts or cash commissions rebates provided by brokers or agents have been passed on to the Company.

The services of PNC Group companies could have been used by the Investment Manager where it is considered appropriate to do so provided that their commissions and other terms of business are generally comparable with those available from unassociated brokers and agents in the markets concerned, and this is consistent with the above policy of obtaining best net results.

Fees paid to the Manager during the year, the nature of these transactions and the balances outstanding at the year end are disclosed in note 5, 6 and 14 respectively. Securities lending income earned by the Funds is disclosed in note 3 and 19.

Details of soft commission arrangements with related parties are disclosed in note 15.

Barry O'Dwyer is a non-executive Director of the Manager.

With the exception of Paul McGowan and Paul McNaughton all Directors are also employees of the BlackRock Group.

The Directors of the Company and the Manager who are also employees of the BlackRock Group are not entitled to receive Directors’ fees. Each of the Directors of the Company at the year-end also serves on the Board of a number of BlackRock Funds.

Cora O'Donohoe resigned as a Director effective 31 December 2015.

On her appointment as a non-executive Director on 31 March 2013, Cora O'Donohoe held either directly or indirectly, the following redeemable participating shares;

Fund	Participating Shares
iShares Developed Markets Property Yield UCITS ETF	240
iShares Global Clean Energy UCITS ETF	395
iShares Global Infrastructure UCITS ETF	131
iShares Global Timber & Forestry UCITS ETF	100
iShares Global Water UCITS ETF	75
iShares MSCI AC Far East ex-Japan SmallCap UCITS ETF	140
iShares MSCI EM Latin America UCITS ETF (Inc).	70

These shareholdings had not changed up to the date of her resignation on 31 December 2015.

Teresa O’Flynn has been appointed as a Director effective 6 January 2016.

The investment into ICS funds is included in cash equivalents and is managed by BlackRock Asset Management Ireland Limited. No management fees are incurred as a result of any of the investments in ICS.

All related party transactions were carried out at arm’s length in the ordinary course of business. The terms and returns received by the funds in making the investments above were no more favourable than those received by other investors investing into the same share classes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2016

18. RELATED PARTY TRANSACTIONS (continued)

Significant holdings

The following investors

i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or

ii) are investors (other than those listed in (i) above) who held more than 20% of the voting shares in issue in the Company and are as a result, considered to be related parties to the Company

31 October 2016

Total % of shares held by funds managed by the BlackRock Group or held by affiliates of BlackRock Inc	Number of investors holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc	Total % of shares held by shareholders holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc
Nil	1	100.00*

* Due to the change in the trade settlement structure, the Company now has a single shareholder which is a nominee of the common depository (Citibank Europe plc). The ultimate beneficial ownership of the Company is passed from the common depositary through the International Central Securities Depositary ("ICSD") (Euroclear, Clearstream) to the participants of the ISCD.

The Company had no shareholders with holdings of voting shares greater than 20% or any shareholders who are considered to be related parties as at the year ended 31 October 2015.

No provisions have been recognised by the Funds against amounts due from related parties at the year-end date (31 October 2015: Nil).

No amounts have been written off in the year in respect of amounts due to or from related parties (31 October 2015: Nil).

No commitments secured or unsecured or guarantees have been entered into with related parties during the year (31 October 2015: Nil).

19. SECURITIES LENDING

Securities lending income is split between the Fund and the securities lending agent in a ratio of 62.5:37.5 in favour of the Fund, with all operational costs borne out of the Securities Lending Agents share.

The securities lending income earned during the year, the value of securities on loan at the year end and the value of collateral held at the year end on behalf of the Company is shown below:

	31 October 2016 €'000	31 October 2015 €'000
Income earned during year	20,476	17,552
Value of securities on loan at year end	10,210,417	6,963,646
Value of collateral held on behalf of the Company at year end	11,215,276	7,602,983

20. SUBSEQUENT EVENTS

The ex-date and pay date for distributions of the below Funds occurred post year end to date of signing.

Fund	Distribution Amount ('000)
iShares $ Treasury Bond 7-10yr UCITS ETF	$20,278

On 2 November 2016, the Board of Directors of the Company notified shareholders of their intention to launch multiple share classes within most of the existing sub-funds of the Company and also other sub-funds across the Irish iShares range, changes to the names of certain sub-funds, changes to benchmark index descriptions and names, adjustments to certain anticipated tracking errors and an amendment to the definition of 'Duties and Charges'. On 18 November 2016, a revised prospectus was issued to reflect the relevant changes.

As of 18 November 2016, the Company Secretary changed from Chartered Corporate Services, Taney Hill, Eglinton Terrace, Dundrum, Dublin 14 to Sanne, Fourth Floor, 76 Lower Baggot Street, Dublin 2.

Other than the above, there have been no events subsequent to the year end, which, in the opinion of the Directors of the Company, may have had an impact on the financial statements for the year ended 31 October 2016.

iShares $ Treasury Bond 7-10yr UCITS ETF

INCOME STATEMENT

For the year ended 31 October 2016

	Note	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
Operating income	2	45,981	35,979
Net gains on financial assets/liabilities at fair value through profit or loss	3	43,817	7,995
Total gains		**89,798**	**43,974**
Operating expenses	4	(4,505)	(3,283)
Net operating profit		**85,293**	**40,691**
Finance costs:			
Distributions to redeemable participating shareholders	6	(38,418)	(14,332)
Interest expense	7	(3)	-
Total finance costs		**(38,421)**	**(14,332)**
Net profit for the financial year		**46,872**	**26,359**
Adjustment to align to the valuation methodology as set out in the prospectus	1	511	(843)
Increase in net assets attributable to redeemable participating shareholders from operations		**47,383**	**25,516**

There are no recognised gains or losses arising in the year other than those dealt with in the income statement. In arriving at the results of the financial year, all amounts relate to continuing operations.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS

For the year ended 31 October 2016

	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
Net assets attributable to redeemable participating shareholders at the beginning of the year	1,915,315	1,019,600
Increase in net assets attributable to redeemable participating shareholders from operations	47,383	25,516
Share transactions:		
Proceeds from issue of redeemable participating shares	1,474,755	2,306,540
Payments on redemption of redeemable participating shares	(987,489)	(1,436,341)
Increase in net assets resulting from share transactions	**487,266**	**870,199**
Net assets attributable to redeemable participating shareholders at the end of the year	**2,449,964**	**1,915,315**

The accompanying notes form an integral part of these financial statements.

iShares $ Treasury Bond 7-10yr UCITS ETF

BALANCE SHEET

As at 31 October 2016

	Note	31 October 2016 $'000	31 October 2015 $'000
CURRENT ASSETS			
Cash		1,765	104,891
Receivables	11	26,769	14,595
Financial assets at fair value through profit or loss	12	2,430,013	1,900,287
Total current assets		**2,458,547**	**2,019,773**
CURRENT LIABILITIES			
Payables	13	(8,583)	(103,947)
Total current liabilities excluding net assets attributable to redeemable participating shareholders		**(8,583)**	**(103,947)**
Net assets attributable to redeemable participating shareholders		**2,449,964**	**1,915,826**
Adjustment to align to the valuation methodology as set out in the prospectus	1	-	(511)
Net asset value attributable to redeemable participating shareholders at the end of the year	10	**2,449,964**	**1,915,315**

The accompanying notes form an integral part of these financial statements.

iShares $ Treasury Bond 7-10yr UCITS ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2016

1. ACCOUNTING POLICIES, FINANCIAL INSTRUMENTS AND RISKS AND OTHER NOTES

The accounting policies are set out on pages 61 to 64. The adjustment between the financial statements net asset value and the valuation methodology set out in the prospectus is detailed further in accounting policy (n). The financial instruments and risks are set out on pages 65 to 100. The notes relating to tax, soft commissions, exchange rates, commitments and contingent liabilities, related party transactions, financial derivative instruments and subsequent events are set out in the notes to the financial statements of the Company on pages 103 to 109. The benchmark index for this Fund changed during the year. The valuation of bond securities in accordance with the prospectus changed following the change in the index from closing mid-price to bid price.

2. OPERATING INCOME

	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
Interest income	7	2
Bond interest income	42,832	34,276
Securities lending income	3,142	1,701
	45,981	**35,979**

3. NET GAINS ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
Net gains on investments in securities at fair value through profit or loss	43,853	7,995
Net losses on foreign currency transactions	(36)	-
	43,817	**7,995**

4. OPERATING EXPENSES

	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
Management fees	(4,505)	(3,283)
	(4,505)	**(3,283)**

5. MANAGEMENT FEES

Fees earned by the Manager during the year and balances outstanding as at 31 October 2016 and 31 October 2015 are disclosed in note 4 and note 13 respectively.

Please refer to note 6 of the financial statements of the Company for further details.

The Fund employs an "all in one" fee structure, paying all of its fees, operating costs and expenses (and its due proportion of any costs and expenses allocated to it) as a single flat fee (the "Total Expense Ratio" or "TER"). The TER is calculated in accordance with the Committee of European Securities Regulators ("CESR") guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document.

Total fees paid to the Manager as a percentage of the average Fund assets for the year were as follows:

	TER % 31 October 2016	TER % 31 October 2015
	0.20	0.20

6. DISTRIBUTIONS TO REDEEMABLE PARTICIPATING SHAREHOLDERS*

The Company may declare and pay distributions to Redeemable Participating Shareholders on any distributing class of shares in the Company. The Company intends to declare distributions to redeemable participating shareholders for each distributing Fund, in respect of each financial year, which are generally equal to the total income of the Fund net of expenses for that financial year.

Distributions declared during the year were as follows:

	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
November	18,057	-
April	-	21,294
May	21,131	-
	39,188	**21,294**
Equalisation income	(6,407)	(13,171)
Equalisation expense	5,637	6,209
	38,418	**14,332**

* For distributions being paid from October 2015 onwards, the ex-dates of the distributing funds were moved to the same calendar month as the pay date. See the Subsequent Events note to the financial statements of the Company for details of the November 2016 distributions.

iShares $ Treasury Bond 7-10yr UCITS ETF

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 October 2016

7. INTEREST EXPENSE

	Year ended 31 October 2016 $'000	Year ended 31 October 2015 $'000
Bank interest	(3)	-
	(3)	-

8. TRANSACTION COSTS

Transaction costs on this Fund are not separately identifiable for the years ended 31 October 2016 and 31 October 2015. Please refer to note 10 of the financial statements of the Company for further details.

9. SHARE CAPITAL

The issued and fully paid redeemable participating share capital is at all times equal to the net asset value of the Fund. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

	31 October 2016 No. of Shares	31 October 2015 No. of Shares
Balance at the beginning of year	9,620,000	5,260,000
Issued during the year	7,260,000	11,660,000
Redeemed during the year	(4,880,000)	(7,300,000)
Balance at the end of year	12,000,000	9,620,000

10. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS

	$'000
Net asset value	
As at 31 October 2016	2,449,964
As at 31 October 2015	1,915,315
As at 31 October 2014	1,019,600

	No. of Shares
Shares in issue	
As at 31 October 2016	12,000,000
As at 31 October 2015	9,620,000
As at 31 October 2014	5,260,000

	$
Net asset value per share	
As at 31 October 2016	204.16
As at 31 October 2015	199.10
As at 31 October 2014	193.84

11. RECEIVABLES

	31 October 2016 $'000	31 October 2015 $'000
Sale of securities awaiting settlement	8,155	-
Bond income receivable	18,331	14,387
Securities lending income receivable	283	208
	26,769	14,595

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets:	31 October 2016 $'000	31 October 2015 $'000
Investment in bonds	2,430,013	1,900,287
	2,430,013	1,900,287

13. PAYABLES

	31 October 2016 $'000	31 October 2015 $'000
Purchase of securities awaiting settlement	-	(103,637)
Payable for fund shares repurchased	(8,161)	-
Management fees payable	(422)	(310)
	(8,583)	(103,947)

iShares $ Treasury Bond 7-10yr UCITS ETF

SCHEDULE OF INVESTMENTS

For the year ended 31 October 2016

Holding	Investment	Fair value $'000	% of net asset value
	Transferable Securities Admitted to an Official Stock Exchange Listing or traded on a Regulated Market (31 October 2015: 99.22%)		
	Bonds (31 October 2015: 99.22%)		
	United States (31 October 2015: 99.22%)		
	Government bonds: AA+ rating		
151,800,000	United States Treasury Note/Bond 1.5% 15/08/2026	147,270	6.01
190,800,000	United States Treasury Note/Bond 1.625% 15/02/2026	187,640	7.66
190,800,000	United States Treasury Note/Bond 1.625% 15/05/2026	187,402	7.65
199,200,000	United States Treasury Note/Bond 2% 15/02/2025	203,013	8.29
199,200,000	United States Treasury Note/Bond 2% 15/08/2025	202,616	8.27
208,200,000	United States Treasury Note/Bond 2.125% 15/05/2025	214,072	8.74
199,200,000	United States Treasury Note/Bond 2.25% 15/11/2024	207,106	8.45
199,800,000	United States Treasury Note/Bond 2.25% 15/11/2025	207,214	8.46
201,600,000	United States Treasury Note/Bond 2.375% 15/08/2024	211,609	8.64
194,400,000	United States Treasury Note/Bond 2.5% 15/05/2024	205,912	8.40
171,600,000	United States Treasury Note/Bond 2.75% 15/11/2023	184,517	7.53
169,200,000	United States Treasury Note/Bond 2.75% 15/02/2024	182,088	7.43
25,800,000	United States Treasury Note/Bond 6% 15/02/2026	35,102	1.43
12,600,000	United States Treasury Note/Bond 6.875% 15/08/2025	17,898	0.73
13,200,000	United States Treasury Note/Bond 7.5% 15/11/2024	19,029	0.78
12,000,000	United States Treasury Note/Bond 7.625% 15/02/2025	17,525	0.72
	Total United States	**2,430,013**	**99.19**
	Total bonds	**2,430,013**	**99.19**
	Total value of investments	**2,430,013**	**99.19**
	Cash†	**1,765**	**0.07**
	Other net assets	**18,186**	**0.74**
	Net asset value attributable to redeemable participating shareholders at the end of the year	**2,449,964**	**100.00**

† Substantially all cash positions are held with State Street Bank and Trust Company.

All credit ratings are shown as at 31 October 2016.

Fixed income securities are primarily classified by country of issuer for government type fixed income securities.

Analysis of total current assets gross of all liabilities	Fair value $'000	% of total current assets
Transferable securities admitted to an official stock exchange listing	2,430,013	98.84
Other assets	28,534	1.16
Total current assets	**2,458,547**	**100.00**

iShares $ Treasury Bond 7-10yr UCITS ETF

SCHEDULE OF MATERIAL PURCHASES AND SALES (unaudited)

For the year ended 31 October 2016

Holding	Investments	Proceed $'000
Sales		
289,941,000	United States Treasury Note/Bond 2.5% 15/08/2023	308,245
240,043,000	United States Treasury Note/Bond 1.75% 15/05/2023	241,025
214,428,000	United States Treasury Note/Bond 2% 15/02/2023	220,386
168,123,000	United States Treasury Note/Bond 1.625% 15/11/2022	164,073
151,043,000	United States Treasury Note/Bond 2.125% 15/05/2025	155,705
142,480,000	United States Treasury Note/Bond 2.375% 15/08/2024	149,817
138,467,000	United States Treasury Note/Bond 2.75% 15/02/2024	149,076
134,126,000	United States Treasury Note/Bond 2% 15/08/2025	136,370
121,765,000	United States Treasury Note/Bond 2.75% 15/11/2023	131,152
113,725,000	United States Treasury Note/Bond 2.5% 15/05/2024	120,378
115,829,000	United States Treasury Note/Bond 2.25% 15/11/2024	120,243
117,459,000	United States Treasury Note/Bond 2% 15/02/2025	119,490
88,722,000	United States Treasury Note/Bond 2.25% 15/11/2025	92,851
85,440,000	United States Treasury Note/Bond 1.625% 15/02/2026	84,780
24,535,000	United States Treasury Note/Bond 6.25% 15/08/2023	32,438
30,706,000	United States Treasury Note/Bond 1.625% 15/05/2026	30,643
12,297,000	United States Treasury Note/Bond 1.5% 15/08/2026	12,055
5,031,000	United States Treasury Note/Bond 6% 15/02/2026	6,973
2,574,000	United States Treasury Note/Bond 7.5% 15/11/2024	3,771
2,457,000	United States Treasury Note/Bond 6.875% 15/08/2025	3,551

Holding	Investments	Cost $'000
Purchases		
288,522,000	United States Treasury Note/Bond 2.25% 15/11/2025	296,048
276,240,000	United States Treasury Note/Bond 1.625% 15/02/2026	273,254
222,696,000	United States Treasury Note/Bond 2% 15/08/2025	225,094
221,506,000	United States Treasury Note/Bond 1.625% 15/05/2026	222,108
197,627,000	United States Treasury Note/Bond 2.125% 15/05/2025	204,115
183,907,000	United States Treasury Note/Bond 2.375% 15/08/2024	193,588
164,097,000	United States Treasury Note/Bond 1.5% 15/08/2026	162,839
154,375,000	United States Treasury Note/Bond 2.25% 15/11/2024	160,595
147,494,000	United States Treasury Note/Bond 2.75% 15/02/2024	159,269
156,005,000	United States Treasury Note/Bond 2% 15/02/2025	158,960
147,952,000	United States Treasury Note/Bond 2.5% 15/05/2024	156,930
133,192,000	United States Treasury Note/Bond 2.75% 15/11/2023	143,716
129,768,000	United States Treasury Note/Bond 2.5% 15/08/2023	137,405
79,870,000	United States Treasury Note/Bond 1.75% 15/05/2023	79,666
54,736,000	United States Treasury Note/Bond 2% 15/02/2023	55,332
30,831,000	United States Treasury Note/Bond 6% 15/02/2026	42,552
24,535,000	United States Treasury Note/Bond 6.25% 15/08/2023	32,398
15,774,000	United States Treasury Note/Bond 7.5% 15/11/2024	23,060
15,057,000	United States Treasury Note/Bond 6.875% 15/08/2025	21,689
14,340,000	United States Treasury Note/Bond 7.625% 15/02/2025	21,257

The CBI requires a Schedule of material changes in the composition of the portfolio during the year. These are defined as aggregate purchases of a security exceeding one per cent of the total value of purchases for the year and aggregate disposals greater than one per cent of the total value of sales. At a minimum the largest 20 purchases and 20 sales must be given or all purchases and sales if less than 20. A full listing of the portfolio changes for the year is available, upon request, at no cost from the Administrator.

REPORT ON REMUNERATION (unaudited)

The below disclosures are made in respect of the remuneration policies of the BlackRock group ("BlackRock"), as they apply to BlackRock Asset Management Ireland Limited (the "Manager"). The disclosures are made in accordance with the Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS"), as amended, including in particular by Directive 2014/91/EU of the European Parliament and of the council of 23 July 2014, (the "Directive"), and the "Guidelines on sound remuneration policies under the UCITS Directive and AIFMD" issued by the European Securities and Markets Authority.

BlackRock's UCITS Remuneration Policy (the "UCITS Remuneration Policy") will apply to the EEA entities within the BlackRock group authorised as a manager of UCITS funds in accordance with the Directive, and will ensure compliance with the requirements of Article 14b of the Directive.

The Manager has adopted the UCITS Remuneration Policy, a summary of which is set out below.

Role of the Compensation Committees

Remuneration governance is a tiered structure including the Management Development and Compensation Committee ("MDCC") of BlackRock, Inc.'s Board of Directors (the "BlackRock, Inc. Board") (BlackRock Inc.'s independent remuneration committee), complemented by the EMEA Compensation Committee (the "Committee") and the Manager's Board of Directors (the "Manager's Board"). These bodies are responsible for the determination of the Manager's remuneration policies.

(a) MDCC

The MDCC's primary purposes include:

- to provide oversight of:
    - BlackRock's executive compensation programmes;
    - BlackRock's employee benefit plans;
    - such other compensation plans as may be established by BlackRock from time to time for which the MDCC is deemed as administrator; and
- review and discuss the compensation discussion and analysis included in the BlackRock, Inc. annual proxy statement with management and approval of the MDCC report for inclusion in the proxy statement.

The MDCC directly retains its own independent compensation consultant, Semler Brossy Consulting Group LLC, who has no relationship with BlackRock, Inc. or the BlackRock, Inc. Board that would interfere with its ability to provide independent advice to the MDCC on compensation matters.

The members of the MDCC during 2015 were Ms. Mills and Messrs. Komansky (Chairperson), Gerber, Grosfeld and Maughan. The BlackRock, Inc. Board has determined that all of the members of the MDCC are "independent" within the meaning of the listing standards of the New York Stock Exchange (NYSE), which requires each meet a "non-employee director" standard.

The MDCC held 10 meetings during 2015. The MDCC charter is available on BlackRock, Inc.'s website (www.blackrock.com).

(b) EMEA Compensation Committee

The Committee is established for the purpose of reviewing compensation policies, practices, and principles as required by local/regional rules set by regulatory bodies. Specifically, the Committee's primary purposes are to review and make recommendations concerning:

- executive compensation programs;
- employee benefit plans;
- such other compensation plans as may be established from time to time;
- other local/regional compensation policies, practices, and principles as required to comply with local/regional rules as set by regulators.

The Committee consists of a minimum of three members and is constituted in a way that enables it to exercise its judgement and demonstrate its ability to make decisions which are consistent with the current and future financial status of the business. The current members are: David Blumer, Head of the EMEA Region; Dan Dunay, Global Head of Compensation; and Karen Dennehy, EMEA Head of Human Resources.

REPORT ON REMUNERATION (unaudited) (continued)

(b) EMEA Compensation Committee (continued)

Only members of the Committee have the right to attend Committee meetings and the Committee may request the attendance of any executive or other person as deemed appropriate to facilitate the review of remuneration recommendations and policy design to ensure that the remuneration practices are consistent with effective risk management and do not encourage excessive risk taking.

Examples of additional attendees may include individuals from the Operational Risk and Regulatory Compliance functions.

Decision making process

Compensation decisions for employees are made once annually in January following the end of the performance year. This timing allows full year financial results to be considered along with other non-financial goals and objectives. Although the framework for compensation decision making is tied to financial performance, significant discretion is used to determine individual compensation based on achievement of strategic and operating results and other considerations such as management and leadership capabilities.

No set formulas are established and no fixed benchmarks are used in determining annual incentive awards. In determining specific individual compensation amounts, a number of factors are considered including non-financial goals and objectives and overall financial and investment performance. These results are viewed in the aggregate without any specific weighting, and there is no direct correlation between any particular performance measure and the resulting annual incentive award.

Annual incentive awards are generated from a bonus pool.

The size of the projected bonus pool, including cash and equity awards, is reviewed throughout the year by the MDCC and the final total bonus pool is approved after year-end. As part of this review, the MDCC receives actual and projected financial information over the course of the year as well as final year-end information. The financial information that the MDCC receives and considers includes the current year projected Income statement and other financial measures compared with prior year results and the current year budget. The MDCC additionally reviews other metrics of Blackrock's financial performance (e.g., net inflows of AUM and investment performance) as well as information regarding market conditions and competitive compensation levels.

The MDCC regularly considers management's recommendation as to the percentage of pre-incentive operating income that will be accrued and reflected as a compensation expense throughout the year for the cash portion of the total annual bonus pool (the "accrual rate"). The accrual rate of the cash portion of the total annual bonus pool may be modified by the MDCC during the year based on its review of the financial information described above. The MDCC does not apply any particular weighting or formula to the information it considers when determining the size of the total bonus pool or the accruals made for the cash portion of the total bonus pool.

Following the end of the performance year, the MDCC approves the final bonus pool amount.

As part of the year-end review process the Operational Risk and Regulatory Compliance departments report to the Committee on any activities, incidents or events that warrant consideration in making compensation decisions.

Individuals are not involved in setting their own remuneration.

Control functions

Each of the control functions (Operational Risk, Legal & Compliance, and Internal Audit) has its own organisational structure which is independent of the business units. The head of each control function is either a member of the Global Executive Committee, BlackRock's global management committee, or has a reporting obligation to the Manager's Board.

Functional bonus pools are determined with reference to the performance of each individual function. The remuneration of the senior members of control functions is directly overseen by the Committee.

Link between pay and performance

There is a clear and well defined pay for performance philosophy and compensation programmes which are designed to meet five key objectives as detailed below:

- Attracting, retaining and motivating employees capable of making significant contributions to the long-term success of the business;

REPORT ON REMUNERATION (unaudited) (continued)

Link between pay and performance (continued)

- Aligning the interests of senior employees with those of shareholders by awarding BlackRock, Inc. stock as a significant part of both annual and long-term incentive awards;
- Controlling fixed costs by ensuring that compensation expense varies with profitability;
- Linking a significant portion of an employee's total compensation to the financial and operational performance of the business as well as its common stock performance; and
- Discouraging excessive risk taking.

Driving a high performance culture is dependent on the ability to measure performance against objectives, values and behaviours in a clear and consistent way. Managers use a 5 point rating scale to provide an overall assessment of an employee's performance, and employees also provide a self evaluation. The overall, final rating is reconciled during each employee's performance appraisal. Employees are assessed on the manner in which performance is attained as well as the absolute performance itself.

In keeping with the pay for performance philosophy, ratings are used to differentiate and reward individual performance but don't pre-determine compensation outcomes. Compensation decisions remain discretionary and are made as part of the year-end compensation process.

When setting remuneration levels other factors are considered, as well as individual performance, which may include:

- the performance of the Manager, the funds managed by the Manager and/or the relevant functional department;
- factors relevant to an employee individually (e.g. relevant working arrangements (including part-time status if applicable); relationships with clients and colleagues; teamwork; skills; any conduct issues; and, subject to any applicable policy, the impact that any relevant leave of absence may have on contribution to the business);
- the management of risk within the risk profiles appropriate for BlackRock's clients;
- strategic business needs, including intentions regarding retention;
- market intelligence; and
- criticality to business.

A primary product tool is risk management and, while employees are compensated for strong performance in their management of client assets, they are required to manage risk within the risk profiles appropriate for their clients. Therefore, employees are not rewarded for engaging in high risk transactions outside of established parameters. Compensation practices do not provide undue incentives for short term planning or short term financial rewards, do not reward unreasonable risk and provide a reasonable balance between the many and substantial risks inherent within the business of investment management, risk management and advisory services.

The compensation model includes a basic salary, which is contractual, and a discretionary bonus scheme. Although all employees are eligible to be considered for a bonus, there is no contractual obligation to make any award to an employee under its discretionary bonus scheme. In exercising discretion to award a discretionary bonus, the factors listed above (under the heading "Link between pay and performance") may be taken into account in addition to any other matters which become relevant to the exercise of discretion in the course of the performance year.

Discretionary bonus awards for all employees, including executive officers, are subject to a guideline that determines the portion paid in cash and the portion paid in stock and subject to additional vesting/clawback conditions. As annual compensation increases, a greater portion is paid in stock. The MDCC adopted this approach in 2006 to substantially increase the retention value and shareholder alignment of the compensation package for eligible employees, including the executive officers. The portion deferred into stock vests in equal instalments over the three years following grant.

Supplementary to the annual discretionary bonus as described above, equity awards from the "Partner Plan" and "Enterprise Leadership Acceleration at BlackRock Plan" are made to select senior leaders to provide greater linkage with future business results. These long-term incentive awards have been established individually to provide meaningful incentives for continued performance over a multi-year period recognizing the scope of the individual's role, business expertise and leadership skills. These awards usually vest fully three years after they are granted.

REPORT ON REMUNERATION (unaudited) (continued)

Link between pay and performance (continued)

Selected senior leaders are eligible to receive performance-adjusted equity-based awards from the "BlackRock Performance Incentive Plan" ("BPIP"). Awards made from the BPIP have a three-year performance period based on a measurement of As Adjusted Operating Margin[1] and Organic Revenue Growth[2]. Determination of pay-out will be made based on BlackRock's achievement relative to target financial results at the conclusion of the performance period. The maximum number of shares that can be earned is 165% of the award in those situations where both metrics achieve pre-determined financial targets. No shares will be earned where BlackRock's financial performance in both of the above metrics is below a pre-determined performance threshold. These metrics have been selected as key measures of shareholder value which endure across market cycles.

A limited number of investment professionals have a portion of their annual discretionary bonus (as described above) awarded as deferred cash that notionally tracks investment in selected products managed by the relevant employee. The intention of these awards is to align investment professionals with the investment returns of the products they manage through the deferral of compensation into those products. Clients and external evaluators have increasingly viewed more favourably those products where key investors have "skin in the game" through significant personal investments. These awards vest in equal instalments over the three years following grant.

Identified Staff

The UCITS Remuneration Policy sets out the process that will be applied to identify staff as Identified Staff, being categories of staff of the Manager, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or of the funds it manages.

The list of Identified Staff will be subject to regular review, being formally reviewed in the event of, but not limited to:

- Organisational changes
- New business initiatives
- Changes in significant influence function lists
- Changes in role responsibilities
- Revised regulatory direction

Quantitative Remuneration Disclosure

Appropriate disclosures will be made in due course in accordance with Article 69(3) of the Directive once a full performance year has been completed.

[1] As Adjusted Operating Margin: As reported in BlackRock, Inc.'s external filings, reflects adjusted Operating Income divided by Total Revenue net of distribution and servicing expenses and amortisation of deferred sales commission.
[2] Organic Revenue Growth: Equal to net new base fees plus net new Aladdin revenue generated in the year (in Dollars).

SUPPLEMENTARY INFORMATION (unaudited)

Efficient portfolio management

The Company may, on behalf of each Fund and subject to the conditions and within the limits laid down by the Central Bank of Ireland, employ techniques and instruments relating to transferable securities for efficient portfolio management purposes. Transactions for the purposes of efficient portfolio management may be undertaken with a view to achieving a reduction in risk, a reduction in costs or the generation of additional capital or income for the Fund with an appropriate level of risk, taking into account the risk profile of the relevant Fund and the general provisions of the Directive. These techniques and instruments may include investments in FDI such as interest rate and bond futures (which may be used to manage interest rate risk), index futures (which may be used to manage cash flows on a short term basis), options (which may be used to achieve cost efficiencies, for example where the acquisition of the option is more cost effective than purchasing of the underlying asset), swaps (which may be used to manage currency risk) and investments in money market instruments and/or money market collective investment schemes. New techniques and instruments may be developed which may be suitable for use by the Company and the Company (subject to the Central Bank's requirements) may employ such techniques and instruments.

A Fund may enter into securities lending, repurchase and/or reverse repurchase agreements for the purposes of efficient portfolio management subject to the conditions and limits set out in the Central Bank UCITS Regulations and in accordance with the requirements of the Central Bank.

Securities Lending and CFDs

The following table details the value of securities on loan as a proportion of the Funds' total lendable assets and NAV and the value of CFDs as a proportion of the Fund's NAV, as at 31 October 2016 and the returns earned for the year ended 31 October 2016. Total lendable assets represents the aggregate value of assets forming part of the Funds' securities lending programme. This excludes any assets held by the Funds that are not considered lendable due to any market, regulatory, investment or other restriction. The value of the CFDs is based on the underlying exposure value on a gross absolute basis as disclosed in the Funds' schedule of investments.

		Securities on loan		CFDs	
Fund	Currency	% of lendable assets	% of NAV	% of NAV	Total returns earned '000
iShares $ Treasury Bond 7-10yr UCITS ETF	$	92.34	85.22	-	-

The total income earned from securities lending transactions is split between the relevant Fund and the Securities Lending Agent. The Funds receive 62.5%, while the Securities Lending Agent receives 37.5% of such income, with all operational costs borne out of the Securities Lending Agent's share. Income earned during the year by the Funds from securities lending transactions is disclosed in the operating income note to the financial statements.

All returns and costs from CFDs will accrue to the Funds and are not subject to any returns sharing arrangements with the Fund's Manager or any other third parties.

The following table detail the value of securities on loan and associated collateral received, analysed by borrowing counterparty as at 31 October 2016.

Counterparty*	Amount on loan	Collateral received
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	**$'000**
Barclays Capital Securities Ltd	127,670	140,513
BNP Paribas Arbitrage SNC	311,456	339,383
Credit Suisse Securities (Europe) Limited	695,607	770,632
Deutsche Bank AG	195,262	216,261
HSBC Bank Plc	562,952	622,500
Societe Generale SA	194,980	213,647
Total	**2,087,927**	**2,302,936**

* The respective counterparty's country of establishment is detailed in the Glossary section to the financial statements.

All securities on loan and CFDs have an open maturity tenor as they are recallable or terminable on a daily basis

SUPPLEMENTARY INFORMATION (unaudited) (continued)

Collateral

The Funds engage in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

The following table provides an analysis by currency of the underlying non-cash collateral received by way of title transfer collateral arrangement by the Funds, in respect of securities lending transactions, as at 31 October 2016.

Currency	Non-cash Collateral received
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**
AUD	10,138
CAD	29,249
CHF	22,956
DKK	274
EUR	529,762
GBP	471,316
JPY	373,853
SEK	11,635
USD	853,754
Total	**2,302,936**

As at 31 October 2016, all cash collateral received by the Funds was re-invested in money market funds managed by the Manager, as disclosed in the Funds' schedule of investments. The Funds are the legal owner of inbound collateral and can sell the assets and withhold the cash in the case of default. All cash received or posted as collateral has an open maturity tenor as it's not subject to a contractual maturity date.

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions and OTC derivative transactions, cannot be sold, re-invested or pledged.

The returns earned by the Funds from the reinvestment of cash collateral in money market funds during the year ended 31 October 2016 is summarised below. These returns represent the accumulative total return of the representative money market fund for the year ended 31 October 2016. These returns do not take into account any interest payable to the counterparty under the relevant collateral arrangements.

Money market fund	Total return for the year %
ICS Institutional USD Liquidity Fund - Agency (Dis) Shares	0.57

The following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received and posted by the Funds by way of title transfer collateral arrangement in respect of securities lending transactions as at 31 October 2016.

	Maturity tenor					
Collateral type and quality	8-30 days	31-90 days	91-365 days	More than 365 days	Open	Total
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Fixed income						
Investment grade	-	-	-	67,648	-	67,648
Equities						
Recognised equity index	-	-	-	-	2,207,920	2,207,920
ETFs						
UCITS	-	-	-	-	21	21
Non-UCITS	-	-	-	-	27,347	27,347
Total	**-**	**-**	**-**	**67,648**	**2,235,288**	**2,302,936**

SUPPLEMENTARY INFORMATION (unaudited) (continued)

Collateral (continued)

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received or posted as collateral is based on the respective contractual maturity date, while for equity securities, ETFs and money market funds received or posted as collateral are presented as open transactions as they are not subject to a contractual maturity date.

As at 31 October 2016, all non-cash collateral received by the Funds in respect of securities lending transactions is held by the Funds' Depositary (or through its delegates).

The following table lists the ten largest issuers by value of non-cash collateral received by the Funds by way of title transfer collateral arrangement across securities lending transactions as at 31 October 2016

Issuer	Value	% of NAV
iShares $ Treasury Bond 7-10yr UCITS ETF	**$'000**	
BP Plc	70,162	2.86
Yahoo! Inc	51,591	2.11
BHP Billiton Plc	44,753	1.83
Wal-Mart Stores Inc	38,092	1.55
HSBC Holdings Plc	37,158	1.52
Apple Inc	37,133	1.52
WPP Plc	35,154	1.43
Diageo Plc	33,612	1.37
KLA-Tencor Corp	33,161	1.35
BT Group Plc	32,578	1.33
Other issuers	1,889,542	77.13
Total	**2,302,936**	**94.00**

No securities collateral received from a single issuer, in relation to efficient portfolio management and OTC financial derivative instruments, has exceeded 20% of any of the respective Funds' NAV at the year end date.

None of the Funds have been fully collateralised in securities issued or guaranteed by an EU member state at the year end date.

GLOSSARY*

Futures contracts

A futures contract is a contract, traded on an exchange, to buy or sell a certain underlying instrument at a certain date in the future, at a specified price. They are entered into for the purposes of gaining exposure to or hedging against changes in interest rates, changes in the value of securities or foreign currencies. Depending on the terms of a particular contract, futures can be settled either through physical delivery of the underlying instrument or by payment of a cash amount on the settlement date. Upon entering into the contract the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on the contracts size and risk profile. During the life of the contract the Fund agrees to pay or receive an amount of cash equal to the daily fluctuation in the value of the contract know as variation margin. When the contract is closed, the Fund records a realised gain or loss equal to the difference between the value of the contract at the time it was open and the value at the time it was closed.

Forward currency contracts

A forward currency contract is an agreement between two parties to buy or sell a currency at a set exchange rate at a certain date in the future. The Fund enters into forward currency contracts as an economic hedge against transactions or financial instruments and to obtain exposure to foreign currencies.

The unrealised gain or loss on open forward currency contracts is calculated by reference to the difference between the contracted rate and the rate to close out the contract as at the period end date.

Realised gains or losses are recognised on the maturity of a contract as the difference between the rate that the contract was entered into and the closing spot rate at the settlement date of the contract.

Contracts for difference

A CFD is an agreement between the Fund and a CFD counterparty to pay or receive the change in the value of an underlying security.

In a long CFD contract, the counterparty agrees to pay the Fund the amount, if any, by which the notional amount of the CFD contract would have increased in value had it been invested in the underlying security or securities, plus any dividends that would have been received on those stocks. The Fund pays the counterparty a floating rate of interest on the notional amount of the CFD. The return to the Fund on a CFD contract will be the gain or loss on the notional amount plus any dividends accrued less the interest paid on the notional amount.

In a short CFD contract, the counterparty agrees to pay the Fund the amount, if any, by which the notional amount of the CFD contract would have decreased in value had it been invested in the underlying security or securities. The Fund must also pay the counterparty the value of any dividends that would have been received on those stocks. The Fund receives from the counterparty a floating rate of interest on the notional amount of the CFD.

At each valuation point the difference in price between the opening price of the CFD and the market price of the underlying equity is recorded as the fair value (unrealised gain or loss) of the CFD in the Balance sheet. Changes in the CFD contract value are settled daily with the CFD counterparty by paying or receiving collateral. Changes in unrealised gains or losses are recognised in the Income statement. When the CFD is closed the difference between the opening price of the CFD and the closing price is recorded as a realised fair value gain or loss in the Statement of comprehensive income. The interest and dividends received or paid are recorded in the Statement of comprehensive income as interest or dividend income/expense.

Redeemable participating shares

The redeemable participating shares can be redeemed for cash equal to a proportionate share of the NAV calculated in accordance with the Company's prospectus. The redeemable participating share is valued at the redemption amount that is payable at the Balance sheet date if the shareholder exercised their right to put the shares back to the Company.

The fair value of the financial liabilities for the redeemable participating shares is the redemption amount per share, calculated as the NAV per share less any associated duties and charges and any redemption fee which is payable on the shares redeemed. Any potential duties and charges are at the discretion of the Board of Directors.

Any distributions on these shares are recognised in the Income statement as finance costs.

* The Glossary is an integral part of the notes to the financial statements.

GLOSSARY* (continued)

Transaction costs
Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. When a financial asset or financial liability is recognised initially, it is measured at its fair value through profit or loss, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Equalisation on Distributions
Equalisation arrangements are applied in the case of shares in the Company. These arrangements are intended to ensure that the income distribution per share is not affected by changes in the number of shares in issue during the year.

To ensure that each shareholder receives the same rate of distribution per share, the buying price of each share contains an amount called equalisation. This is equivalent to the net of distributable income less expenses, accrued in the Company at the time of purchase/sale.

As part of the distribution payment, the average amount of this equalisation is returned to shareholders who subscribed to or redeemed from the Company during the year. The equalisation element of the distribution is treated as a repayment of capital.

Counterparties to securities lending transactions and CFD's.

Counterparty name	Country of establishment
Abbey National Treasury Services Plc	United Kingdom
Barclays Bank Plc	United Kingdom
Barclays Capital Securities Ltd	United Kingdom
BNP Paribas Arbitrage SNC	France
BNP Paribas SA	France
Citigroup Global Markets Ltd	United Kingdom
Citibank NA	United States
Credit Suisse International	United Kingdom
Credit Suisse Securities (Europe) Limited	United Kingdom
Deutsche Bank AG	Germany
Goldman Sachs International	United States
HSBC Bank Plc	United Kingdom
J.P. Morgan Securities Plc	United Kingdom
Macquarie Bank Limited	Australia
Merrill Lynch International	United Kingdom
Morgan Stanley & Co. International Plc	United Kingdom
Nomura International Plc	United Kingdom
Skandinaviska Enskilda Banken AB	Sweden
Societe Generale SA	France
The Bank of Nova Scotia	Canada
UBS AG	Switzerland

* The Glossary is an integral part of the notes to the financial statements.