

2016年6月期 決算短信 (2015年7月1日~2016年6月30日)
Earnings Report for Fiscal Year ended June 2016 (July 1, 2015 – June 30, 2016)

2016年12月1日
December 1, 2016

ファンド名 i シェアーズ 新興国債券 ETF (Local EM 国債コア) 上場取引所 東
コード番号 1362 売買単位 1口
連動対象指標 ブルームバーグ・バークレイズ新興市場自国通貨建てコア国債インデックス
主要投資資産 有価証券
外国投資法人 i シェアーズ III 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/271020/>
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) 濃川 耕平 (TEL) 03(6250)6200

Fund name: iShares EM Local Govt Bond UCITS ETF USD (Dist)- JDR Listed Exchange: TSE
Code: 1362 Trading unit: 1 unit
Underlying indicator: Bloomberg Barclays Emerging Markets Local Currency Core Government Bond Index
Primary invested assets: Securities
Foreign Investment Corporation: iShares III Public Limited Company
Representative: (Title) Director (Name) Barry O'Dwyer
Management co.: BlackRock Asset Management Ireland Limited
URL: <http://www.blackrock.com/jp/products/271020/>
Representative: (Title) Director (Name) Barry O'Dwyer
Contact person: (Title) Attorney-in-Fact (Name) Kohei Koikawa (TEL) 03(6250)6200

有価証券報告書提出予定日 2016年12月
Scheduled date of submission of securities report: December, 2016

I ファンドの運用状況

I Fund Management

1. 2016年6月期の運用状況 (2015年7月1日~2016年6月30日)

1. Management Status for Year Ended June 2016 (from July 1, 2015 to June 30, 2016)

(1) 信託財産である外国ETFの資産内訳

(百万円未満切捨て)

(1) Assets of Trust Asset Foreign ETF

(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6月期 FY ended June 2016	292,388	96.60	10,294	3.40	302,683	100.00
2015年6月期 FY ended June 2015	177,485	96.60	6,240	3.40	183,726	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6月期 FY ended June 2016	25,947	32,553	14,914	43,586
2015年6月期 FY ended June 2015	22,444	13,278	9,775	25,947

(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6月期 FY ended June 2016	303,323	639	302,683	6,944.42
2015年6月期 FY ended June 2015	189,633	5,907	183,726	7,080.79

(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6月期 FY ended June 2016	112	102	0	214
2015年6月期 FY ended June 2015	—	112	0	112

※上場外国 ETF 信託受益証券は 2014 年 11 月 18 日に新規に発行されたため、2015 年 6 月期については、2014 年 11 月 18 日～2015 年 6 月 30 日の期間に関する実績を記載しております。

※Since the Listed Foreign ETF Trust Beneficiary Certificates (JDR) were issued on November 18, 2014, the figures regarding the Accounting Period starting November 18, 2014 and ending June 30, 2015 are described with respect to the FY ended June 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6月期 FY ended June 2016	1口当たり分配金 Dividend per 1 unit	2015年6月期 FY ended June 2015	1口当たり分配金 Dividend per 1 unit
※	円 JPY	※	円 JPY
2016年1月15日 January 15, 2016	208	2014年12月19日 December 19, 2014	240
2016年7月15日 July 15, 2016	164	2015年6月26日 June 26, 2015	258

※ 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=104.86円の換算率(2016年10月31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せん。

(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 = ¥104.86 (the telegraphic transfer middle exchange rate vis-à-vis customers quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on October 31, 2016).

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 : 無
(1) Changes accompanying revision to accounting standards, etc. : No
- (2) ①以外の会計方針の変更 : 無
(2) Changes other than those in (1) : No

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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 III plc (the "Company")

Report on the financial statements

Our opinion

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

- ▶ give a true and fair view of the Company's and Funds' (as detailed on pages 6 and 7) assets, liabilities and financial position as at 30 June 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 30 June 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 30 June 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 and accounting policies; 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 30 June 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 III 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
<i>Existence of financial assets at fair value through profit or loss</i> 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 30 June 2016. We focused on this area because it represents the principal element of the financial statements.	We obtained independent confirmation from the Depository of the investment portfolio held at 30 June 2016, agreeing the amounts held to the accounting records.
<i>Valuation of financial assets at fair value through profit or loss</i> The financial assets at fair value through profit or loss included in the Balance Sheet of each Fund at 30 June 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 31 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 31 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 "Depository") to act as Depository 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.



Independent Auditors' report to the members of iShares III 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, taking account the capital and income returns.

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 40, 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:

- | | |
|--|---|
| <ul style="list-style-type: none">▶ information in the Annual Report is:<ul style="list-style-type: none">- 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. |
|--|---|



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

ISAs (UK & Ireland) reporting (continued)

- | | |
|--|---|
| ▶ the statement given by the Directors on page 39, 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 35 to 36, 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 33 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 41 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 III 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 38 and 39, 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.



Independent Auditors' report to the members of iShares III 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.

Vincent MacMahon
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
Ireland

26 October 2016

Basis of preparation

The financial statements have been prepared for the year ended 30 June 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 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.

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 financial statements have been prepared on a going concern basis.

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 Emerging Markets Local Government Bond 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 all financial instruments, (equities, rights, warrants, bonds, futures contracts, contracts for difference ("CFD's") and forward currency 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, CFD's and forward currency contracts 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 30 June 2016 and 30 June 2015 is less than 1% of the net asset value of the applicable Fund. 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.

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

Accounting policies* (continued)

b) Income/expenses (continued)

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.

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

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 quarterly, semi-annually or such other times as the Directors deem appropriate.

As of 30 June 2016 and 30 June 2015, all of the Funds have adopted UK Reporting Fund Status.

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 or sales of financial assets or 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.

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 4 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 method 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.

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.

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

Accounting policies* (continued)

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 efficient portfolio management 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 between the net assets as per the financial statements and the dealing NAV.

Consequently, the differences described above adjust the carrying amount of the net assets attributable to shareholders and the cumulative differences are included in "Adjustment to align to the valuation methodology as set out in the prospectus" on the balance sheet. Further details are set out in note 9 in the financial statements of the Company.

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 6 in the notes to the financial statements of the Company.

p) 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.

* 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, corporate bonds, government bonds, futures contracts, CFD's and forward currency 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") use to measure market risk is VaR which encompasses price, currency and interest rate 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.

During the year the VaR model used by RQA changed from a parametric model to an adjusted historical simulation model to more appropriately measure the Funds exposure to market risk. The previous model used a holding period of 1 month (20 days). The comparative VaR as of 30 June 2015 has been updated in line with the new model.

It is noted that the use of 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 30 June 2016 and 30 June 2015 based on a 99% confidence level is outlined in the table below:

Fund	30 June	30 June
	2016	2015
	%	%
iShares Emerging Markets Local		
Government Bond UCITS ETF	2.25	1.66

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 Funds, in line with their benchmarks, 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 and the 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.

* 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)

The table below outlines the exposure to foreign currency risk as at 30 June 2016 and 30 June 2015:

30 June 2016

Foreign currency exposure	Gross foreign currency exposure	Forward currency contracts	Net foreign currency exposure	% of Net Assets
iShares Emerging Markets Local Government Bond UCITS ETF	\$'000	\$'000	\$'000	%
BRL	319,703	-	319,703	11.08
CLP	2,784	-	2,784	0.10
COP	202,714	-	202,714	7.02
HUF	139,513	-	139,513	4.83
IDR	288,282	-	288,282	9.99
MXN	277,825	-	277,825	9.62
MYR	282,004	-	282,004	9.77
PEN	56,814	-	56,814	1.97
PHP	11,350	-	11,350	0.39
PLN	274,114	-	274,114	9.50
RON	67,074	-	67,074	2.32
RUB	139,497	-	139,497	4.83
THB	279,456	-	279,456	9.68
TRY	287,208	-	287,208	9.95
ZAR	260,627	-	260,627	9.03
Total exposure to foreign currencies	2,888,965	-	2,888,965	100.08

30 June 2015

Foreign currency exposure	Gross foreign currency exposure	Forward currency contracts	Net foreign currency exposure	% of Net Assets
iShares Emerging Markets Local Government Bond UCITS ETF	\$'000	\$'000	\$'000	%
BRL	181,677	-	181,677	10.37
CLP	2,586	-	2,586	0.15
COP	7,796	-	7,796	0.44
EUR	103	-	103	0.01
GBP	2	-	2	0.00
HUF	100,631	-	100,631	5.74
IDR	175,832	-	175,832	10.04
MXN	174,414	-	174,414	9.95
MYR	172,233	-	172,233	9.83
PEN	44,950	-	44,950	2.57
PHP	10,397	-	10,397	0.59
PLN	175,118	-	175,118	9.99
RON	53,953	-	53,953	3.08
RUB	121,883	3,483	125,366	7.16
THB	173,936	-	173,936	9.93
TRY	176,216	-	176,216	10.06
ZAR	178,841	-	178,841	10.20
Total exposure to foreign currencies	1,750,568	3,483	1,754,051	100.11

* 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)

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 other price risk arising from their investments in equities, warrants, rights, bonds, futures contracts, CFD's and forward currency 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' other price 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 and their investments in fixed and floating rate interest bearing securities 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.

Management of interest rate risk

Movements in the prices of these investments are derived from movements in market interest rates and issuer creditworthiness.

Issuer creditworthiness 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 30 June 2016 and 30 June 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.

30 June 2016

Exposure to interest rate risk	Floating interest rate	Fixed interest rate	Non-interest bearing**	Total
iShares Emerging Markets Local Government				
Bond UCITS ETF	\$'000	\$'000	\$'000	\$'000
Short term financial assets	37,882	-	66,399	104,281
Long term financial assets	-	2,788,370	-	2,788,370
Short term financial liabilities	-	-	(6,103)	(6,103)
Net asset value	37,882	2,788,370	60,296	2,886,548

** The non-interest bearing category includes receivables, payables and financial derivative instruments 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)

30 June 2015

Exposure to interest rate risk	Floating interest rate	Fixed interest rate	Non-interest bearing**	Total
iShares Emerging Markets Local Government				
Bond UCITS ETF	\$'000	\$'000	\$'000	\$'000
Short term financial assets	79,937	-	35,785	115,722
Long term financial assets	-	1,692,723	-	1,692,723
Short term financial liabilities	-	-	(56,336)	(56,336)
Net asset value	79,937	1,692,723	(20,551)	1,752,109

** The non-interest bearing category includes receivables, payables, distributions payable to redeemable participating shareholders and financial derivative instruments 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 Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated.

As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief 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 assets as at 30 June 2016 and 30 June 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 counterparty for futures contracts is Barclays Bank Plc.

Margin is paid or received on futures 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 the Fund's clearing brokers and futures counterparty.

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

The Funds' holdings in forward currency contracts also expose the Funds to counterparty credit risk.

* 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 (continued)

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 schedules of investments.

The Funds' holdings in CFDs expose 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 gain position reduced by the cash collateral received from the counterparty or to counterparties who have received collateral from the Fund.

The carrying value of financial assets together with cash 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 would reduce 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.

Management of counterparty credit risk related to OTC financial derivative 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 lowest credit rating of any one counterparty at 30 June 2015 is A (Standard and Poor's rating). There were no forward currency contracts held at year end 30 June 2016.

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's, 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 Depositaries 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 30 June 2016, is A (30 June 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.

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

* 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)

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 and corporate 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 tables detail the credit rating profile of the debt securities held by the Funds as at 30 June 2016 and 30 June 2015:

30 June 2016

	Currency	Investment grade %	Non-investment grade %	Not rated %	Total %
iShares Emerging Markets Local Government Bond UCITS ETF	\$	57.53	39.07	-	96.60

30 June 2015

	Currency	Investment grade %	Non-investment grade %	Not rated %	Total %
iShares Emerging Markets Local Government Bond UCITS ETF	\$	65.01	31.60	-	96.61

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 in accordance with note 19 of the notes to the financial statements of the Company.

Management of counterparty credit risk related to securities lending

To mitigate this risk, the Funds receive securities as collateral (financial instruments) equal to a certain percentage of the value of the securities loaned and BlackRock provides the Funds with indemnification against borrower default as disclosed in note 19.

The securities lending borrowers who loaned securities are Abbey National Treasury Services Plc, Barclays Bank Plc, Barclays Capital Securities Ltd, BNP Paribas, BNP Paribas Arbitrage, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, Goldman Sachs International, HSBC Bank Plc, JP Morgan Securities Plc, Macquarie Bank Limited, Merrill Lynch International, Morgan Stanley & Co. International Plc, Nomura International Plc, Société Générale, The Bank of Nova Scotia, Skandinaviska Enskilda Banken AB and UBS AG.

vii) Collateral

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

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 period end date.

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

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.

Cash collateral pledged by the Funds is separately identified on the balance sheet as cash collateral and is not included as a component of cash and cash equivalents. Inbound cash collateral received by the Funds is reflected on the balance sheet as cash collateral payable.

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

Financial instruments and risks* (continued)

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 Fund's 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, non-derivative financial liabilities and distributions payable of the Funds held at the years ended 30 June 2016 and 30 June 2015, based on contractual maturities, fall due within one month, with the exception of those disclosed in the following tables:

As at 30 June 2015

Fund	Currency	1-3 Months '000
iShares Emerging Markets Local Government Bond UCITS ETF		
- Forward currency contracts	\$	(126)

All financial liabilities disclosed are based on undiscounted amounts.

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 Fund's 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.

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.

* 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)

Level 3 - Valuation techniques using significant unobservable inputs (continued)

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 Manager. The 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 financial liabilities measured at fair value at 30 June 2016 and 30 June 2015.

30 June 2016

	Level 1	Level 2	Level 3	Total
iShares Emerging Markets Local Government Bond UCITS ETF	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
- Debt securities	-	2,788,370	-	2,788,370
Total	-	2,788,370	-	2,788,370

30 June 2015

	Level 1	Level 2	Level 3	Total
iShares Emerging Markets Local Government Bond UCITS ETF	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
- Debt securities	-	1,692,723	-	1,692,723
Total	-	1,692,723	-	1,692,723
Financial liabilities at fair value through profit or loss				
- Forward currency contracts	-	(126)	-	(126)
Total	-	(126)	-	(126)

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 end.

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

Investments whose values are based on unobservable inputs are classified within level 3. These include equities that are currently suspended at year ended 30 June 2016 and includes equities and warrants that were suspended, priced by the Manager or priced at zero for the year ended 30 June 2015.

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

e) Global exposure

In accordance with UCITS regulations and the requirements of the 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 exposures to FDI at year end are marked on the relevant Fund's schedule of investments. For the years ended 30 June 2016 and 30 June 2015, global exposure is measured using the commitment approach for all Funds.

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.

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 30 June 2016

	Note	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Operating income	2	672,467	567,185
Net gains/(losses) on financial assets/liabilities at fair value through profit or loss	3	209,810	(557,512)
Total gains		882,277	9,673
Operating expenses	4	(74,401)	(60,142)
Negative yield on financial assets		(264)	-
Net operating profit/(loss)		807,612	(50,469)
Finance costs:			
Distributions to redeemable participating shareholders	6	(181,008)	(364,659)
Interest expense	7	(297)	(190)
Total finance costs		(181,305)	(364,849)
Net profit/(loss) for the financial year before tax		626,307	(415,318)
Capital gains tax	8	(1,964)	(410)
Non-reclaimable withholding tax	8	(28,443)	(16,886)
Net profit/(loss) for the financial year after tax		595,900	(432,614)
Adjustment to align to the valuation methodology as set out in the prospectus	9	(5,003)	3,005
Increase/(decrease) in net assets attributable to redeemable participating shareholders from operations		590,897	(429,609)

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. In arriving at the results of the prior year, all amounts related to continuing operations except for amounts relating to discontinued operations on iShares MSCI Canada UCITS ETF, iShares EURO STOXX 50 UCITS ETF (Acc) and iShares S&P 500 UCITS ETF (Acc) which closed during the year ended 30 June 2015.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS

For the year ended 30 June 2016

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Net assets attributable to redeemable participating shareholders at the beginning of the year	26,749,778	18,807,447
Notional foreign exchange adjustment*	(237,781)	1,780,527
Increase/(decrease) in net assets attributable to redeemable participating shareholders from operations	590,897	(429,609)
Share transactions:		
Proceeds from issue of redeemable participating shares	16,516,635	15,500,257
Payments on redemption of redeemable participating shares	(9,033,559)	(7,334,686)
Transfer due to merger into the Company**	40,288	193,052
Transfer due to merger out of the Company***	-	(1,767,210)
Increase in net assets resulting from share transactions	7,523,364	6,591,413
Net assets attributable to redeemable participating shareholders at the end of the year	34,626,258	26,749,778

* 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 30 June 2016. The average rate for the year is applied to the income statement items and share transactions (See note 18).

** Please see details of Fund mergers in the Background section and in the income statements of iShares Core MSCI World UCITS ETF, iShares MSCI Australia UCITS ETF, iShares MSCI Europe UCITS ETF (Acc), iShares MSCI Japan Small Cap UCITS ETF (Dist) and iShares MSCI South Africa UCITS ETF.

*** Please see details of Fund Mergers in the income statement of iShares EURO STOXX 50 UCITS ETF (Acc), iShares MSCI Canada UCITS ETF and iShares S&P 500 UCITS ETF (Acc).

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

BALANCE SHEET

As at 30 June 2016

	Note	30 June 2016 €'000	30 June 2015 €'000
CURRENT ASSETS			
Cash		191,933	305,321
Cash equivalents		123,165	29,519
Margin cash account		9,551	1,519
Receivables	12	450,218	405,866
Financial assets at fair value through profit or loss	13	34,171,466	26,358,777
Total current assets		34,946,333	27,101,002
CURRENT LIABILITIES			
Bank overdraft		(251)	(389)
Cash collateral payable		(10)	(11)
Payables	14	(322,922)	(163,766)
Distributions payable to redeemable participating shareholders		-	(195,924)
Financial liabilities at fair value through profit or loss	13	(1,599)	(844)
Total current liabilities excluding net assets attributable to redeemable participating shareholders		(324,782)	(360,934)
Net assets attributable to redeemable participating shareholders		34,621,551	26,740,068
Adjustment to align to the valuation methodology as set out in the prospectus	9	4,707	9,710
Net asset value attributable to redeemable participating shareholders at the end of the year		34,626,258	26,749,778

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

Approved on behalf of the Board of Directors

Paul McNaughton
Director

26 October 2016

Paul McGowan
Director

26 October 2016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. ACCOUNTING POLICIES, FINANCIAL INSTRUMENTS AND RISKS

The accounting policies are set out on pages 52 to 54. The financial instruments and risks are set out on pages 55 to 87.

2. OPERATING INCOME

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Interest income	201	169
Dividend income	229,435	148,070
Bond interest income	433,767	413,221
Securities lending income	9,064	5,725
	672,467	567,185

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

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Net gains/(losses) on investments in securities held at fair value through profit or loss	217,825	(544,270)
Net (losses)/gains on futures contracts	(1,960)	550
Net (losses)/gains on forward currency contracts	(246)	441
Net gains/(losses) on CFDs	2	(30)
Net losses on foreign currency transactions	(5,811)	(14,203)
	209,810	(557,512)

4. OPERATING EXPENSES

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Management fees	(74,401)	(60,142)
	(74,401)	(60,142)

5. MANAGEMENT FEES

Fees earned by the Manager during the year and balances outstanding as at 30 June 2016 and 30 June 2015 are disclosed in note 4 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 below, these rates are the maximum fee rates as at 30 June 2016:

Fund	Maximum fee rate (% of NAV)
iShares Emerging Markets Local Government Bond UCITS ETF	0.50

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 Total Expense Ratio.

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 during the year:

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Directors' fees	(25)	(27)
Audit fees (including expenses) relating to the audit of the financial statements	(215)	(228)
Other assurance services fee (including expenses) relating to fund merger	(10)	(32)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2016

5. MANAGEMENT FEES (continued)

Whilst it is anticipated that the TER borne by a Fund shall not exceed the amounts set out above 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 above, 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.

6. DISTRIBUTIONS TO REDEEMABLE PARTICIPATING SHAREHOLDERS

The Company may declare and pay dividends on any distributing class of shares in the Company.

Distributions declared during the year were as follows:

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
September	-	4,102
December	-	184,069
March	-	2,749
June	-	190,738
October	3,319	-
January	202,881	-
April	1,983	-
	208,183	381,658
Equalisation income	(57,045)	(51,189)
Equalisation expense	29,870	34,190
	181,008	364,659

7. INTEREST EXPENSE

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Bank interest	(297)	(190)
	(297)	(190)

8. TAXATION

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 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
- Certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed Annual declarations; and
- 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.

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.

9. ADJUSTMENT TO ALIGN TO THE VALUATION METHODOLOGY AS SET OUT IN THE PROSPECTUS

The adjustment between the financial statements net asset value and the valuation methodology set out in the prospectus is shown in the following table:

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Balance at the beginning of year	9,710	6,705
Adjustment to align to the valuation methodology as set out in the prospectus	(5,003)	3,005
Total adjustment for the year	(5,003)	3,005
Balance at the end of year	4,707	9,710

Further details are set out in the accounting policies note n).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2016

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 30 June 2016 and 30 June 2015. These include all brokers' commission, settlement fees, stamp duties and broker fees charges on equities, exchange traded futures contracts, forward currency contracts and some fixed income investments.

	Year ended 30 June 2016 €'000	Year ended 30 June 2015 €'000
Transaction costs	(2,908)	(3,572)

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

	30 June 2016 No. of Shares	30 June 2015 No. of Shares
Number of redeemable participating shares:		
Balance at the beginning of year	420,002,808	285,129,704
Issued during the year	324,629,078	281,477,285
Transfer due to merger in	1,479,479	6,341,455
Redeemed during the year	(142,306,160)	(104,895,636)
Transfer due to merger out	-	(48,050,000)
Balance at the end of year	603,805,205	420,002,808

Authorised

The authorised share capital of the Company is €2 divided into 2 subscriber shares of a par value of €1 each and 500 billion participating shares of no par value initially designated as unclassified shares.

Subscriber shares

The Company has issued 2 subscriber shares to the Manager and nominees of the Manager. 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

	30 June 2016 €'000	30 June 2015 €'000
Sale of securities awaiting settlement	13,759	125,904
Subscription for shares awaiting settlement	101,115	80
Dividend income receivable	22,202	12,568
Interest receivable	515	16
Securities lending income receivable	796	599
Interest income receivable	309,725	265,643
Tax reclaim receivable	2,030	1,033
Other receivables	76	23
	450,218	405,866

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

	30 June 2016 €'000	30 June 2015 €'000
Financial assets:		
Investment in equities	9,569,127	7,207,922
Investment in bonds	24,601,715	19,150,400
Investment in rights	255	371
Investment in warrants	14	73
Unrealised gains on futures contracts	355	11
	34,171,466	26,358,777
Financial liabilities:		
Unrealised losses on forward currency contracts	-	(113)
Unrealised losses on futures contracts	(1,598)	(730)
Unrealised losses on CFDs	(1)	(1)
	(1,599)	(844)

14. PAYABLES

	30 June 2016 €'000	30 June 2015 €'000
Purchase of securities awaiting settlement	(290,183)	(51,657)
Payable for fund shares repurchased	(21,147)	(105,384)
Interest payable	(706)	(212)
Management fees payable	(7,037)	(5,676)
Capital gains tax payable	(3,844)	(835)
Other payables	(5)	(2)
	(322,922)	(163,766)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2016

15. SOFT COMMISSIONS

There were no soft commissions arrangements entered into by the Investment Manager on behalf of the Company during the years ended 30 June 2016 and 30 June 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 year ended 30 June 2016 or 30 June 2015 other than those disclosed in the financial statements of the Funds.

17. EXCHANGE RATES

The rates of exchange ruling at 30 June 2016 and 30 June 2015 were:

		30 June 2016	30 June 2015
EUR1=	CHF	1.0823	1.0413
	DKK	7.4398	7.4599
	GBP	0.8311	0.7085
	NOK	9.2964	8.7660
	PLN	4.4009	4.1904
	SEK	9.4127	9.2451
USD	USD	1.1109	1.1142
GBP1=	EUR	1.2033	1.4115
	USD	1.3368	1.5727
USD1=	AED	3.6731	3.6730
	AUD	1.3430	1.3011
	BHD	0.3774	0.3771
	BRL	3.2038	3.1064
	CAD	1.2987	1.2485
	CHF	0.9742	0.9346
	CLP	662.0650	639.5300
	CNH	6.6659	6.2052
	CNY	6.6436	6.2010
	COP	2,909.0000	2,599.6000
	CZK	24.3778	24.4655
	DKK	6.6968	6.6953
	EGP	8.8800	7.6301
	EUR	0.9001	0.8975
	GBP	0.7481	0.6358
	HKD	7.7580	7.7526
	HUF	284.1487	282.9564
	IDR	13,212.5000	13,332.5000
	ILS	3.8511	3.7724
	INR	67.4950	63.6800
JPY	102.5900	122.3650	
KRW	1,151.8500	1,115.4500	
KWD	0.3018	0.3023	
MXN	18.4493	15.6907	
MYR	4.0315	3.7730	
NOK	8.3680	7.8675	

		30 June 2016	30 June 2015
USD1=	NZD	1.4041	1.4786
	OMR	0.3850	0.3850
	PEN	3.2886	3.1776
	PHP	47.0475	45.0900
	PLN	3.9614	3.7609
	QAR	3.6413	3.6413
	RON	4.0708	4.0190
	RUB	63.8775	55.7149
	SEK	8.4727	8.2975
	SGD	1.3459	1.3465
	THB	35.1400	33.7755
	TRY	2.8757	2.6790
	TWD	32.2590	30.8545
	ZAR	14.6450	12.1378

The average rates of exchange for the years ended 30 June 2016 and 30 June 2015 were:

		30 June 2016	30 June 2015
EUR1=	GBP	0.7493	0.7610
	USD	1.1097	1.1955

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 30 June 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 and Sub-Investment Managers and securities lending agent 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 30 June 2016 or 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2016

18. RELATED PARTY TRANSACTIONS (continued)

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 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 4, 5 and 14 respectively. Securities lending income earned by the Funds is disclosed in note 2 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.

Teresa O'Flynn was appointed as 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 related parties in making the investments above were no more favourable than those received by other investors investing into the same share classes.

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

30 June 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 depository through the International Central Securities Depository ("ICSD") (Euroclear, Clearstream) to the participants of the ICSD.

30 June 2015

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	-	-

No provisions have been recognised by the Funds against amounts due from related parties at the year end date (30 June 2015: Nil).

No commitments secured or unsecured or guarantees have been entered into with related parties during the year (30 June 2015: Nil).

No amounts have been written off in the year in respect of amounts due to or from related parties (30 June 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2016

19. EFFICIENT PORTFOLIO MANAGEMENT

The Company may, subject to the conditions and within the limits from time to time laid down by the CBI and the prospectus, engage in securities lending and employ techniques and instruments relating to transferable securities for efficient portfolio management purposes.

The securities lending agent appointed pursuant to the securities lending agreement is BlackRock Advisors (UK) Limited which is a related party to the Company.

The Funds benefit from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities loaned. BlackRock Inc. bears all operational costs directly related to securities loan transactions as well as the cost of indemnification against borrower default.

During the year the Company engaged in securities lending. The Company receives either cash collateral or securities as collateral, as determined within the schedule, for a value in excess of the market value of the securities loaned. As at the 30 June 2016 and 30 June 2015 the collateral consists of securities admitted to or dealt on a regulated market.

The collateral is registered and held in the name of BlackRock Advisors (UK) Limited on behalf of the Funds in any or all of the following collateral agents and central securities depositories: JP Morgan Chase, Bank of New York Mellon Corporation, Euroclear or CREST, depending on the type of collateral the counterparty needs to give as per the schedule in order to cover the required value of exposure. Further details can be seen on page 74.

The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained, if necessary.

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 for the Company is shown below:

	30 June 2016 €'000	30 June 2015 €'000
Income earned during the year	9,064	5,725
Value of securities on loan at year end	4,244,638	2,719,349
Value of collateral held on behalf of the Company at year end	4,574,583	2,947,939

Please see note 21 for more information on financial derivative instruments.

20. FINANCIAL DERIVATIVE INSTRUMENTS

The Company may buy and sell financial derivative instruments. See further details in note 3 of the financial statements of the Company and the Funds' Schedule of Investments.

21. FUND DETAILS

iShares III public limited company is organised as an open-ended investment company with variable capital. The Company was incorporated in Ireland on 22 January 2008 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.

22. SUBSEQUENT EVENTS

The ex-date and pay date for distributions of the below Funds occurred during July 2016.

	Distribution Amount ('000)
iShares Emerging Markets Local Government Bond UCITS ETF	\$80,742

An Addendum to the Prospectus was issued on 1 July 2016 in relation to the Umbrella Cash Collection Account and Investor Money Regulations. It amended definitions, risk factors and operation of the subscriptions and redemptions collection account.

On 14 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 are effective from 1 October 2016 onwards. The inclusion of Ireland on the 'low tax jurisdiction' list is currently the subject of an appeal by the Irish Government.

As a consequence of Ireland being considered a 'low-tax jurisdiction', Brazilian Capital Gains Tax and increased income withholding tax rates apply to the Fund from 1 October 2016 onwards, unless the Irish Government is successful in obtaining a suspension or lifting of the tax. BlackRock is reviewing the impact of these changes for the Fund.

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 30 June 2016.

iShares Emerging Markets Local Government Bond UCITS ETF

INCOME STATEMENT

For the year ended 30 June 2016

	Note	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Operating income	2	132,422	118,307
Net losses on financial assets/liabilities at fair value through profit or loss	3	(43,622)	(426,853)
Total gains/(losses)		88,800	(308,546)
Operating expenses	4	(10,247)	(9,619)
Net operating profit/(loss)		78,553	(318,165)
Finance costs:			
Distributions to redeemable participating shareholders	6	(45,159)	(105,267)
Interest expense	7	(17)	(95)
Total finance costs		(45,176)	(105,362)
Net profit/(loss) for the financial year before tax		33,377	(423,527)
Capital gains tax		(2,149)	(281)
Non-reclaimable withholding tax		(4,323)	(2,790)
Net profit/(loss) for the financial year after tax		26,905	(426,598)
Increase/(decrease) in net assets attributable to redeemable participating shareholders from operations		26,905	(426,598)

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 30 June 2016

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Net assets attributable to redeemable participating shareholders at the beginning of the year	1,752,109	1,878,664
Increase/(decrease) in net assets attributable to redeemable participating shareholders from operations	26,905	(426,598)
Share transactions:		
Proceeds from issue of redeemable participating shares	2,023,415	1,012,978
Payments on redemption of redeemable participating shares	(915,881)	(712,935)
Increase in net assets resulting from share transactions	1,107,534	300,043
Net assets attributable to redeemable participating shareholders at the end of the year	2,886,548	1,752,109

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

iShares Emerging Markets Local Government Bond UCITS ETF

BALANCE SHEET

As at 30 June 2016

	Note	30 June 2016 \$'000	30 June 2015 \$'000
CURRENT ASSETS			
Cash		37,882	73,238
Cash equivalents		-	6,699
Receivables	11	66,399	35,785
Financial assets at fair value through profit or loss	12	2,788,370	1,692,723
Total current assets		2,892,651	1,808,445
CURRENT LIABILITIES			
Payables	13	(6,103)	(1,695)
Distributions payable to redeemable participating shareholders	6	-	(54,515)
Financial liabilities at fair value through profit or loss	12	-	(126)
Total current liabilities excluding net assets attributable to redeemable participating shareholders		(6,103)	(56,336)
Net asset value attributable to redeemable participating shareholders at the end of the year		2,886,548	1,752,109

The accompanying notes form an integral part of these financial statements. Details of the NAV per share are set out in note 10.

iShares Emerging Markets Local Government Bond UCITS ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

The accounting policies are set out on pages 52 to 54. The financial instruments and risks are set out on pages 55 to 87. 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 90 to 96.

2. OPERATING INCOME

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Interest income	2	88
Bond interest income	132,122	117,982
Securities lending income	298	237
	132,422	118,307

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

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Net losses on investments in securities held at fair value through profit or loss	(36,123)	(415,089)
Net (losses)/gains on forward currency contracts	(269)	657
Net losses on foreign currency transactions	(7,230)	(12,421)
	(43,622)	(426,853)

4. OPERATING EXPENSES

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Management fees	(10,247)	(9,619)
	(10,247)	(9,619)

5. MANAGEMENT FEES

Fees earned by the Manager during the year and balances outstanding as at 30 June 2016 and 30 June 2015 are disclosed in note 4 and note 13 respectively.

Please refer to note 5 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 % 30 June 2016	TER % 30 June 2015
	0.50	0.50

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 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
December	-	51,865
June	-	54,515
January	57,441	-
	57,441	106,380
Equalisation income	(20,767)	(10,631)
Equalisation expense	8,485	9,518
	45,159	105,267

* 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 July 2016 distributions.

7. INTEREST EXPENSE

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Bank interest	(17)	(95)
	(17)	(95)

iShares Emerging Markets Local Government Bond UCITS ETF

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2016

8. TRANSACTION COSTS

Transaction costs on this Fund are not separately identifiable for the years ended 30 June 2016 and 30 June 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.

	30 June 2016 No. of Shares	30 June 2015 No. of Shares
Balance at the beginning of year	25,947,091	22,444,668
Issued during the year	32,553,963	13,278,330
Redeemed during the year	(14,914,500)	(9,775,907)
Balance at the end of year	43,586,554	25,947,091

10. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS

	No. of Shares
Shares in issue	
As at 30 June 2016	43,586,554
As at 30 June 2015	25,947,091
As at 30 June 2014	22,444,668

	\$'000
Net asset value	
As at 30 June 2016	2,886,548
As at 30 June 2015	1,752,109
As at 30 June 2014	1,878,664

	\$
Net asset value per share	
As at 30 June 2016	66.23
As at 30 June 2015	67.53
As at 30 June 2014	83.70

11. RECEIVABLES

	30 June 2016 \$'000	30 June 2015 \$'000
Interest receivable	20	18
Securities lending income receivable	32	18
Interest income receivable	66,336	35,739
Tax reclaim receivable	1	-
Other receivables	10	10
	66,399	35,785

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

	30 June 2016 \$'000	30 June 2015 \$'000
Financial assets:		
Investment in bonds	2,788,370	1,692,723
	2,788,370	1,692,723

Financial liabilities:		
Unrealised losses on forward currency contracts	-	(126)
	-	(126)

13. PAYABLES

	30 June 2016 \$'000	30 June 2015 \$'000
Interest payable	(764)	(108)
Management fees payable	(1,148)	(747)
Capital gains tax payable	(4,191)	(840)
	(6,103)	(1,695)

14. EFFICIENT PORTFOLIO MANAGEMENT

Please see note 20 of the financial statements of the Company for more information on efficient portfolio management.

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 for the Fund is shown below:

	30 June 2016 \$'000	30 June 2015 \$'000
Income earned during the year	298	237
Value of securities on loan at year end	183,259	48,271
Value of collateral held on behalf of the Fund at year end	203,830	51,207

Please see note 21 in the notes to the financial statements of the Company for more information on financial derivative instruments.

iShares Emerging Markets Local Government Bond UCITS ETF

SCHEDULE OF INVESTMENTS

As at 30 June 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 (30 June 2015: 96.61%)			
Bonds (30 June 2015: 96.61%)			
Brazil (30 June 2015: 9.81%)			
Government bonds: BB rating			
45,300,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2018	13,642	0.47
43,900,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2019	13,120	0.46
362,570,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2021	105,741	3.67
261,100,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2023	74,263	2.57
240,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025	67,228	2.33
64,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2027	17,669	0.61
12,000,000	Brazilian Government International Bond 8.5% 05/01/2024	3,259	0.11
18,080,000	Brazilian Government International Bond 10.25% 10/01/2028	5,234	0.18
7,380,000	Brazilian Government International Bond 12.5% 05/01/2022	2,384	0.08
	Total Brazil	302,540	10.48
Chile (30 June 2015: 0.15%)			
Government bonds: AA- rating			
1,440,000,000	Chile Government International Bond 5.5% 05/08/2020	2,295	0.08
270,000,000	Chile Government International Bond 5.5% 05/08/2020	430	0.01
	Total Chile	2,725	0.09
Colombia (30 June 2015: 0.43%)			
Government bonds: BBB rating			
3,950,000,000	Colombia Government International Bond 4.375% 21/03/2023	1,156	0.04
10,749,000,000	Colombia Government International Bond 7.75% 14/04/2021	3,837	0.13
6,420,000,000	Colombia Government International Bond 9.85% 28/06/2027	2,595	0.09
38,000,000,000	Colombian TES 5% 21/11/2018	12,590	0.44
52,500,000,000	Colombian TES 6% 28/04/2028	15,849	0.55
52,900,000,000	Colombian TES 7% 11/09/2019	18,279	0.63
56,400,000,000	Colombian TES 7% 04/05/2022	19,336	0.67
59,800,000,000	Colombian TES 7.5% 26/08/2026	20,422	0.71
43,300,000,000	Colombian TES 7.75% 18/09/2030	15,019	0.52
100,700,000,000	Colombian TES 10% 24/07/2024	40,273	1.40
72,501,700,000	Colombian TES 11% 24/07/2020	28,559	0.99
36,500,000,000	Colombian TES 11.25% 24/10/2018	13,715	0.47
	Total Colombia	191,630	6.64

Holding	Investment	Fair value \$'000	% of net asset value
Hungary (30 June 2015: 5.60%)			
Government bonds: BB+ rating			
850,000,000	Hungary Government Bond 2% 30/10/2019	3,006	0.10
2,561,500,000	Hungary Government Bond 2.5% 22/06/2018	9,193	0.32
1,000,000,000	Hungary Government Bond 2.5% 27/10/2021	3,565	0.12
1,800,000,000	Hungary Government Bond 3% 26/06/2024	6,356	0.22
1,750,000,000	Hungary Government Bond 3.5% 24/06/2020	6,507	0.23
1,580,000,000	Hungary Government Bond 3.5% 24/06/2020	5,875	0.20
2,038,900,000	Hungary Government Bond 4% 25/04/2018	7,520	0.26
1,930,370,000	Hungary Government Bond 5.5% 20/12/2018	7,426	0.26
3,755,000,000	Hungary Government Bond 5.5% 24/06/2025	15,781	0.55
3,536,800,000	Hungary Government Bond 6% 24/11/2023	15,072	0.52
4,513,370,000	Hungary Government Bond 6.5% 24/06/2019	18,027	0.63
1,384,500,000	Hungary Government Bond 6.75% 24/11/2017	5,263	0.18
3,335,750,000	Hungary Government Bond 7% 24/06/2022	14,646	0.51
3,362,200,000	Hungary Government Bond 7.5% 12/11/2020	14,470	0.50
	Total Hungary	132,707	4.60
Indonesia (30 June 2015: 9.74%)			
Government bonds: BB+ rating			
119,850,000,000	Indonesia Treasury Bond 5.25% 15/05/2018	8,758	0.30
97,900,000,000	Indonesia Treasury Bond 5.625% 15/05/2023	6,657	0.23
87,500,000,000	Indonesia Treasury Bond 6.125% 15/05/2028	5,777	0.20
26,150,000,000	Indonesia Treasury Bond 6.375% 15/04/2042	1,621	0.06
152,000,000,000	Indonesia Treasury Bond 6.625% 15/05/2033	10,155	0.35
90,110,000,000	Indonesia Treasury Bond 7% 15/05/2022	6,658	0.23
72,050,000,000	Indonesia Treasury Bond 7% 15/05/2027	5,178	0.18
297,909,000,000	Indonesia Treasury Bond 7.875% 15/04/2019	22,894	0.79
228,688,000,000	Indonesia Treasury Bond 8.25% 15/07/2021	17,982	0.62
124,360,000,000	Indonesia Treasury Bond 8.25% 15/06/2032	9,715	0.34

iShares Emerging Markets Local Government Bond UCITS ETF

SCHEDULE OF INVESTMENTS (continued)

As at 30 June 2016

Holding	Investment	Fair value \$'000	% of net asset value	Holding	Investment	Fair value \$'000	% of net asset value
Bonds (30 June 2015: 96.61%) (cont)				Malaysia (30 June 2015: 9.70%) (cont)			
Indonesia (30 June 2015: 9.74%) (cont)				Government bonds: A rating (cont)			
Government bonds: BB+ rating (cont)				22,140,000	Malaysia Government Bond 3.48% 15/03/2023	5,437	0.19
120,500,000,000	Indonesia Treasury Bond 8.25% 15/05/2036	9,637	0.33	17,376,000	Malaysia Government Bond 3.492% 31/03/2020	4,326	0.15
399,039,000,000	Indonesia Treasury Bond 8.375% 15/03/2024	31,709	1.10	5,850,000	Malaysia Government Bond 3.502% 31/05/2027	1,376	0.05
300,020,000,000	Indonesia Treasury Bond 8.375% 15/09/2026	24,186	0.84	36,460,000	Malaysia Government Bond 3.58% 28/09/2018	9,164	0.32
258,799,000,000	Indonesia Treasury Bond 8.375% 15/03/2034	20,699	0.72	64,530,000	Malaysia Government Bond 3.654% 31/10/2019	16,179	0.56
90,000,000,000	Indonesia Treasury Bond 8.75% 15/05/2031	7,472	0.26	35,000,000	Malaysia Government Bond 3.659% 15/10/2020	8,786	0.30
50,000,000,000	Indonesia Treasury Bond 8.75% 15/02/2044	4,022	0.14	25,650,000	Malaysia Government Bond 3.733% 15/06/2028	6,133	0.21
265,250,000,000	Indonesia Treasury Bond 9% 15/03/2029	22,212	0.77	24,000,000	Malaysia Government Bond 3.759% 15/03/2019	6,046	0.21
67,560,000,000	Indonesia Treasury Bond 9.5% 15/07/2023	5,616	0.19	22,000,000	Malaysia Government Bond 3.795% 30/09/2022	5,488	0.19
90,870,000,000	Indonesia Treasury Bond 9.5% 15/07/2031	7,871	0.27	15,000,000	Malaysia Government Bond 3.8% 17/08/2023	3,766	0.13
35,170,000,000	Indonesia Treasury Bond 9.5% 15/05/2041	3,074	0.11	6,500,000	Malaysia Government Bond 3.844% 15/04/2033	1,524	0.05
61,080,000,000	Indonesia Treasury Bond 10% 15/07/2017	4,753	0.16	5,013,000	Malaysia Government Bond 3.889% 31/07/2020	1,267	0.04
53,000,000,000	Indonesia Treasury Bond 10% 15/09/2024	4,587	0.16	10,554,000	Malaysia Government Bond 3.892% 15/03/2027	2,590	0.09
47,310,000,000	Indonesia Treasury Bond 10% 15/02/2028	4,197	0.15	26,950,000	Malaysia Government Bond 3.955% 15/09/2025	6,748	0.23
48,430,000,000	Indonesia Treasury Bond 10.25% 15/07/2022	4,141	0.14	9,850,000	Malaysia Government Bond 4.012% 15/09/2017	2,480	0.09
38,595,000,000	Indonesia Treasury Bond 10.25% 15/07/2027	3,471	0.12	31,959,000	Malaysia Government Bond 4.048% 30/09/2021	8,162	0.28
60,580,000,000	Indonesia Treasury Bond 10.5% 15/08/2030	5,648	0.20	10,696,000	Malaysia Government Bond 4.127% 15/04/2032	2,595	0.09
27,580,000,000	Indonesia Treasury Bond 10.5% 15/07/2038	2,616	0.09	11,860,000	Malaysia Government Bond 4.16% 15/07/2021	3,039	0.11
52,885,000,000	Indonesia Treasury Bond 11% 15/11/2020	4,534	0.16	27,232,000	Malaysia Government Bond 4.181% 15/07/2024	6,898	0.24
66,252,000,000	Indonesia Treasury Bond 11% 15/09/2025	6,119	0.21	24,500,000	Malaysia Government Bond 4.232% 30/06/2031	6,182	0.21
58,455,000,000	Indonesia Treasury Bond 12.8% 15/06/2021	5,394	0.19	28,149,000	Malaysia Government Bond 4.24% 07/02/2018	7,148	0.25
29,990,000,000	Indonesia Treasury Bond 12.9% 15/06/2022	2,846	0.10	10,000,000	Malaysia Government Bond 4.254% 31/05/2035	2,478	0.09
	Total Indonesia	280,199	9.71	45,680,000	Malaysia Government Bond 4.378% 29/11/2019	11,713	0.41
Malaysia (30 June 2015: 9.70%)				15,255,000	Malaysia Government Bond 4.392% 15/04/2026	3,956	0.14
Government bonds: A rating				34,225,000	Malaysia Government Bond 4.498% 15/04/2030	8,808	0.30
16,100,000	Malaysia Government Bond 3.26% 01/03/2018	4,027	0.14	18,500,000	Malaysia Government Bond 4.935% 30/09/2043	4,760	0.16
32,992,000	Malaysia Government Bond 3.314% 31/10/2017	8,244	0.29	4,706,000	Malaysia Government Bond 5.248% 15/09/2028	1,287	0.04
19,000,000	Malaysia Government Bond 3.418% 15/08/2022	4,646	0.16				

iShares Emerging Markets Local Government Bond UCITS ETF

SCHEDULE OF INVESTMENTS (continued)

As at 30 June 2016

Holding	Investment	Fair value \$'000	% of net asset value	Holding	Investment	Fair value \$'000	% of net asset value
Bonds (30 June 2015: 96.61%) (cont)				Mexico (30 June 2015: 9.57%) (cont)			
Malaysia (30 June 2015: 9.70%) (cont)				Government bonds: A rating (cont)			
Government bonds: A rating (cont)				181,520,000	Mexican Bonos 8.5% 18/11/2038	12,220	0.42
18,422,000	Malaysia Government Bond 5.734% 30/07/2019	4,893	0.17	479,003,000	Mexican Bonos 10% 05/12/2024	33,226	1.15
1,000,000	Malaysia Government Investment Issue 3.399% 30/11/2018	249	0.01	111,885,000	Mexican Bonos 10% 20/11/2036	8,525	0.30
41,920,000	Malaysia Government Investment Issue 3.508% 15/05/2018	10,486	0.36	Total Mexico		265,244	9.19
9,900,000	Malaysia Government Investment Issue 3.558% 30/04/2019	2,467	0.09	Peru (30 June 2015: 2.46%)			
12,000,000	Malaysia Government Investment Issue 3.576% 15/05/2020	3,020	0.10	Government bonds: A- rating			
51,000,000	Malaysia Government Investment Issue 3.678% 23/11/2017	12,770	0.44	20,150,000	Peru Government Bond 5.2% 12/09/2023	6,015	0.21
2,500,000	Malaysia Government Investment Issue 3.699% 15/11/2022	614	0.02	27,080,000	Peru Government Bond 5.7% 12/08/2024	8,287	0.29
31,982,000	Malaysia Government Investment Issue 3.743% 26/08/2021	7,987	0.28	15,000,000	Peru Government Bond 6.85% 12/02/2042	4,672	0.16
91,000,000	Malaysia Government Investment Issue 3.799% 27/08/2020	22,814	0.79	18,000,000	Peru Government Bond 6.9% 12/08/2037	5,775	0.20
3,500,000	Malaysia Government Investment Issue 3.872% 30/08/2018	881	0.03	33,700,000	Peru Government Bond 6.95% 12/08/2031	10,939	0.38
30,800,000	Malaysia Government Investment Issue 3.99% 15/10/2025	7,618	0.26	24,400,000	Peru Government Bond 7.84% 12/08/2020	8,125	0.28
34,000,000	Malaysia Government Investment Issue 4.07% 30/09/2026	8,521	0.30	27,200,000	Peru Government Bond 8.2% 12/08/2026	9,634	0.33
59,000,000	Malaysia Government Investment Issue 4.194% 15/07/2022	14,949	0.52	4,000,000	Peru Government Bond 8.6% 12/08/2017	1,267	0.04
22,000,000	Malaysia Government Investment Issue 4.39% 07/07/2023	5,662	0.20	Total Peru		54,714	1.89
26,200,000	Malaysia Government Investment Issue 4.444% 22/05/2024	6,714	0.23	Philippines (30 June 2015: 0.58%)			
11,150,000	Malaysia Government Investment Issue 4.582% 30/08/2033	2,775	0.10	Government bonds: BBB rating			
3,360,000	Malaysia Government Investment Issue 4.786% 31/10/2035	857	0.03	122,000,000	Philippine Government International Bond 3.9% 26/11/2022	2,566	0.09
Total Malaysia		278,530	9.65	20,000,000	Philippine Government International Bond 4.95% 15/01/2021	443	0.02
Mexico (30 June 2015: 9.57%)				150,000,000	Philippine Government International Bond 4.95% 15/01/2021	3,325	0.11
Government bonds: A rating				201,000,000	Philippine Government International Bond 6.25% 14/01/2036	4,793	0.17
345,800,000	Mexican Bonos 4.75% 14/06/2018	18,715	0.65	Total Philippines		11,127	0.39
238,000,000	Mexican Bonos 5% 11/12/2019	12,808	0.44	Poland (30 June 2015: 9.70%)			
133,160,000	Mexican Bonos 5.75% 05/03/2026	7,140	0.25	Government bonds: A- rating			
442,480,000	Mexican Bonos 6.5% 10/06/2021	25,061	0.87	97,620,000	Poland Government Bond 1.5% 25/04/2020	24,247	0.84
204,895,000	Mexican Bonos 6.5% 09/06/2022	11,596	0.40	47,000,000	Poland Government Bond 1.75% 25/07/2021	11,599	0.40
159,169,500	Mexican Bonos 7.5% 03/06/2027	9,644	0.33	85,230,000	Poland Government Bond 2% 25/04/2021	21,410	0.74
255,364,000	Mexican Bonos 7.75% 14/12/2017	14,500	0.50	92,241,000	Poland Government Bond 2.5% 25/07/2018	23,676	0.82
247,340,000	Mexican Bonos 7.75% 29/05/2031	15,253	0.53	76,600,000	Poland Government Bond 2.5% 25/07/2026	18,652	0.65
158,500,000	Mexican Bonos 7.75% 23/11/2034	9,832	0.34	79,407,000	Poland Government Bond 3.25% 25/07/2019	20,895	0.72
306,229,000	Mexican Bonos 7.75% 13/11/2042	19,258	0.67	88,504,000	Poland Government Bond 3.25% 25/07/2025	23,110	0.80
272,066,000	Mexican Bonos 8% 11/06/2020	16,159	0.56				
166,176,500	Mexican Bonos 8% 07/12/2023	10,236	0.36				
479,051,200	Mexican Bonos 8.5% 13/12/2018	28,048	0.97				
199,500,000	Mexican Bonos 8.5% 31/05/2029	13,023	0.45				

iShares Emerging Markets Local Government Bond UCITS ETF

SCHEDULE OF INVESTMENTS (continued)

As at 30 June 2016

Holding	Investment	Fair value \$'000	% of net asset value	Holding	Investment	Fair value \$'000	% of net asset value
Bonds (30 June 2015: 96.61%) (cont)				Russian Federation (30 June 2015: 6.54%)			
Poland (30 June 2015: 9.70%) (cont)				Government bonds: BB+ rating (cont)			
Government bonds: A- rating (cont)				631,680,000	Russian Federal Bond - OFZ 7.5% 27/02/2019	9,558	0.33
53,482,000	Poland Government Bond 3.75% 25/04/2018	14,001	0.49	330,000,000	Russian Federal Bond - OFZ 7.5% 18/08/2021	4,967	0.17
88,176,000	Poland Government Bond 4% 25/10/2023	24,345	0.84	584,400,000	Russian Federal Bond - OFZ 7.6% 14/04/2021	8,853	0.31
50,430,000	Poland Government Bond 5.25% 25/10/2017	13,317	0.46	571,268,000	Russian Federal Bond - OFZ 7.6% 20/07/2022	8,616	0.30
56,209,000	Poland Government Bond 5.25% 25/10/2020	16,069	0.56	991,232,000	Russian Federal Bond - OFZ 8.15% 03/02/2027	15,520	0.54
63,079,000	Poland Government Bond 5.5% 25/10/2019	17,773	0.62	285,000,000	Russian Federal Bond - OFZ 8.5% 17/09/2031	4,561	0.16
51,880,000	Poland Government Bond 5.75% 25/10/2021	15,388	0.53	310,000,000	Russian Foreign Bond - Eurobond 7.85% 10/03/2018	4,740	0.16
69,985,000	Poland Government Bond 5.75% 23/09/2022	21,079	0.73	Total Russian Federation		135,349	4.69
Total Poland		265,561	9.20	South Africa (30 June 2015: 9.78%)			
Romania (30 June 2015: 2.94%)				Government bonds: BBB+ rating			
Government bonds: BBB- rating				323,038,592	South Africa Government Bond 6.25% 31/03/2036	15,850	0.55
35,000,000	Romania Government Bond 3.25% 17/01/2018	8,882	0.31	311,416,000	South Africa Government Bond 6.5% 28/02/2041	15,167	0.53
28,000,000	Romania Government Bond 4.75% 24/06/2019	7,447	0.26	237,990,000	South Africa Government Bond 6.75% 31/03/2021	15,273	0.53
27,000,000	Romania Government Bond 4.75% 24/02/2025	7,272	0.25	355,650,000	South Africa Government Bond 7% 28/02/2031	19,882	0.69
33,890,000	Romania Government Bond 5.6% 28/11/2018	9,138	0.32	240,374,000	South Africa Government Bond 7.25% 15/01/2020	15,973	0.55
30,100,000	Romania Government Bond 5.75% 29/04/2020	8,330	0.29	221,300,000	South Africa Government Bond 7.75% 28/02/2023	14,500	0.50
30,000,000	Romania Government Bond 5.85% 26/04/2023	8,622	0.30	193,827,000	South Africa Government Bond 8% 21/12/2018	13,266	0.46
24,760,000	Romania Government Bond 5.9% 26/07/2017	6,404	0.22	337,761,000	South Africa Government Bond 8% 31/01/2030	20,885	0.72
28,880,000	Romania Government Bond 5.95% 11/06/2021	8,159	0.28	152,600,000	South Africa Government Bond 8.25% 15/09/2017	10,501	0.37
Total Romania		64,254	2.23	238,000,000	South Africa Government Bond 8.25% 31/03/2032	14,771	0.51
Russian Federation (30 June 2015: 6.54%)				256,710,000	South Africa Government Bond 8.5% 31/01/2037	15,901	0.55
Government bonds: BB+ rating				231,000,000	South Africa Government Bond 8.75% 31/01/2044	14,427	0.50
239,272,000	Russian Federal Bond - OFZ 6.2% 31/01/2018	3,579	0.12	108,100,000	South Africa Government Bond 8.875% 28/02/2035	7,000	0.24
610,000,000	Russian Federal Bond - OFZ 6.4% 27/05/2020	8,861	0.31	85,000,000	South Africa Government Bond 9% 31/01/2040	5,485	0.19
731,200,000	Russian Federal Bond - OFZ 6.7% 15/05/2019	10,813	0.37	657,921,900	South Africa Government Bond 10.5% 21/12/2026	49,938	1.73
719,130,000	Russian Federal Bond - OFZ 6.8% 11/12/2019	10,643	0.37	Total South Africa		248,819	8.62
530,120,000	Russian Federal Bond - OFZ 7% 25/01/2023	7,762	0.27	Thailand (30 June 2015: 9.90%)			
929,136,000	Russian Federal Bond - OFZ 7% 16/08/2023	13,565	0.47	Government bonds: A- rating			
887,013,000	Russian Federal Bond - OFZ 7.05% 19/01/2028	12,765	0.44	715,000,000	Thailand Government Bond 2.55% 26/06/2020	21,053	0.73
690,835,000	Russian Federal Bond - OFZ 7.5% 15/03/2018	10,546	0.37				

iShares Emerging Markets Local Government Bond UCITS ETF

SCHEDULE OF INVESTMENTS (continued)

As at 30 June 2016

Holding	Investment	Fair value \$'000	% of net asset value
Bonds (30 June 2015: 96.61%) (cont)			
Thailand (30 June 2015: 9.90%) (cont)			
Government bonds: A- rating (cont)			
219,290,000	Thailand Government Bond 3.45% 08/03/2019	6,542	0.23
351,036,000	Thailand Government Bond 3.58% 17/12/2027	11,382	0.39
820,358,000	Thailand Government Bond 3.625% 16/06/2023	26,017	0.90
1,244,984,000	Thailand Government Bond 3.65% 17/12/2021	38,914	1.35
195,636,000	Thailand Government Bond 3.775% 25/06/2032	6,514	0.23
135,610,000	Thailand Government Bond 3.8% 14/06/2041	4,651	0.16
621,404,000	Thailand Government Bond 3.85% 12/12/2025	20,517	0.71
933,902,000	Thailand Government Bond 3.875% 13/06/2019	28,325	0.98
243,800,000	Thailand Government Bond 4.26% 12/12/2037	8,747	0.30
205,000,000	Thailand Government Bond 4.675% 29/06/2044	8,145	0.28
150,794,000	Thailand Government Bond 4.75% 20/12/2024	5,186	0.18
2,141,349,000	Thailand Government Bond 4.875% 22/06/2029	78,803	2.73
32,580,000	Thailand Government Bond 5.125% 13/03/2018	982	0.03
211,170,000	Thailand Government Bond 5.625% 12/01/2019	6,605	0.23
148,500,000	Thailand Government Bond 5.67% 13/03/2028	5,685	0.20
	Total Thailand	278,068	9.63
Turkey (30 June 2015: 9.71%)			
Government bonds: BBB- rating			
44,751,000	Turkey Government Bond 6.3% 14/02/2018	15,029	0.52
65,111,000	Turkey Government Bond 7.1% 08/03/2023	20,508	0.71
50,122,000	Turkey Government Bond 7.4% 05/02/2020	16,684	0.58
71,300,000	Turkey Government Bond 8% 12/03/2025	23,240	0.80
31,854,000	Turkey Government Bond 8.3% 20/06/2018	10,999	0.38
58,332,000	Turkey Government Bond 8.5% 10/07/2019	20,156	0.70
39,807,000	Turkey Government Bond 8.5% 14/09/2022	13,538	0.47
58,568,000	Turkey Government Bond 8.8% 14/11/2018	20,393	0.71
49,891,000	Turkey Government Bond 8.8% 27/09/2023	17,124	0.59

Holding	Investment	Fair value \$'000	% of net asset value
Turkey (30 June 2015: 9.71%) (cont)			
Government bonds: BBB- rating (cont)			
44,550,000	Turkey Government Bond 9% 24/07/2024	15,461	0.54
63,190,000	Turkey Government Bond 9.4% 08/07/2020	22,378	0.77
39,550,000	Turkey Government Bond 9.5% 12/01/2022	14,093	0.49
39,156,000	Turkey Government Bond 10.4% 27/03/2019	14,155	0.49
24,500,000	Turkey Government Bond 10.4% 20/03/2024	9,143	0.32
48,329,000	Turkey Government Bond 10.5% 15/01/2020	17,743	0.61
25,000,000	Turkey Government Bond 10.6% 11/02/2026	9,550	0.33
45,000,000	Turkey Government Bond 10.7% 17/02/2021	16,709	0.58
	Total Turkey	276,903	9.59
	Total bonds	2,788,370	96.60
Financial derivative instruments (30 June 2015: (0.01)%)			
Forward currency contracts (30 June 2015: (0.01)%)			
		Fair value \$'000	% of net asset value
Total value of investments		2,788,370	96.60
Cash[†]		37,882	1.31
Other net assets		60,296	2.09
Net asset value attributable to redeemable participating shareholders at the end of the year 2,886,548 100.00			

[†] Substantially all cash positions are held with State Street Bank and Trust Company or other depositories appointed.

All credit ratings are shown as at 30 June 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 or traded on a regulated market	2,788,370	96.40
Other assets	104,281	3.60
Total current assets	2,892,651	100.00

iShares Emerging Markets Local Government Bond UCITS ETF

SCHEDULE OF MATERIAL PURCHASES AND SALES (unaudited)

For the year ended 30 June 2016

Holding	Investments	Proceeds \$'000	Holding	Investments	Cost \$'000
Sales			Purchases		
206,830,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2017	50,151	351,500,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2021	78,576
1,338,795,000	Thailand Government Bond 3.25% 16/06/2017	38,539	1,700,505,000	Thailand Government Bond 4.875% 22/06/2029	62,402
151,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2021	33,758	271,500,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2023	60,734
1,097,600,000	Thailand Government Bond 3.625% 16/06/2023	33,362	689,715,000	South Africa Government Bond 10.5% 21/12/2026	53,204
119,600,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2023	27,905	127,200,000,000	Colombian TES 10% 24/07/2024	52,578
359,140,000	South Africa Government Bond 10.5% 21/12/2026	27,105	227,500,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025	47,149
99,400,000	Poland Government Bond 2.5% 25/07/2018	26,031	1,208,404,000	Thailand Government Bond 3.85% 12/12/2025	38,544
772,000,000	Thailand Government Bond 3.85% 12/12/2025	24,283	94,001,700,000	Colombian TES 11% 24/07/2020	38,053
82,160,000	Poland Government Bond 4% 25/10/2023	22,860	138,231,000	Poland Government Bond 2.5% 25/07/2018	36,666
98,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025	21,655	452,288,000	Mexican Bonos 10% 05/12/2024	33,698
59,000,000	Turkey Government Bond 8.3% 20/06/2018	20,021	1,086,510,000	Thailand Government Bond 3.625% 16/06/2023	33,656
57,170,000	Turkey Government Bond 8.8% 27/09/2023	18,543	111,790,000	Poland Government Bond 4% 25/10/2023	31,718
57,390,000	Turkey Government Bond 6.3% 14/02/2018	18,374	87,040,000	Turkey Government Bond 9.4% 08/07/2020	29,182
4,200,000,000	Hungary Government Bond 6.5% 24/06/2019	17,029	940,560,000	Thailand Government Bond 3.65% 17/12/2021	28,911
237,000,000	South Africa Government Bond 7.25% 15/01/2020	16,685	83,000,000,000	Colombian TES 7.5% 26/08/2026	27,157
4,050,000,000	Hungary Government Bond 5.5% 20/12/2018	15,620	434,980,000	Mexican Bonos 6.5% 10/06/2021	26,273
44,689,000	Turkey Government Bond 9% 08/03/2017	14,994	104,230,000	Poland Government Bond 2% 25/04/2021	26,154
205,000,000	Mexican Bonos 10% 05/12/2024	14,897	77,000,000,000	Colombian TES 7% 04/05/2022	26,011
935,000,000	Russian Federal Bond - OFZ 6.2% 31/01/2018	13,948	327,800,000,000	Indonesia Treasury Bond 8.375% 15/09/2026	25,214
51,550,000	Poland Government Bond 3.75% 25/04/2018	13,873	76,550,000	Turkey Government Bond 8.8% 27/09/2023	24,760
242,800,000	Mexican Bonos 5% 15/06/2017	13,809			
50,150,000	Poland Government Bond 4.75% 25/10/2016	13,649			
377,000,000	Thailand Government Bond 4.875% 22/06/2029	13,532			

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.