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BlackRock International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



BlackRock International Limited

Contents

Strategic Report	1 to 12
Directors' Report	13 to 15
Independent Auditor's Report	16 to 18
Profit and Loss Account	19
Statement of Comprehensive Income	20
Balance Sheet	21
Statement of Changes in Equity	22 to 23
Notes to the Financial Statements	24 to 51

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report for BlackRock International Limited (the "company") for the year ended 31 December 2019.

Principal activity

The principal activity of the company is the provision of investment advisory and transition management services ("TRIM"). The company previously operated a branch outside the UK in Dublin until March 2019.

The company is authorised and regulated by the Financial Conduct Authority ("FCA").

Further to the transfer of the Dublin branch's business in March 2019, there have not been any other significant changes in the company's principal activities in the period under review and the directors propose that the principal activities will continue during 2020.

Corporate strategy

Corporate strategy is developed and reviewed at a global and regional level. This Strategic Report will therefore focus on both global and regional industry trends and areas of strategic focus, while relating them to the services that the company provides.

The company's role in the global group

The company is part of BlackRock, Inc. ("BlackRock" or the "firm"), a leading publicly traded investment management firm with \$7.43tn in assets under management ("AUM") as at 31 December 2019. With approximately 16,200 employees in more than 30 countries who serve clients in over 100 countries, BlackRock provides a broad range of investment, risk management and technology services to institutional and retail clients worldwide.

Industry profile

Global

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables BlackRock to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single and multi-asset portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, iShares® exchange-traded funds ("ETFs"), separate accounts, collective investment trusts and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platform, Aladdin®, Aladdin Wealth, eFront, Cachematrix and FutureAdvisor, as well as advisory services and solutions to a broad base of institutional and wealth management clients. BlackRock is highly regulated and manages its clients' assets as a fiduciary. BlackRock does not engage in proprietary trading activities that could conflict with the interests of clients.

BlackRock serves a diverse mix of institutional and retail clients across the globe, with a regionally focused business model. The firm's footprints in the Americas, EMEA and Asia-Pacific regions reflect strong relationships with intermediaries and an established ability to deliver global investment expertise in funds and other products tailored to local regulations and requirements. BlackRock leverages the benefits of scale across global investment, risk and technology platforms while at the same time using local distribution presence to deliver solutions for clients. Furthermore, BlackRock's structure facilitates strong teamwork globally across both functions and regions in order to enhance the firm's ability to leverage best practices to serve clients and continue to develop talent.

Clients include tax-exempt institutions, such as defined benefit and defined contribution pension plans, charities, foundations and endowments; official institutions, such as central banks, sovereign wealth funds, supranationals and other government entities; taxable institutions, including insurance companies, financial institutions, corporations and third-party fund sponsors, and retail investors.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

The index investing industry has been growing rapidly, with ETFs as a major beneficiary, driven by structural tailwinds including the migration from commission-based to fee-based wealth management, clients' focus on value for money, the use of ETF as alpha tools and the growth of all-to-all networked trading. iShares® ETFs' growth strategy is centred on increasing scale and pursuing global growth themes in client and product segments, including Core, Strategic, which includes Fixed Income, Factors, Sustainable and Megatrend ETFs, and Precision Exposures.

As the wealth management landscape shifts globally from individual product selection to a whole-portfolio approach, BlackRock's Retail strategy is focused on creating outcome-oriented client solutions. This includes having a diverse platform of alpha-seeking active, index and alternative products, as well as enhanced distribution and portfolio construction technology offerings. Digital wealth tools are an important component of BlackRock's retail strategy, as BlackRock scales and customizes model portfolios, extends Aladdin Wealth and digital wealth partnerships globally, and helps advisors build better portfolios through portfolio construction, powered by Aladdin®.

BlackRock's institutional results will be driven by enhancing BlackRock's solutions-oriented approach; deepening client relationships through product diversification and higher value-add capabilities; and leveraging Aladdin's analytical and risk management expertise.

BlackRock continues to invest in technology services offerings, which enhance the ability to manage portfolios and risk, effectively serve clients and operate efficiently. Anticipated industry consolidation and regulatory requirements should continue to drive demand for holistic and flexible technology solutions. BlackRock offers investment management technology systems, risk management services, wealth management and digital distribution tools on a fee basis. BlackRock's technology portfolio includes Aladdin® and Aladdin Wealth, eFront, FutureAdvisor, Cachematrix, as well as minority investments in Scalable Capital, iCapital, Acorns and Envestnet.

Regional

On a regional basis, BlackRock in EMEA manages \$1.9tn of AUM for its clients as at 31 December 2019. This generates \$3.9bn of revenue from a diversified client base and product range. Growth in the region has been powered by fixed income net inflows, reflecting strong flows into iShares® and liability-driven investment solutions.

Areas of strategic focus

Against the industry profile and key industry trends the company, as part of the global group, will seek to deliver value for shareholders over time by, among other things, capitalising on BlackRock's differentiated competitive positioning, including:

- BlackRock's global reach and commitment to best practices around the world, with approximately 50% of employees outside the United States serving clients locally and supporting local investment capabilities. Approximately 40% of total AUM is managed for clients domiciled outside the United States;
- BlackRock's breadth of investment strategies, including market-cap weighted index, factors, systematic active, traditional fundamental active, high conviction alpha and illiquid alternative product offerings, which enhance its ability to tailor single and multi-asset investment solutions to address specific client needs;
- BlackRock's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the secular shift to index investing and ETFs, a focus on income and retirement, increasing demand for sustainable investment strategies and barbell investing using index, active and illiquid alternatives products; and
- BlackRock's longstanding commitment to innovation, technology services and the continued development of, and increased interest in, BlackRock technology products and solutions, including Aladdin®, Aladdin Wealth, Cachematrix and FutureAdvisor. This commitment is further extended by minority investments in distribution technologies including Scalable Capital, iCapital, Acorns and Envestnet.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

- BlackRock's focus on strong performance providing alpha for active products and limited or no tracking error for index products;

Business Review

In March 2019, the Board transferred the business conducted in Ireland by the company's branch to BlackRock Investment Management (Dublin) Limited ("BIMD"). This resulted in a distribution of net assets of £1.3m. Following transfer of the business, the secondment agreements between BIMD and the branch were terminated. The factors determining the level of regulatory capital have not changed significantly during 2019.

During the year, the company's investment in BlackRock Life Limited ("BLL") was impaired by £38.0m following distributions made by the entity in excess of their current and projected profit levels. The company has seen reductions in AUM during the year as the pension products offered by the company decline in favor of alternatives.

The FCA's Senior Manager & Certification Regime ("SM&CR", "the regime") became effective from 9 December 2019. The regime replaced the Approved Person Regime, introducing new Senior Management Functions ("SMF"), changing how individuals are supervised and held accountable for the roles they perform and introducing an expanded list of prescribed responsibilities. The regime also introduced a requirement for the firm to certify, on an annual basis, that staff falling within the Certification population are "fit and proper".

Key performance indicators

Assets under management

AUM decreased by 16.7% to £8.0bn at 31 December 2019 (2018: £9.6bn) principally due to the industry trend away from actively managed mandates.

The value of AUM disclosed here represents the total value of all assets in portfolios managed by secondees of the company.

Turnover

Total turnover, which consists of investment advisory fees, performance fees and TRIM income has decreased by 22.8% to £39.0m in the year ended December 2019 (2018: £50.5m) due to a reduction in investment advisory fees received from other group companies as a result of the decrease in AUM.

Administrative expenses

Administrative expenses have increased by 21.3% to £20.5m in 2019 (2018: £16.9m) due to higher incentive based compensation recorded in the year.

Profit after tax

Profit after tax was £16.8m (2018: loss of £102.0m). Whilst the lower revenue and higher administrative expenses created a lower operating profit, this was offset by a decrease in the impairment charge and an increase in dividend income, creating a profit for the year.

Net assets

Net assets have decreased by 18.5% to £461.3m (2018: £565.9m) following dividends of £120.0m which were paid out during the year. This has been partially offset by profits recognised in the year.

The performance of the company is included in the results of BlackRock, Inc. group which are disclosed in the BlackRock, Inc. group annual report and on Form 10-K to the United States Securities and Exchange Commission. BlackRock, Inc. manages its key performance indicators on a global basis but in consideration of individual legal entities. For this reason, the company's directors believe that providing further performance indicators for the company itself would not enhance an understanding of the development, performance or position of the business of the company.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Emerging risks and uncertainties (not considered “principal”)

During the year, the Board discussed and monitored a number of emerging risks which could potentially impact the company’s ability to meet its strategic objectives.

The Board has determined that these emerging risks and uncertainties are not currently material to the company, and therefore are not cited as principal risks, but has nevertheless included them in this Strategic Report to enable users to understand how emerging risks have been considered in the current period.

Descriptions of these emerging risks, and how they are mitigated and monitored by the Board, are as follows:

Climate change

Risk description: as an asset manager, the company has a fiduciary responsibility to protect and enhance the value of the assets clients have entrusted to it. Climate change poses risks and opportunities that may impact the long-term financial sustainability of the companies in which the company invests on behalf of its clients. Climate risk is a significant investment risk, with the potential for financial impacts that reverberate across all industries and markets, affecting long-term shareholder returns as well as economic stability.

The investment risks presented by climate change are set to accelerate a significant reallocation of capital, which will in turn have a profound impact on the pricing of risk and assets around the world. The risk arises not only in terms of the physical risk associated with rising global temperatures, but also transition risk - namely, how the global transition to a low-carbon economy could affect a company’s long-term profitability.

Risk mitigation: In relation to risks posed by climate change, BlackRock has committed to put sustainability at the centre of risk management, portfolio construction, product design and company engagement. The commitment has been widely communicated to stakeholders, including a letter to shareholders of BlackRock, Inc. during January 2020, which can be accessed at the following link: <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>. BlackRock continues to work to decouple company growth from environmental impact, while increasing the efficiency and resiliency of operations.

Principal risks and uncertainties

The Board is responsible for the company’s system of risk management and internal control and for reviewing its effectiveness.

The Board has considered a number of potential risks and uncertainties affecting the company’s business as an investment manager and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Board, the audit committee and the risk committee on an ongoing basis.

This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the company’s strategic objectives. Both the principal risks and the monitoring system are also subject to robust assessment at least annually.

Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the company’s principal risks and uncertainties are set out as follows:

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Natural disasters, pandemics or health crises

Risk description: events outside of BlackRock's control, including natural disasters, pandemics or health crises (such as the Coronavirus), may arise from time to time. Any such events, and responses thereto, may cause significant volatility and declines in the global markets, disruptions to commerce (including to economic activity, travel and supply chains), loss of life and property damage, and may adversely affect the global economy or capital markets, as well as the company's products, clients, vendors, operations and employees, which may cause BlackRock's AUM, revenue and earnings to decline.

In particular, the recent spread of the Coronavirus ("Covid-19") across the globe in February and March 2020 has caused equity markets to fall significantly, which has had a negative impact on the company's results. As the pandemic increases in duration, the continuation of measures to counteract Covid-19 (e.g. social distancing) could result in an even broader economic downturn which could have a prolonged negative impact on the company's financial results.

Risk mitigation: market movements are closely monitored by the company's investment research teams in line with each client's investment objective, and strategic decisions are taken by portfolio managers to proactively manage risk for each individual fund product managed. BlackRock has in place a detailed business continuity management programme that is focused on maintaining business operations in the event of a crisis. BlackRock's preparedness approach includes an extensive programme to monitor, review and assess threats and, where necessary, to respond to incidents that might impact our employees and operations.

Specifically, in respect of Covid-19, BlackRock has updated its business continuity and contingency plans and has fully briefed its staff on appropriate remote working arrangements, and compliance with government advice on social distancing. In particular, management has updated its key protocols to ensure there are appropriate mechanisms to manage:

- staff welfare;
- process resilience and compliance, including information technology infrastructure;
- client service (including ongoing communications with clients and reporting);
- the impact on the company's key supply chains; and
- the impact on third party service providers.

Capital adequacy

Risk description: the company is subject to certain regulatory capital requirements, which require the company to maintain capital to support certain of its regulated business activities. Any failure to comply with any such regulations or to hold sufficient capital could result in fines and/or sanctions against the company, as well as reputational harm, and financial loss to clients. Moreover, to the extent that these laws and regulations become more stringent, or if BlackRock is required to hold increased levels of capital to support its businesses, the company's financial performance or plans for growth may be adversely impacted.

Risk mitigation: the company's regulatory capital requirement is established by reference to the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the parent of its regulatory group, BlackRock Group Limited ("BGL"). The detailed analysis therein considers the strategy of the group, the risks faced in pursuing that strategy and the appropriate mitigation of those risks (one possible outcome of which may be to hold capital) to ensure the residual risk remains within the Board's risk appetite.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

The company's objectives when managing capital are:

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

Consideration of any dividends to be paid will have regard to the actual level of capital compared with target, as determined by the capital policy which sets out an internal requirement in excess of the regulatory requirement.

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

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

Regulatory risk

Risk description: BlackRock's business and operating activities are subject to increasing regulatory oversight in the UK and the company may be affected by a number of proposed or fully or partially implemented reform initiatives, as well as volatility associated with international regulatory uncertainty, including (but not limited to):

- the UK Exit from the European Union ("EU");
- reform of investment markets (such as the Markets in Financial Instruments Directive ("MiFID") governing the provision of investment services has been revised and is accompanied by an associated Regulation (together with certain secondary regulation, "MiFID II");
- EU market access due to increased regulation on third country fund marketing passports; and
- Senior Managers and Certification Regime in the UK.

Such regulatory reforms could require the company to alter its future business or operating activities, which could be time-consuming and costly, impede the company's growth and cause its AUM, revenue and earnings to decline. Regulatory reform may also impact BlackRock's internationally-based clients, which could cause them to change their investment strategies or allocations in manners that may be adverse to BlackRock.

Further details on the wider risks facing the BlackRock group as a whole, including more in-depth descriptions of each of the above matters, can be found in the BlackRock, Inc. 10-K SEC filing:
<https://ir.blackrock.com/financials/sec-filings/sec-filings-details/default.aspx?FilingId=13966766>

Risk mitigation: BlackRock ensures that it monitors publications issued by regulators and other bodies on a daily basis in order to identify consultations, new regulation, legislation and changes to rules which may impact on BlackRock's business or on any compliance procedures. This monitoring is complemented by content from external policy advisors and trade associations to ensure BlackRock is up-to-date with all regulatory and legislative reforms that impact its activities across the globe.

BlackRock's Legal and Compliance department undertakes detailed analysis of forthcoming regulatory and legislative change to understand the implications of such change. Where necessary, BlackRock will engage with external policy advisors for independent assessments, and will engage with peers, including through trade association meetings, to discuss forthcoming changes. Risk-based monitoring is conducted post-implementation to review delivery of regulatory driven change.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Geopolitical risk

Since the Brexit vote in 2016, BlackRock has undertaken a thorough review of how the UK's exit from the EU will impact its business and operations in Europe.

On 31 January 2020, the UK formally left the EU and entered a transition period, during which the UK's arrangements with the EU will remain unchanged until 31 December 2020. There is currently uncertainty as to what type of deal will be negotiated between the UK and the EU from 1 January 2021 onwards, and it remains unclear how the future relationship will impact financial services.

At present, the Board concludes that there is no need to change the company's operating model, but they will continue to monitor developments and prepare appropriate plans to ensure continuity of service post transition period.

Risks and uncertainties impacting the company

There are a number of wider risks and uncertainties posed by Brexit. However, the principal risks and uncertainties which could impact the company are as follows:

- There may be changes to technology and operations including data, compliance rules, investment operations, service providers, and reporting; and
- Trading, derivatives and market liquidity may become impacted due to uncertainty of regulatory recognition.

Third country investment management services are expected to continue as permitted by existing regulations.

In order to appropriately mitigate the above key risks and uncertainties, BlackRock has established a cross-functional Brexit Steering Committee that is coordinating its response to Brexit, in order to ensure that BlackRock's UK entities (including the company) can continue to meet clients' needs post-Brexit. This Steering Committee provides updates as and when requested by the Board.

Additionally, the company has representation on the Brexit Steering Committee through ongoing attendance and participation by certain of its Board members.

The company's business is carried out within the UK.

In the case that the future UK-EU regulatory agreement does not permit the company to contract directly with EU-domiciled clients after 31 December 2020, it would be required to novate some investment management agreements to other BlackRock EU-domiciled entities with appropriate regulatory permissions, in order to ensure continuity of service to these clients from 1 January 2021 onwards.

If this scenario was to arise, the entity would continue to be profit-generative given that its activities are mostly in the UK. In addition, the Board have assessed the impact of this scenario arising on the company's capital position, and are confident that the company would continue to remain compliant with its capital requirements.

Operational risk

Risk description: one of the major risks faced by the company is operational risk, which is the risk of direct or indirect impacts resulting from inadequate or failed internal processes and controls, people and systems, or from external events. Key operational risks facing the company include:

- a failure in, or disruption to, BlackRock's operational systems or infrastructure, including business continuity plans, could adversely affect operations, damage the company's reputation and cause BlackRock's AUM, revenue and earnings to decline; and

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

- a cyber-attack or a failure to implement effective information and cybersecurity policies, procedures and capabilities could disrupt operations and lead to financial losses and reputational harm, which may cause BlackRock's AUM, revenue and earnings to decline;
- failure or unavailability of third-party dependencies may adversely affect Aladdin operations, which could cause reputational harm, lead to a loss of clients and impede BlackRock's productivity and growth;
- continuing enhancements to Aladdin's capabilities, as well as the expansion of the Aladdin platform into new markets and geographies, have led to significant growth in Aladdin's processing scale, which may expose BlackRock to reputational harm, increased regulatory scrutiny and heightened operational, data management, cyber- and information-security risks;
- failure to maintain adequate corporate and contingent liquidity may cause BlackRock's AUM, liquidity and earnings to decline, as well as harm its prospects for growth;
- client investments in real assets, such as real estate, infrastructure and energy assets, may expose BlackRock and its funds and accounts to new or increased risks and liabilities, as well as reputational harm.

Further details on the wider risks facing the BlackRock group as a whole, including more in-depth descriptions of each of the above matters, can be found in the BlackRock, Inc. 10K SEC filing: <https://ir.blackrock.com/financials/sec-filings/sec-filings-details/default.aspx?FilingId=13966766>

Risk mitigation: the company has a well-established operational risk management framework that provides appropriate control and oversight over risk management arrangements. The operational risk management framework supports the company's fiduciary obligations to clients and mitigates the potential impacts of poor customer outcomes. The strong management of risk also ensures that disruptions to delivering client services are minimised. BlackRock considers information security to be of paramount importance and an essential cornerstone of its operations, and has implemented information security policies and controls that seek to ensure adequate protection against the adverse effects of failures in confidentiality, integrity and availability of information and information systems. The policies are reviewed and revised on an annual basis through a formal governance process, including approval across senior management, and there is a rolling programme of security awareness communication and training for all staff.

Service provider risk

Risk description: the company is exposed to third party outsourcing risk through inadequate or failed controls, processes or systems managed or supported by third parties other than BlackRock. Key risks include:

- the impairment or failure of third parties may negatively impact the performance of products and accounts that BlackRock manages, which may cause BlackRock's AUM, revenue and earnings to decline;
- the failure of a key vendor to BlackRock to fulfill its obligations or a failure by BlackRock to maintain its relationships with key vendors could have a material adverse effect on BlackRock's growth, reputation or business, which may cause the company's AUM, revenue and earnings to decline;
- any disruption to the company's distribution channels may cause BlackRock's AUM, revenue and earnings to decline. BlackRock relies on a number of third parties to provide distribution, portfolio administration and servicing for certain BlackRock investment; and
- disruption to the operations of third parties whose functions are integral to BlackRock's ETF platform may adversely affect the prices at which ETFs trade, particularly during periods of market volatility.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Further details on the wider risks facing the BlackRock group as a whole, including more in-depth descriptions of each of the above matters, can be found in the BlackRock, Inc. 10K SEC filing: <https://ir.blackrock.com/financials/sec-filings/sec-filings-details/default.aspx?FilingId=13966766>

Risk mitigation: BlackRock mitigates third party risks through due diligence and oversight programmes focused on critical entities that provide products, licences, or services to BlackRock or its funds. This includes but is not limited to: custodians, fund administrators, index providers, prime brokers, transfer agents, key technology services consultants and other advisors (e.g. tax advisors).

Market risk

Risk description: market risk is the risk of a fall in the net assets of the company as a result of fluctuations in foreign exchange rates. The company is exposed to foreign exchange risk on all income and expenditure that arises in currencies other than sterling and is also exposed on the revaluation of any non-sterling net assets.

Risk mitigation: foreign currency balances are monitored by the Treasury and Finance teams in line with the company's tolerance for market risk in relation to foreign exchange. In limited circumstances, the company uses derivative financial instruments to economically hedge its risk associated with foreign exchange movements.

Credit risk

Risk description: credit risk arises in relation to accounts receivable, surplus cash held in bank accounts or held on account with other BlackRock group companies. The risk of default in relation to accounts receivable arising from fee income debtors is considered low.

Risk mitigation: the company minimises its exposure by actively pursuing settlement of outstanding management and performance fee invoices within the terms and conditions of the underlying agreement. Intercompany balances are managed centrally and are settled on a regular basis.

HSBC is the main cash management service provider, as an AA- rated bank, the risk of default is considered negligible. Both the Treasury and Risk and Quantitative Analysis departments continuously monitor the creditworthiness of HSBC.

Liquidity risk

Risk description: liquidity risk is the risk that the company is unable to meet its financial obligations as they fall due without adversely affecting its financial position, the normal course of its business or its reputation.

Risk mitigation: the governance framework and liquidity policy, set at regulatory group level, are designed to: identify, quantify and monitor the liquidity needs, risks and requirements; maintain liquidity resources in excess of liquidity requirements; and maintain an appropriate governance and controls framework for the measurement, monitoring, forecasting, stress testing, usage and allocation of corporate liquidity.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Companies Act s172 Statement

The Companies Act 2006 has been updated to include a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of the company are required to give an annual statement which describes how they have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

Under section 172 of the Companies Act 2006, the directors of the company must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, they should have regard to other factors, including but not limited to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

Upon appointment to the Board, and on an ongoing basis, the directors receive training covering, among other things, information on their duties, including under section 172 of the Companies Act 2006.

The directors of the company have had regard to each of the above requirements of section 172 of the Companies Act 2006 as follows:

The likely consequences of any decision in the long term

Corporate strategy for BlackRock's business activities is developed and reviewed at a global and regional level, not at an individual subsidiary level. The Board of directors therefore delegate responsibility in the first instance for corporate strategy to the Head of EMEA (who serves as a member on the Board). The Head of EMEA takes primary responsibility for the following key activities:

- formulating the strategic objectives of the BlackRock EMEA region within the risk tolerance of the EMEA group as reviewed and approved by the BGL Risk Committee and the company's Board of directors;
- developing business plans, budgets and operating strategies for the EMEA group; and
- defining financial objectives, plans and budgets for the EMEA group.

The EMEA Executive Steering Committee and EMEA Executive Committee act in an advisory and information sharing capacity to assist the Head of EMEA with strategy and planning. There is representation from the Board of directors on the EMEA Executive Steering Committee and EMEA Executive Committee.

The Head of the UK and EMEA Head of Corporate Strategy work with the Head of EMEA in order to ensure that strategy is designed and implemented in a manner that is consistent with BlackRock's global growth priorities, and in a manner that is suited to the UK market.

The Board of directors are responsible for reviewing the company's overall long term strategic objectives, risk appetite, and the EMEA Group's business plans and capital expenditure budgets which are formulated by the Head of EMEA. The Board of directors receive regular updates from the Head of EMEA on corporate strategy. Global and regional industry trends and areas of strategic focus, and how they relate to the services that the company provides, are outlined elsewhere in the Strategic Report.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

In addition, the Board of directors receive key updates from the company's Chief Financial Officer on quarterly financial performance and position, profitability, and regulatory capital position; and also receive periodic updates from the company's Internal Audit function, and External Auditor, in relation to key process and control observations. Furthermore, the Board of directors receive periodic updates from the EMEA Head of Litigation and the EMEA Head of Compliance on all ongoing matters impacting the company.

Key examples of how the Board have considered the likely consequences of any decision in the long term in the current year include:

- reviewing and approval of the transfer of the company's Dublin branch to another BlackRock affiliate (having regard to BlackRock's need to continue serving its EU domiciled clients in the longer term); and
- reviewing and approval of the BlackRock Group Limited ICAAP document.

The interests of the company's employees

The company does not have any direct employees, however individuals who are employed by other BlackRock entities to undertake functional activities on behalf of the company are subject to high standards of compliance and conduct training, in line with BlackRock's global and regional standard requirements.

It is BlackRock's policy (and therefore also the company's policy) that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current and future job prospects and working environment.

The Board of directors was kept informed of the results of BlackRock employee engagement activities in 2019, which included an employee opinion survey, quarterly townhalls and firmwide executive communications. The Board of directors receive regular updates on employee-related matters from the EMEA Head of Human Resources.

The need to foster the company's business relationships with suppliers, customers and others

The company uses suppliers to help support and enhance business activities. BlackRock has a dedicated service vendor management team responsible for onboarding and monitoring of its key vendors. In addition, BlackRock has formal processes and procedures in place to manage supplier risk and service delivery, such as regular performance reviews for key suppliers.

In addition, BlackRock maintains a Supplier Code of Conduct & Ethics which outlines the minimum expectations and standards of all of BlackRock's suppliers in relation to human rights, inclusion and diversity, environmental sustainability, integrity and ethics in management practices.

In response to the evolving needs of clients, BlackRock has evolved its distribution model across all BlackRock products, platforms and technology, to encourage growth as a regional business in the UK. The Head of the UK drives client strategy whilst being directly responsible for the Institutional, Wealth, Charities and Endowments, Investment Trusts and Defined Contribution/Unit Linked businesses.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

The company is subject to regulatory oversight by the Financial Conduct Authority in the UK. BlackRock's senior UK executives (including the Head of EMEA, the company's Chief Financial Officer ("CFO"), the EMEA Chief Operating Officer ("COO"), and EMEA Head of Compliance) have regular interactions with the FCA, providing open and transparent information on a proactive and reactive basis at all levels of the company's management.

A comprehensive control framework exists across risk, compliance and internal audit functions in order to oversee BlackRock's UK operations (including those of the company), with regular reporting provided to the Board of directors on regulatory matters.

Material matters relating to business relationships with suppliers, customers and others are reported to the Board of directors by the EMEA COO as required.

The impact of the company's operations on the community and the environment

BlackRock has committed to put sustainability at the centre of risk management, portfolio construction, product design and company engagement. The commitment has been communicated to the Board by the Head of EMEA, and further communicated to all stakeholders in a letter to shareholders of BlackRock, Inc. during January 2020, and which can be accessed at the following link:

<https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

BlackRock continues to work to decouple company growth from environmental impact, while increasing the efficiency and resiliency of operations. BlackRock's core environmental focus is on identifying innovative ways to lower emissions and that have broader benefits to the firm and benefit clients in a low-carbon economy.

The desirability of the company maintaining a reputation for high standards of business conduct

The Head of EMEA in particular, has an important role in ensuring the embedding of the firm's culture in the company's activities and relations with stakeholders. To promote the success of the company to this extent, the Head of EMEA has a robust understanding of the BlackRock Group Limited and wider BlackRock EMEA culture framework, policies and practice, as well as the processes around performance management/rewards.

The need to act fairly between members of the company

The company is a separate legal entity and is therefore making this statement as such, but in practical terms, the company is part of a wider group and therefore the duties of the directors of the company are exercised in a way that is most likely to promote the success of the company for the BlackRock group as a whole, while having regard to factors outlined in section 172(1) Companies Act 2006.

Approved by the Board on 15 April 2020 and signed on its behalf by:



.....
C Thomson
Director

BlackRock International Limited

Directors' Report for the Year Ended 31 December 2019

The Board presents its report together with the audited financial statements of BlackRock International Limited (registered number: SC160821) for the year ended 31 December 2019.

The directors have chosen, in accordance with section 414C (11) of the Companies Act 2006, to include certain additional matters in the Strategic Report that would otherwise be required to be disclosed in the Directors' Report.

Dividends

£120.0m dividends were paid during the financial year (2018: £nil).

Directors and officer of the company

The directors, who held office during the year and up to the date of this report, were as follows:

J Charrington - Chairman

C Clausen

R Damm (resigned 18 September 2019)

E de Freitas

E Fishwick

R Lord

S Mullin Outhwaite

P Olson (resigned 20 March 2020)

C Thomson

M Young

Officer:

BlackRock Company Secretarial Services (UK) Limited - Company Secretary

Statement of directors' responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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

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

BlackRock International Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

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

Going concern

The directors believe that the company is well placed to manage its business risks successfully. After making enquiries, and considerations made in note 2, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

There are no going concern issues as a result of the Coronavirus outbreak and subsequent downturn in the global macroeconomic environment. This is explained further in note 27.

Directors' third-party indemnity provisions

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2019 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Employee consultation

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

Disabled employees

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

Supplier engagement

BlackRock uses suppliers to help support and enhance its business activities. Formal processes and procedures are in place to manage supplier risk and service delivery, such as regular performance reviews for our key suppliers. In addition, BlackRock maintains a Supplier Code of Conduct & Ethics which outlines the minimum expectations and standards of all our suppliers in relation to human rights, inclusion and diversity, environmental sustainability, integrity and ethics in management practices.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Reappointment of auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

BlackRock International Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Approved by the Board on 15 April 2020 and signed on its behalf by:



.....
C Thomson
Director

BlackRock International Limited

Independent Auditor's Report to the Members of BlackRock International Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BlackRock International Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 27.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

BlackRock International Limited

Independent Auditor's Report to the Members of BlackRock International Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

BlackRock International Limited

Independent Auditor's Report to the Members of BlackRock International Limited (continued)

Matters on which we are required to report by exception

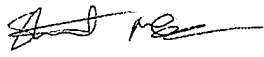
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



.....
Stuart McLaren (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
April 16th 2020

BlackRock International Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	39,005	50,502
Cost of sales		<u>(15,280)</u>	<u>(15,971)</u>
Gross profit		23,725	34,531
Administrative expenses		<u>(20,539)</u>	<u>(16,944)</u>
Operating profit	5	3,186	17,587
Interest receivable and similar income	9	2,051	1,492
Interest payable and similar charges	10	(632)	(104)
Amounts written off investments	14	(38,000)	(156,000)
Net gains/(losses) on derivative financial instruments		217	(48)
Dividends received		<u>50,000</u>	<u>35,000</u>
Profit/(loss) before tax		16,822	(102,073)
Tax on profit/(loss) on ordinary activities	11	<u>(34)</u>	<u>64</u>
Profit/(loss) for the year		<u><u>16,788</u></u>	<u><u>(102,009)</u></u>

Turnover and operating profit derive primarily from continuing operations in the UK.

The notes on pages 24 to 51 form an integral part of these financial statements.

BlackRock International Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit/(loss) for the year	16,788	(102,009)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation (losses)/gains	<u>(67)</u>	<u>26</u>
Total comprehensive income/(loss) for the year	<u>16,721</u>	<u>(101,983)</u>

The notes on pages 24 to 51 form an integral part of these financial statements.

BlackRock International Limited

(Registration number: SC160821)
Balance Sheet as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Fixed assets			
Tangible fixed assets	13	6,419	7,625
Right-of-use assets	12	15,547	-
Investments	14	318,025	356,025
		<u>339,991</u>	<u>363,650</u>
Current assets			
Debtors: Amounts falling due after one year	16	69,000	41,000
Debtors: Amounts falling due within one year	17	93,707	172,638
		162,707	213,638
Creditors: Amounts falling due within one year	19	(21,107)	(4,126)
Net current assets		<u>141,600</u>	<u>209,512</u>
Total assets less current liabilities		481,591	573,162
Creditors: Amounts falling due after more than one year			
Long-term lease liabilities	18	(17,456)	-
Provisions	20	(2,824)	(7,268)
Net assets		<u>461,311</u>	<u>565,894</u>
Capital and reserves			
Called-up share capital	22	1,300	1,300
Share premium reserve		353,406	353,406
Capital contribution reserve		8,019	8,019
Other reserves		-	485
Profit and loss account		98,586	202,684
Shareholders' funds		<u>461,311</u>	<u>565,894</u>

Approved by the Board on 15 April 2020 and signed on its behalf by:



.....
C Thomson
Director

The notes on pages 24 to 51 form an integral part of these financial statements.

BlackRock International Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £ 000	Foreign currency translation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	1,300	353,406	8,019	485	202,684	565,894
Profit for the year	-	-	-	-	16,788	16,788
Other comprehensive loss	-	-	-	(67)	-	(67)
Dividends	-	-	-	-	(120,000)	(120,000)
Net asset distribution	-	-	-	-	(1,304)	(1,304)
Removal of translation reserve upon disposal of branch	-	-	-	(418)	418	-
At 31 December 2019	<u>1,300</u>	<u>353,406</u>	<u>8,019</u>	<u>-</u>	<u>98,586</u>	<u>461,311</u>

In March 2019, the Board transferred the business conducted in Ireland by the company's branch to BIMD. This resulted in a distribution of net assets of £1.3m. The foreign currency translation reserve, recognised due to the branch's functional currency being euro, was released to retained earnings as a result.

The notes on pages 24 to 51 form an integral part of these financial statements.

BlackRock International Limited

Statement of Changes in Equity for the Year Ended 31 December 2019 (continued)

	Share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £ 000	Foreign currency translation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	1,300	353,406	8,019	459	304,693	667,877
Loss for the year	-	-	-	-	(102,009)	(102,009)
Other comprehensive income	-	-	-	26	-	26
At 31 December 2018	<u>1,300</u>	<u>353,406</u>	<u>8,019</u>	<u>485</u>	<u>202,684</u>	<u>565,894</u>

The notes on pages 24 to 51 form an integral part of these financial statements.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated and domiciled in Scotland, United Kingdom

The address of its registered office is:

Exchange Place One

1 Semple Street

Edinburgh

EH3 8BL

These financial statements were authorised for issue by the Board on 15 April 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 ("FRS 100") as issued by the FRC. Accordingly, in the year ended 31 December 2019 the company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") issued by the FRC.

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

Summary of disclosure exemptions

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

Where required, equivalent disclosures are given in the group accounts of BlackRock, Inc. These accounts are available to the public and can be obtained as set out in note 26.

Exemption from preparing group accounts

The financial statements contain information about BlackRock International Limited as an individual company and do not contain consolidated financial information as the parent of a group.

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

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 12 along with principal risks and uncertainties.

In assessing the going concern status, the directors have taken into account the above factors, including the financial position of the company and in particular the significant net-asset position. The company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next 12 months. This, together with its proven ability to generate cash from operations, provides the directors with the confidence that the company is well placed to manage its business risks successfully.

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

Changes in accounting standards

New standards, interpretations and amendments effective

On 1 January 2019, the company early adopted the following new and revised International Financial Reporting Standard ("IFRS") that was effective from that date and was relevant to its operations.

IFRS 16 'Leases'

In the current year, the company has applied IFRS 16 'Leases' (as issued by the International Accounting Standards Board in January 2016), replacing International Accounting Standards ("IAS") 17 'Leases'.

IFRS 16 removes the distinction between operating and finance leases and requires the recognition of a right-of-use asset and a lease liability at the commencement date for all leases, except for those identified as low-value or having a remaining lease term of less than 12 months from 1 January 2019, the date of initial application.

The company has applied IFRS 16 using the modified retrospective approach, with the right-of-use asset recognised as the date of initial application as an amount equal to the lease liability, discounted using the company's incremental borrowing rate as at the date of initial application and adjusted for any prepaid or accrued rental payments. Comparative figures are not restated and there is no impact on equity at the date of initial application.

For contracts in place at the date of initial application, the company has elected not to re-assess whether a contract is or contains a lease and will continue to apply the definition of a lease from IAS 17.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases determined to be low-value, the company has adopted the practical expedient not to recognise a right-of-use asset and lease liability and instead account for the lease expense on a straight-line basis over the remaining lease term.

The company has elected not to separate non-lease components from lease components and instead account for each lease component and any associated non-lease components as a single lease component.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

On transition, any existing Asset Retirement Obligation assets, representing an estimate of restoration, removal and dismantling costs, remain in leasehold improvements and have not been reclassified to right-of-use assets.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities was 2.57%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	£ 000
Total operating lease commitments disclosed at 31 December 2018	20,096
Variable lease payments not recognised	3,562
Parking expense not included in operating lease commitments	538
Operating lease liabilities before discounting	24,196
Discounted using incremental borrowing rate	(2,768)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	21,428

Definition of a Business - Amendments to IFRS 3 'Business Combinations'

The amendments to IFRS 3 'Business Combinations', as issued in October 2018, revises the definition of a business. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. For the purposes of the BIL Dublin branch transfer, this was considered a business combination under IFRS 3. Further, as the ultimate parent is common, the transfer was treated as a common control business combination.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

Turnover

Recognition

The company earns turnover from investment advisory and transition management services. Turnover is recognised upon transfer of control of promised services to customers, i.e. when (or as) a performance obligation is satisfied, in an amount that reflects consideration to which the company expects to be entitled in exchange for those services (the "transaction price"), net of VAT. The company enters into contracts that can include multiple services and, in certain instances, may charge a "unitary fee" to cover these services. Such fees are accounted for separately if they are determined to be distinct. Consideration for the company's services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside the company's influence. The company includes variable consideration as part of its transaction price when it is highly probable that a significant reversal will not occur, i.e. when the associated uncertainty is resolved. For some contracts with customers, the company involves third parties and related parties in providing services to the customer. Generally, the company is deemed to be the principal in these arrangements because the company controls the promised services before they are transferred to customers, and accordingly presents the turnover gross of related costs.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for turnover from the provision of services:

- **Investment advisory and administration fees:** The fees are recognised as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, AUM or committed capital. These fees are affected by changes in net asset value, AUM or committed capital, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers. Fees are generally invoiced monthly in arrears.
- **Investment advisory performance fees:** The company receives fees from certain actively managed investment funds. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include quarterly, annual or longer measurement periods. A portion of the fees the company recognises may be partially related to the services performed in prior periods that meet the recognition criteria in the current period. Performance fees are recognised when it is highly probable that a significant reversal will not occur (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Significant judgement is involved in making such determination. At each reporting date, the company considers various factors in estimating performance fees to be recognised. These factors include, but are not limited to, whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the company's influence; and (2) the fees have a large number and a broad range of possible amounts.
- **Fees from group companies:** The company provides investment management services and executive level management services to other BlackRock entities. Such services are undertaken in accordance with legal agreements in place between the relevant entities, and the associated fees are determined in accordance with the arm's length principle. Fees from group companies are recognised as the services are performed.
- **Other turnover:** The company provides support services and executive level management services to other BlackRock entities. Fees are recognised according to legal contracts which determine the arm's length value of support, and executive level management services provided by the company, and are recognised as the services are performed. In addition, the company receives fees in relation to the provision of transition management services, fees are recognised as the services are performed.

Foreign currency transactions and balances

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

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

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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

Transfer of businesses under common control

Transfers of businesses under common control are accounted for under the pooling of interest method. As a result of this method, assets and liabilities of any entities acquired will be recognised in the financial statements at their previous carrying values reported in their individual financial statements, with any difference between the net assets acquired, and the consideration paid, reflected within a merger reserve within equity.

Tax

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

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

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

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

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

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

Tangible assets

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

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

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets, less any estimated residual value, over their expected useful economic lives, using the straight-line method, as follows:

Asset class	Depreciation method and rate
Short-term leasehold property	Straight-line basis over the shorter of the estimated useful life or the remaining term of the lease
Furniture, fittings and equipment	Straight-line basis over three to seven years
Right-of-use assets	Straight-line basis over the shorter of estimated useful life or the term of the lease.

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

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

Investments

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

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

Return of capital

A return of capital reflects a distribution of the original capital back to the shareholder. The receipt of a return of capital is recognised as a reduction in the carrying value of the investment in the distributing entity. The following factors are considered, which indicate that a distribution is representative of a return of capital:

- the amount distributed relates to share capital or share premium rather than retained earnings;
- the amount distributed is not funded by retained profit or loss; and
- the carrying value of the investment is not impaired as a result of the distribution.

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets which are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use represents the present value of projected future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate which reflects an assessment of the market cost of capital of the cash generating unit.

Impairments are charged to profit and loss in the year in which they arise.

Provisions

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

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

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset (the "underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset; and
- Direct the use of the underlying asset.

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e. non-lease components), the company has made an accounting policy election, by class of underlying asset, to account for both components as a single lease component.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments not yet paid at the commencement date. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments.

Interest on the lease liability in each period during the lease term is equal to the company's incremental borrowing rate. Interest charges are included in finance costs in the profit and loss account, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises. The related right-of-use asset is accounted for using the Cost model in IAS 16 'Property, Plant and Equipment' and depreciation is charged in accordance with the requirements of IAS 16 as disclosed in the accounting policy for property, plant and equipment. Adjustments are made to the carrying value of the right-of-use asset where the lease liability is re-measured in accordance with the above. Right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of assets' as disclosed in that accounting standard.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases. If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification. For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification. For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Defined contribution pension obligation

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

Other employee benefits

Other employee benefits are recognised when a contractual or constructive obligation exists, in accordance with IAS 19 'Employee Benefits'. Where expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are expected to be settled after more than one year of the reporting period are presented as other long term employee benefits. Short-term compensated absences are recognised, in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences or, in the case of non-accumulating compensated absences, when the absences occur.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, excluding tangible assets, income tax assets, prepayments.

The company recognises financial assets and financial liabilities in the balance sheet when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial asset or financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as FVTPL and sales of other financial assets and financial liabilities are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities or the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at FVTOCI; or
- financial assets at FVTPL.

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at FVTPL.

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at FVTPL.

The company's financial assets measured at amortised cost comprise trade debtors, loans, and cash and cash equivalents.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Income is recognised on an effective interest basis for financial assets other than those financial assets classified as FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial assets at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the profit and loss account.

Financial assets at FVTPL

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at FVTPL

Financial liabilities are classified and measured at FVTPL when the financial liability is either a contingent consideration acquired in a business combination, held for trading (including derivatives) or it is designated at FVTPL.

Derecognition

Financial assets

The company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit and loss account.

Any cumulative gain or loss recognised in other comprehensive income in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit and loss account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in the profit and loss account in the 'administrative expenses' line item.

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises loss allowances for expected credit losses ("ECL") on financial instruments that are not measured at FVPTL, namely:

- Trade debtors; and
- Other debtors

The ECL model anticipates impairment losses by recognising them over the lifetime expected of the financial instrument including that which is forward looking.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the full amount of the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

For assets held at amortised cost, provisions for credit-impairment are recognised in the profit and loss account and are reflected in accumulated provision balances against each relevant financial instruments balance. For assets held at FVTOCI the loss is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

For trade debtors, the company applies a simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the debtors.

Based on the analysis at the end of the reporting period, the impairment on the company's assets are considered to be immaterial and no allowance has been recognised in the financial statements.

Financial liabilities and equity instruments

Debt and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the profit and loss account on the purchase, sale, issue or cancellation of the company's own equity instruments.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are contracts, the values of which are derived from one or more underlying financial instruments or indices, and include forwards and foreign exchange.

In limited circumstances, the company uses derivative financial instruments to economically hedge its risk associated with foreign exchange movements and to economically hedge against market price exposure with respect to certain seed investments. It is not the company's policy to trade in derivative instruments. The company does not designate its derivative instruments as formal hedging instruments and hedge accounting is not applied.

Derivative financial instruments are recognised in the balance sheet at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit and loss account immediately. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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

Impairment of non-financial assets

In assessing the recoverable amount of an asset or cash-generating unit under a fair value less costs of disposal approach, management's judgement is exercised to best determine risk adjusted multipliers to reflect the risk profile of the asset or cash-generating unit under review.

In assessing the recoverable amount of an asset or cash-generating unit under a value in use approach, management's judgement is exercised to best estimate future cash flows and a post-tax discount rate, based upon a group adjusted weighted average cost of capital, to reflect the risks associated with the asset or cash-generating unit.

This assessment is based on observable and non-observable inputs at the balance sheet date. In early 2020, as a result of the change in economic environment due to the spread of Covid-19 (as discussed in further detail at note 27), market based observable inputs have changed which will necessitate a further impairment review of certain non-financial assets in the coming year. The Directors have had regard to the result of any impairment review, and are satisfied that any potential impairment to its material non-financial assets will not impact the company's going concern assertion.

4 Turnover

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

	2019 £ 000	2018 £ 000
Investment advisory and administration fees	25,832	34,325
Investment advisory performance fees	131	331
Other turnover	13,042	15,846
	<u>39,005</u>	<u>50,502</u>

Turnover includes amounts from other group companies of £21,887,000 (2018: £31,273,000).

The analysis of the company's geographical turnover for the year is as follows:

	2019 £ 000	2018 £ 000
United Kingdom	38,822	48,752
Overseas	183	1,750
	<u>39,005</u>	<u>50,502</u>

5 Operating profit

Arrived at after charging/(crediting):

	2019 £ 000	2018 £ 000
Depreciation expense	1,029	1,027
Depreciation on right-of-use assets	1,791	-
Foreign exchange losses/(gains)	267	(646)
Operating lease expense	<u>-</u>	<u>1,650</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Staff costs

The aggregate payroll costs were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	15,572	12,996
Social security costs	2,418	2,199
Pension costs, defined contribution scheme	89	120
	<u>18,079</u>	<u>15,315</u>

During the year, 6 employees (2018: 5) were seconded to the company from another group company. The cost of these employees is borne by the company through a secondment recharge of £17,975,000 (2018: £14,155,000). In addition, 2 employees were seconded to the company's Dublin branch from another group company. The secondment agreement for the branch ceased in March 2019. The secondment recharge in relation to the branch is £104,000 (2018: £1,160,000).

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Aggregate emoluments	564	577
Company contributions in respect of defined contribution pension schemes	4	5
	<u>568</u>	<u>582</u>

Of the 10 (2018: 10) directors that served during the period, no directors were remunerated by the company (2018: no directors). The amounts included above relate to their service as directors of the company based on an estimated time allocation basis except 4 (2018: 4) directors, who were paid an agreed fee.

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

	2019 No.	2018 No.
Received or were entitled to receive shares under service condition based schemes	6	8
Received or were entitled to receive shares under market performance based schemes	4	5
Accruing benefits under defined contribution pension scheme	<u>6</u>	<u>5</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Directors' remuneration (continued)

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Aggregate emoluments	188	116
Company contributions in respect of defined contribution pension schemes	2	4
	<u>190</u>	<u>120</u>

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

8 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>165</u>	<u>160</u>
Other fees to auditors		
The auditing of accounts of any subsidiary of the company	<u>203</u>	<u>228</u>

9 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	862	290
Interest income on loans with group companies	<u>1,189</u>	<u>1,202</u>
	<u>2,051</u>	<u>1,492</u>

The interest income on bank deposits relates to interest received on cash and a cash-pooling arrangement, see note 18.

10 Interest payable and similar charges

	2019 £ 000	2018 £ 000
Interest expense on leases	523	-
Other finance costs	<u>109</u>	<u>104</u>
	<u>632</u>	<u>104</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Income tax

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

	2019 £ 000	2018 £ 000
Current taxation		
Foreign tax	9	41
Foreign tax adjustment to prior periods	37	5
Total current income tax	46	46
Deferred taxation		
Arising from origination and reversal of temporary differences	-	26
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(12)	(136)
Total deferred taxation	(12)	(110)
Tax expense/(receipt) in the profit and loss account	34	(64)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit/(loss) before tax	16,822	(102,073)
Corporation tax at standard rate	3,196	(19,394)
Increase in current tax from adjustment for prior periods	37	5
Decrease from effect of revenues exempt from taxation	(9,454)	(6,711)
(Decrease)/increase from effect of expenses not deductible in determining (tax loss)/taxable profit	(5)	86
Decrease arising from group relief tax reconciliation	(956)	(3,591)
Increase from effect of foreign tax rates	10	-
(Decrease)/increase arising from overseas tax (expensed)/suffered	(2)	40
Deferred tax credit from unrecognised temporary difference from a prior period	(12)	(136)
Deferred tax credit relating to changes in tax rates or laws	-	(3)
Other tax effects for reconciliation between accounting profit and tax expense	7,220	29,640
Total tax charge/(credit)	34	(64)

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Income tax (continued)

A provision for impairment of the company's investment in BlackRock Life Limited has been recognised in the year. Please refer to note 14 for details. The impairment is non-taxable from a UK perspective and the amount of £7,220,000 (2018: £29,640,000) is included above as "Other tax effects for reconciliation between account profit and tax expense (income)".

The Finance Act 2016 reduced the UK corporation tax rate to 17% with effect from 1 April 2020, as such the deferred tax balances have been recognised at a rate of 17%. Subsequent to the balance sheet date, measures were introduced in the Budget statement to revert to a rate of 19% from 1 April 2020.

In prior years, the company claimed group relief for nil payment from another group company. The group company surrendering this relief has an ongoing open matter with Her Majesty's Revenue and Customs. If this open matter is resolved in favour of the group company, then the company's tax liability will decrease by approximately £1,287,000 (2018: £1,287,000).

Deferred tax liability

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in profit and loss £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	<u>(64)</u>	<u>12</u>	<u>(52)</u>

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in profit and loss £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	<u>(174)</u>	<u>110</u>	<u>(64)</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Right-of-use assets

	Property £ 000
Cost	
At 1 January 2019	-
Adjustment on transition to IFRS 16	<u>17,338</u>
At 31 December 2019	<u>17,338</u>
Depreciation	
At 1 January 2019	-
Charge for the year	<u>1,791</u>
At 31 December 2019	<u>1,791</u>
Carrying amount	
At 31 December 2019	<u><u>15,547</u></u>
At 31 December 2018	<u><u>-</u></u>

See note 18 for further information on leases.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Tangible assets

	Short-term leasehold property £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2019	10,149	2,713	12,862
Additions	92	-	92
Disposals	(269)	(110)	(379)
At 31 December 2019	<u>9,972</u>	<u>2,603</u>	<u>12,575</u>
Depreciation			
At 1 January 2019	3,362	1,875	5,237
Charge for the year	655	374	1,029
Eliminated on disposal	-	(110)	(110)
At 31 December 2019	<u>4,017</u>	<u>2,139</u>	<u>6,156</u>
Carrying amount			
At 31 December 2019	<u>5,955</u>	<u>464</u>	<u>6,419</u>
At 31 December 2018	<u>6,787</u>	<u>838</u>	<u>7,625</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2019	512,025
At 31 December 2019	512,025
Provision	
At 1 January 2019	156,000
Charge in the year	<u>38,000</u>
As at 31 December 2019	<u><u>194,000</u></u>
Carrying amount	
At 31 December 2019	<u><u>318,025</u></u>
At 31 December 2018	<u><u>356,025</u></u>

In conducting the company's impairment review it was found that the value of BlackRock Life Limited ("BLL") was considered to be impaired by a value of £38.0m. This is principally due to the decision by the Board of BLL to declare a dividend in the year. A provision for impairment has been recognised in the year and is included within profit and loss. A value in use calculation was performed to determine the recoverable amount of the investment using a discount rate of 8.8%.

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
BlackRock Life Limited*	Provider of investment management policies for occupational pension schemes for institutional and unit linked pension schemes	UK	100%	100%
BlackRock Pensions Limited ("BPL")*	Dormant	UK	100%	100%

* indicates a direct investment held by the company

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Interests in unconsolidated structured entities

The AUM of the company as at 31 December 2019 was £8.0bn (2018: £9.6bn).

The company manages investment funds which are considered to be structured entities within the definition of IFRS 12 'Disclosure of Interests in Other Entities'. Structured entities are not consolidated as the company does not have "control" as defined under IFRS 10 'Consolidated Financial Statements'. The company receives an interest in these unconsolidated structured entities through the receipt of management and performance fees and turnover from related parties. The unconsolidated structured entities are constituted as open-ended and closed-ended investment companies, unit trusts and investment trusts.

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

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

The fees received during the year to 31 December 2019, in relation to the above, were £39,005,000 (2018: £50,502,000). The carrying value on the balance sheet as at 31 December 2019 is £4,311,000 (2018: (£5,671,000), as represented by trade debtors and accrued income.

Maximum exposure to loss

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

Financial support

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

Other information

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

16 Debtors: Amounts falling due after one year

£69.0m (2018: £41.0m) of debtors greater than one year relate to loans due from group companies which are repayable as follows:

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

16 Debtors: Amounts falling due after one year (continued)

				31 December 2019	31 December 2018
Group Company	Description	Interest Rate	Maturity	£000	£000
BlackRock Group Limited	Tranche 1	6M LIBOR +1%	31 March 2022	28,000	-
BlackRock Group Limited	Tranche 2	6M LIBOR +1%	31 March 2022	24,000	24,000
BlackRock Group Limited	Tranche 3	6M LIBOR +1%	31 March 2021	17,000	17,000
				<u>69,000</u>	<u>41,000</u>

17 Debtors: Amounts falling due within one year

	31 December 2019 £ 000	31 December 2018 £ 000
Trade debtors	650	963
Amounts due from group companies	87,313	136,817
Loans due from group companies	-	28,000
Accrued income	3,661	4,708
Prepayments	1,451	1,483
Other debtors	520	563
Corporation tax asset	112	104
	<u>93,707</u>	<u>172,638</u>

During the year, loans due from group companies were extended until 2022. Please see note 16 for details.

Cash management within the BlackRock group is governed by a cash pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by BlackRock Investment Management (UK) Limited ("BIM"). Any balances contributed by the company are treated as an intercompany receivable from BIM. The balance due from BIM of £68,511,000 (2018: £128,814,000) in relation to this arrangement is included within amounts due from group companies.

Excluding cash management balances and loans due from group companies, all other amounts due from group companies are unsecured, interest free and repayable on demand.

18 Leases

	31 December 2019 £ 000	31 December 2018 £ 000
Non-current	<u>17,456</u>	<u>-</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Leases (continued)

The company has leases for office buildings. The average lease term is 9 years (2018: 10 years). With the exception of short-term and low-value leases, each lease is reflected on the balance sheet as a right-of-use asset and an associated lease liability. Payments which are variable in nature and do not depend on an index or rate may include common area maintenance charges and are expensed on the basis that they are not recognised as a lease liability.

For leases over office buildings, the company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2019 £ 000	31 December 2018 £ 000
Less than one year	2,484	2,074
2 - 5 years	9,934	8,298
More than 5 years	9,296	9,724
Total lease liabilities (undiscounted)	<u>21,714</u>	<u>20,096</u>

Total cash outflow for leases for the year ended 31 December 2019 was £2,484,000 (2018: £2,133,000).

19 Creditors: Amounts falling due within one year

	31 December 2019 £ 000	31 December 2018 £ 000
Accrued expenses	1,226	351
Amounts due to group companies	17,869	3,657
Other creditors	-	102
Corporation tax	-	16
Lease liabilities	2,012	-
	<u>21,107</u>	<u>4,126</u>

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

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Provisions

	Deferred tax provisions £ 000	Property-related provisions £ 000	Total £ 000
At 1 January 2019	64	7,204	7,268
Decrease due to right-of-use asset adjustment	-	(4,272)	(4,272)
Decrease in existing provisions	(12)	-	(12)
Increase due to passage of time or unwinding of discount	-	109	109
Increase (decrease) due to change in discount rate	-	(269)	(269)
At 31 December 2019	<u>52</u>	<u>2,772</u>	<u>2,824</u>

Property-related provisions previously included an amount for the rent free period on the company's Exchange Place One property of £4,272,000. This amount has now been removed following the transition to IFRS 16.

The remaining provision balance at December 2019 is a dilapidation provision recognised in respect of the Exchange Place One property. This amount is based on the estimated cost of returning the property to its original condition at the end of the lease term, discounted back to the current equivalent expense.

For further information on the right of use asset adjustment please see note 12.

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £89,000 (2018: £120,000).

22 Share capital

Allotted, called-up and fully paid shares

	No. 000	31 December 2019 £ 000	No. 000	31 December 2018 £ 000
Ordinary shares of £1 each	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

23 Dividends

	31 December 2019 £ 000	31 December 2018 £ 000
Dividend of £92.31 (2018: £Nil) per ordinary share	<u>120,000</u>	<u>-</u>

24 Contingent liabilities

The company is an authorised institution and operates in the UK or overseas within the regulatory framework established by the FCA or overseas by local regulatory bodies. In the normal course of business, the company may, from time to time, be subject to claims, actions or proceedings. While there can be no assurances, the directors believe, based on information currently available to them, that a material outflow of economic benefits is not probable.

25 Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

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

26 Parent and ultimate parent undertaking

The company's immediate holding company is BlackRock Group Limited and the ultimate parent company and controlling party is BlackRock, Inc. a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements are available upon request from the Investor Relations website at www.blackrock.com or requests may be addressed to Investor Relations at 55 East 52nd Street, New York, NY10055, USA or by email at invrel@blackrock.com.

27 Non-adjusting events after the financial period

In March 2020, the company extended the maturity of tranche 3 of its loan receivable with BlackRock Group Limited. The new maturity date is 20th March 2022.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

27 Non-adjusting events after the financial period (continued)

Global markets have experienced high levels of volatility and a downturn in the global economic environment subsequent to 31 December 2019 as a result of the Covid-19 outbreak.

Covid-19 and the consequent impact on the global economy is considered a non-adjusting post balance sheet event. Consequently, no adjustments are required to be made to the financial position at 31 December 2019 as a result of this event.

Impact on earnings, profitability and liquidity post year-end

The majority of the company's turnover is received for the provision of sub-delegated investment advisory and administration fees. As outlined in note 2, such fees are primarily based on percentages of net asset value or AUM. Accordingly, where there are decreases in AUM (either as a result of market downturn or client redemptions, or both), on a like-for-like basis, the company's revenue will decrease. As at 31 March 2020, the AUM of the company has decreased by approximately £0.9bn, although it is not clear at this date how much of this change in AUM is directly attributable to the outbreak of Covid-19.

Despite the current market conditions, the company remains profitable and has an appropriate level of liquidity to meet its financial obligations as they fall due without adversely affecting its financial position, the normal course of its business or its reputation. Furthermore, the company's conservative approach to capital management ensures that it continues to hold capital reserves well in excess of both external and internal requirements.

Impact on fair value of financial instruments post year-end

Additionally, the impact Covid-19 has had on the global economy may impact the valuation of certain financial instruments recognised on the balance sheet, where the financial instruments are fair-valued and linked to market inputs, or unobservable inputs.

The quantum of the effect of Covid-19 on these financial instrument values cannot be practically determined at the date of these financial statements, however the company is monitoring the situation and considering the effect it may have on the valuation of any impacted underlying instruments in the future.

Impairment of non-financial assets

Further, impairment assessments may require an impairment expense to be recorded against tangible fixed assets and investments in subsidiaries.

The quantum of the effect of Covid-19 on the quantum of any impairment cannot be practically determined at the date of these financial statements, however the company is monitoring the situation and considering the effect it may have on the recoverable amount of any impacted underlying assets subject to impairment reviews in the future.

Impact on business operations

From an operational perspective, the company and the broader BlackRock group as a whole, continues to operate as expected. With business continuity plans ensuring minimal disruption to its business or the company's ability to discharge its obligations to its various stakeholders.