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BlackRock International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



BlackRock International Limited

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BlackRock International Limited

Strategic Report for the Year Ended 31 December 2022

The Board of directors ("the Board") presents its Strategic Report for BlackRock International Limited ("the Company") for the year ended 31 December 2022.

The Company is part of BlackRock, Inc. ("BlackRock" or "the Firm"), a leading publicly traded investment management firm with \$8.6tn (2021: \$10.0tn) of assets under management ("AUM") as at 31 December 2022. With approximately 19,800 employees in more than 30 countries who serve clients in over 100 countries, BlackRock provides a broad range of investment management and technology services to institutional and retail clients worldwide.

Purpose

BlackRock's purpose is to help more and more people experience financial well-being. BlackRock's clients, and the people they serve, are saving for retirement, paying for their children's educations, buying homes and starting businesses. Their investments are also helping to strengthen the global economy: support businesses small and large; finance infrastructure projects that connect and power cities; and facilitate innovations that drive progress. BlackRock is committed to advancing:

- *Financial wellbeing*: helping millions of people invest to build savings that serve them throughout their lives;
- *Investment access*: making investing easier and more affordable;
- *Sustainable outcome*: advancing sustainable investing because the Firm believes it delivers better outcomes for investors; and
- *Inclusive economies*: contributing to a more resilient economy that benefits more people.

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.

Industry profile

Global

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the Firm to offer choice and 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*® and BlackRock exchange-traded funds ("ETFs"), separate accounts, collective trust funds and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platform, *Aladdin*®, *Aladdin Wealth*, *eFront*®, and *Cachematrix*, 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 our clients.

BlackRock serves a diverse mix of institutional and retail clients across the globe, including investors in ETFs maintaining differentiated client relationships and a fiduciary focus. The Firm's highly diversified multi-product platform was created to meet client needs in all market environments and provide clients with choice in how they seek to achieve their unique financial goals. BlackRock is positioned to provide alpha-seeking active, index and cash management investment strategies across asset classes and geographies. In addition, BlackRock leverages its world-class risk management, analytics and technology capabilities, including the *Aladdin* platform, on behalf of clients. The diversity of BlackRock's platform facilitates the generation of organic growth in various market environments, and as client preferences evolve. BlackRock's long-term strategy remains to keep alpha at the heart of BlackRock; accelerate growth in ETFs, illiquid alternatives, and technology; deliver whole portfolio solutions and become the global leader in sustainable investing.

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Strategic Report for the Year Ended 31 December 2022 (continued)

As the asset management landscape shifts globally from individual product selection to a whole-portfolio approach, BlackRock's strategy is focused on creating outcome-oriented client solutions for both retail investors and institutions. 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 customises model portfolios, extends Aladdin Wealth and digital wealth partnerships globally, and helps advisors build better portfolios through portfolio construction and risk management, powered by *Aladdin*. BlackRock has seen strong momentum in outsourcing solutions among institutional clients, including the funding of several significant mandates in 2022, and anticipates continued outsourcing opportunities in the future.

Across BlackRock, many clients are focusing on the impact of sustainability factors on their portfolios. This shift has been driven by an increased understanding of how sustainability-related factors can affect economic growth, asset values, and financial markets as a whole. As a fiduciary, BlackRock is committed to providing clients with choice and then executing in accordance with their chosen objectives. BlackRock's longstanding of model of choice helps clients build portfolios to match the preferences and goals unique to each of them; for some clients this includes investing in sustainable strategies.

Regional

On a regional basis, BlackRock in Europe Middle East and Africa ("EMEA") managed \$2.1tn (2021: \$2.7tn) of AUM for its clients as at 31 December 2022. This generated \$5.2bn (2021: \$6.4bn) of revenue from a diversified client base and product range, with EMEA representing 29% of BlackRock's base fees and securities lending revenue in 2022.

Principal Activity

The principal activity of the Company is the provision of investment management and administration services. Additionally, the Company provides transition management ("TRIM") services.

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

There have not been any significant changes in the Company's principal activities in the period under review and the directors propose that the principal activities will continue during 2023.

Areas of strategic focus

The Company, as part of the global group, seeks to deliver value for shareholders over time by, among other things, capitalising on BlackRock's differentiated competitive positioning, including:

- BlackRock's longstanding model of client choice, through which it offers a wide range of index, active, and whole portfolio solutions across broad markets, themes, regions, and investment styles;
- BlackRock's focus on strong investment performance, seeking the best risk-adjusted returns for client portfolios, within the mandates given by clients, to help them meet their investment objectives;
- BlackRock's research, data and analytics, which are at the centre of BlackRock's investment approach and processes. They inform BlackRock's pursuit of the best risk-adjusted returns, and underpin product creation and innovation;
- 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 differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and industry trends including the secular shift to index investing and ETFs, growing allocations to private markets, increasing demand for outsourcing, anticipated re-allocations to fixed income, demand for high-performing active strategies, interest in sustainable investment strategies and whole portfolio solutions using index, active and illiquid alternatives products; and a continued focus on income and retirement; and

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Strategic Report for the Year Ended 31 December 2022 (continued)

- 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*, *eFront*, and *Cachematrix*. This commitment is further extended by minority investments in financial technology and digital distribution providers, data and whole portfolio capabilities including Human Interest, Circle, Envestnet, Scalable Capital, iCapital, Acorns and Clarity AI.

Business review

The nature of the Company's business has not changed during 2022. The factors determining the level of regulatory capital held by the Company, a Markets in Financial Instruments Directive ("MiFID") investment firm, were impacted following the implementation of the UK's Investment Firm Prudential Regime ("IFPR") on 1 January 2022. This did not result in a significant impact on capital adequacy.

During the year, the Company experienced a £3.2bn decrease in AUM largely attributable to adverse market performance due to global market volatility driving headwinds across the industry.

During the year the Company received a dividend of £20.0m (2021: £15.0m) from its subsidiary BlackRock Life Limited ("BLL"). Following the distribution and a downward revision to long-term growth expectations of the BLL business the Company's investment was subsequently impaired by £31.0m (2021: £52.0m).

Key performance indicators

Assets under management

AUM has decreased by 30.2% to £7.4bn as at 31 December 2022 (2021: £10.6bn) primarily due to adverse market performance due to global market volatility driving headwinds across the industry.

The value of AUM disclosed here represents all assets in portfolios managed by employees of the Company.

Revenue

Total revenue increased by 6.9% to £55.7m in the year ended 31 December 2022 (2021: £52.1m) due to increased investment management performance fees.

Profit before tax

Profit before tax has increased by 188.2% to £16.4m in the year ended 31 December 2022 (2021: £18.6m loss before tax). This is primarily due to the reduced impairment amount recognised versus the prior year.

Administrative expenses

Administrative expenses have decreased by 18.3% to £17.4m in the current period (2021: £21.3m) due to decreased staff costs and general sundry expenses.

Net assets

Net assets increased by 5.0% to £325.4m at 31 December 2022 (2021: £309.9m) reflecting the profit in the year, offset in part by share based payment transactions.

Return on assets

Calculated as net profit divided by total assets, the return on assets ratio for the period was 4.7% (2021: -5.4%)

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Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal controls, and for reviewing its effectiveness.

The Board has considered a number of potential risks and uncertainties affecting the Company's business 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:

Market risk

Risk description: market risk represents the risk that a significant market downturn will impact the Company's fee revenue or the value of its statement of financial position holdings. Investment management revenues are primarily comprised of management fees as a percentage of the value of assets under management or net asset value. Movements in equity prices, interest rates and credit spreads, or foreign exchange ("FX") rates cause the value of the Company's assets under management and statement of financial position holdings to fluctuate, creating volatility in base fees, net income, and/or operating cash flow.

Risk mitigation: market risk to revenue is regularly monitored to reflect any changes in revenue drivers and market conditions. Market risk to revenues is mitigated via the Company's business model as an asset manager: a significant portion of the Company's cost structure is variable and, as such, can be adjusted by management rapidly to respond to market conditions. Market risk's impact on the statement of financial position is regularly monitored by the Treasury and Finance teams to reflect any changes in the statement of financial position, composition and hedging of FX exposures or investments (if any).

Credit risk

Risk description: credit risk is the risk that a counterparty to the Company defaults or deteriorates in creditworthiness before the final settlement of a corporate transaction or other credit obligation. Credit risk exposure may also occur through the normal course of business from client fee receivables (which may not be paid) and from the investment of corporate cash.

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 agreements. Intercompany balances are managed centrally and are settled on a regular basis. The Treasury and Risk and Quantitative Analysis departments continuously monitor the creditworthiness of HSBC, the Company's main corporate bank.

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Strategic Report for the Year Ended 31 December 2022 (continued)

Capital adequacy risk

Risk description: capital adequacy risk is the risk that the Company has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes).

Risk mitigation: the Company's regulatory capital requirement is established by reference to the Internal Capital Adequacy and Risk Assessment ("ICARA") undertaken by the parent of its regulatory group ("the 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. 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' 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:

<https://www.blackrock.com/uk/literature/public-disclosure/bgl-pillar-3-disclosure-2022.pdf>

Corporate liquidity risk

Risk description: corporate liquidity risk is the risk that the Company is not able to meet its financial obligations as they come due without adversely impacting its financial position, its ability to operate its normal course of its business, or its reputation.

Risk mitigation: the Company has a liquidity governance framework and policy that are designed to: identify, quantify, forecast and monitor the Group's liquidity needs, risks and requirements; maintain liquidity resources in excess of requirements; and maintain an appropriate governance and controls framework for the usage and allocation of corporate liquidity.

Corporate tax risk

Risk description: corporate tax risk is the risk of financial loss, reputational damage and/or loss of investor confidence arising from failure to comply with foreign and local tax regulations; ineffective controls over tax accounting or reporting; failure to manage changes in taxation rates, law, ownership, or corporate structure; or failure to disclose accurate information on a timely basis. This risk also arises where the Company's own tax treatments, policies or procedures are subject to interpretation by tax authorities that differ from the Company's or its advisors' interpretations. This can lead to the Company needing to adjust its structures, practices or strategies.

Risk mitigation: the Company's controls around tax reporting are designed to prevent errors and ensure compliance with disclosure requirements within prescribed timeframes. The Company seeks to comply with all relevant accounting and regulatory disclosure requirements to mitigate the risk of any public restatements of financial reporting information.

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Strategic Report for the Year Ended 31 December 2022 (continued)

Non-financial (operational) risks

Risk description: non-financial risks are operational risks that arise from events or actions, other than financial transactions, that can negatively impact the operations, assets or reputation of the Company. These risks may, but do not always have, an adverse financial impact, and are often the result of inadequate internal processes, controls, human error or systems, or external events. Key non-financial operational risks facing the Company include:

- *Operational (process) risk:* risk of financial loss or regulatory/reputational impact resulting from inadequate or failed internal processes and controls, human error, or systems, which may occur within the Company's internal operations across the client and trade lifecycles.
- *Compliance risk:* risk that the Company's products, services, activities, or operations are not conducted in accordance with applicable laws and regulations, including those laws and regulations which impose fiduciary obligations on the Company. Examples include failure to appropriately manage conflicts of interest, marketing and distribution, data privacy and regulatory reporting.
- *Technology resilience risk:* risk arising from the inability to provide, maintain or recover key technology platforms, such as *Aladdin*. Examples include a system outage or disruption, software or technology infrastructure failure (e.g., servers, storage devices, network components).
- *Information security risk:* risk arising from the inability to meet confidentiality, integrity, or availability requirements of Company information. Information security risk can also be described as failure to protect the Company against internal or external security threats, including accidents or malicious attacks by personnel, attacks by outsiders, and breaches at third parties, among others.
- *Product risk:* risk arising from product launches that are not aligned with client requirements, or that the Company cannot operationally support in a risk-controlled manner. Product risk arises throughout the product lifecycle, including the introduction of new products, change to existing products, and product closure.
- *Financial crime risk:* risk arising from the failure to prevent external or internal parties from gaining access to, or utilising, customer or company assets for criminal purposes or the failure to adhere to relevant laws and regulations or have adequate systems and controls to demonstrate appropriate compliance in relation to money laundering, breaches of economic sanctions, fraud (internal and external) and bribery and corruption.
- *Corporate resilience risk:* risk of physical damage or lack of availability of Company property, assets or personnel. This includes: business continuity - inability to sustain operations due to the loss of or the inability to access facilities and/or unavailability of personnel; physical security risk - physical security issues resulting in an adverse impact to assets or personnel; and health and safety risk - workplace health and safety incidents resulting in injury, death or legal/regulatory sanctions and fines.
- *People/culture risk:* risk of failure to maintain appropriate key talent management practices and human resources operational activities, which could adversely affect the Company's performance and reputation and its ability to attract and retain talent. This risk also includes the risk associated with employee relations disputes arising from the behaviour of employees and the non-alignment with the intended culture of the organisation.
- *Financial reporting risk:* risk resulting from ineffective internal controls over financial reporting or failure to prepare and/or disclose accurate information in financial statements, which could have a materially adverse impact on the Company's reputation (with investors and clients) and lead to increased scrutiny, regulatory oversight, and potential restatements, fines or fraud.

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 risk of poor customer outcomes. The Company has adopted a risk management framework based on a three lines of defence model comprised of the following five elements:

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Strategic Report for the Year Ended 31 December 2022 (continued)

- Risk identification and definition, including identifying the Company's key risks and emerging risks, identifying business unit risk through tools such as risk and control self-assessments and regular meetings with business units, reviewing new products and major changes and reviewing internal and external operating events.
- Risk tolerance, including setting risk tolerances and manage its key enterprise risks within their limits and tolerances, ensuring appropriate escalations if risk tolerances are breached.
- Risk management and control, including establishing appropriate processes to measure, manage and control risk taking and address how specific duties related to risks and controls are assigned and coordinated.
- Risk monitoring and reporting, including providing information and reports to functional and regional business management, boards, committees and regulators. This includes monitoring and investigating operating events, and recording them in a database of operating events, establishing and monitoring key risk indicators in the context of the Company's risk tolerance. Additionally, it includes risk profile reporting and operating event and large operating event reporting.
- Risk governance and oversight, including establishing policies and procedures, establishing regional and global risk committees and overseeing the risk management framework.

Reputational risk

Risk description: reputational risk is the risk arising from an adverse perception on the part of existing and potential stakeholders, overseers and business partners (e.g. clients, regulators, government bodies, trading counterparties and suppliers) that could negatively impact revenue, earnings, brand value, and customer retention.

Risk mitigation: BlackRock's reputation is one of its most important assets and BlackRock expects all of its employees to act with the highest level of integrity with clients and in markets. As a client-focused business, BlackRock considers reputational risk to be a fundamental aspect of all business and risk management activities. Reputational risk exposure is an integral part of the Company's Enterprise Risk Management Framework and a key focus for internal control processes around strategic decisions, products and services, operational processes, corporate governance, responsibility and communications, client and other external relationships.

Strategy/Business risk

Risk description: strategy/business risk arises from adverse business decisions or improper implementation of those decisions that could negatively impact revenue, earnings, and brand value. This includes adverse impact from factors such as competition, structural industry changes, asset class shifts, geopolitical instability, macro-economic conditions, falling behind industry changes or relationships with other entities. This risk is a function of the alignment between the Company's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. It also covers business concentration risks (e.g. earnings, client, investment strategy, third party provider concentration) and legal risks in relation to agreements with clients, employees or suppliers.

A growing awareness of the ongoing and potential future impact of climate change is shifting the views and expectations of BlackRock's key stakeholders including clients, regulators, shareholders, employees and the broader public as well as the way BlackRock thinks about climate risks as an investment risk. Climate change poses risks and opportunities that may impact the companies in which BlackRock invests on behalf of its clients. The risk arises both in terms of the physical risk associated with rising global temperatures, and also transition risk, namely, how the global transition to a low-carbon economy could affect a company's long-term profitability.

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Strategic Report for the Year Ended 31 December 2022 (continued)

Risk mitigation: the Company mitigates strategy/business risk by making extensive efforts to respond to industry uncertainties and business opportunities. The Company also anticipates business environment changes and then implements the necessary changes to generate better outcomes for the Company and its clients.

In relation to risks posed by climate change, BlackRock, Inc. publish its Task Force on Climate-Related Financial Disclosures ("TCFD") aligned report, on an annual basis, detailing BlackRock's climate-related risks and opportunities, which can be accessed at the following link:

<https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2021-blkinc.pdf>

Conduct risk

Risk description: conduct risk is the risk arising from inappropriate behaviour by the Company and/or its employees which leads to detriment to the Company or its clients or has a negative impact on market integrity.

Risk mitigation: conduct risk is present in all of the Company's activities and responsibility for managing conduct risk is embedded throughout the Company's organisational and governance arrangements. All employees are expected to follow the BlackRock Principles and the Code of Business Conduct and Ethics. One of the Company's core principles is 'We are a fiduciary to our clients' and BlackRock expects all of its employees to put clients' interests first, to comply with all regulations, to abide by the law and to act with the highest level of integrity with clients and in markets.

Public policy risk

Risk description: public policy risk is the risk of implementation of policies and regulations by legislative bodies, regulators, industry self-regulatory organisations, or other official sector standard setters that adversely impact the Company's business model, ability to optimally deliver for our clients in accordance with our fiduciary duty, access certain markets, or create reputational risks.

Risk mitigation: BlackRock ensures that it monitors publications issued by regulators and other bodies on an ongoing basis in order to identify consultations, new regulation, legislation and changes to rules which may impact the Company'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.

Group risk

Risk description: group risk is the risk that the financial position of the Company may be adversely impacted by its relationships with other entities in the BlackRock group or by risks that may affect the financial position of the whole group. As a member of the BlackRock group, the Company faces the risk that decisions made by, or circumstances impacting BlackRock group entities, may either directly impact the Company or may 'spill-over' and have an impact on the Company. These could include, but are not limited to strategic mergers or acquisitions, divestiture decisions, severe financial distress, reputational damage or decisions regarding the ability or willingness to provide services to the Company.

Risk mitigation: group risk is mitigated by the Company's senior management and control functions being represented in the Group's global decision-making bodies, and by the Company having documented contractual arrangements for services with other group companies.

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Strategic Report for the Year Ended 31 December 2022 (continued)

Streamlined Energy and Carbon Reporting statement: greenhouse gas emissions and energy consumption disclosure (unaudited)

This is a Streamlined Energy and Carbon Reporting ("SECR") statement on the Company's annual energy consumption and greenhouse gas ("GHG") emissions for the financial year ended 31 December 2022 and the preceding years to 2019.

The Company used the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) ("GHG Protocol") as a basis to report GHG emissions in tonnes of carbon dioxide equivalents ("tCO₂e"). Emissions considered relate to the Company's activities in the UK for which the Company is responsible and includes: Scope 1 emissions arising from the operation of its facilities; and Scope 2 emissions arising from the purchase of electricity by the Company for its own use.

Emissions have been calculated using the following GHG emissions factors: California Air Resources Board ("CARB") for fugitive emissions from refrigerants and the UK Department for Environment Food and Rural Affairs ("DEFRA") for location-based electricity. Refrigerant's consumption is estimated, using the United States Environmental Protection Agency ("US EPA") Accounting Tool to Support Federal Reporting of Hydrofluorocarbon Emissions to calculate a refrigerant intensity rate (based off assumptions on the area per ton of cooling, charge per ton of cooling, and annual loss), which is then multiplied by the relevant buildings' floor area to calculate an annual figure for refrigerant losses.

Electricity consumption is metered, and actual consumption data is used to calculate emissions. In 2022, all reported energy was consumed in the UK, 100% of which was based on direct consumption data and <0.01% was estimated.

The Company reports Scope 2 emissions from electricity consumption using the GHG Protocol dual-reporting methodology, stating two figures to reflect the GHG emissions from purchased electricity, using both:

- A location-based method that reflects the average emissions intensity of the national electricity grids from which consumption is drawn; and
- A market-based method that reflects emissions from electricity specific to each supply / contract. Where electricity supplies are known to be from a certified renewable source, a zero emissions factor is used, otherwise residual mix factors are used where available.

As shown in Table 1, the Company's combined Scope 1 and 2 (location-based) GHG emissions have reduced by 45% between 2019 and 2022. The Company's consumption value in 2020 and 2021 decreased significantly mainly due to the impacts of COVID-19 causing most employees to work from home. In 2022, as expected, the overall energy consumption value has increased. The first quarter of 2022 remained low as employees continued to work from home, however, in the second quarter a 3:2 hybrid working model was introduced and occupancy rates increased. The annual average occupancy rate for 2022 was 30%, which explains why consumption is significantly lower than pre-COVID times. Despite this consumption increase, Scope 2 location-based emissions decreased by 9%. This is due to DEFRA emission factors varying year on year as the fuel mix consumed in UK power stations and the proportion of net imported electricity changes. The emission factor for location-based energy has decreased due to a decrease in coal use in electricity generation and an increase in renewable generation. The fluctuating occupancy rates witnessed since 2019 coupled with updated emissions factors may impede the comparability of GHG emissions data over the coming years. Consumption values in 2023 are expected to be slightly elevated compared to 2022, as the 3:2 hybrid working model will have been in place for the full year.

The Company operates one leased office facility in Edinburgh. Several energy efficiency actions at this facility were taken directly by the Company during the reporting period, including:

- Reduced paper usage: removal of more than half of the office printers, stationary hubs, and filing cabinets (paper recycled)
- Reduced waste, related-emissions, and costs: change to more efficient office waste suppliers

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Strategic Report for the Year Ended 31 December 2022 (continued)

- LED light upgrades in meeting rooms

Further, as a group, BlackRock pursues a corporate sustainability strategy that is focused on reducing GHG emissions and increasing the efficiency and resiliency of its operations. BlackRock has reduced electricity usage across its global operations through redesigning office space, upgrading lighting and HVAC systems to more efficient technology, and utilising flexible desking for employees. BlackRock has made it a priority to not only become more energy efficient, but also to ensure that energy purchased comes from clean sources, wherever possible. To achieve this, the Company leverages renewable electricity, a zero-carbon energy, to reduce electricity related emissions associated with BlackRock's global operations. BlackRock achieved its 100% renewable energy goal for the first time in 2020. BlackRock achieves its 100% renewable electricity goal to match the same amount of renewable electricity as the electricity that BlackRock's global operations (including facilities, data centres, and upstream leased assets) consume annually. BlackRock contracts directly for renewable electricity wherever possible. Where BlackRock does not have operational control to procure its own electricity, or where renewable electricity is not available, BlackRock purchases environmental attribute certificates as a means of achieving its 100% renewable electricity goal.

Table 1. The Company's UK GHG emissions

	2022	2021	2020	2019	2021/2022 Difference	2019/2022 Difference
tCO₂e						
Scope 1 - Fugitive emissions of refrigerant gases (1)	22	22	22	22	0%	0%
Scope 2 - Electricity purchased for own use (Market-based)	-	-	-	-	0%	0%
Scope 2 - Electricity purchased for own use (Location-based) (2)	192	210	252	365	(9%)	(47%)
Scopes 1 + 2 - (Market-based)	22	22	22	22	-	-
Scopes 1 + 2 - (Location-based)	214	232	274	387	(8%)	(45%)
Scope 1 + 2 - (Location-based) Intensity ratios (3): emissions per total revenue (tCO₂e/£1m) (4)	3.84	4.69	7.41	10.75	(44%)	(76%)
emissions per square foot (5)	0.0025	0.0027	0.0032	0.0045	(7%)	(44%)

¹In 2022, the Company enhanced its methodology for estimating emissions from refrigerants to be based on the CARB refrigerant calculator which distinguishes between building type and includes consumption estimates by refrigerant type, both of which enable more accurate calculations. The Company has restated the 2019-2021 figures for this enhanced methodology. Scope 1 - Fugitive emissions of refrigerant gasses (tCO₂e) are restated from 9 in 2021, 2020 and 2019.

²In 2022 the method for calculating Scope 2 - Electricity purchased for own use (Location-based) has been updated from an international Emissions Factor (IEA), to a UK based emissions factor (DEFRA) which is the preferred source for calculating emissions within the UK. Scope 2 - Electricity purchased for own use (Location-based) restated from 205 in 2021, 245 in 2020 and 352 in 2019.

³Emissions per total revenue is a commonly disclosed carbon intensity metric for corporates that normalises absolute emissions to the revenue of the Company, recognising that absolute emissions will grow as the size and output of the Company grows. Emissions per square foot are disclosed as the majority of the Company's disclosed emissions relate to their leased office facility, which may facilitate comparisons across companies with more, or less, office space.

⁴The 2019 total revenue intensity ratio uses pro-rated turnover from a 13-month accounting period.

⁵The total square footage of the leased office facility is 86,420 sq. ft.

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Strategic Report for the Year Ended 31 December 2022 (continued)

Table 2. The Company's UK energy and refrigerants use

Consumption source	Scope	2022	2021	2020	2019	Unit
		Consumption value	Consumption value	Consumption value	Consumption value	
Refrigerants	Scope 1	0.01	0.01	0.01	0.01	Tonnes
Electricity	Scope 2	994,639	987,752	1,082,085	1,426,412	kWh

GHG emissions and energy consumption statement pursuant to the Company's (Directors Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the SECR regulations).

Scope 1 emissions are direct GHG emissions from activities owned or controlled by an organisation.

Scope 2 emissions are indirect emissions associated with an organisations consumption of purchased electricity. These emissions physically occur at the facility where electricity is generated.

For full transparency, BlackRock's global Scope 1, 2, and 3 emissions can be found in its 2022 TCFD Report.

Companies Act s172 Statement

Under section 172 of the Companies Act 2006 ("s172"), 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:

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

The Board have had regard to each of the above requirements of s172 during the year ended 31 December 2022 as follows:

The likely consequences of any decision in the long-term

As a subsidiary of BlackRock, the Board shares the purpose developed by the BlackRock board of directors and considers how best to implement that purpose in the Company's values, strategy and culture. The Board delegates responsibility to formulate the Company's strategy to the Head of EMEA, who serves as a member on the Board, and takes primary responsibility for: formulating the strategic objectives of the Company within the Company's risk tolerance; developing business plans, budgets and operating strategies for the Company; and defining financial objectives, plans and budgets. The Head of EMEA engages with senior management to ensure that the Company's 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 are responsible for overseeing the implementation of the Company's long-term strategic objectives and receive regular updates from the Head of EMEA on the delivery of corporate strategy, and regional and industry trends, both in Board meetings and informal briefing sessions. The Company's strategy is regularly communicated with the workforce by way of executive announcements from senior leaders and employee townhalls.

Key examples of how the Board have considered the likely consequences of any decision in the long-term for the year ended 31 December 2022 include:

- approving the Company's annual Risk Appetite and Risk Tolerance statement;
- approving Senior Manager appointments;

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

- reviewing the impact of Larry Fink's CEO letters on the strategy of the EMEA region;
- approving cash repatriation transactions and liquidity management within the BlackRock group;
- reviewing the Company's stewardship strategy outlining how BlackRock intends to engage with companies in which it is invested;
- overseeing the management of conflicts within BlackRock's businesses; and
- identifying matters that might impact BGL's internal capital adequacy process.

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. BlackRock's Code of Conduct requires all employees to comply with the FCA's individual conduct rules: to act with integrity; to act with due skill, care and diligence; to be open and cooperative with the FCA and other regulators; to pay due regard to the interests of customers and treat them fairly; and to observe proper standards of market conduct.

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 and future job prospects and working environment. Senior management engaged with employees throughout the year through executive communications, employee pulse surveys and regional townhalls. Employees were also encouraged to report concerns relating to business integrity through established whistleblowing processes, and anonymised concerns were reported to the Board on a quarterly basis. The Board was kept informed of the results of BlackRock employee engagement activities through reports from the EMEA Head of HR.

The Company believes a diverse workforce and an equitable and inclusive work environment are key factors in achieving better outcomes across all levels of its business. The Company adopts BlackRock's global strategy in relation to diversity, equity and inclusion, details of which are set out in the Working Together report which can be accessed at the following website address:

<https://www.blackrock.com/corporate/literature/fact-sheet/dei-annual-report.pdf>

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. 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 the Company's growth as a regional business in the United Kingdom. The Head of the UK drives UK client strategy whilst being directly responsible for the UK Institutional, Wealth, Charities and Endowments, Investment Trusts and Defined Contribution/Unit Linked businesses.

The Company is subject to regulatory oversight by the FCA in the UK. The Board and senior management have regular interactions with the FCA, providing open and transparent information on a proactive and reactive basis at all levels of senior management. A comprehensive control framework exists across Risk, Compliance and Internal Audit functions in order to oversee the Company's business operations (including those of the Company), with regular reporting provided to the Board on regulatory matters.

Material matters relating to business relationships with suppliers, customers and other stakeholders are reported to the Board by senior management as required.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

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

The Company's purpose - to help more and more people experience financial well-being - reflects the belief that BlackRock has an important role to play in helping improve people's lives, the community and the environment. BlackRock has a responsibility to millions of people around the world, and an urgent social purpose. By improving the relationship people have with their money, BlackRock can help improve their financial well-being - and their overall well-being. BlackRock has committed to integrate sustainable business practices into its strategy and operations. As a subsidiary of the BlackRock group, the Company has committed to:

- operate a sustainable corporation, recognising that long-term sustainability delivers the best outcomes for stakeholders; emphasise that the workforce is central to the Company's sustainability efforts; and pursuing a strategy that decouples company growth from the impact on the environment;
- make sustainable investing BlackRock's standard, providing sustainability-integrated portfolios and making sustainability integral to the way BlackRock manages risk, deepening the integration of environmental, social and governance ("ESG") factors into risk management and investment processes, and putting ESG analysis at the centre of BlackRock's technology platform;
- act as responsible steward of BlackRock's client assets by engaging with companies to understand how they are managing and disclosing sustainability-related risks and encouraging companies to adopt corporate governance and business practices consistent with delivering sustainable long-term financial returns; and
- make a positive social impact through charitable contributions and empowering the Company's employees to give back to their communities.

The Company's strategy in relation to sustainability and ESG factors were regularly communicated to the Board through reports from the Head of EMEA, the EMEA Head of Corporate Strategy and BlackRock Investment Stewardship. Senior management have communicated BlackRock's sustainability commitments to all stakeholders in a letter to shareholders of BlackRock, which can be accessed at the following link: <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

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

BlackRock's culture is a key differentiator of the Company's strategy and helps to drive results and long-term growth. The Company's culture unifies the firm and helps to reinforce ethical behaviour at all levels. BlackRock's approach to instilling, reinforcing and enhancing our culture is deliberate and intentional. The Board embeds BlackRock's culture of fiduciary commitment to serve clients and stay ahead of their needs. BlackRock's Code of Conduct requires all employees to comply with the FCA's individual conduct rules: to act with integrity; to act with due skill, care and diligence; to be open and cooperative with the FCA and other regulators; to pay due regard to the interests of customers and treat them fairly; and to observe proper standards of market conduct.

The Board hold regular meetings with senior management, by way of formal meetings and education sessions, to ensure that oversight and control of the Company's business operations is maintained, and where necessary, constructive challenge can be provided. This enables the Company's businesses to deliver strategy in a manner consistent with the BlackRock group's purpose and culture.

BlackRock International Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

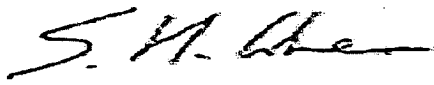
The need to act fairly between members of the Company

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.

This statement is also available on the Company's website at:

<https://www.blackrock.com/uk/individual/literature/policies/s172-corporate-governance-statements.pdf>

Approved by the Board on 29 March 2023 and signed on its behalf by:



.....
S Cohen
Director

BlackRock International Limited

Directors' Report for the Year Ended 31 December 2022

The Board presents its report together with the audited financial statements of BlackRock International Limited (registered number: SC160821) for the year ended 31 December 2022.

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, including the Company's principal activity, business review, engagement with employees, engagement with suppliers, customers and others and energy and carbon reporting.

Directors and officers 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

J Anderson (appointed 12 July 2022)

D Clarke

C Clausen

S Cohen

E de Freitas

M Duncan

E Fishwick (resigned 20 July 2022)

S Mullin Outhwaite (resigned 6 July 2022)

M Young

Officers:

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 Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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.

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.

BlackRock International Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Going concern

The directors believe that the Company is well placed to manage its business risks successfully. 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.

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 2022 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.

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.

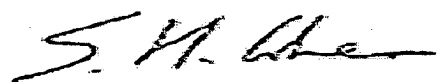
Disclosure of information to the auditors

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

Approved by the Board on 29 March 2023 and signed on its behalf by:



.....
S Cohen
Director

BlackRock International Limited

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

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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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 income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes to financial statements 1 to 24.

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

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 ("the 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, pensions legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty. These included the Company's main financial regulators, regulatory licenses and stewardship, and ESG regulations.

BlackRock International Limited

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

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, information technology and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

The Company's investment in BlackRock Life Limited ("BLL")

The Company's 100% subsidiary investment in BLL has been impaired from 2018 to 2022 by a material amount, reducing the carrying value cumulatively from £547m to £134m (a reduction of £413m).

Due to the historical impairments recognised, as well as the subjective nature of cash flow forecasts used in estimating the recoverable amount of BLL, and the fact that the investment carrying value is significantly in excess of audit materiality for the Company, there is a significant risk that the investment value is no longer recoverable, and should be impaired. Additionally, we consider this valuation to possess a heightened risk of potential fraud or error, due to the judgement involved in determining the recoverable amount of the investment, and the fact that any impairment would likely have a significant impact on the profitability and net asset value of the Company.

We have performed the following procedures to address this fraud risk:

- evaluated the design and implementation of management's review control over valuation of investments;
- obtained and reviewed management's impairment indicator review and assessed the appropriateness of the conclusions reached;
- developed an independent range of the valuation, involving our fair value specialist and using our own independent assumptions and inputs;
- assessed BLL's performance and financial position; and
- evaluated all corroboratory and contradictory evidence obtained.

Completeness, cut-off and accuracy of separately managed account ("SMA") performance fee revenue

The majority of calculations of SMA performance fees earned by the Company are manually performed, bespoke, typically complex in nature, and may require a degree of judgement in relation to the interpretation of the Investment Management Agreement ("IMA").

In addition, there are accruals at year-end subject to a true-up process, as recorded SMA performance fee accruals are based on estimated AUM / Net Asset Value figures.

Furthermore, SMA performance fee revenue is tracked manually and designed to list out all SMA clients from whom performance fees are earned and the respective lock-in dates. Due to the manual nature of this process, there is a risk that fees are recorded in the incorrect period, or not recorded at all. In addition to the inherent risk of error, there is also a risk that management may use these manual processes to influence the recognition of SMA performance fee revenue, in order to meet market expectations in the current climate.

We have performed the following procedures to address this fraud risk:

- obtained an understanding of relevant controls over SMA performance fees;
- tested relevant controls including general information technology controls over the completeness and accuracy of AUM data used in the calculation of performance fees;

BlackRock International Limited

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

- for a sample of recorded SMA performance fees, we have:
 - recalculated performance fee amounts using the terms in the relevant IMA;
 - validated AUM used in the performance fee computation against AUM data retrieved from Aladdin;
 - performed a retrospective review of the accuracy and cut-off of performance fee estimates made at year-end by testing the post year-end accrual to actual true-ups; and
- tested the completeness of performance fee revenue, by randomly selecting a sample of mandates from an appropriate independent population and determined if the Company was entitled to a performance fee, and if a performance fee accrual or invoice fee was recorded.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with regulators (including tax authorities and the Company's regulatory licensing authority).

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 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.

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.

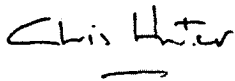
We have nothing to report in respect of these matters.

BlackRock International Limited

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

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.



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

29 March 2023

BlackRock International Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	55,657	52,062
Cost of sales		<u>(12,493)</u>	<u>(11,846)</u>
Gross profit		43,164	40,216
Administrative expenses		<u>(17,397)</u>	<u>(21,343)</u>
Operating profit	5	25,767	18,873
Net gains on derivative financial instruments		349	57
Dividend income		20,000	15,000
Finance income	6	1,745	-
Finance costs	6	(465)	(528)
Asset impairment charge	13	<u>(31,000)</u>	<u>(52,000)</u>
Profit/(loss) before tax		16,396	(18,598)
Income tax credit/(expense)	10	<u>113</u>	<u>(4)</u>
Profit/(loss) for the year		<u>16,509</u>	<u>(18,602)</u>

The above results were derived from continuing operations in the UK.

There are no other comprehensive income/expense items in the current or prior years, therefore the profit/(loss) for these years represents the comprehensive income.

BlackRock International Limited

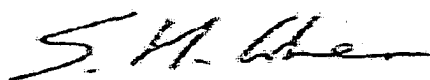
(Registration number: SC160821)

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Assets			
Non-current assets			
Property and equipment	11	4,830	5,232
Right-of-use assets	12	3,024	11,626
Investments	13	134,025	165,025
Deferred tax assets	10	100	-
		<u>141,979</u>	<u>181,883</u>
Current assets			
Trade and other receivables	15	211,784	164,411
Income tax assets		99	82
		<u>211,883</u>	<u>164,493</u>
Total assets		<u>353,862</u>	<u>346,376</u>
Equity and liabilities			
Equity			
Share capital	16	1,300	1,300
Share premium reserve		253,406	253,406
Capital contribution reserve	17	8,019	8,019
Share-based payment reserve	17	3,460	3,205
Retained earnings		59,177	43,939
		<u>325,362</u>	<u>309,869</u>
Non-current liabilities			
Long-term lease liabilities	18	3,592	12,969
Provisions	20	2,497	3,406
Other non-current liabilities		1,300	-
		<u>7,389</u>	<u>16,375</u>
Current liabilities			
Trade and other payables	21	18,644	18,063
Lease liabilities	18	2,467	2,069
		<u>21,111</u>	<u>20,132</u>
Total liabilities		<u>28,500</u>	<u>36,507</u>
Total equity and liabilities		<u>353,862</u>	<u>346,376</u>

Approved by the Board on 29 March 2023 and signed on its behalf by:

S Cohen
Director



The notes on pages 25 to 45 form an integral part of these financial statements.

BlackRock International Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	1,300	253,406	8,019	3,205	43,939	309,869
Profit for the year	-	-	-	-	16,509	16,509
Share-based payment transactions	-	-	-	255	(1,271)	(1,016)
At 31 December 2022	<u>1,300</u>	<u>253,406</u>	<u>8,019</u>	<u>3,460</u>	<u>59,177</u>	<u>325,362</u>

	Share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	1,300	253,406	8,019	-	61,282	324,007
Loss for the year	-	-	-	-	(18,602)	(18,602)
Capital Contribution ¹	-	-	-	-	1,259	1,259
Share based payment transactions	-	-	-	3,205	-	3,205
At 31 December 2021	<u>1,300</u>	<u>253,406</u>	<u>8,019</u>	<u>3,205</u>	<u>43,939</u>	<u>309,869</u>

¹ Capital contribution is the result of a release of liabilities previously due to other group companies.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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 29 March 2023.

Principal activity

The principal activity of the Company is the provision of investment management and administration services. Additionally, the Company provides TRIM services.

The Company is authorised and regulated by the FCA.

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 Financial Reporting Standard 100 'Application of Financial Reporting Requirement' ("FRS 100") as issued by the FRC. Accordingly, in the year ended 31 December 2022 the Company has applied FRS 101.

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 comparative information in respect of certain standards, 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 23.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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 ultimate parent, BlackRock, Inc.

Consideration of climate risk

As discussed in the Strategic report the Company reviews and manages climate related risks. In preparing the financial statements, the directors have considered the implications of climate related risk and have concluded that there has been no material impact identified on the financial reporting judgements and estimates or on the valuation of the Company's assets and liabilities.

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 along with principal risk and uncertainties.

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, being at least 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.

Changes in accounting standards

New standards, interpretations and amendments adopted

None of the standards, interpretations and amendments issued by the International Accounting Standards Board ("IASB") which are effective for the first time from 1 January 2022 have had a material effect on the financial statements.

Revenue recognition

Recognition

The Company earns revenue from the provision of investment management and administration services, along with the provision of TRIM services. Revenue 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 value added tax. 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 revenue gross of related costs.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Fee arrangements

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

- **Investment management and administration fees:** 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 management 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. In certain cases, fees may be invoiced quarterly in advance. In such cases, the Company records contract liabilities to the extent that it receives cash prior to meeting the revenue recognition criteria (e.g. when amounts are received from customers in advance of the relevant service being provided).
- **Investment management 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). 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 support services, investment management services, client services, research 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 Revenue:** The Company receives fees in relation to the provision of TRIM services, fees are recognised as the services are performed. The Company also provides support 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.

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 statement of financial position 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 income statement 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 income statement in the period in which they arise.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Interest income

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

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries in which 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 or to realise the asset and settle the liability simultaneously.

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Property and equipment

Property and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and impairment losses.

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

Depreciation

Depreciation is charged so as to write-off the cost less estimated residual value of non-current assets over their estimated useful lives as follows:

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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

An item of property or equipment is 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 the disposal or retirement of an item of property or equipment is determined by the difference between sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments

Investments are equity holdings in subsidiaries. They are measured at cost less any provision for impairment. Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Dividends

Dividend income from investments is recognised when the Company's rights to receive payment have been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources embodying economic benefits 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 statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Share-based payments

The ultimate parent company, BlackRock, Inc., issues equity-settled share-based payments to certain employees of the Company. The fair values of equity-settled schemes are determined at the grant date and expensed on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards, based on the group's estimate of awards that will eventually vest and adjusted for the effect of non-market based vesting conditions. Details of the share-based payment schemes in existence are provided in note 19 and the expense arising from share-based compensation is disclosed in note 7.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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

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

Leases

Initial recognition and measurement

At lease commencement date, the Company 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, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. The lease payments are made up of fixed payments (including in-substance fixed), payments arising from purchase options (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments based on an index or rate. The Company has elected not to separate non-lease components and therefore lease payments include associated non-lease payments.

The right-of-use asset is initially measured at the amount of the lease liability adjusted for lease prepayments (net of any 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 liability will be reduced for payments made and increased for the unwind of interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. The corresponding adjustment is reflected in the carrying value of the right-of-use asset.

The right-of-use asset is depreciated as disclosed in the accounting policy for property and equipment. The Company also assesses the right of-use assets for impairment when such indicators exist.

Variable lease payments not included in the measurement of the lease liability are included in operating expenses.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised on the trade date when the Company becomes party to contractual provisions.

Financial assets are derecognised when the contractual rights to the cash flows expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except for trade receivables that do not contain a significant financing component which are measured at transaction price.

Financial assets are classified and subsequently measured, based on business model and contractual cash flow characteristics, at: amortised cost; FVTPL; or fair value through other comprehensive income ("FVTOCI").

In the periods presented the Company does not have any financial assets categorised as FVTOCI.

All income and expenses relating to financial assets that are recognised in the income statement are presented within finance costs, finance income or net gains or losses on derivative financial instruments, except for impairment of trade receivables which is presented within administrative expenses.

Foreign exchange gains or losses arising on financial assets at amortised cost are presented in the income statement within administrative expenses and disclosed in note 5. For financial assets at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in the income statement within net gains on derivative financial instruments.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows are solely payments of principal and interest and they are held within a business model designed to hold the asset and collect its cash flows (and are not designated as FVTPL).

The Company's trade receivables are measured at amortised cost using the effective interest method and income is recognised on this basis.

Financial assets at fair value through profit or loss

Financial assets that are held other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The Company has not designated any amortised cost or FVTOCI financial assets at FVTPL.

The Company's financial assets measured at FVTPL comprise derivative financial instruments. Any gains or losses are recognised in the income statement.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Impairment of financial assets

All debt-type financial assets, which are not measured at FVTPL, are assessed for impairment at each reporting date using a forward-looking approach by identifying expected credit losses ("ECLs").

Impairment provisions for trade receivables are recognised based on the simplified approach using the lifetime ECLs and the single loss-rate approach.

For other financial assets, where credit risk has not increased significantly since initial recognition, twelve month ECLs are recognised. For those where credit risk has increased significantly, lifetime ECLs are recognised.

For assets held at amortised cost any ECL is recognised in the income statement with a corresponding adjustment to the asset's carrying value through a provision account.

Classification and initial measurement of financial liabilities

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless designated at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for contingent consideration acquired in a business combination, held for trading liabilities (including derivatives) and financial liabilities designated at FVTPL, which are at fair value with gains or losses recognised in the income statement.

The Company's financial liabilities at amortised cost are trade and other payables. The Company's financial liabilities at FVTPL are derivative financial instruments. The Company has not designated any financial liabilities at FVTPL.

In the income statement changes in fair value are included within net gains or losses on derivative financial instruments.

Foreign exchange gain or losses arising on financial liabilities at amortised cost are presented in the income statement within administrative expenses and disclosed in note 5. For financial liabilities at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in the income statement within net gains on derivative financial instruments.

Derivative financial instruments

The Company's derivative financial instruments, forwards and foreign exchange, are measured at FVTPL. In the statement of financial position, 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.

The Company uses derivative financial instruments to economically hedge risk associated with foreign exchange movements. It is not the Company's policy to trade in derivative instruments and hedge accounting is not applied.

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. The Company's ordinary shares are classified as equity instruments.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

Critical accounting judgements

There are no critical accounting judgements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position 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.

Impairment of non-financial assets

Investments in subsidiaries require an annual impairment review to be completed. This is also the case for assets where indicators of impairment exist, or where indicators suggest that a prior period loss may have reversed.

In assessing the recoverable amount of an asset or CGU 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 CGU. The analysis performed on the investment that was impaired in the year indicates a value-in-use range between £129.0m and £140.0m.

4 Revenue

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

	2022 £ 000	2021 £ 000
Investment management and administration fees	30,696	34,881
Investment management performance fees	15,359	5,128
Other revenue	9,602	12,053
	<u>55,657</u>	<u>52,062</u>

Revenue includes amounts from other group companies of £41,409,000 (2021: £37,629,000).

Other revenue includes a TRIM balance of £1,624,000 (2021: £2,391,000)

Income from group companies has historically been included within investment management and administration fees. In the current year income from group companies has been further disaggregated between investment management and administration fees and investment management performance fees and the comparatives have been reclassified as a result.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

5 Operating profit

Arrived at after charging/(crediting):

	2022	2021
	£ 000	£ 000
Depreciation expense	875	836
Depreciation on right-of-use assets	1,707	1,740
Foreign exchange (gains)	<u>(1,185)</u>	<u>(64)</u>

6 Finance income and costs

	2022	2021
	£ 000	£ 000
Finance income		
Other finance income	<u>1,745</u>	<u>-</u>
Finance costs		
Other finance costs	<u>(465)</u>	<u>(528)</u>

7 Staff costs

The aggregate payroll costs were as follows:

	2022	2021
	£ 000	£ 000
Wages and salaries	9,716	15,153
Social security costs	2,466	2,061
Pension costs, defined contribution scheme	160	109
Equity-settled share-based payment expense	<u>2,198</u>	<u>1,159</u>
	<u>14,540</u>	<u>18,482</u>

During 2022, 11 employees (2021: 8) were seconded to the Company from another group company. The cost of these employees is borne by the Company through a secondment recharge of £14,579,000 (2021: £18,482,000).

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	£ 000	£ 000
Aggregate emoluments	633	642
Company contributions in respect of defined contribution pension schemes	<u>4</u>	<u>5</u>
	<u>637</u>	<u>647</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Directors' remuneration (continued)

Of the 10 (2021: 10) directors that served during the year, no directors were remunerated by the Company (2021: no directors). The amounts included above relate to their service as directors of the Company based on an estimated time allocation basis except 6 (2021: 6) directors, who were paid an agreed fee.

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

	2022 No.	2021 No.
Received or were entitled to receive shares under service condition based schemes	4	4
Received or were entitled to receive shares under market performance based schemes	3	4
Accruing benefits under defined contribution pension scheme	<u>4</u>	<u>4</u>

During the year, no director (2021: no director) exercised BlackRock, Inc. share options.

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Aggregate emoluments	155	201
Company contributions in respect of defined contribution pension schemes	<u>2</u>	<u>4</u>
	<u>157</u>	<u>205</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.

9 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	<u>217</u>	<u>203</u>
Other fees to auditors		
The auditing of accounts of any subsidiary of the Company	<u>272</u>	<u>254</u>

Auditor's remuneration has been borne by another group company in the current and prior years.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Income tax

Tax charged/(credited) in the income statement:

	2022 £ 000	2021 £ 000
Current taxation		
Foreign tax	-	27
Total current income tax	-	27
Deferred taxation		
Arising from origination and reversal of temporary differences	20	(21)
Arising from changes in tax rates and laws	-	8
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(133)	(10)
Total deferred taxation	(113)	(23)
Tax (receipt)/expense in the income statement	(113)	4

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021: higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit/(loss) before tax	16,396	(18,598)
Corporation tax at standard rate	3,115	(3,534)
Increase in current tax from adjustment for prior periods	-	26
Decrease from effect of revenues exempt from taxation	(3,800)	(2,850)
Increase from effect of expenses not deductible in determining taxable profit	439	630
Decrease arising from group relief tax reconciliation	(5,629)	(4,142)
Deferred tax credit from unrecognised temporary difference from a prior period	(133)	(10)
Increase from changes in tax provisions due to legislation	5	4
Other tax effects for reconciliation between accounting profit and tax expense	5,890	9,880
Total tax (credit)/charge	(113)	4

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 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 13 for details. The impairment is non-taxable from a UK perspective and the amount of £5,890,000 (2021: £9,880,000) is included above as Other tax effects for reconciliation between account profit and tax expense (income).

In June 2021, the Finance Act 2021 was enacted to increase the UK corporation tax rate from 19% to 25% from 1 April 2023. The tax balances of the Company have been recognised at a rate of 19% or 25% depending on the rate at which these are expected to unwind.

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 His 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 (2021: £1,287,000).

The Company notes recent developments in relation to the Organisation for Economic Co-operation and Development inclusive Framework on Base Erosion and Profit Shifting which will set a new minimum global corporate tax rate of 15%. This may impact the Company's future tax charge and effective tax rate but at this stage it not possible to estimate the impact on the BlackRock Group and therefore the Company. No deferred tax assets or liabilities are recognised in the financial statements in respect of such taxes.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	31 December 2022 £ 000
Accelerated tax depreciation	<u>(13)</u>	<u>113</u>	<u>100</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	31 December 2021 £ 000
Accelerated tax depreciation	<u>(36)</u>	<u>23</u>	<u>(13)</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Property and equipment

	Short-term leasehold property £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2022	10,456	2,783	13,239
Additions	<u>322</u>	<u>151</u>	<u>473</u>
At 31 December 2022	<u>10,778</u>	<u>2,934</u>	<u>13,712</u>
Depreciation			
At 1 January 2022	5,392	2,615	8,007
Charge for the year	<u>773</u>	<u>102</u>	<u>875</u>
At 31 December 2022	<u>6,165</u>	<u>2,717</u>	<u>8,882</u>
Carrying amount			
At 31 December 2022	<u>4,613</u>	<u>217</u>	<u>4,830</u>
At 31 December 2021	<u>5,064</u>	<u>168</u>	<u>5,232</u>

12 Right-of-use assets

	Property £ 000
Cost	
At 1 January 2022	16,846
Adjustment	<u>(6,895)</u>
At 31 December 2022	<u>9,951</u>
Depreciation	
At 1 January 2022	5,220
Charge for the year	<u>1,707</u>
At 31 December 2022	<u>6,927</u>
Carrying amount	
At 31 December 2022	<u>3,024</u>
At 31 December 2021	<u>11,626</u>

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Right-of-use assets (continued)

During the year the Company re-assessed the lease term of its Edinburgh office facility. The decrease in the lease term resulted in a remeasurement of the lease liability and a subsequent adjustment to the cost of Right of Use ("ROU") assets. See note 18 for further information on leases.

13 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2022	512,025
At 31 December 2022	512,025
Provision	
At 1 January 2022	347,000
Charge in the year	<u>31,000</u>
As at 31 December 2022	<u><u>378,000</u></u>
Carrying amount	
At 31 December 2022	<u><u>134,025</u></u>
At 31 December 2021	<u><u>165,025</u></u>

In testing the Company's investment for impairment it was found that the carrying amount was not considered recoverable and a provision for impairment of £31.0m (2021: £52.0m) was recognised. This is a result of the downward revision of long-term growth rate expectations and the decision of the Board of BLL to declare a dividend in the year. A provision has been recognised in the year and is included within the income statement. A value in use calculation was performed to determine the recoverable amount of the investment using a discount rate of 9.7% (2021: 9.0%)

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Investments (continued)

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
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*	Dormant	UK	100%	100%

* indicates a direct investment held by the Company

14 Interests in unconsolidated structured entities

The AUM of the Company as at 31 December 2022 was £7.4bn (2021: £10.6bn).

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 revenue from related parties. The unconsolidated structured entities are constituted as open-end and closed-end 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 assets they hold.

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

The fees received during the year to 31 December 2022, in relation to the above, were £44,108,000 (2021: £39,237,000). The carrying value on the statement of financial position as at 31 December 2022 is £571,000 (2021: £453,000), as represented by trade receivables 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.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Interests in unconsolidated structured entities (continued)

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.

15 Trade and other receivables

	31 December 2022 £ 000	31 December 2021 £ 000
Trade receivables	914	1,288
Amounts due from group companies	203,247	156,743
Accrued income	5,243	3,744
Prepayments	1,093	285
Other receivables	1,287	2,351
	<u>211,784</u>	<u>164,411</u>

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"). The balances are treated as intercompany receivables and payables between the Company and BIM. The balance due from BIM of £192,153,000 (2021: £144,082,000) in relation to this arrangement is included within amounts due from group companies.

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

The estimated ECLs as of the reporting date for trade receivables, accrued income, amounts due from group companies, and other receivables are considered to be immaterial, and therefore no allowance has been recognised in the financial statements.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Share capital

Allotted, called-up and fully paid shares

		31 December 2022		31 December 2021
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1,300	1,300	1,300	1,300

17 Reserves

Share-based payment reserve

The Company records the accumulated equity component of the share-based payment schemes it offers to its seconded employees as a separate component of equity as allowed under IFRS 2 'Share-based Payments'.

Capital contribution reserve

The capital contribution reserve represents capital contributed in the form of cash or other assets to the Company by its parent. Capital contributions represent a gift and there is no obligation on the Company to repay the contributions or do anything in return.

18 Leases

	31 December 2022	31 December 2021
	£ 000	£ 000
Non-current	3,592	12,969
Current	2,467	2,069

The Company has leases for office buildings. The average lease term is 2 years (2021: 7 years). This has reduced due to the break clause being exercised with a revised lease termination date of April 2025. With the exception of short-term and low-value leases, each lease is reflected on the statement of financial position as a right-of-use asset and 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.

The Company must keep leased office building in a good state of repair and return the properties in their original condition at the end of the lease.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Leases (continued)

Lease liabilities maturity analysis

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

	31 December 2022 £ 000	31 December 2021 £ 000
Less than one year	2,590	2,426
1 - 5 years	3,646	9,706
More than 5 years	-	4,229
Total lease liabilities (undiscounted)	6,236	16,361

Total cash outflow for leases for the year ended 31 December 2022 was £2,590,000 (2021: £2,426,000).

19 Share-based payments

Standard Restricted Stock Units

Employees of the Company may be granted share-based compensation in the form of restricted stock units ("RSU") award schemes. RSUs are an unsecured promise to pay value in the form of BlackRock, Inc. shares. They do not carry voting rights until they are converted to shares. An RSU is deemed equivalent in fair market value to one common share. Substantially all awards are settled in common shares. Under these plans, such RSUs are restricted from sale, transfer or assignment until the end of the restricted period. Such shares and units are subject to forfeiture during the vesting period. All schemes are accounted for on an equity-settled basis.

RSUs are issued by the ultimate parent company, BlackRock, Inc., and are converted into shares of BlackRock, Inc. on each of the vesting dates. Substantially all RSUs vest over periods ranging from one to three years, although conditions vary between different types of award. Dividend equivalents on RSUs are subject to forfeiture prior to vesting of the award, and as such are not paid to employees until that date.

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

Performance condition awards

The Company granted share awards with a performance condition - also known as BlackRock Performance Incentive Plan Awards ("BPIP") to certain employees. The awards will cliff vest after a three year vesting period. The awards consist of a base number of RSUs granted and the number of shares that an employee will ultimately receive at the vesting date will be equal to the base RSUs granted multiplied by a predetermined percentage determined in accordance with the level of attainment of selected BlackRock, Inc. performance measures during the performance period and could be higher or lower than the original RSUs at the grant date. The awards are generally forfeited if the employee leaves BlackRock before the vesting date. These awards are amortised over the service period of three years.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

20 Provisions

	Deferred tax provisions £ 000	Property-related provisions £ 000	Total £ 000
At 1 January 2022	13	3,393	3,406
Transfer to non-current liability	-	(1,300)	(1,300)
(Decrease)/increase in existing provisions	(13)	122	109
Increase due to change in discount rate	-	282	282
At 31 December 2022	-	2,497	2,497

The balance at 31 December 2022 represents a dilapidation provision 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.

As referenced in note 18, the lease term for Exchange Place One was re-negotiated in the current period; a fixed payment of £1.3m in respect of property-related provisions was agreed with the landlord. This obligation has been classified as a non-current liability, presented separately on the statement of financial position, as opposed to a provision as no uncertainty exists over timing or amount.

21 Trade and other payables

	31 December 2022 £ 000	31 December 2021 £ 000
Accrued expenses	11,514	12,850
Amounts due to group companies	5,651	3,498
Social security and other taxes	1,476	1,715
Other payables	3	-
	<u>18,644</u>	<u>18,063</u>

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

Tax balances that are payable by another company have been further disaggregated between amounts due from group companies and social security and other taxes and the comparatives have been reclassified as a result.

Outstanding amounts in respect of the defined contribution pension schemes payable at 31 December 2022 of £160,000 (2021: £109,000) are included within accrued expenses.

See note 18 for further details on lease liabilities.

BlackRock International Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

22 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow members of the group.

Details of directors' remuneration are set out in note 8. 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.

23 Parent and ultimate parent undertaking

The Company's immediate holding company is BlackRock Group Limited. 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 50 Hudson Yards, New York, NY 10001, USA or by email at invrel@blackrock.com.

24 Non-adjusting events after the financial period

In January 2023 BlackRock announced an organisational restructure in connection with an initiative to modify the size and shape of the workforce to align more closely with strategic priorities. This resulted in the Company recognising termination benefits of £2.2m, primarily comprised of severance and accelerated amortisation expense of previously granted deferred compensation.