Registration number: SC160821

BlackRock International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

BlackRock International Limited

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BlackRock International Limited

Strategic Report for the Year Ended 31 December 2020

The Board of directors ("the Board") presents its Strategic Report for BlackRock International Limited ("the Company") for the year ended 31 December 2020.

Principal activity
The principal activity of the Company is the provision of investment management, advisory and transition management 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 2021.

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

The Company's role in the global group
The Company is part of BlackRock, Inc. ("BlackRock" or "the firm"), a leading publicly traded investment management firm with $8.7tn (2019: $7.4tn) in assets under management ("AUM") as at 31 December 2020. With approximately 16,500 employees in more than 30 countries who serve clients in over 100 countries around the globe, BlackRock provides a broad range of investment and technology services to institutional and retail clients worldwide.

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

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

Across BlackRock, more clients are focusing on the impact of sustainability 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 helping clients build more resilient portfolios. Since sustainable investment options have the potential to offer clients better outcomes, BlackRock is making sustainability integral to the way in which the firm manages risk, constructs portfolios, designs products, and engages with companies. Over the past several years, BlackRock has been deepening the integration of sustainability into technology, risk management, and product choice and plans to accelerate those efforts.

Regional
On a regional basis, BlackRock in EMEA managed $2.4tn (2019: $1.9tn) of AUM for its clients. This generated $4.9bn (2019: $3.9tn) of revenue from a diversified client base and product range. Growth in the region in 2020 was driven by equity net inflows, reflecting strong flows into iShares and active equity solutions.

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

- BlackRock's focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- BlackRock's global reach and commitment to best practices around the world, with approximately 50% of employees outside the United States serving clients locally and supporting local investment capabilities. Approximately 40% of total AUM is managed for clients domiciled outside the United States;
- BlackRock's breadth of investment strategies, including market-cap weighted index, factors, systematic active, traditional fundamental active, high conviction alpha and illiquid alternative product offerings, which enhance its ability to tailor single and multi-asset investment solutions to address specific client needs;
- BlackRock's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the secular shift to index investing and ETFs, a focus on income and retirement, increasing demand for sustainable investment strategies and barbelling using index, active and illiquid alternatives products; and
- BlackRock's longstanding commitment to innovation, technology services and the continued development of, and increased interest in, BlackRock technology products and solutions, including *Aladdin®*, Aladdin Wealth, Cachematrix and FutureAdvisor. This commitment is further extended by minority investments in distribution technologies including Scalable Capital, iCapital, Acorns and Envestnet.

Business review
The nature of the Company's business and the factors determining the level of regulatory capital have not changed significantly during 2020.

In the first quarter of 2020, the Company experienced an £0.9bn reduction in AUM as the Covid-19 pandemic unfolded. This downturn was predominantly offset by favourable market movements in the remainder of the year. Additionally, during the year the Company received a dividend of £30.0m. The Company's investment in BlackRock Life Limited ("BLL") was subsequently impaired by £101.0m (2019: £38.0m) following the distribution and a downward revision to the long-term growth expectations for the business. BLL has continued to see reductions in AUM during the year as the pension products offered by the Company decline in favour of other product types.

Key performance indicators

Assets under management
AUM has decreased by 2.5% to £7.8bn as at 31 December 2020 (2019: £8.0bn) due to the reallocation of portfolios to another group company, offset by strong active equity performance, inflows and favourable market movements for the remaining funds.

Turnover
Total turnover decreased by 5.2% to £37.0m in the year ended December 2020 (2019: £39.0m) due to reduced support services income from other group companies, partially offset by additional performance fees on separately managed accounts ("SMA").

Administrative expenses
Administrative expenses have decreased by 2.0% to £20.1m in the current period (2019: £20.5m) due to reduced occupancy expenses, partially offset by increased staff costs.

Profit before tax
In the year the Company made a loss of £68.3m (2019: profit £16.8m). The loss was mainly driven by the aforementioned impairment recognised in the investment in BLL.

Net assets
Net assets decreased by 29.8% to £324.0m at 31 December 2020 (2019: £461.3m) reflecting the loss in the year and the distribution of £69.0m.

Principal risks and uncertainties
The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness.

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

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

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

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 balance sheet 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 FX rates cause the value of the Company's assets under management and balance sheet 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 balance sheet is regularly monitored by the Treasury and Finance teams to reflect any changes in the balance sheet positions, 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 agreement. 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.

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

Risk mitigation: the Company's regulatory capital requirement is established by reference to the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the parent of its regulatory group ("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' Market disclosure document, which also provides information regarding the remuneration policies and practices for those staff whose professional activities could have a material impact on BGL's risk profile. This can be found at the following website address:

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

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 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.

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, people or systems, or external events. Key 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 compliance with applicable law and regulations, including those laws and regulations which impose fiduciary obligations, that client investment guidelines are not adhered to, that conflicts of interest are not appropriately mitigated or that there is a failure to appropriately manage regulatory reporting requirements.
- *Information security/cyber risk:* risk arising from the inability to control and protect the Company's information from internal or external security events, which includes loss of confidentiality, integrity, and availability of information stored on computer systems. This loss may arise through employee accidents, intrusion attacks, malicious behaviour, errors, design weakness, or breakdowns in controls. Information security/cyber incidents can result in material financial loss, loss of competitive position, regulatory actions, breach of client contracts, reputational harm, or legal liability.
- *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.
- *Change management risk:* risk due to failures in project governance and implementation, e.g. through the inability to successfully manage the extent or pace of change across the Company.
- *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 which include money laundering, breaches of economic sanctions, fraud, bribery and corruption.
- *Corporate resilience risk:* risk of physical damage or harm to the Company's properties, assets or personnel. This includes: business continuity and continuity management risk - the difficulty to operate at BlackRock's physical locations due to facility impairment and/or unavailability of personnel; physical security risk - physical security issues resulting in an adverse impact to assets or personnel; and health & 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 staff and clients. This risk also includes the risk associated with employee relations disputes arising from the behaviour of employees and potential lawsuits.

- *Model risk:* risk resulting from an error in a model that is used by the Company for enterprise, portfolio construction, risk management or investment purposes. Model risk includes the risk that models may contain errors, do not work as planned, are applied outside of their valid context, or that their results are misinterpreted to make business decisions.
- *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 an adverse impact on the Company's reputation and lead to the restatement of accounts, increased regulatory scrutiny, or fines.

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 elements:

- Risk governance, including setting risk tolerances, establishing policies and procedures, establishing regional and global risk committees and overseeing the risk management framework.
- Risk identification and assessment, 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 monitoring and measurement, quantifying and forecasting risks and monitoring against risk tolerances. 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.
- Risk reporting, providing information and reports to boards, committees and regulators. This includes risk profile reporting and operating event and large operating event reporting.

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. our clients, regulators, government bodies, trading counterparties and suppliers) that could negatively impact revenue, earnings, brand value, and customer retention. Reputational risk can emerge as a standalone risk, but it also can be a consequence of another risk, for example, reputational risk is closely linked to the culture of the Company and the conduct of its secondees.

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. Two noteworthy examples of strategy/business risk have been:

- *Climate risk:* 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 we think 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. The investment risks presented by climate change are set to accelerate a significant reallocation of capital, which will in turn have an impact on the pricing of risk and assets around the world.
- *Natural disasters, pandemics or health crises:* events outside of the Company's control, including natural disasters, pandemics or health crises (such as the Covid-19 pandemic), may arise from time to time. Any such events, and responses thereto, may cause significant volatility and declines in global markets, disruptions to commerce (including to economic activity, travel and supply chains), loss of life and property damage. They may adversely affect the global economy or capital markets, as well as the Company's products, clients, vendors, operations and employees, which in turn may cause BlackRock's AUM, revenue and earnings to decline. In particular, as the Covid-19 pandemic increases in duration, the continuation of measures to counteract the spread of the virus (e.g. social distancing) could result in an even broader economic downturn which could have a prolonged negative impact on the Company's financial results.

Risk mitigation: 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 has committed to put sustainability at the centre of risk management, portfolio construction, product design and Company engagement. The commitment has been widely communicated to stakeholders, including a letter to shareholders during January 2021, which can be accessed at the following link:

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

In December 2020 BlackRock Inc. published its first Task Force on Climate-Related Financial Disclosures ("TCFD")-aligned report 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-2020-blkinc.pdf

In order to mitigate Covid-19 impact, market movements are closely monitored by the Company's investment research teams, and strategic decisions are taken by portfolio managers to proactively manage risk in line with each client's investment objective. BlackRock has in place a detailed business continuity management programme that is focused on maintaining business operations in the event of a crisis. BlackRock's preparedness approach includes an extensive programme to monitor, review and assess threats and, where necessary, to respond to incidents that might impact our employees and operations. The Company has updated its key protocols to ensure there are appropriate mechanisms to manage:

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

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.

Regulatory change risk
Risk description: regulatory change risk arises due to the uncertainty the Company faces as a result of significant changes in regulations or the regulatory environment that could adversely impact the Company's business or strategy. This risk may be compounded by uncertainty about the ultimate form, timing and impact of regulatory changes. The Company supports financial reforms that increase transparency, protect investors, and facilitate responsible growth of capital markets while also preserving consumer choice and assessing benefits versus implementation costs.

BlackRock's business and operating activities are subject to regulatory oversight in the UK and internationally, and the Company may be affected by a number of reform initiatives, including (but not limited to):

- *EU market access:* in 2019, the European Commission commenced a review of the Alternative Investment Fund Managers Directive to assess, among other things, the effectiveness of this regulation on third country fund marketing passports and the continuation of national private placement regimes. To the extent the review results in formal legislation that limits the scope of existing permitted activities and EU market access rights for asset management firms with non-EU operations, BlackRock's ability to access EU-based clients may be adversely affected.
- *Revised UK and EU capital requirements for investment firms:* in December 2017, the European Commission published a proposal for a new Investment Firm Regulation ("IFR") and Investment Firm Directive ("IFD") which contained prudential requirements for MiFID investment firms. The final texts of the IFR and IFD were published in the Official Journal of the European Union on 5 December 2019 with an effective date of 26 June 2021. During 2020, the FCA also commenced consultation on a new Investment Firm Prudential Regime ("IFPR") which is expected to align with the EU IFR, and which will have an effective date of 1 January 2022. The IFPR will result in changes to the amount of regulatory capital which the Company is required to hold in the UK and will also introduce revised disclosure obligations for large investment firms.

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

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 on BlackRock's business or on any compliance procedures. This monitoring is complemented by content from external policy advisors and trade associations to ensure BlackRock is up-to-date with all regulatory and legislative reforms that impact its activities across the globe.

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

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 Group or by risks that may affect the financial position of the whole group. As a member of the BlackRock, Inc. Group, the Company faces the risk that decisions made by the Group, or circumstances impacting the Group, 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 the Group.

Further details on the wider risks facing BlackRock as a whole, including more in-depth descriptions of each of the above matters, can be found in the BlackRock, Inc. Form 10-K to the United States SEC.

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

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 01 January 2020 to the 31 December 2020 and the prior year, 2019. This is the Company's first SECR statement.

The Company used the main requirements of the GHG Protocol Corporate Standard (revised edition) as a basis to report on any GHG emissions in tonnes of carbon dioxide equivalent (tCO2e), which expresses multiple greenhouse gases in terms of carbon dioxide based on their global warming potential (including methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride). Emissions considered relate to the Company's activities in the UK and globally for which the Company is responsible, and include as applicable: combustion of any fuel and operation of its facilities; and annual emissions from the purchase of electricity, heat, steam or cooling by the Company for its own use and refrigerant losses. Emissions have been calculated from the above activity data using the following GHG emissions factors: IEA for electricity; US EPA for stationary combustion of fuels; UK Government DEFRA for business travel; US EPA for fugitive emissions from refrigerants. Refrigerants consumption is estimated, using The World Bank Group Greenhouse Gas Emissions Inventory Management Plan for Internal Business Operations 2014 to calculate a refrigerant intensity rate (based off assumption 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. Fuel purchased for use in employee owned or leased vehicles was estimated using expense data submitted by employees of the Company. The total reimbursed spend was converted to GBP where appropriate, before being multiplied by the UK governments advisory fuel rates (averaged for both petrol and diesel) to estimate the distance travelled. This was then multiplied by DEFRA emission factors to calculate the energy consumed and emissions produced.

The Company reports Scope 2 emissions 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.

In 2020, the Company was responsible for a total of 1.08GWh energy consumption (building energy and business travel in either employees owned, leased, or company cars). Of which 100% was consumed within the UK, and none is estimated, as actual data was available for all of 2020.

As shown in Table 3 below, the Company's combined Scope 1 + 2 + 3 GHG location-based emissions have reduced 30% between 2019 and 2020. The impacts of Covid-19 caused the majority of employees to work from home, which resulted in an anticipated reduction in electricity consumption of the Company's office facilities. However, it is acknowledged that employee's homeworking emissions, which are indirect (Scope 3) to the Company, will subsequently have increased to compensate for the reduced direct emissions. While quantifying employees home working emissions was considered, the conclusion was made that an accurate and meaningful figure could not be measured, owing to the operational complexity in assessing increases in energy usage for all BlackRock employees. Following a review of similar market participants, the Company confirms that its approach to employee emissions during the Covid-19 pandemic is in line with its peers. Following this trend, it is anticipated that direct emissions will remain at a lower level for the first half of 2021 as employees continue to work from home. However, as offices begin to reoccupy in the second half of the year, it is expected that GHG emissions will begin to increase back to the levels observed in 2019. These changing occupancy rates will disrupt the comparability of GHG emissions data over the coming reporting years, including both 2021 and 2022 at a minimum.

Although no energy efficiency actions have been taken directly by the Company during the reporting period, as a group, BlackRock operates a holistic program for utilities, energy efficiency and renewable energy. This combined approach ensures that the Company reduces energy demand through the implementation of efficiency projects, including consolidation of data centres (eliminating those which are least energy efficient), LED lighting upgrades, HVAC system adjustments, and green office design. This also enables the Company to increase its supply of renewable energy, in order to meet its 100% renewable energy commitment. This commitment was achieved in 2020 and is accomplished through a combination of local green utility programs and renewable energy certificates (RECs). RECs are sourced either in the nation where the electricity was used or as close as is practical.

Table 1. The Company's 2019 and 2020 UK GHG emissions

GHG emissions (tCO2e)	2020		2019		2019/2020 % Difference	
	market -based	location -based	market -based	location -based	market -based	location -based
Scope 1 - Fugitive emissions of refrigerant gases	9	9	9	9	0%	0%
Scope 1 - Business travel where fuel is purchased by the Company for use in company owned vehicles	-	-	-	-	0%	0%
Scope 1 - Stationary combustion of diesel in buildings	-	-	-	-	0%	0%
Scope 1 - Combustion of natural gas purchased by the Company	-	-	-	-	0%	0%
Scope 2 - Electricity purchased for own use	-	245	-	352	0%	(30%)
Scope 3 - Business travel where fuel is purchased by the Company for use in employee owned or leased vehicles	-	-	-	-	0%	0%
Scopes 1 + 2 + 3 - Mandatory carbon footprint disclosure	9	254	9	361	0%	(30%)
Scope 1 + 2 + 3 - Mandatory intensity ratio: emissions per total revenue (tCO2e/$100m)	0.25	6.88	0.23	9.26	9%	(26%)

Table 2. The Company's 2019 and 2020 UK energy and refrigerants use

Consumption source	Scope	2020 Consumption value	2020 Unit	2019 Consumption value	2019 Unit
Refrigerants	Scope 1	0.01	Tonnes	0.01	Tonnes
Fuel purchased for use in Company Owned Vehicles	Scope 1	-	kWh	-	kWh
Private Aviation (Jet Fuel)*	Scope 1	-	kWh	-	kWh
Stationary Combustion of Diesel	Scope 1	-	kWh	-	kWh
Natural Gas	Scope 1	-	kWh	-	kWh
Electricity	Scope 2	1,082,085	kWh	1,426,412	kWh
Fuel Purchased for use in Employee Owned or Leased Vehicles	Scope 3	-	kWh	-	kWh

*Although Jet Fuel is consumed within the UK equal to 268,685 kWh (67 tCO2e), this transport is owned and operated by a BlackRock US entity, and is therefore accounted for in the global reporting scope and is not directly attributable to the Company.

Table 3. The Company's 2019 and 2020 Global GHG emissions

GHG emissions (tCO2e)	2020 market-based	2020 location-based	2019 market-based	2019 location-based	2019/2020 % Difference market-based	2019/2020 % Difference location-based
Scope 1 - Fugitive emissions of refrigerant gases	9	9	9	9	0%	0%
Scope 1 - Business travel where fuel is purchased by the Company for use in company owned vehicles	-	-	-	-	0%	0%
Scope 1 - Stationary combustion of diesel in buildings	-	-	-	-	0%	0%
Scope 1 - Combustion of natural gas purchased by the Company	-	-	-	-	0%	0%
Scope 2 - Electricity purchased for own use	-	254	-	352	0%	(30%)
Scope 3 - Business travel where fuel is purchased by the Company for use in employee owned or leased vehicles	-	-	-	-	0%	0%
Scopes 1 + 2 + 3 - Mandatory carbon footprint disclosure	9	254	9	361	0%	(30%)
Scope 1 + 2 + 3 - Mandatory intensity ratio: emissions per total revenue (tCO2e/$100m)	0.25	6.88	0.23	9.26	9%	(26%)

Table 4. The Company's 2019 and 2020 global energy and refrigerants use

Consumption source	Scope	2020 Consumption value	2020 Unit	2019 Consumption value	2019 Unit
Refrigerants	Scope 1	0.01	Tonnes	0.01	Tonnes
Fuel purchased for use in Company Owned Vehicles	Scope 1	-	kWh	-	kWh
Private Aviation (Jet Fuel)*	Scope 1	-	kWh	-	kWh
Stationary Combustion of Diesel	Scope 1	-	kWh	-	kWh
Natural Gas	Scope 1	-	kWh	-	kWh
Electricity	Scope 2	1,082,085	kWh	1,426,412	kWh
Fuel Purchased for use in Employee Owned or Leased Vehicles	Scope 3	-	kWh	-	kWh

*Although Jet Fuel is consumed within the UK equal to 268,685 kWh (67 tCO_2e), this transport is owned and operated by a BlackRock US entity, and is therefore accounted for in the global reporting scope and is not directly attributable to the Company.

GHG emissions and energy consumption statement pursuant to the Companies (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 organisation's consumption of purchased electricity, heat, steam and cooling. These emissions occur as a consequence of an organisation's activities at sources which the organisation does not own or control.
Scope 3 emissions are indirect emissions not otherwise accounted for that occur as a consequence of an organisation's actions, from sources not owned or controlled by the organisation.
The revenue figure used for the intensity ratio has been rounded to the nearest thousand for reporting purposes. The 2019 intensity has been pro-rated from a 13-month to a 12-month period, to account for the change in the accounting period of the Company.

For full transparency, BlackRock's global Scope 1, 2, and 3 emissions can be found in its 2020 Carbon Disclosure Project submission: https://www.cdp.net/en/responses/1875.

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 2020 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 delegate 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 ("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, regional and industry trends, in Board meetings and informal briefing sessions; and 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 2020 include:

- approving Senior Manger appointments;
- reviewing the impact of Larry Fink's CEO letters on the strategy of the EMEA region;
- approving quarterly cash repatriation transactions and liquidity management within the BlackRock group;
- reviewing the Company's business continuity plan in relation to Covid-19;
- reviewing the Company's stewardship strategy outlining how BlackRock intends to engage with companies in which it is invested;
- reviewing the Company's business continuity plan in relation to the UK's exit from the European Union ("EU") and transferring all business conducted in the EU to BlackRock (Netherlands) B.V.;
- 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. 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, and of employee wellbeing during Covid-19 and the work-from-home environment through regular reports from the EMEA COO.

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 Management have regular interactions with the FCA, providing open and transparent information on a proactive and reactive basis at all levels of management. A comprehensive control framework exists across Risk, Compliance and Internal Audit functions in order to oversee the Company's business operations, 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 Management as required.

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 wellbeing - 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 wellbeing - and their overall wellbeing. 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; 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 though charitable contributions and empowering BlackRock'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. 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, and 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 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.

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 20 April 2021 and signed on its behalf by:

....
S Mullin Outhwaite
Director

BlackRock International Limited

Directors' Report for the Year Ended 31 December 2020

The Board presents its report together with the audited financial statements of BlackRock International Limited (registered number: SC160821) for the year ended 31 December 2020.

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

Dividends
Dividends of £69.0m were paid in the year ended 31 December 2020 (2019: £120.0m).

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

C Clausen

E de Freitas

E Fishwick

R Lord (resigned 15 April 2021)

S Mullin Outhwaite

C Thomson (resigned 11 December 2020)

M Young

The following director was appointed after the year end:

S Cohen (appointed 15 April 2021)

Officer:
BlackRock Company Secretarial Services (UK) Limited - Company Secretary

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

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

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

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

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

There are no going concern issues as a result of the Covid-19 outbreak and subsequent downturn in the global macroeconomic environment.

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 2020 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 auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Approved by the Board on 20 April 2021 and signed on its behalf by:

....
S Mullin Outhwaite
Director

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BlackRock International Limited:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes to financial statements 1 to 26.

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

Basis for opinion

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

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

Conclusions relating to going concern

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.

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

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.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
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, Corporation Tax Act 2010, UK Legislation on Transfer Pricing, and Value Added Tax Act 1994; 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 to avoid a material penalty. These include the Company's regulatory solvency requirements, requirements of the Financial Conduct Authority ("FCA"), the Financial Services and Markets Act 2000, regulatory licenses and stewardship, and environmental, social and governance ("ESG") regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, information technology ("IT"), valuations, regulatory compliance 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 potential for fraud risk in the following areas, and our specific procedures performed to address them are described below:

The Company's investment in BlackRock Life Limited
The Company's 100% subsidiary investment in BlackRock Life Limited ("BLL") has been impaired from 2018 to 2020 by a material amount, reducing the carrying value from £547m to £217m (a reduction of £330m).

The investment in BLL is accounted cost less provision for impairment. Management reviews the investment annually for indicators of impairment and, if events or circumstances indicate that the carrying amount of the investment may not be recoverable, a full impairment review is performed. Management recognises an impairment loss in the income statement at the value by which the carrying amount of BLL exceeds its recoverable amount. Management have determined the recoverable amount of BLL by measuring its fair value, being the present value of projected future cash flows, discounted using a pre-tax discount rate which reflects an assessment of the market cost of capital, and adjusted for excess non-operating assets.

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.

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

The company's investment in BlackRock Life Limited (continued)
We have performed the following procedures to address this fraud risk:

- evaluated the design and implementation of management's review control over impairment assessments of investments;
- involved our internal fair value specialists in assessing the appropriateness of the key assumptions used in the valuation model;
- obtained and reviewed management's impairment indicator review and assessed the appropriateness of the conclusions reached;
- assessed BLL's performance and financial position against prior year forecasts;
- reviewed management's appraisal of the recoverable amount of the investment in BLL;
- assessed key inputs and assumptions employed in the valuation, including growth forecasts, revenue forecasts, long term growth rates and present value discount rates to supporting business rationale and external market data, and evaluated all corroboratory and contradictory evidence obtained; and
- developed an independent expectation of the valuation using our own independent assumptions, inputs and market data.

Completeness, cut-off and accuracy of SMA investment advisory performance fees
The majority of calculations of SMA performance fees earned by the Company are performed manually, are 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 Net Asset Values.

Furthermore, SMA performance fee revenue is tracked manually on a separate log which is 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 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 management fee revenue, in order to meet market expectations in the current climate.

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

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

Completeness, cut-off and accuracy of SMA investment advisory performance fees (continued)
We have performed the following procedures to address this fraud risk:

- evaluated the design and implementation of controls;
- evaluate the design and implementation and operating effectiveness of internal controls over the completeness and accuracy of AUM data used in the calculation of performance fees;
- for a sample of recorded SMA performance fees, we have:

  o recalculated performance fee amounts using the terms in the relevant IMA;

  o validated AUM used in the performance fee computation against AUM data retrieved from Aladdin;

  o 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
- to test the completeness of performance fee revenue, randomly selected a sample of mandates from an appropriate independent population and determined if BlackRock was entitled to a performance fee, and if a performance fee accrual or invoice fee was recorded.

Completeness and accuracy of manually calculated SMA management fee revenue
Fee calculations for a number of SMA mandates are performed manually. This increases the risk of fraud and error. Additionally, there is a risk of error in the manual process of entering fee terms into billing systems (either for new contracts, for contract amendments, or for client terminations). There is also a risk that not all fees that should be accounted for are recorded in the general ledger.

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 management fee revenue, in order to meet market expectations in the current climate.

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

- evaluated the design and implementation and operating effectiveness of internal controls addressing (i) SMA client onboarding, (ii) amendments and terminations of SMA client terms on billing systems, and (iii) review of invoices;
- evaluated the design and implementation and operating effectiveness of internal controls over the completeness and accuracy of AUM data used in calculations;
- evaluated the design and implementation and operating effectiveness of general information technology controls around billing systems;
- for a sample of recorded manually calculated SMA management fees:

  o recalculated the management fee amount recorded, using the terms in the most recent signed IMA, and independently obtained AUM information from billing systems;

  o agreed management fee amounts invoiced to subsequent cash receipts; and
- to test the completeness of manually calculated SMA management fee revenue, randomly selected a sample of mandates from an appropriate independent population and checked if management fees had been appropriately recorded.

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

Completeness and accuracy of manually calculated separately managed account ('SMA') management fee revenue (continued)

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, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating 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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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.

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

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

21 April 2021

BlackRock International Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	4	36,978	39,005
Cost of sales		(14,025)	(15,280)
Gross profit		22,953	23,725
Administrative expenses		(20,079)	(20,539)
Operating profit	5	2,874	3,186
Interest receivable and similar income	9	581	2,051
Interest payable and similar charges	10	(562)	(632)
Amounts written off investments	14	(101,000)	(38,000)
Net (losses)/gains on derivative financial instruments		(222)	217
Dividends received		30,000	50,000
(Loss)/profit before tax		(68,329)	16,822
Tax on (loss)/profit on ordinary activities	11	25	(34)
(Loss)/profit for the year		(68,304)	16,788

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

The notes on pages 30 to 52 form an integral part of these financial statements.

BlackRock International Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
(Loss)/profit for the year	(68,304)	16,788
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation losses	-	(67)
Total comprehensive (loss)/income for the year	(68,304)	16,721

The notes on pages 30 to 52 form an integral part of these financial statements.

BlackRock International Limited

(Registration number: SC160821)
Balance Sheet as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Fixed assets			
Tangible fixed assets	12	5,527	6,419
Right-of-use assets	13	13,366	15,547
Investments	14	217,025	318,025
		235,918	339,991
Current assets			
Debtors: Amounts falling due after one year	16	-	69,000
Debtors: Amounts falling due within one year	17	120,304	93,707
		120,304	162,707
Creditors: Amounts falling due within one year	18	(14,406)	(21,107)
Net current assets		105,898	141,600
Total assets less current liabilities		341,816	481,591
Creditors: Amounts falling due after more than one year			
Long-term lease liabilities	19	(15,038)	(17,456)
Provisions	20	(2,771)	(2,824)
Net assets		324,007	461,311
Capital and reserves			
Called-up share capital	22	1,300	1,300
Share premium reserve		253,406	353,406
Capital contribution reserve		8,019	8,019
Profit and loss account		61,282	98,586
Shareholders' funds		324,007	461,311

Approved by the Board on 20 April 2021 and signed on its behalf by:

....
S Mullin Outhwaite
Director

The notes on pages 30 to 52 form an integral part of these financial statements.

BlackRock International Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share premium reserve £ 000	Capital contribution reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	1,300	353,406	8,019	98,586	461,311
Loss for the year	-	-	-	(68,304)	(68,304)
Share Premium conversion	-	(100,000)	-	100,000	-
Dividends	-	-	-	(69,000)	(69,000)
At 31 December 2020	1,300	253,406	8,019	61,282	324,007

During the year, there was a share premium conversion, £100.0m.

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.

The notes on pages 30 to 52 form an integral part of these financial statements.

BlackRock International Limited

Statement of Changes in Equity for the Year Ended 31 December 2020 (continued)

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

In March 2019, the Board transferred the business conducted in Ireland by the Company's branch to BlackRock Investment Management Dublin Limited. This resulted in a distribution of Net Assets of £1.3m. The foreign currency translation reserve, recognised due to the branch's functional currency being euro, was released to the profit and loss account as a result.

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.

The notes on pages 30 to 52 form an integral part of these financial statements.

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 20 April 2021.

2 Accounting policies

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

Basis of preparation
The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 ("FRS 100") as issued by the FRC. Accordingly, in the year ended 31 December 2020 the Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") issued by the FRC.

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

Summary of disclosure exemptions
As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, certain disclosures in respect of revenue from contracts with customers, certain disclosure requirements in respect of leases, presentation of a cash-flow statement, standards not yet effective, share-based payments and related party transactions.

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

Exemption from preparing group accounts
The financial statements contain information about BlackRock International Limited as an individual Company and do not contain consolidated financial information as the parent of a group.

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

2 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 15 along with principal risks and uncertainties.

In assessing the going concern status, the directors have taken into account the above factors, including the financial position of the Company and in particular the significant net-asset position, the significant cash resources, and the relative low risk of its outstanding debtors (in particular the significant amounts due from other group companies as at the balance sheet date). As such, the directors consider that the Company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next 12 months. This, together with its proven ability to generate cash from operations, provides the directors with the confidence that the Company is well placed to manage its business risks successfully.

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, 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 effective for the first time from 1 January 2020 have had a material effect on the financial statements.

Turnover

Recognition

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

2 Accounting policies (continued)

Fee arrangements

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

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

Foreign currency transactions and balances

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

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

2 Accounting policies (continued)

Tax

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

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

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

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

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

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

Tangible fixed assets

Property and equipment is stated in the balance sheet 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 or valuation of assets, less any estimated residual value, over their expected useful economic lives, using the straight-line method, as follows

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

2 Accounting policies (continued)

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

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

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

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

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

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

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.

Dividends payable are included in the financial statements in the period in which they are declared, being appropriately authorised and no longer at the discretion of the Company.

2 Accounting policies (continued)

Provisions

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

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

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

Leases

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 in 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.

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.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. The difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit and loss account.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit and loss account.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis, i.e. the date on which the Company commits to purchase or sell the financial assets and becomes party to the contractual provisions of the instrument.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with International Financial Reporting Standard ("IFRS") 15 'Revenue from Contracts with Customers' ("IFRS 15"), all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost;
- FVTPL; and
- fair value through other comprehensive income ("FVTOCI").

2 Accounting policies (continued)

The classification is determined by both:

- the Company's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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 profit and loss account are presented within interest receivable, interest payable or net gains or losses on derivative financial instruments.

Foreign exchange gains or losses arising on financial assets at amortised cost are presented in the profit and loss account 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 profit and loss account within net gains on derivative financial instruments.

Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial asset and collect its contractual cash flows: and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method and income is recognised on this basis. Discounting is omitted where the effect of discounting is immaterial.

The Company's trade debtors and loans from group companies fall into this category of financial instruments.

Financial assets at fair value through profit or loss
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. 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's derivative financial instruments fall into this category.

The Company may designate an amortised cost or FVTOCI financial asset at FVTPL, such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Assets in this category are measured at fair value with gains or losses recognised in the profit and loss account.

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"). ECLs are defined as the difference between the contractual cash flows that are due in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Impairment provisions for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed using the single loss-rate approach.

For other financial assets, the methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those 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 profit and loss account with a corresponding adjustment to the asset's carrying value through a provision account.

Classification and measurement of financial liabilities
Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

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 carried subsequently at fair value with gains or losses recognised in the profit and loss account.

The Company's financial liabilities at amortised cost are trade and other creditors. The Company's financial liabilities at FVTPL are derivative financial instruments. All interest-related charges are included in the profit and loss account within interest payable.

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
Derivative financial instruments are contracts, the values of which are derived from one or more underlying financial instruments or indices. The Company's derivative financial instruments are forwards and foreign exchange.

In certain circumstances, the Company uses derivative financial instruments to economically hedge its risk associated with foreign exchange movements. The Company does not designate its derivative instruments as formal hedging instruments and hedge accounting is not applied.

A derivative financial instrument is recognised in the balance sheet at fair value at the date a derivative contract is entered into and is subsequently re-measured to its fair value at each balance sheet date. The resulting gain or loss is recognised in the profit and loss account immediately. In the balance sheet, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

2 Accounting policies (continued)

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

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

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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

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 £211.0m and £226.0m.

4 Turnover

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

	2020 £ 000	2019 £ 000
Investment advisory and administration fees	25,425	25,832
Investment advisory performance fees	1,218	131
Other turnover	9,215	11,006
Transition management fees	1,120	2,036
	36,978	39,005

Turnover includes amounts from other group companies of £21,964,000 (2019: £21,887,000). The presentation of turnover has been further disaggregated in the current year and the comparative has been restated as a result.

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

	2020 £ 000	2019 £ 000
United Kingdom	36,978	38,822
Overseas	-	183
	36,978	39,005

5 Operating profit

Arrived at after charging/(crediting):

	2020 £ 000	2019 £ 000
Depreciation expense	1,015	1,029
Depreciation on right-of-use assets	1,689	1,791
Foreign exchange (gains)/losses	(19)	267

6 Staff costs

The aggregate payroll costs were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	16,084	15,572
Social security costs	2,264	2,418
Pension costs, defined contribution scheme	89	89
	18,437	18,079

6 Staff costs (continued)

During the year, 6 employees (2019: 6) were seconded to the Company from another group company. The cost of these employees is borne by the Company through a secondment recharge of £18,437,000 (2019: £17,975,000). In 2019, 2 employees were seconded to the Company's (former) Dublin branch from another group company. The secondment agreement for the branch ceased in March 2019. The secondment recharge in relation to the branch in 2019 was £104,000.

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Aggregate emoluments	510	564
Company contributions in respect of defined contribution pension schemes	2	4
	512	568

Of the 8 (2019: 10) directors that served during the period, no directors were remunerated by the Company (2019: no directors). The amounts included above relate to their service as directors of the Company based on an estimated time allocation basis except 4 (2019: 4) directors, who were paid an agreed fee.

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

	2020 No.	2019 No.
Received or were entitled to receive shares under service condition based schemes	4	6
Received or were entitled to receive shares under market performance based schemes	3	4
Accruing benefits under defined contribution pension scheme	3	6

During the year, no director (2019: no director) exercised BlackRock, Inc. share options.

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Aggregate emoluments	184	188
Company contributions in respect of defined contribution pension schemes	1	2
	185	190

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

8 Auditors remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	205	165
Other fees to auditors		
The auditing of accounts of any subsidiary of the Company	257	203

9 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest income on bank deposits	139	862
Interest income on loans with group companies	442	1,189
	581	2,051

The interest income on bank deposits relates to interest received on cash and a cash-pooling arrangement, see note 17.
Interest income on loans with group companies relates to interest receivable on loans due from group companies, see note 16.

10 Interest payable and similar charges

	2020 £ 000	2019 £ 000
Interest expense on leases	449	523
Other finance costs	113	109
	562	632

11 Income tax

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

	2020 £ 000	2019 £ 000
Current taxation		
Foreign tax	(9)	9
Foreign tax adjustment to prior periods	-	37
Total current income tax	(9)	46

11 Income tax (continued)

	2020 £ 000	2019 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	(21)	-
Arising from changes in tax rates and laws	6	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(1)	(12)
Total deferred taxation	(16)	(12)
Tax (receipt)/expense in the profit and loss account	(25)	34

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019: lower than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

The difference is reconciled below:

	2020 £ 000	2019 £ 000
(Loss)/profit before tax	(68,329)	16,822
Corporation tax at standard rate	(12,983)	3,196
(Decrease)/increase in current tax from adjustment for prior periods	(1)	37
Decrease from effect of revenues exempt from taxation	(5,700)	(9,454)
Increase/(decrease) from effect of expenses not deductible in determining taxable profit/(tax loss)	12	(5)
Decrease arising from group relief tax reconciliation	(540)	(956)
(Decrease)/increase from effect of foreign tax rates	(9)	10
Decrease arising from overseas tax expensed	-	(2)
Deferred tax credit from unrecognised temporary difference from a prior period	-	(12)
Increase from changes in tax provisions due to legislation	6	-
Other tax effects for reconciliation between accounting profit and tax expense	19,190	7,220
Total tax (credit)/charge	(25)	34

11 Income tax (continued)

A provision for impairment of the Company's investment in BlackRock Life Limited has been recognised in the year. Please refer to note 14 for details. The impairment is non-taxable from a UK perspective and the amount of £19,190,000 (2019: £7,220,000) is included above as "Other tax effects for reconciliation between account profit and tax expense".

In July 2020, the Finance Act 2020 was enacted to maintain the UK corporation tax rate at 19% from 1 April 2020, superseding the reduction of the UK corporation tax rate to 17% which was enacted under Finance Act 2016. As such, the tax balances of the Company have been recognised at a rate of 19%.

In prior years, the Company claimed group relief for nil payment from another group company. The group company surrendering this relief has an ongoing open matter with Her Majesty's Revenue and Customs. If this open matter is resolved in favour of the group company, then the Company's tax liability will decrease by approximately £1,287,000 (2019: £1,287,000).

Deferred tax liability

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in profit and loss £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	(52)	16	(36)

Deferred tax movement during the prior year:

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

12 Tangible assets

	Short-term leasehold property £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2020	9,972	2,603	12,575
Additions	93	180	273
Disposals	(150)	-	(150)
At 31 December 2020	9,915	2,783	12,698
Depreciation			
At 1 January 2020	4,017	2,139	6,156
Charge for the year	688	327	1,015
At 31 December 2020	4,705	2,466	7,171
Carrying amount			
At 31 December 2020	5,210	317	5,527
At 31 December 2019	5,955	464	6,419

13 Right-of-use assets

	Property £ 000
Cost	
At 1 January 2020	17,338
Adjustment	(492)
At 31 December 2020	16,846
Depreciation	
At 1 January 2020	1,791
Charge for the year	1,689
At 31 December 2020	3,480
Carrying amount	
At 31 December 2020	13,366
At 31 December 2019	15,547

See note 19 for further information on leases.

14 Investments

Subsidiaries	**£ 000**
Cost	
At 1 January 2020	512,025
At 31 December 2020	512,025
Provision	
At 1 January 2020	194,000
Charge in the year	101,000
As at 31 December 2020	295,000
Carrying amount	
At 31 December 2020	217,025
At 31 December 2019	318,025

In conducting the Company's impairment review it was found that the value of BLL was considered to be impaired by a value of £101.0m. 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 for impairment has been recognised in the year and is included within profit and loss. A value in use calculation was performed to determine the recoverable amount of the investment using a discount rate of 9.3% (2019: 8.8%).

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	**Principal activity**	**Registered office**	**Proportion of ownership interest and voting rights held 2020**	**2019**
BlackRock Life Limited*	Provider of investment management policies for occupational pension schemes for institutional and unit linked pension schemes	UK	100%	100%
BlackRock Pensions Limited ("BPL")*	Dormant	UK	100%	100%

* indicates a direct investment held by the Company

15 Interests in unconsolidated structured entities

The AUM of the Company as at 31 December 2020 was £7.8bn (2019: £8.0bn).

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

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

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

The fees received during the year to 31 December 2020, in relation to the above, were £36,978,000 (2019: £39,005,000). The carrying value on the balance sheet as at 31 December 2020 is £5,958,000 (2019: £4,311,000), as represented by trade debtors and accrued income.

Maximum exposure to loss

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

Financial support

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

Other information

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

16 Debtors: Amounts falling due after one year

In June 2020, all outstanding loans from group companies were repaid. In 2019, £69.0m of debtors greater than one year related to loans due from group companies which were repayable as follows:

Group Company	Description	Interest Rate	Maturity	2020 £ 000	2019 £ 000
BlackRock Group Limited	Tranche 1	6m LIBOR +1%	31 March 2022	-	28,000
BlackRock Group Limited	Tranche 2	6m LIBOR +1%	31 March 2022	-	24,000
BlackRock Group Limited	Tranche 3	6m LIBOR +1%	31 March 2021	-	17,000
				-	69,000

17 Debtors: Amounts falling due within one year

	31 December 2020 £ 000	31 December 2019 £ 000
Trade debtors	1,181	650
Amounts due from group companies	112,899	87,313
Accrued income	4,777	3,661
Prepayments	949	1,451
Other debtors	405	520
Corporation tax asset	93	112
	120,304	93,707

Cash management within the BlackRock group is governed by a cash pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by BlackRock Investment Management (UK) Limited ("BIM"). Any balances contributed by the Company are treated as an intercompany receivable from BIM. The balance due from BIM of £105,953,000 (2019: £68,511,000) in relation to this arrangement is included within amounts due from group companies.

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

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

18 Creditors: Amounts falling due within one year

	31 December 2020 £ 000	31 December 2019 £ 000
Accrued expenses	803	1,226
Amounts due to group companies	11,586	17,869
Lease liabilities	2,017	2,012
	14,406	21,107

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

19 Leases

	31 December 2020 £ 000	31 December 2019 £ 000
Short term lease liabilities	2,017	2,012
Long term lease liabilities	15,038	17,456
	17,055	19,468

The Company has a lease for an office building. The average lease term is 8 years (2019: 9 years). With the exception of short-term and low-value leases, each lease is reflected on the balance sheet as a right-of-use asset and an associated lease liability. Payments which are variable in nature and do not depend on an index or rate may include common area maintenance charges and are are expensed on the basis that they are not recognised as a lease liability.

For leases over office buildings, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease, see note 20.

Lease liabilities maturity analysis

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

	31 December 2020 £ 000	31 December 2019 £ 000
Less than one year	2,427	2,484
2 - 5 years	9,706	9,934
More than 5 years	6,655	9,296
Total lease liabilities (undiscounted)	18,788	21,714

Total cash outflow for leases for the year ended 31 December 2020 was £2,427,000 (2019: £2,484,000).

20 Provisions

	Deferred tax provisions £ 000	Property-related provisions £ 000	Total £ 000
At 1 January 2020	52	2,772	2,824
Decrease in existing provisions	(16)	-	(16)
Increase due to unwinding of discount	-	113	113
Decrease due to change in discount rate	-	(150)	(150)
At 31 December 2020	36	2,735	2,771

A dilapidation provision is recognised in respect of the Company's leased property at Exchange Place One, Edinburgh. 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.

21 Pension and other schemes

Defined contribution pension scheme

The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £89,000 (2019: £89,000).

22 Share capital

Allotted, called-up and fully paid shares

	No. 000	31 December 2020 £ 000	No. 000	31 December 2019 £ 000
Ordinary shares of £1 each	1,300	1,300	1,300	1,300

23 Dividends

	31 December 2020 £ 000	31 December 2019 £ 000
Dividend of £53.10 (2019: £92.31) per ordinary share	69,000	120,000

24 Contingent liabilities

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

25 Related party transactions

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

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

26 Parent and ultimate parent undertaking

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