

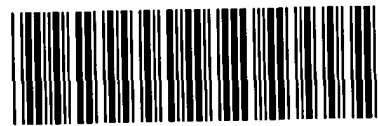
Registration number: 951043

# BlackRock Group Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

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## **BlackRock Group Limited**

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## **BlackRock Group Limited**

### **Strategic Report for the Year Ended 31 December 2018**

The directors present their Strategic Report for BlackRock Group Limited (the "company") for the year ended 31 December 2018.

#### ***The company's role in the global group***

The company is part of BlackRock, Inc. ("BlackRock"), a leading publicly traded investment management firm with \$5.976tn in assets under management ("AUM"), at 31 December 2018. With approximately 14,900 employees in more than 30 countries who serve clients in over 100 countries across the globe, BlackRock provides a broad range of investment, risk management and technology services to institutional and retail clients worldwide.

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 2019.

#### ***Corporate strategy***

Corporate strategy is developed and reviewed at a global and regional level. The company is the holding company for the European, Middle East and Africa ("EMEA") investment management companies. The Strategic Report will therefore focus on both global and regional industry trends and areas of strategic focus, while relating them to the services that the company provides.

#### ***Industry profile***

##### ***Global***

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the company 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, 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. We do not engage in proprietary trading activities that could conflict with the interests of our clients.

BlackRock serves a diverse mix of institutional and retail clients across the globe, with a regionally focused business model. Our footprints in the Americas, EMEA and Asia-Pacific regions reflect strong relationships with intermediaries and an established ability to deliver our 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, our structure facilitates strong teamwork globally across both functions and regions in order to enhance our ability to leverage best practices to serve our clients and continue to develop our talent.

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

## **BlackRock Group Limited**

### **Strategic Report for the Year Ended 31 December 2018 (continued)**

BlackRock's Retail strategy is focused on an outcome-oriented approach to creating client solutions, including alpha-seeking active, index and alternative products, enhanced distribution, portfolio construction and technology offerings. Digital wealth tools are an important component of BlackRock's retail strategy, as BlackRock scales and customizes model portfolios, extends Aladdin Wealth and digital wealth partnerships globally, and helps advisors build better portfolios through portfolio construction, powered by *Aladdin®*.

*iShares®* ETFs growth strategy is centred on increasing scale and pursuing global growth themes in client and product segments, including Core, Financial Instruments and Precision Exposures, and Fixed Income, Smart Beta and Sustainable ETFs. BlackRock believes *iShares®* growth will continue to be driven by structural tailwinds for the ETF industry, including the growth of fee-based wealth management, ETFs as alpha tools, all-to-all networked trading and client focus on value for money.

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

BlackRock continues to invest in technology services offerings, which enhance the ability to generate alpha, effectively serve clients and operate efficiently. BlackRock's technology portfolio includes *Aladdin®* and Aladdin Wealth, FutureAdvisor, Cachematrix and eFront as well as minority investments in Scalable Capital, iCapital, Acorns and Envestnet.

#### ***Areas of strategic focus***

Against the industry profile and key industry trends the company and its subsidiaries (the "Group"), as part of the global group, will seek to achieve its mission of creating a better financial future for its clients by differentiating BlackRock in the following ways:

- the Group's focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- the Group's diverse spectrum of investment strategies, including market-cap weighted index, smart beta and factor-based, high conviction alpha and liquid and illiquid alternative product offerings, which enhance its ability to tailor single and multi-asset investment solutions to address specific client needs;
- the Group'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, a focus on income and retirement, and barbell of risk using index and active products, including alternatives; and
- the Group's longstanding commitment to technology and risk management and the continued development of, and increased interest in, BlackRock technology products and solutions, including *Aladdin*, Cachematrix, eFront and FutureAdvisor, as well as Scalable Capital and iCapital, in which BlackRock has made minority investments.

#### ***Key performance indicators***

##### ***Profit after tax***

Profit after tax decreased by £9.3m from £490.9m in 2017 to £481.6m in 2018. The decrease in profit after tax is in line with the decrease in dividend income from £490.0m in 2017 to £480.0m in 2018.

##### ***Net assets***

The balance sheet as at 31 December 2018 shows net assets of £1,797.2m (2017: £2,415.6m), a decrease of 25.6%. This reflects dividends paid, partially offset by profit retained for the year.

## **BlackRock Group Limited**

### **Strategic Report for the Year Ended 31 December 2018 (continued)**

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

#### **Principal risks and uncertainties**

Principal risks and uncertainties are managed by BlackRock at a global and regional level.

As a leading investment management firm, risk is an inherent part of BlackRock's business. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring and managing risks, and invests in personnel and technology accordingly.

The company, through its role as the holding company of the Group, mainly derives its revenue from dividends received from investments in Group companies. As a result the company is indirectly exposed to the same risks and uncertainties as its operating subsidiaries.

The specific risks and uncertainties relevant to the Group may be categorised as follows:

#### ***Operational risk***

One of the major risks faced by the Group is operational risk, which is the risk of direct or indirect impacts resulting from inadequate or failed internal processes, people and systems, outsourced third party providers or from external events, this includes cyber risk. The Group 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 firm's fiduciary obligations to clients and mitigates the potential impacts of poor customer outcomes. The strong management of risk also ensures that disruptions to delivering client services are minimised.

The Group operates in a competitive and highly regulated environment and there are a number of factors which could increase the number and severity of operational risks faced by the Group. A detailed model approach, based on scenario analysis and statistical modelling, is used to assess the operational risk capital requirement. The Group seeks to manage operational risk by means of a variety of controls to prevent or mitigate the occurrence of operational risk events and losses. Escalation procedures are in place and operational risks are regularly monitored and reported to senior management, the Board and relevant internal oversight committees.

The Group also considers risk management when setting remuneration policies and practices to govern those staff whose professional activities could potentially have a material impact on the Group's risk profile. Whilst employees are compensated for strong performance in their management of client portfolios, they are required to manage risk within the risk profiles appropriate for their clients.

The list of Remuneration Code Staff is reviewed and agreed by the EMEA Compensation Committee, the Management Development and Compensation Committee, the EMEA Executive Committee and BlackRock, Inc. board of directors to ensure a culture of excellence, monitor the business and financial performance and protect the brand and reputation of the firm.

BlackRock considers information security to be of paramount importance and essential cornerstone of its operations, and has implemented security policies and controls that seek to ensure adequate protection against the adverse effects of failures in confidentiality, integrity and availability of information and information systems. The policies are reviewed and revised on an annual basis through a formal governance process, including approval across senior management, and there is a rolling programme of security awareness communication and training for all staff.

## **BlackRock Group Limited**

### **Strategic Report for the Year Ended 31 December 2018 (continued)**

#### ***Balance sheet risk***

Credit risk arises in relation to accounts receivable, surplus cash held in bank accounts or held on account with other BlackRock group companies as part of normal treasury operations, and other asset investments. The risk of default in relation to accounts receivable arising from fee income debtors is considered low. The company minimises exposure to credit risk with respect to accounts receivable by actively pursuing settlement of outstanding management fee invoices and performance fee invoices within the terms and conditions of the underlying agreement. The Group manages its cash through a cash-pooling arrangement between BlackRock group entities.

HSBC is the main cash management service provider. A concentration risk does exist in respect of the Group's main pan-European bank service provider, HSBC. BlackRock group companies maintain higher credit exposure on their cash with HSBC than with other banks because as HSBC is an AA- rated bank, the risk of default is considered negligible. The creditworthiness of HSBC is continuously monitored by both the Treasury and Risk and Qualitative Analysis departments.

Liquidity risk is the risk that the Group is unable to meet financial obligations as they fall due without adversely affecting its financial position, the normal course of its business or its reputation. The liquidity risk management framework ensures that the Group shall remain solvent in any reasonably foreseeable stress scenarios, factoring unlikely but plausible events. The governance framework and liquidity policy of the Group are designed to: identify, quantify and monitor the liquidity needs, risks and requirements; maintain liquidity resources in excess of liquidity requirements; and maintain an appropriate governance and controls framework for the measurement, monitoring, forecasting, stress testing, usage and allocation of corporate liquidity.

#### ***Market risk***

Market risk can be defined as the risk of loss resulting from fluctuations in the market value of positions and asset values attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness. Fluctuations in markets could cause the value of AUM to decline, which would result in lower investment advisory and administration fees.

As the Group does not undertake trading on its own account, market risk is the risk associated with failure to realise the full value of the firm's assets as a result of fluctuations in foreign exchange rates.

The Group is exposed to foreign exchange risk on all income, all expenditure and all transfer pricing (both income and expenditure) that arise in currencies other than sterling; or that arise in sterling, but are booked in legal entities where the functional currency is not sterling. The Group is also exposed to foreign exchange risk on the revaluation of any non-sterling net assets; or sterling net assets booked in legal entities where the functional currency is not sterling.

Foreign currency balances are monitored by the Treasury and Finance teams in line with the Group's tolerance for market risk in relation to foreign exchange. The Group uses derivative financial instruments to economically hedge its risk associated with foreign exchange movements.

## **BlackRock Group Limited**

### **Strategic Report for the Year Ended 31 December 2018 (continued)**

#### ***Geopolitical risk***

Since the Brexit vote in 2016, BlackRock has undertaken a thorough review of how the UK's exit from the European Union ("EU") will impact its business and operations in Europe. BlackRock's EMEA headquarters will remain in the UK and will continue to be a high priority in the region. BlackRock has an established cross-functional Brexit Steering Committee that is coordinating its response to Brexit, ensuring the Group can continue to meet its clients' needs post-Brexit.

As part of BlackRock's strategy to grow the business across Europe and continue to deepen its presence in local markets, BlackRock have applied for and received extended permissions for the existing Markets in Financial Instruments Directive ("MiFID") entity in the Netherlands. This has been put in place to ensure the Group can continue to meet clients' needs post-Brexit, should the UK leave the EU in March 2019 without transitional arrangements.

BlackRock has planned and continues to implement steps for a no-deal Brexit whilst retaining the flexibility to continue its existing strategy if a deal is reached through the transition period. The key revenue risks relate to the ability to provide cross-border services. Cooperation agreements between the FCA and EU National Competent Authorities will ensure that investment management services can continue even in a no-deal scenario.

The management companies for BlackRock funds have appointed BlackRock Investment Management (UK) Limited - a UK subsidiary of the company - to act as Principal Distributor for them. The Principal Distribution function includes the ability to contract with third parties to provide sub-distribution services for the funds. The appointment of Principal Distributor, and the signing of contracts with sub-distributors are not regulated activities, so can continue to be performed by a UK entity even in a no-deal scenario. To the extent that BlackRock is performing any regulated functions in its distribution activities, these will be performed by appropriately regulated BlackRock entities appointed for this purpose by the Principal Distributor.

The Board, having considered the impact of Brexit, does not believe there to be a material impact on the fair value or carrying amount of the assets and liabilities on its balance sheet.

#### ***Capital management***

The Group's objectives when managing capital are:

- to safeguard the Group'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.

The Group is subject to a minimum regulatory capital requirement imposed by the Financial Conduct Authority ("FCA"). In order to ensure compliance with this requirement throughout the year and to fund continued business expansion and development, a surplus was maintained throughout the year as deemed appropriate by the board of directors (the "Board").

The constituent companies within the Group take into account the amount of their distributable reserves and their cash flow position when making any decision to pay a dividend, thus ensuring that the Group is able to continue as a going concern and has a sufficient capital surplus to meet its regulatory requirement at all times during the year.

**BlackRock Group Limited**

**Strategic Report for the Year Ended 31 December 2018 (continued)**

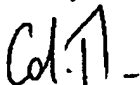
***Internal Capital Adequacy Assessment Process ("ICAAP")***

The Group's regulatory capital requirement is established by reference to the ICAAP undertaken by the company/Group, as reviewed by the FCA. The detailed analysis therein encompasses all subsidiaries and participations of BGL that are included within its prudential consolidation.

In addition, details of the Group'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 the Group's risk profile. This can be found at the following website address:

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

Approved by the Board on 28 June 2019 and signed on its behalf by:



.....  
C Thomson  
Director



## **BlackRock Group Limited**

### **Directors' Report for the Year Ended 31 December 2018**

The Board present their report together with the audited financial statements of BlackRock Group Limited (registered number: 951043) for the year ended 31 December 2018.

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.

#### **Principal activity**

The principal activity of the company is to act as the United Kingdom holding company of certain companies of the BlackRock group. The Group, through its operating subsidiaries, is engaged in the provision of investment management and advisory services.

The company also operates through a branch in Luxembourg.

The Group is regulated by the FCA.

#### **Dividends**

Dividends of £1,100m were paid in 2018 (2017: £100m).

#### **Directors and officers of the company**

The directors, who held office during the year, were as follows:

J Charrington - Chairman

R A Damm

E Fishwick

E de Freitas

P Olson (resigned 20 March 2019)

C Thomson

M Young

R Lord

S Mullin Outhwaite (appointed 27 March 2018)

C Clausen (appointed 5 September 2018)

#### **Officers:**

BlackRock Company Secretarial Services (UK) Limited - company secretary

## **BlackRock Group Limited**

### **Directors' Report for the Year Ended 31 December 2018 (continued)**

#### **Statement of directors' responsibilities**

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

#### **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 2018 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.

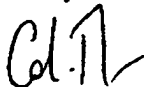
#### **Disclosure of information to the auditors**

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

#### **Reappointment of auditors**

The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 28 June 2019 and signed on its behalf by:



.....  
C Thomson  
Director

## **BlackRock Group Limited**

### **Independent Auditor's Report to the Members of BlackRock Group Limited**

#### **Opinion**

In our opinion the financial statements of BlackRock Group Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related Notes to the Financial Statements 1 to 21

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 (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

#### **Other information**

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

## **BlackRock Group Limited**

### **Independent Auditor's Report to the Members of BlackRock Group Limited (continued)**

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

## **BlackRock Group Limited**

### **Independent Auditor's Report to the Members of BlackRock Group Limited (continued)**

#### **Matters on which we are required to report by exception**

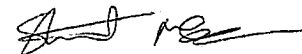
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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



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

28 June 2019

# BlackRock Group Limited

## Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Income from investments in group companies	10	480,000	490,000
Administrative expenses		<u>(711)</u>	<u>(128)</u>
Operating profit	4	479,289	489,872
Interest receivable and similar income	7	10,158	4,142
Interest payable and similar charges	8	(8,327)	(3,870)
Net gains on financial instruments held at fair value through profit or loss		4	11
Net gains on derivative financial instruments		<u>450</u>	<u>427</u>
Profit before tax		481,574	490,582
Tax on profit on ordinary activities	9	<u>3</u>	<u>305</u>
Profit for the year		<u>481,577</u>	<u>490,887</u>

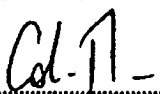
Income and operating profit derive wholly from continuing operations.

The company has no other comprehensive income for the year other than the results above.

**BlackRock Group Limited**  
**(Registration number: 951043)**  
**Balance Sheet as at 31 December 2018**

	Note	31 December 2018 £ 000	31 December 2017 £ 000
<b>Fixed assets</b>			
Investments	10	2,252,696	2,213,902
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	913,263	514,090
Other financial assets	11	95	125
Cash and cash equivalents	12	40,980	593,850
		<u>954,338</u>	<u>1,108,065</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(1,368,859)</u>	<u>(837,368)</u>
<b>Net current (liabilities)/assets</b>		<u>(414,521)</u>	<u>270,697</u>
<b>Total assets less current liabilities</b>		<b>1,838,175</b>	<b>2,484,599</b>
<b>Creditors: amounts falling due after more than one year</b>			
Loans and borrowings	15	(41,000)	(69,000)
Provisions for liabilities		-	(1)
<b>Net assets</b>		<u><b>1,797,175</b></u>	<u><b>2,415,598</b></u>
<b>Capital and reserves</b>			
Called up share capital	16	235,166	235,166
Share premium reserve		1,106,075	1,106,075
Capital redemption reserve		7,029	7,029
Profit and loss account		<u>448,905</u>	<u>1,067,328</u>
<b>Shareholders' funds</b>		<u><b>1,797,175</b></u>	<u><b>2,415,598</b></u>

Approved by the Board on 28 June 2019 and signed on its behalf by:

  
.....

**C Thomson**  
**Director**

# BlackRock Group Limited

## Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Share premium reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	235,166	1,106,075	7,029	1,067,328	2,415,598
Profit for the year	-	-	-	481,577	481,577
Dividends	-	-	-	(1,100,000)	(1,100,000)
At 31 December 2018	235,166	1,106,075	7,029	448,905	1,797,175
	Share capital £ 000	Share premium reserve £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	235,166	1,106,075	7,029	676,441	2,024,711
Profit for the year	-	-	-	490,887	490,887
Dividends	-	-	-	(100,000)	(100,000)
At 31 December 2017	235,166	1,106,075	7,029	1,067,328	2,415,598

The notes on pages 15 to 38 form an integral part of these financial statements.



## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018**

#### **1 General information**

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

The address of its registered office is:

12 Throgmorton Avenue  
London  
EC2N 2DL

These financial statements were authorised for issue by the Board on 28 June 2019.

#### **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 Financial Reporting Council ("FRC"). Accordingly, in the year ended 31 December 2017 the company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") issued by the FRC incorporating the Amendments to FRS 101 issued by the FRC up to July 2017.

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

##### **Summary of disclosure exemptions**

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain standards, presentation of a cash-flow statement, standards not yet effective, impairment of assets 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 20.

##### **Exemption from preparing group accounts**

The financial statements contain information about BlackRock Group 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 United States of America.

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 6, along with key risks facing the company.

In assessing the company's going concern status, the directors have taken into account the above factors, including the financial position of the company and in particular the significant net-asset position. The company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next twelve 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 despite the current uncertain economic outlook.

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

##### **Changes in accounting policy - adoption of new standards**

###### ***Adoption of IFRS 9 Financial Instruments***

In the current year the company has applied IFRS 9 (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for the classification and measurement of financial assets, for general hedge accounting and for impairment of financial assets. IFRS 9 supersedes the guidance contained in IAS 39 Financial Instruments: Recognition and Measurement. The company has applied IFRS 9 in accordance with the transitional provisions set out in IFRS 9 and has elected not to restate comparatives on initial application.

Based on an analysis of the company's financial assets and financial liabilities as at 1 January 2018 and on the facts and circumstances that existed at that date, the directors have assessed the impact of IFRS 9 to the company's financial statements as follows:

###### ***Classification and measurement:***

###### ***Financial assets***

IFRS 9 eliminates the previous IAS 39 asset categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9 all recognised financial assets are required to be subsequently measured at amortised cost or fair value (with changes in fair value reflected through the profit and loss or other comprehensive income).

Under IFRS 9, the classification of financial asset debt instruments depends on both the company's business model for managing the debt instruments and the contractual cash flow characteristics of the debt instruments. The business model assessment looks at whether a business will manage its financial assets to generate cash flows from collecting the contractual cash flows, selling the financial asset or both. The contractual cash flow test considers whether the cash flows an entity receives on the instrument are made up solely of payments of principal and interest ("SPPI") or not.

The impact of the new classification and measurement guidelines on the company's financial assets is as follows:

- Loans and receivables carried at amortised cost under IAS 39 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be measured at amortised cost.

The adoption of IFRS 9 has had no material impact on the classification and measurement of the company's financial assets.

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### ***Financial liabilities***

Under IFRS 9 financial liabilities are measured at amortised cost or fair value (with changes in fair value recognised in profit and loss or other comprehensive income). The adoption of IFRS 9 has had no material impact on the classification and measurement of the company's financial liabilities.

##### ***Impairment:***

The new impairment requirements are based on an expected credit loss ("ECL") model and replace the incurred loss model under IAS 39. The ECL model anticipates impairment losses by recognising them before they are realised. The impact of the new impairment requirements under IFRS 9 has not had a material impact on the financial statements.

##### ***Hedge accounting:***

The company does not apply hedge accounting. Accordingly, the application of the IFRS 9 hedge accounting requirements does not have a material impact on the company's financial statements.

##### ***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. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

##### ***Interest income***

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

##### ***Tax***

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

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

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

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 tax authority and the company intends to settle its current tax assets and liabilities on a net basis.

#### **Investments**

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

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

#### **Dividends**

Dividend income from investments is recognised when the shareholders' 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 approved by the directors.

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Impairment of non-financial assets**

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

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

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

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

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.

##### **Financial instruments**

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

##### **Recognition and measurement**

All regular way purchases or sales of financial assets or liabilities are recognised and derecognised on a trade date basis. Regular way purchases or sales are those that require delivery of assets within the time frame established by regulation or convention of market place.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss ("FVTPL") are recognised immediately in the profit and loss.

##### **Financial assets**

###### **Classification**

The company classifies and subsequently measures its financial assets into one of the categories discussed below depending on the nature and purpose of the financial assets acquired. This is determined at the time of initial recognition.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

By default, all other financial assets are subsequently measured at FVTPL.

Despite the above, the company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see below); and
- the company may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see below).

#### **Amortised cost and effective interest method**

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

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

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

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

#### **Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost are classified as FVTPL, specifically when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities, or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and accounting standards permit the entire combined contract (asset or liability) to be designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative that is not a financial guarantee contract or designated and effective as a hedging instrument.

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

The company's financial assets measured at FVTPL comprise other investments.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the profit and loss. The net gain or loss recognised in the profit and loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 18.

#### **Foreign exchange gains and losses**

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

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss and disclosed in note 4;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss and disclosed in note 4; and

#### **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.

As permitted by IFRS 9, 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.

Impairment provisions for other financial assets are recognised based on a forward looking expected credit loss model. 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 expected credit losses are recognised. For those where credit risk has increased significantly, lifetime expected credit losses are recognised.

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

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

#### **Derecognition of financial assets**

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risk and reward of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risk and reward of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset (measured at amortised cost) in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income statement. For financial assets at FVTOCI, the cumulative gain or loss that had previously been accumulated in revaluation reserve is reclassified to the income statement.

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risk and rewards of ownership and the company retains control), the company allocates the previous carrying amounts of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of transfer.

On derecognition of an investment in equity instrument which the company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### **Financial liabilities and equity instruments**

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

#### **Equity instruments**

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

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

#### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method or FVTPL.

#### **Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is either: a contingent consideration acquired in a business combination; held for trading; or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.



## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

The company's financial liabilities at FVTPL comprise contingent consideration.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on a change in fair value recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability and is included in the 'foreign exchange gains and losses'. Fair value is determined in the manner described in note 18.

#### **Other financial liabilities**

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### **Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss, note 4, for financial liabilities that are not part of a designated hedging relationship. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised only when the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

#### **Reclassification of financial assets and liabilities**

Financial assets are reclassified under IFRS 9 only when the company's business model for managing financial assets change. In this situation all affected financial assets should be reclassified according to the basic classification and measurement criteria of IFRS 9.

Financial liabilities cannot be reclassified under IFRS 9.

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **2 Accounting policies (continued)**

##### **Valuation techniques and assumptions applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices ("level 1");
- the fair values of other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments ("level 2");
- the fair values of financial assets and financial liabilities derived from valuation techniques that are not based on observable market data (unobservable market inputs) ("level 3").

##### **Derivatives and hedging**

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit and loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented within debtors or creditors as amounts falling due after one year, if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### **3 Critical accounting judgements**

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

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

##### **Key sources of estimation uncertainty**

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

##### **Impairment of non-financial assets**

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

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 4 Operating profit

Arrived at after charging/(crediting)

	2018	2017
	£000	£000
Foreign exchange losses	319	1,388
Fair value movement on contingent consideration	195	(1,332)
	<u>          </u>	<u>          </u>

#### 5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018	2017
	£ 000	£ 000
Aggregate emoluments	5,256	4,109
Company contributions in respect of defined contribution pension schemes	35	59
	<u>5,291</u>	<u>4,168</u>

Of the 10 (2017: 12) directors that served during the year, no directors were remunerated by the company (2017: no directors). The amounts included above relate to their service as directors of the company based on an estimated time allocation basis except 4 (2017: 6) directors, who were paid an agreed fee.

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

	2018	2017
	No.	No.
Received or were entitled to receive shares under service condition based schemes	9	8
Received or were entitled to receive shares under market performance based schemes	5	2
Accruing benefits under defined contribution pension scheme	<u>5</u>	<u>5</u>

During the year, no directors (2017: no directors) exercised BlackRock, Inc. share options.

In respect of the highest paid director:

	2018	2017
	£ 000	£ 000
Aggregate emoluments	1,507	1,031
Company contributions to defined contribution schemes	9	6
	<u>1,516</u>	<u>1,037</u>

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

# **BlackRock Group Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

### **6 Auditors' remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of the financial statements	<u>52</u>	<u>52</u>
Other fees to auditors		
The auditing of accounts of any associate of the company	<u>2,482</u>	<u>1,929</u>

### **7 Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest income on loan notes receivable from group undertakings	9,641	3,873
Other interest income	<u>517</u>	<u>269</u>
	<u>10,158</u>	<u>4,142</u>

### **8 Interest payable and similar charges**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Other finance costs	-	4
Interest on loan notes payable to group undertakings	5,065	2,615
Bank interest	<u>3,262</u>	<u>1,251</u>
	<u>8,327</u>	<u>3,870</u>

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 9 Income tax

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

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	-	(223)
Foreign tax adjustment to prior periods	(3)	(82)
<b>Total current income tax</b>	(3)	(305)
<b>Tax receipt in the profit and loss account</b>	(3)	(305)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017: lower than the standard rate of corporation tax in the UK) of 19% (2017: 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
<b>Profit before tax</b>	481,574	490,582
Corporation tax at standard rate	91,499	94,420
Increase (decrease) in current tax from adjustment for prior periods	(3)	(305)
Increase (decrease) from effect of revenues exempt from taxation	(91,200)	(94,605)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	41	(73)
Increase (decrease) arising from group relief tax reconciliation	(340)	258
<b>Total tax credit</b>	(3)	(305)

The Finance Act 2016 reduced the UK corporation tax rate to 17% with effect from 1 April 2020. Accordingly, as both the 19% and 17% rates were enacted as at the Balance Sheet date, these rates applied in the measurement of the deferred tax balances as at 31 December 2018 depending on when the temporary differences are expected to reverse.

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 9 Income tax (continued)

##### Deferred tax

##### Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
<b>2018</b>			
Other items	<u>1</u>	<u>(1)</u>	<u>-</u>
<b>2017</b>			
Other items	<u>1</u>	<u>(1)</u>	<u>-</u>

The Company incurred capital losses in prior years in the amount of £3,962,000 (2017: £3,960,000). No deferred tax asset is recognised in the balance sheet in respect of these losses as the Company does not consider it probable it will have sufficient capital income against which these losses may be offset.

#### 10 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2017	2,161,185
Additions	53,197
Disposals	<u>(480)</u>
At 31 December 2017	<u>2,213,902</u>
At 1 January 2018	2,213,902
Additions	<u>38,794</u>
At 31 December 2018	<u>2,252,696</u>

Details of the subsidiaries and related undertakings as at 31 December 2018 are as follows:

Name of subsidiary / related undertaking	Principal activity	Country of incorporation and address of registered office	Proportion of ownership interest and voting rights held	
			2018	2017
BlackRock Investment Management (UK) Limited	Provider of investment management services	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of subsidiary / related undertaking	Principal activity	Country of incorporation and address of registered office	Proportion of ownership interest and voting rights held	
			2018	2017
BlackRock Asset Management (UK) Limited	Finance company	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock (Netherlands) B.V.	Provider of investment management services	Rembrandt Tower, Amstelplein 1, 17th Floor, 1096 HA Amsterdam, Netherlands	100%	100%
BlackRock Fund Management Company S.A.*	Unit trust management	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
BlackRock Finance Europe Limited*	Finance company	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock Luxembourg Holdco S.a.r.l.*	Holding company	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
BlackRock Advisors (UK) Limited	Provider of investment management services	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock Asset Management Investor Services Limited	Provider of central group services	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock International Limited*	Provider of investment management services	Exchange Place One, 1 Semple Street, Edinburgh EH3 8BL, United Kingdom	100%	100%
BlackRock Fund Managers Limited	Provider of investment management services	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock Asset Management Deutschland AG	Provider of investment management services	Max-Joseph-Strasse 6, Munich, 80333, Germany	100%	100%
BlackRock (Luxembourg) S.A.	Provider of investment management services	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
BlackRock Investment Management Ireland Holdings Limited	Holding company	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, D04 YW83, Ireland	100%	100%

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of subsidiary / related undertaking	Principal activity	Country of incorporation and address of registered office	Proportion of ownership interest and voting rights held	
			2018	2017
BlackRock Investment Management (Dublin) Limited	Provider of central group services	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, D04 YW83, Ireland	100%	100%
BlackRock Asset Management Ireland Limited	Provider of investment management services	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, D04 YW83, Ireland	100%	100%
BlackRock Life Limited	Provider of investment management policies for unit linked pension schemes	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock Asset Management Schweiz AG	Sales and marketing	Claridenstrasse 25, POB 2118, CH-8022 Zürich, Switzerland	100%	100%
BlackRock UK Holdco Limited	Holding company	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock Property Lux S.a.r.l.*	Provider of administrative and advisory services	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
BlackRock Europe Development Management Limited*	Development management services	10 Diomidious, 3rd Floor, Office 401, Nicosia, 2024, Cyprus	100%	100%
BlackRock Property France SARL*	Provider of administrative and advisory services	16 Rue de quatre septembre, 75002 Paris	100%	100%
BlackRock Channel Islands Holdco Limited	Holding company	11-15 Seaton Place, St Helier, Jersey, JE4 0QH	100%	100%
BlackRock (Channel Islands) Limited	Provider of investment management and administrative services	11-15 Seaton Place, St Helier, Jersey, JE4 0QH	100%	100%
BlackRock Private Equity III GenPar LP	General Partner	Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda	100%	100%
BlackRock Growth Markets II SGP Limited	General Partner	Ugland House, George Town, Grand Cayman, KY1-1104, Cayman Islands	100%	100%



## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of subsidiary / related undertaking	Principal activity	Country of incorporation and address of registered office	Proportion of ownership interest and voting rights held	
			2018	2017
BlackRock Infrastructure II SGP Limited	General Partner	Ugland House, George Town, Grand Cayman, KY1-1104, Cayman Islands	100%	100%
BlackRock Private Equity V SGP Limited	General Partner	Ugland House, George Town, Grand Cayman, KY1-1104, Cayman Islands	100%	100%
Mercury Carry Company Limited*	Founder Partner	First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF	100%	100%
Grosvenor Ventures Limited	Investment company	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
Mercury Private Equity MUST 3 (Jersey) Limited*	Provider of investment management services as general partner	11-15 Seaton Place, St Helier, Jersey, JE4 0QH	100%	100%
Grosvenor Alternate Partner Limited	Provider of investment management services as general partner	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock First Partner Limited	General Partner	Regus - Suite 130, Liberation Station Esplanade, Jersey JE1 0BR	100%	100%
St. Albans House Nominees (Jersey) Ltd	Nominee of affiliated companies	Regus - Suite 130, Liberation Station Esplanade, Jersey JE1 0BR	100%	100%
BlackRock (Slovakia) s.r.o.*	Dormant entity	Karadžičova 8/a, Bratislava - mestská časť Ružinov 821 08, Slovakia	100%	100%
BlackRock Saudi Arabia*	Provider of investment management services	King Fahd Road, 18th floor, Faisaliah Towers, P.O.Box 54995, Riyadh 11524, Saudi Arabia	100%	0%
BlackRock Germany GmbH*	Dormant entity	Max-Joseph-Straße 6, 80333 / München, Germany	100%	100%
BlackRock Hungary Kft.*	Provider of investment management and administrative services	1054 Budapest, Kálmán Imre utca 1, Hungary	100%	100%

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

Name of subsidiary / related undertaking	Principal activity	Country of incorporation and address of registered office	Proportion of ownership interest and voting rights held	
			2018	2017
BlackRock France SAS*	Provider of investment management services	Le Centuriale, 16-18, rue du Quatre Septembre, 75002 Paris, France	100%	0%
BlackRock Pensions Limited	Dormant entity	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%
BlackRock Luxembourg GP S.a.r.l.	General Partner	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
GID Program General Partner S.a.r.l.	General Partner	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
BlackRock GP Lux S.a.r.l.	General Partner	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
EMMPD Fund I GP S.a.r.l.	General Partner	47, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
Global Infrastructure Solutions 3 Multi-Manager GP S.a.r.l.	General Partner	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
Middle Market Senior Fund GP S.a.r.l.	General Partner	35A, Avenue JF Kennedy, L-1855, Luxembourg	100%	100%
BlackRock Company Secretarial Services (UK) Limited*	Company secretarial services	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%

\* indicates direct investment of the company

During the year a capital contribution of £30.0m was made to BlackRock Asset Management Investor Services Limited.

During the year BlackRock Alternative Fund Managers Limited, a direct investment of the company, was disposed of.

During the year BlackRock Holdings (Schweiz) AG, an indirect investment of the company, was disposed of.

During the year dividends of £150.0m (2017: £180.0m) were received from BlackRock Investment Management (UK) Limited, dividends of £150.0m (2017: £310.0m) were received from BlackRock Advisors (UK) Limited and dividends of £180.0m (2017: nil) were received from BlackRock Finance Europe Limited.

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 10 Investments (continued)

##### Associates

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
Scalable Capital GmbH*	Digital investment company	Prinzregentenstraße 48, 80538 München, Germany	34.18% / 37.14%	34.18% / 37.14%

\*Indicates indirect investment of the company

All of the above direct investment subsidiaries and associates are recorded at cost or following the adoption of FRS 101 deemed cost. No impairment has been recognised against any subsidiary or associate.

#### 11 Other financial assets

	31 December 2018 £ 000	31 December 2017 £ 000
<b>Current financial assets</b>		
Financial assets at fair value through profit and loss	<u>95</u>	<u>125</u>

#### 12 Cash and cash equivalents

	31 December 2018 £ 000	31 December 2017 £ 000
Cash at bank	5,640	12,358
Short-term deposits	<u>35,340</u>	<u>581,492</u>
	<u>40,980</u>	<u>593,850</u>

Cash management within the BlackRock group is governed by a cash-pooling arrangement. Surplus cash from certain Group companies is swept into highly rated, HSBC accounts held by BlackRock Investment Management (UK) Limited ("BIM"). The balance payable to BIM of £877,922,000 (2017: £539,153,000) in relation to this arrangement is included within note 14 - amounts due to group companies.

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 13 Debtors: amounts falling due within one year

	31 December 2018 £ 000	31 December 2017 £ 000
Amounts due from group companies	3,248	4,034
Loans due from group companies	910,000	510,000
Other debtors	14	55
Deferred tax asset	1	1
	<u>913,263</u>	<u>514,090</u>

Amounts due from group companies are unsecured and, excluding the loan notes, interest free and repayable on demand.

#### 14 Creditors: amounts falling due within one year

	31 December 2018 £ 000	31 December 2017 £ 000
Amounts due to group companies	887,920	541,968
Loans due to group undertakings	474,959	273,459
Contingent consideration	1,754	1,247
Other creditors	187	67
Corporation tax liability	4,039	20,627
	<u>1,368,859</u>	<u>837,368</u>

All amounts due to group companies are unsecured and, excluding the loan notes shown in the table in note 16, interest free and repayable on demand.

Contingent consideration represents a 5 year Fundraising Earn-out. As part of the MGPA sale and purchase agreement, as well as cash consideration there is a 5 year Fundraising Earn-out which was payable in cash at the end of year 5 (2018), based on cumulative capital raised. The final balance was cleared in January 2019.

The fair value of contingent consideration is disclosed in note 18.

#### 15 Loans and borrowings

	31 December 2018 £ 000	31 December 2017 £ 000
Loans due to group undertakings	<u>41,000</u>	<u>69,000</u>

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 15 Loans and borrowings (continued)

The company is a designated borrower on a \$4bn five year revolving syndicated bank facility. The company has a sublimit of \$1.5bn on the facility and a reserved capacity of \$800m. This facility is extended annually subject to market conditions. In March 2018, the facility was extended to March 2023 and the reserved capacity to the company increased from \$600m to \$800m.

The company is also a designated borrower on a \$800m five year revolving credit agreement from BlackRock Financial Management, Inc. This facility is also extended annually. In March 2018, the facility was increased from \$600m to \$800m and extended to March 2023.

The company has not drawn down any of the funds under the above facilities.

The breakdown of the loan notes due, both within one year and after more than one year, are as follows:

Group Company	Interest Rate	Maturity	2018 £ 000	2017 £ 000
BlackRock Investment Management Ireland Holdings Limited	0.82%	22 June 2018	-	116,112
BlackRock Luxembourg Holdco S.a.r.l.	0.82%	22 June 2018	-	157,347
BlackRock UK Holdco Limited	1.17%	19 April 2019	180,000	-
BlackRock UK Holdco Limited	1.17%	22 June 2019	109,612	-
BlackRock UK Holdco Limited	1.17%	22 June 2019	157,347	-
BlackRock International Limited	1.71%	24 September 2019	28,000	28,000
BlackRock International Limited	1.73%	24 September 2020	24,000	24,000
BlackRock International Limited	1.75%	31 March 2021	17,000	17,000
			<u>515,959</u>	<u>342,459</u>

## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 16 Share capital

##### Authorised, called up and fully paid shares

	No. 000	2018 £ 000	No. 000	2017 £ 000
Class A Ordinary shares of £0.05 each	2,351,664	117,583	2,351,664	117,583
Class B Ordinary shares of £0.00 each	44,681,615	117,583	44,681,615	117,583
	<u>47,033,279</u>	<u>235,166</u>	<u>47,033,279</u>	<u>235,166</u>

#### 17 Dividends

	31 December 2018 £ 000	31 December 2017 £ 000
Interim dividend of £0.0234 (2017 - £0.0021) per ordinary share	<u>1,100,000</u>	<u>100,000</u>

#### 18 Financial instruments

##### Financial assets

##### *Derivative financial assets at fair value through profit or loss held for trading*

	2018 £ 000	2017 £ 000
Derivatives held for trading - foreign exchange forward contracts	<u>3</u>	<u>44</u>

At the balance sheet date foreign exchange forward contracts were in place to hedge the transactional foreign exchange exposure of the entity. These forwards have a tenor of less than one month.

	2018 £ 000	2017 £ 000
Assets designated as fair value through the profit and loss - other investments	<u>95</u>	<u>125</u>

##### *Changes in value of financial instruments at fair value*

Profit for the year has been arrived at after crediting

Assets designated as fair value through the profit and loss	<u>4</u>	<u>11</u>
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## BlackRock Group Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 18 Financial Instruments (continued)

##### *Other financial liabilities*

	2018	2017
	£000	£000
Contingent consideration		
Opening balance	1,247	2,710
Unwind of discount	177	215
Revision in estimate	195	(1,544)
Foreign exchange movements	135	(134)
Closing balance	1,754	1,247

The fair value of other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Significant assumptions used in determining fair value of financial liabilities:

##### **Contingent consideration**

The fair value of the contingent consideration reflects the net present value of the forecast payments to MGPA under the terms of the sale and purchase agreement. The forecast payments are based on projected annual relevant revenue, the calculation of which factors in estimated growth rates of the funds on which the revenue is generated.

Fair value adjustments to the contingent consideration are recognised in profit and loss.

#### 19 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 5. 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.

#### 20 Parent and ultimate parent undertaking

The company's immediate holding company is BlackRock Cayman West Bay IV Limited and the ultimate parent company and controlling party is BlackRock, Inc. a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements are available upon request from the Investor Relations website at [www.blackrock.com](http://www.blackrock.com) or requests may be addressed to Investor Relations at 55 East 52nd Street, New York, NY 10055, USA or by email at [invrel@blackrock.com](mailto:invrel@blackrock.com).

## **BlackRock Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

#### **21 Post balance sheet events**

In March 2019 the company received a distribution of £164m from BlackRock Finance Europe Limited.

In March 2019 the company made a distribution of £380m to BlackRock Finco UK Limited. On the same date, the company made a distribution of £20m to BlackRock Cayman West Bay IV Limited.

In March 2019 the £180m loan from BlackRock UK Holdco Limited was extended with a new maturity date of 30 November 2020.

In March 2019 the remaining two loans from BlackRock UK Holdco Limited were extended with a new maturity date of 30 November 2020.

In March 2019 the £28m loan from BlackRock International Limited was extended with new maturity date of 24 September 2020.

In April 2019 the loan to BlackRock Finco UK Limited of £400m was extended with a new maturity date of 31 March 2020.

In April 2019 the loan to BlackRock Finco UK Limited of £510m was extended with a new maturity date of 31 March 2020.

In March 2019 the facilities as described in note 15 were extended to March 2024.

In June 2019 the company received a loan of £200m from BlackRock UK Holdco Limited.

In June 2019 the company received a distribution of £200m from BlackRock Finance Europe Limited.

In June 2019 the company made a distribution of £190m to BlackRock Finco UK Limited. On the same date, the company made a distribution of £10m to BlackRock Cayman West Bay IV Limited.