Registration number: 01102517

BlackRock Fund Managers Limited

Annual Report and Financial Statements

for the Period from 1 December 2018 to 31 December 2019

BlackRock Fund Managers Limited

Contents

BlackRock Fund Managers Limited

Strategic Report for the Period from 1 December 2018 to 31 December 2019

The directors present their Strategic Report for BlackRock Fund Managers Limited (the "company") for the period from 1 December 2018 to 31 December 2019.

The principal activity of the company is the provision of investment management, advisory and administrative services. Specifically the company manages open-ended and closed-ended investment companies, unit trusts, investment trusts and limited partnerships for which it receives investment management and advisory fees in addition to performance fees.

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

There have not been any significant changes in the company's principal activities in the period under review and the directors propose that the principal activities will continue during 2020.

Corporate strategy
Corporate strategy is developed and reviewed at a global and regional level. The company provides investment management, advisory and administrative services to clients in support of the corporate strategy. This Strategic Report will therefore focus on both global and regional industry trends and areas of strategic focus, while relating them to the services that the company provides.

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

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

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

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

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

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

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

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

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

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

- BlackRock's focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- BlackRock's global reach and commitment to best practices around the world, with approximately 50% of employees outside the United States serving clients locally and supporting local investment capabilities. Approximately 40% of total AUM is managed for clients domiciled outside the United States;
- BlackRock's breadth of investment strategies, including market-cap weighted index, factors, active, high conviction alpha and illiquid alternative product offerings, which enhance its ability to tailor single and multi-asset investment solutions to address specific client needs;
- BlackRock's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the secular shift to index investing and ETFs, a focus on income and retirement, and barbelling using index, active and illiquid alternatives products; and

- BlackRock's longstanding commitment to innovation, technology services and the continued development of, and increased interest in, BlackRock technology products and solutions, including Aladdin®, Aladdin Wealth, Cachematrix and FutureAdvisor. This commitment is further extended by minority investments in distribution technologies including Scalable Capital, iCapital, Acorns and Envestnet.

Business Review

The nature of the company's business and the factors determining the level of regulatory capital have not changed significantly during 2019.

The Company continues to see steady growth in AUM, through both strong market performance in the period and inflows into a number of products, particularly Authorised Contractual Schemes ("ACS") and index funds. This has been partially offset by management responsibilities for a number of alternatives funds transferring to another entity within the BlackRock EMEA group.

Key performance indicators

Assets under management

AUM has increased to £117.8bn as at 31 December 2019 from £99.8bn at 30 November 2018 due to the reasons outlined above.

Turnover

Total turnover, which largely consists of investment management and advisory fee income, performance fee income and other income, has increased by 20.9% to £468.3m in the period ended December 2019 (2018: £387.5m). Performance fees have increased by 19% following outperformance on the European Hedge Fund range.

Cost of sales

Cost of sales is comprised of investment management, retrocessions and administration services charges from other group companies and custody fees.

Administrative expenses

Administrative expenses primarily comprise filing and licensing fees (2019: £4m, 2018: £1.4m) and foreign exchange losses (2018: £2.6m, 2019: £1.8m). This increase in administrative expenses is driven by amounts paid to the Financial Services Compensation Scheme ("FSCS").

Profit after tax

Profit after tax increased by 21.6% from £21.8m in 2018 to £26.5m in 2019. The increase in profit is driven mainly by corporation tax credits received in the period.

Net assets

Net assets increased from £83.7m in 2018 to £90.2m in 2019 as a result of profits made in 2019. There was a dividend payment of £20m made in 2019.

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 ("SEC"). 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
The board is responsible for the company's system of risk management and internal control and for reviewing its effectiveness.

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

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

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

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

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

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

Risk mitigation: The company's objectives when managing capital are:

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

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

The company is subject to a minimum regulatory capital requirement imposed by the FCA. In order to ensure compliance with this requirement throughout the period and to fund continued business expansion and development, a surplus was maintained throughout the year.

The company ensures that it is able to continue as a going concern and has a sufficient capital surplus to meet the regulatory requirement at all times during the period. The amount of its distributable reserves and its cash flow position are considered when making any decision to pay a dividend.

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

the UK Exit from the EU; and
EU market access due to increased regulation on third country fund marketing passports and the continuation of national private placement regimes for AIFM clients.

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

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

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

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

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

On 31 January 2020, the UK formally left the EU and entered a transition period, during which the UK's arrangements with the EU will remain unchanged until 31 December 2020. There is currently uncertainty as to what type of deal will be negotiated between the UK and the EU from 1 January 2021 onwards, and it remains unclear as to whether an equivalent regulatory agreement will be reached during the transition period.

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

Cooperation agreements between the FCA and EU National Competent Authorities will ensure that investment management services can continue.

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

BlackRock has planned, and continues to implement, steps to continue its existing strategy if an equivalent regulatory agreement is reached during the transition period. Having closely monitored developments over the past twelve months, which included several potential dates for Brexit moving at short notice, the Board is confident that the company will be able to appropriately implement its plans in the case of a "no deal" position at short notice.

After the transition period has ended, BlackRock's EMEA headquarters will remain in London, and the UK will continue to be a high priority country for BlackRock in the EMEA region.

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

The management companies for BlackRock funds have appointed BlackRock Investment Management (UK) Limited 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.

Impact on the company's financial statements

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Approved by the Board on 19 March 2020 and signed on its behalf by:

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R A R Hayes
Director

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G D Bamping
Director

BlackRock Fund Managers Limited

Directors' Report for the Period from 1 December 2018 to 31 December 2019

The Board presents its report together with the audited financial statements of BlackRock Fund Managers Limited (registered number: 01102517) for the period from 1 December 2018 to 31 December 2019.

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

Dividends
A dividend of £20m was paid in 2019 (2018: Nil).

Directors and officers of the company
The directors, who held office during the period and up to the date of this report, were as follows:

G D Bamping - Chairman

M B Cook

W I Cullen

R A Damm (resigned 31 December 2018)

C L Ditchburn (resigned 17 May 2019)

R A R Hayes

A M Lawrence

H N Mepham (appointed 26 November 2019)

M T Zemek

The following director was reappointed after the period end:

L Watkins (resigned 1 March 2019 and reappointed 7 February 2020)

Officers:
BlackRock Company Secretarial Services (UK) Limited

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 period. 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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, being 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Change in accounting reference date

The company changed its Accounting Reference Date ("ARD") during the period from 30 November to 31 December, effective for the period ended 31 December 2019. Its 2019 financial statements have therefore been prepared for the 13 month period ended 31 December 2019. The company's ARD change related to certain organisational entity restructuring in the prior period in respect of BlackRock's European operations.

As a result of the ARD change, the comparatives in these financial statements represent a period of 11 months as opposed to the current period of 13 months and therefore the amounts presented for each period are not directly comparable.

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 period ended 31 December 2019 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Supplier engagement

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

Disclosure of information to the auditor

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

Reappointment of auditors

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

Approved by the Board on 19 March 2020 and signed on its behalf by:

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R A R Hayes
Director

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G D Bamping
Director

Independent Auditor's Report to the Members of BlackRock Fund Managers Limited

Opinion

In our opinion the financial statements:

• give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;

• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and

• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BlackRock Fund Managers Limited which comprise:

• the profit and loss account;

• the balance sheet;

• the statement of changes in equity;

• the accounting policies; and

• the related notes to financial statements 1 to 18.

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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

Independent Auditor's Report to the Members of BlackRock Fund Managers 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 this regard.

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 period 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.

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 9, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Edinburgh
United Kingdom

19 March 2020

BlackRock Fund Managers Limited

Profit and Loss Account for the Period from 1 December 2018 to 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	468,290	387,453
Cost of sales		(436,832)	(358,838)
Gross profit		31,458	28,615
Administrative expenses		(7,088)	(4,915)
Operating profit	5	24,370	23,700
Interest receivable and similar income	8	95	23
Net gains on derivative financial instruments		2,173	3,206
Profit before tax		26,638	26,929
Tax on profit on ordinary activities	9	(101)	(5,117)
Profit for the period		26,537	21,812

As a result of the ARD change, the comparatives represent a period of 11 months as opposed to the current period of 13 months and therefore the amounts are not directly comparable.

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

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

The notes on pages 18 to 33 form an integral part of these financial statements.

BlackRock Fund Managers Limited

(Registration number: 01102517)
Balance Sheet as at 31 December 2019

	Note	31 December 2019 £ 000	30 November 2018 £ 000
Current assets			
Debtors: amounts falling due within one year	11	442,358	643,785
Cash and cash equivalents		162,189	69,693
		604,547	713,478
Creditors: amounts falling due within one year	12	(514,319)	(629,787)
Net current assets		90,228	83,691
Net assets		90,228	83,691
Capital and reserves			
Called up share capital	13	18,100	18,100
Profit and loss account		72,128	65,591
Shareholder's funds		90,228	83,691

Approved by the Board on 19 March 2020 and signed on its behalf by:

....
R A R Hayes
Director

....
G D Bamping
Director

The notes on pages 18 to 33 form an integral part of these financial statements.

BlackRock Fund Managers Limited

Statement of Changes in Equity for the Period from 1 December 2018 to 31 December 2019

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 December 2018	18,100	65,591	83,691
Profit for the period	-	26,537	26,537
Dividends	-	(20,000)	(20,000)
At 31 December 2019	18,100	72,128	90,228

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	18,100	43,779	61,879
Profit for the period	-	21,812	21,812
At 30 November 2018	18,100	65,591	83,691

The notes on pages 18 to 33 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated and domiciled in 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 19 March 2020.

2 Accounting policies

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

Basis of preparation
The company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100") as issued by the FRC. Accordingly, in the period ended 31 December 2019 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 in July 2015 and December 2016.

The financial statements have been prepared on the historical cost basis, modified for revaluation of certain items. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The company changed its ARD during the period from 30 November to 31 December, effective for the period ended 31 December 2019. Its 2019 financial statements have therefore been prepared for the 13 month period ended 31 December 2019. The company's ARD change related to certain organisational entity restructuring in respect of BlackRock's European operations.

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, goodwill reconciliation, share-based payments and related party transactions.

Where required, equivalent disclosures are given in the group accounts of BlackRock, Inc. These accounts are available to the public and can be obtained as set out in note 18.

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 principal risks and uncertainties 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 cash and 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.

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

None of the standards, interpretations and amendments effective for the first time from 1 December 2018 have had a material effect on the financial statements.

Turnover

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

2 Accounting policies (continued)

Fee arrangements

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

- Investment advisory and administration fees: The fees are recognised as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, AUM or committed capital. These fees are affected by changes in net asset value, AUM or committed capital, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers. Fees are generally invoiced monthly in arrears.

- Distribution fees: The company accounts for fund distribution services and shareholder servicing as distinct services, separate from fund management services, because customers can benefit from each of the services on their own and because the services are separately identifiable (that is, the nature of the promised services is to transfer each service individually). The company records sales commissions as distribution fee turnover for serving as the principal underwriter and/or distributor for certain mutual funds that it manages. Distribution fees are generally based on net asset values and are recognised when the services are performed and the amount is known. Consequently, a portion of the distribution fees the company recognised may be related to the services performed in prior periods that met the recognition criteria in the current period. The company recognises ongoing shareholder servicing fee turnover when and as shareholder services are performed over time. The company contracts with third parties for various fund distribution services and shareholder servicing of certain funds to be performed on its behalf. These arrangements are generally priced as a portion of the fee paid to the company by the fund or as an agreed-upon percentage of net asset value. The company presents its distribution fees and distribution and servicing costs incurred on a gross basis as it is deemed to be the principal in such transactions.

  The company performs unit trading activity (i.e. the service of issuing, redeeming, creating and cancelling units) as an intermediary between investors and certain funds for which it is the appointed management company. The company's unit trading activity does not constitute a distinct service and is therefore considered a component of the company's fund advisory services. In general, the associated receipts and outflows do not pertain to consideration the company is entitled to or costs it is obliged to incur, and are therefore presented on a net basis. Only amounts related to contractual retained initial charges are recognised as distribution fees, and presented within turnover.

- Investment advisory performance fees: The company receives performance fees from certain actively managed investment funds. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include quarterly, annual or longer measurement periods. A portion of the fees the company recognises may be partially related to the services performed in prior periods that meet the recognition criteria in the current period. Performance fees are recognised when it is highly probable that a significant reversal will not occur (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Significant judgement is involved in making such determination. At each reporting date, the company considers various factors in estimating performance fees to be recognised. These factors include, but are not limited to, whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the company's influence; and (2) the fees have a large number and a broad range of possible amounts.

2 Accounting policies (continued)

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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.

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.

Dividends
Dividends payable are included in the financial statements in the period in which they are approved by the directors.

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

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

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

Contingent liabilities
In conjunction with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, contingent liabilities are disclosed in the financial statements where a possibility of an economic outflow of resources exists. Where that possibility is deemed remote, no disclosure is made.

2 Accounting policies (continued)

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, excluding prepayments, provisions and tax liabilities.

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

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

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

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

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

Financial assets are classified into one of the following three categories:
• financial assets at amortised cost;
• financial assets at FVTOCI; or
• financial assets at FVTPL.

Financial liabilities are classified into one of the following two categories:
• financial liabilities at amortised cost; or
• financial liabilities at FVTPL.

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

2 Accounting policies (continued)

Financial assets at amortised cost

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

• the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

• the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Financial liabilities at amortised cost

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

Financial liabilities at FVTPL

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

Derecognition

Financial assets

The company derecognises a financial asset when:

• the contractual rights to the cash flows from the financial asset expire;

• it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or

• the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

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

2 Accounting policies (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:
• for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in the profit and loss account and disclosed in note 5.

Impairment of financial assets

Measurement of Expected Credit Losses

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

• Trade debtors

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

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

Reclassification of financial assets and liabilities
Financial assets are reclassified under IFRS 9 'Financial Instruments' 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.

2 Accounting policies (continued)

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

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.

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

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

Accounting estimates and assumptions

Provisions for impairment
In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities
Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

3 Critical accounting judgements and key sources of estimation uncertainty

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

These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The directors do not consider that any critical accounting estimates or judgements, over and above those disclosed in the accounting policies in note 2, have been made in the current or prior periods.

4 Turnover

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

	2019 £ 000	2018 £ 000
Investment advisory and administration fees	349,441	287,414
Investment advisory performance fees	118,849	100,039
	468,290	387,453

As a result of the ARD change, the comparatives represent a period of 11 months as opposed to the current period of 13 months and therefore the amounts are not directly comparable.

5 Operating profit

Arrived at after charging:

	2019 £ 000	2018 £ 000
Foreign exchange losses	(1,758)	(2,582)

6 Directors' remuneration

The directors' remuneration for the period was as follows:

	2019 £ 000	2018 £ 000
Aggregate emoluments	587	579
Contributions paid to money purchase schemes	5	12
	592	591

Of the 9 (2018: 10) directors that served during the period, no directors were directly remunerated by the company (2018: no directors). The amounts included above relate to their service as directors of the company based on an estimated time allocation basis except 3 (2018: 3) directors, who were paid an agreed fee.

6 Directors' remuneration (continued)

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

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	6	7
Exercised share options	1	1
Accruing benefits under money purchase pension scheme	5	5

In respect of the highest paid director:

	1 December 2018 to 31 December 2019 £ 000	1 January 2018 to 30 November 2018 £ 000
Aggregate emoluments	200	137

The amount included above relates to their service as director of the company based on an estimated time allocation basis.

During the period, the highest paid director received or was entitled to receive shares under a service condition based incentive scheme.

7 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	257	345
Other fees to auditors		
Audit-related assurance services	135	157

Auditors' remuneration has been borne by another group company in the current and preceding periods.

8 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Other finance income	95	23

Other finance income interest received on cash and cash-pooling arrangements, see note 11.

9 Income tax

Tax charged in the profit and loss account:

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	5,218	5,117
UK corporation tax adjustment to prior periods	(5,117)	-
Total current income tax	101	5,117

The tax on profit before tax for the 13 month period is lower than the standard rate of corporation tax in the UK (2018: the same as the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	26,638	26,929
Corporation tax at standard rate	5,061	5,117
Decrease in current tax from adjustment for prior periods	(5,117)	-
Other tax effects for reconciliation between accounting profit and tax expense	157	-
Total tax charge	101	5,117

During 2016, group relief previously claimed by another group company was reallocated to the company for nil payment. The group company surrendering this relief has an ongoing open matter with Her Majesty's Revenue and Customs. If this open matter is resolved in favour of the group company, then the company's tax liability will decrease by approximately £2,900,000 (2018: £2,900,000).

The other tax effects for reconciliation between accounting profits and tax expense of £157k (2018: nil) relates to the recognition of an International Financial Reporting Interpretations Committee 23 ("IFRIC 23") Uncertainty over Income Tax Treatments balance of the company. This balance relates to an uncertain tax liability in respect of the transfer of the management responsibilities for a number of alternatives funds to another entity within the BlackRock EMEA group. Whilst the company considers it has a robust filing position supported by advice from reputable advisors, it has disclosed this balance under IFRIC 23 to reflect that an alternative approach may be taken in the application of the UK tax law. If this alternative approach is taken, the company has estimated that a tax liability of £157k could arise.

10 Interests in unconsolidated structured entities

The AUM of the company as at 31 December 2019 was £117.8bn (2018: £99.8bn).

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

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

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

The fees received during the year to 31 December 2019, in relation to the above, were £468,290,000 (2018: £387,453,000). The carrying value on the balance sheet as at 31 December 2019 is £413,500,000 (2018: (£636,313,000), as represented by amounts receivable for investment funds and accrued income.

Maximum exposure to loss

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

Financial support

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

Other information

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

11 Debtors: amounts falling due within one year

	31 December 2019 £ 000	30 November 2018 £ 000
Trade debtors	325,484	490,223
Amounts due from group companies	27,164	6,350
Accrued income	88,016	146,090
Prepayments	1,173	750
Other debtors	521	372
	442,358	643,785

Trade debtors include £325m (2018: £479m) in respect of amounts receivable for unit trusts.

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

12 Creditors: amounts falling due within one year

	31 December 2019 £ 000	30 November 2018 £ 000
Trade creditors	322,129	480,428
Accrued expenses	6,415	5,923
Amounts due to group companies	180,192	138,206
Social security and other taxes	205	55
Other creditors	161	58
Corporation tax liability	5,217	5,117
	514,319	629,787

Trade creditors includes £322m (2018: £480m) in respect of amounts payable for unit trusts.

Cash management within the BlackRock group is governed by a cash pooling arrangement administered by BlackRock Investment Management (UK) Limited ("BIM"). There is a balance payable to BIM of £7,581,000 (2018: £51,567,000) in relation to this arrangement presented within amounts due to group companies.

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

13 Share capital

Allotted, called up and fully paid shares

	No. 000	31 December 2019 £ 000	No. 000	30 November 2018 £ 000
Ordinary shares of £1 each	18,100	18,100	18,100	18,100

14 Dividends

The directors are proposing an interim dividend of £2.762 (2018: £1.105) per share totalling £50,000,000 (2018: £20,000,000).

15 Contingent liabilities

The company is an authorised institution and operates in the UK or overseas within the regulatory framework established by the FCA or overseas by local regulatory bodies.

In the normal course of business, the company may, from time to time, be subject to claims, actions or proceedings. While there can be no assurances, the directors believe, based on information currently available to them, that the likelihood of a material outflow of economic benefits is not probable.

16 Financial instruments

Financial assets
Financial assets at fair value through profit or loss held for trading

Derivative held for trading

	31 December 2019 £ 000	30 November 2018 £ 000
Derivatives held for trading - foreign exchange forward contracts	369	370

Valuation methods and assumptions

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.

16 Financial instruments (continued)

Financial liabilities

Derivative financial liabilities at fair value through profit and loss held for trading

	31 December 2019 £ 000	30 November 2018 £ 000
Derivatives held for trading - foreign exchange forward contracts	163	58

Valuation methods and assumptions

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.

17 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 6. 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.

18 Parent and ultimate parent undertaking

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