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BlackRock Investment Management (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



BlackRock Investment Management (UK) Limited

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BlackRock Investment Management (UK) Limited

Strategic Report for the Year Ended 31 December 2022

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

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

Purpose

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

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

Corporate strategy

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

Industry profile

Global

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

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

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

As the asset management landscape shifts globally from individual product selection to a whole-portfolio approach, BlackRock's strategy is focused on creating outcome-oriented client solutions for both retail investors and institutions. This includes having a diverse platform of alpha-seeking active, index and alternative products, as well as enhanced distribution and portfolio construction technology offerings. Digital wealth tools are an important component of BlackRock's retail strategy, as BlackRock scales and customises model portfolios, extends Aladdin Wealth and digital wealth partnerships globally, and helps advisors build better portfolios through portfolio construction and risk management, powered by *Aladdin*. BlackRock has seen strong momentum in outsourcing solutions among institutional clients, including the funding of several significant mandates in 2022, and anticipates continued outsourcing opportunities in the future.

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

Regional

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

Principal activity

The principal activity of the Company is the provision of investment management, advisory and administrative services. The Company manages fixed income, equity and multi-asset solutions, in addition to providing client business support to other group companies.

The Company operates branches outside the UK in Cape Town and Tel Aviv.

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

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

Areas of strategic focus

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

- BlackRock's longstanding model of client choice, through which it offers a wide range of index, active, and whole portfolio solutions across broad markets, themes, regions, and investment styles;
- BlackRock's focus on strong investment performance, seeking the best risk-adjusted returns for client portfolios, within the mandates given by clients, to help them meet their investment objectives;
- BlackRock's research, data and analytics, which are at the centre of BlackRock's investment approach and processes. They inform BlackRock's pursuit of the best risk-adjusted returns, and underpin product creation and innovation;
- BlackRock's global reach and commitment to best practices around the world, with approximately 50% of employees outside the United States serving clients locally and supporting local investment capabilities. Approximately 40% of total AUM is managed for clients domiciled outside the United States;

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

- BlackRock's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and industry trends including the secular shift to index investing and ETFs, growing allocations to private markets, increasing demand for outsourcing, anticipated re-allocations to fixed income, demand for high-performing active strategies, interest in sustainable investment strategies and whole portfolio solutions using index, active and illiquid alternatives products; and a continued focus on income and retirement; and
- BlackRock's longstanding commitment to innovation, technology services and the continued development of, and increased interest in, BlackRock technology products and solutions, including *Aladdin*, *Aladdin Wealth*, *eFront*, and *Cachematrix*. This commitment is further extended by minority investments in financial technology and digital distribution providers, data and whole portfolio capabilities including Human Interest, Circle, Envestnet, Scalable Capital, iCapital, Acorns, and Clarity AI.

Business review

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

During the year, the Company experienced a £81.8bn reduction in AUM largely attributable to adverse market performance due to global market volatility driving headwinds across the industry.

Despite a drop in AUM, the Company continued to attract net inflows with new client business mandates across many product categories. The comprehensive product offering and balanced business model has allowed the Company to continue to attract market share, primarily within sub-delegated investment management and separately managed accounts ("SMA"). Revenues in the year were reduced relative to the previous year - primarily driven by decreased performance fees due to the previously mentioned global markets environment.

Key performance indicators

Assets under management

AUM has decreased by 8.9% to £833.7bn as at 31 December 2022 (2021: £915.5bn) primarily due to weaker active equity performance in poor market conditions.

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

Revenue

Total revenue decreased by 9.1% to £1,820.4m in the year ended 31 December 2022 (2021: £2,001.7m) due to significant market headwinds in the macro-economic climate. Reductions were seen across most revenue streams, including performance, investment management, and administration fees, partially offset by increased support services income from other group companies.

Administrative expenses

Administrative expenses decreased 1.5% to £1,316.7m (2021: £1,336.6m) driven by reduced staff costs and foreign exchange gains.

Profit before tax

Profit before tax for the year decreased 33.4% to £359.4m (2021: £539.8m). This reflects the above mentioned reduction in revenue, compounded by reduced dividend income, partially offset by the reduced administrative expenses.

Net assets

Net assets decreased 3.8% to £1,202.2m at 31 December 2022 (2021: £1,249.1m) reflecting dividends in the year of £275.0m, dividend equivalents and deemed distributions in the year of £39.5m, and share-based compensation expenses through reserves of £21.4m, partially offset by profits in the year of £291.1m.

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

Return on assets

Calculated as net profit divided by total assets, the return on assets ratio for the period was 7.9% (2021: 11.1%).

Principal risks and uncertainties

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

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

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

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

Market risk

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

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

Credit risk

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

Risk mitigation: the Company minimises its exposure by actively pursuing settlement of outstanding management and performance fee invoices within the terms and conditions of the underlying agreements. Intercompany balances are managed centrally and are settled on a regular basis. The Treasury and Risk and Quantitative Analysis departments continuously monitor the creditworthiness of HSBC, the Company's main corporate bank.

Capital adequacy risk

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

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

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

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

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

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

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

Corporate liquidity risk

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

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

Corporate tax risk

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

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

Non-financial (operational) risks

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

- *Operational (process) risk:* risk of financial loss or regulatory/reputational impact resulting from inadequate or failed internal processes and controls, human error, or systems, which may occur within the Company's internal operations across the client and trade lifecycles.

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

Risk mitigation: the Company has a well-established operational risk management framework that provides appropriate control and oversight over risk management arrangements. The operational risk management framework supports the Company's fiduciary obligations to clients and mitigates the risk of poor customer outcomes. The Company has adopted a risk management framework based on a three lines of defence model comprised of the following five elements:

- Risk identification and definition, including identifying the Company's key risks and emerging risks, identifying business unit risk through tools such as risk and control self-assessments and regular meetings with business units, reviewing new products and major changes and reviewing internal and external operating events.
- Risk tolerance, including setting risk tolerances and manage its key enterprise risks within their limits and tolerances, ensuring appropriate escalations if risk tolerances are breached.
- Risk management and control, including establishing appropriate processes to measure, manage and control risk taking and address how specific duties related to risks and controls are assigned and coordinated.

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- Risk monitoring and reporting, including providing information and reports to functional and regional business management, boards, committees and regulators. This includes monitoring and investigating operating events, and recording them in a database of operating events, establishing and monitoring key risk indicators in the context of the Company's risk tolerance. Additionally, it includes risk profile reporting and operating event and large operating event reporting.
- Risk governance and oversight, including establishing policies and procedures, establishing regional and global risk committees and overseeing the risk management framework.

Reputational risk

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

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

Strategy/Business risk

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

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

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

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

<https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2022-blkinc.pdf>

Conduct risk

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

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

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

Public policy risk

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

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

Group risk

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

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

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

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

The Company used the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) ("GHG Protocol") as a basis to report GHG emissions in tonnes of carbon dioxide equivalents ("tCO₂e"). Emissions considered relate to the Company's activities in the UK for which the Company is responsible and includes: Scope 1 emissions arising from the operation of its facilities; Scope 2 emissions arising from the purchase of electricity by the Company for its own use; and Scope 3 emissions associated with business travel where fuel is purchased by the Company for use in employee owned or leased vehicles.

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

Emissions have been calculated using the following GHG emissions factors: California Air Resources Board ("CARB") for fugitive emissions from refrigerants; United States Environmental Protection Agency ("US EPA") for stationary and mobile combustion of fuels; the UK Department for Environment Food and Rural Affairs ("DEFRA") for location-based electricity; and Association of Issuing Bodies Residual Mix for market-based electricity. Refrigerant's consumption is estimated, using the US EPA 'Accounting Tool to Support Federal Reporting of Hydrofluorocarbon Emissions' to calculate a refrigerant intensity rate (based off assumptions on the area per tonne of cooling, charge per tonne of cooling, and annual loss), which is then multiplied by the relevant buildings' floor area to calculate an annual figure for refrigerant losses. Fuel purchased for use in employee owned or leased vehicles is estimated using expense data submitted by employees of the Company. The total reimbursed spend is multiplied by the UK government's advisory fuel rates (averaged for both petrol and diesel) to calculate gallons of fuel consumed.

Diesel usage is tracked by volume purchased, while natural gas and electricity consumption are metred. In 2022, all reported energy was consumed in the UK, nearly 100% of which was based on direct consumption data and <1% was estimated.

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

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

The Company operates a leased office facility which is the main location for London based employees, it also operates a further leased office facility in London as a disaster recovery site. On 25 November 2022, the Company signed a new office lease in Edinburgh and, although this facility is currently un-occupied, the Company is responsible for emissions in the period, and these have been included within reported metrics.

As shown in Table 1, the Company's combined Scope 1 and 2 (location-based) GHG emissions have reduced by 22% between 2019 and 2022. The Company's consumption value in 2020 and 2021 decreased significantly mainly due to the impacts of COVID-19 causing most employees to work from home. In 2022, as expected, the overall energy consumption value increased. This is primarily driven by the increase in electricity and fuel purchased for use in employee owned or leased vehicles. The electricity increase is in line with the increase in occupancy, as a 3:2 hybrid working model was introduced from the second quarter of 2022. The annual average occupancy rate for 2022 was 39% which explains why consumption is significantly lower than pre-COVID times. Despite the 2022 consumption increase, the Scope 2 location-based emissions decreased by 2%. This is due to DEFRA emission factors varying year on year as the fuel mix consumed in UK power stations and the proportion of net imported electricity changes. The emission factor for location-based energy has decreased year on year due to a decrease in coal use in electricity generation and an increase in renewable generation. As people return to office and in-person client meetings pick up again, travelling to meet clients through employee owned, or leased vehicles also increases. This explains the increase in the consumption value and associated emissions for fuel purchased for use in employee owned or leased vehicles compared to 2021. These emissions have increased 64% compared to pre-COVID times in 2019 which is largely due to increased staff numbers.

The consumption value and associated emissions of stationary combustion of diesel and natural gas has decreased in 2022. Diesel consumption was significantly higher in 2021 due to increased run times on generators due to increased repairs and test runs. In 2022, natural gas consumption from heating is 14% lower than 2021, which is in line with increases in temperature.

The fluctuating occupancy rates witnessed since 2019 coupled with updated emissions factors may impede the comparability of GHG emissions data over the coming years. Consumption values in 2023 are expected to rise, as the 3:2 hybrid working model and new facility in Edinburgh impact the full year.

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

Whilst no specific energy efficiency actions were taken directly by the Company during the reporting period, as a group, BlackRock pursues a corporate sustainability strategy that is focused on reducing GHG emissions and increasing the efficiency and resiliency of its operations. BlackRock has reduced electricity usage across its global operations through redesigning office space, upgrading lighting, heating, ventilation and air-conditioning systems to more efficient technology, and utilising flexible desking for employees. BlackRock has made it a priority to not only become more energy efficient, but also to ensure that energy purchased comes from clean sources, wherever possible. To achieve this, the Company leverages renewable electricity, a zero-carbon energy, to reduce electricity related emissions associated with BlackRock's global operations. BlackRock achieved its 100% renewable energy goal for the first time in 2020. BlackRock achieves its 100% renewable electricity goal to match the same amount of renewable electricity as the electricity that BlackRock's global operations (including facilities, data centres, and upstream leased assets) consume annually. BlackRock contracts directly for renewable electricity wherever possible. Where BlackRock does not have operational control to procure its own electricity, or where renewable electricity is not available, BlackRock purchases environmental attribute certificates as a means of achieving its 100% renewable electricity goal.

Table 1. The Company's UK GHG emissions

GHG emissions (tCO ₂ e)	2022	2021	2020	2019	2022/2021 Difference	2022/2019 Difference
Scope 1 - Fugitive emissions of refrigerant gasses (1)	73	73	73	73	-	-
Scope 1 - Stationary combustion of diesel in buildings	5	7	3	6	(29%)	(17%)
Scope 1 - Combustion of natural gas purchased by the Company	763	851	789	731	(10%)	4%
Total Scope 1	841	931	865	810	(10%)	4%
Scope 2 - Electricity purchased for own use - Market-based (2)	-	-	-	-	-	-
Scope 2 - Electricity purchased for own use - Location-based (3)	1,945	1,991	2,917	2,764	(2%)	(30%)
Total Scope 1 + 2 - Market-based	841	931	865	810	(10%)	4%
Total Scope 1 + 2 - Location-based	2,786	2,922	3,062	3,574	(5%)	(22%)
Scope 3 Business travel (4) where fuel is purchased by the Company for use in employee owned or leased vehicles	18	3	5	11	500%	64%
Scope 1 + 2 (Location-based) Intensity ratios (5):						
Emissions per total revenue (6) (tCO ₂ e/£1m)	1.53	1.43	1.61	2.36	7%	(35%)
Emissions per square foot (7)	0.0095	0.0100	0.0105	0.0122	(5%)	(22%)

(1) In 2022, the Company enhanced its methodology for estimating emissions from refrigerants to be based on the CARB refrigerant calculator which distinguishes between building type and includes consumption estimates by refrigerant type, both of which enable more accurate calculations. The Company has restated the 2019-2021 figures for this enhanced methodology. Scope 1 - Fugitive emissions of refrigerant gasses (tCO₂e) are restated from 31 in 2021, 2020 and 2019.

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

(2) The Company's office locations in Croydon and Edinburgh have underlying market-based emissions (~68 tonnes of CO₂e in 2022, 31 tonnes in 2021, 21 tonnes in 2020 and 45 tonnes in 2019). At the date of reporting, UK based environmental attribute certificates have not been purchased. These emissions have been netted to nil as the Company has committed to purchase UK based environmental attribute certificates during the year retrospectively. This approach is consistent with prior years.

(3) In 2022, the method for calculating Scope 2 - Electricity purchased for own use (location-based) has been updated from an International Emissions Factor ("IEA"), to a UK based emissions factor (DEFRA) which is the preferred source for calculating emissions within the UK. Scope 2 - Electricity purchased for own use (location-based) are restated from 1,946 in 2021, 2,136 in 2020 and 2,668 in 2019.

(4) Emissions disclosed relate only to a subset of overall Scope 3 Business Travel as required by SECR Regulations.

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

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

(7) The 2022 emissions per square foot ratio does not include the square footage of the new Edinburgh office facility as the lease was signed towards the end of the year. The total square footage of the leased office facilities included in this calculation is 291,972sq. ft.

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

Consumption source	Scope	Consumption				Units
		2022	2021	2020	2019	
Refrigerants (1)	Scope 1	0.04	0.04	0.04	0.04	Tonnes
Stationary combustion of diesel	Scope 1	19,487	27,585	13,510	25,446	kWh
Natural Gas	Scope 1	4,123,967	4,695,884	4,353,589	4,035,620	kWh
Electricity	Scope 2	10,058,334	9,378,299	9,421,749	10,812,138	kWh
Fuel purchased for use in employee owned or leased vehicles	Scope 3	71,170	12,772	20,831	47,758	kWh

(1) In 2022, the Company enhanced its methodology for estimating refrigerant consumption informed by the EPA refrigerant model. Scope 1 - Fugitive emissions of refrigerant gasses consumption value are restated from 0.02 in 2021, 2020 and 2019.

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

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

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

Scope 3 emissions are indirect emissions not otherwise accounted for that occur as a consequence of an organisation's actions, from sources not owned or controlled by the organisation.

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

Companies Act s172 Statement

Under section 172 of the Companies Act 2006 ("s172"), the directors of the Company must act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they should have regard to other factors, including but not limited to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;

BlackRock Investment Management (UK) Limited

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

- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

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

The likely consequences of any decision in the long-term

As a subsidiary of BlackRock, the Board shares the purpose developed by the BlackRock board of directors and considers how best to implement that purpose in the Company's values, strategy and culture. The Board delegates responsibility to formulate the Company's strategy to the Head of EMEA, who serves as a member on the Board, and takes primary responsibility for: formulating the strategic objectives of the Company within the Company's risk tolerance; developing business plans, budgets and operating strategies for the Company; and defining financial objectives, plans and budgets. The Head of EMEA engages with senior management to ensure that the Company's strategy is designed and implemented in a manner that is consistent with BlackRock's global growth priorities, and in a manner that is suited to the UK market.

The Board are responsible for overseeing the implementation of the Company's long-term strategic objectives and receive regular updates from the Head of EMEA on the delivery of corporate strategy, and regional and industry trends, both in Board meetings and informal briefing sessions. The Company's strategy is regularly communicated with the workforce by way of executive announcements from senior leaders and employee townhalls.

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

- reviewing business performance of the Company's branch offices in Cape Town and Tel Aviv;
- reviewing, challenging and approving the Company's Consumer Duty implementation plan;
- approving the Company's Annual Risk Appetite and Risk Tolerance statement;
- approving senior manager appointments;
- reviewing the impact of Larry Fink's CEO letters on the strategy of the EMEA region;
- approving cash repatriation transactions and liquidity management within the BlackRock group;
- reviewing the Company's stewardship strategy outlining how BlackRock intends to engage with companies in which it is invested;
- overseeing the management of conflicts within BlackRock's businesses; and
- identifying matters that might impact BGL's internal capital adequacy process.

The interests of the Company's employees

Individuals who are employed by the Company are subject to high standards of compliance and conduct training, in line with BlackRock's global and regional standard requirements. BlackRock's Code of Conduct requires all employees to comply with the FCA's individual conduct rules: to act with integrity; to act with due skill, care and diligence; to be open and cooperative with the FCA and other regulators; to pay due regard to the interests of customers and treat them fairly; and to observe proper standards of market conduct.

It is the Company's policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current and future job prospects and working environment. Senior management engaged with employees throughout the year through executive communications, employee pulse surveys and regional townhalls. Employees were also encouraged to report concerns relating to business integrity through established whistleblowing processes, and anonymised concerns were reported to the Board on a quarterly basis. The Board was kept informed of the results of BlackRock employee engagement activities through reports from the EMEA Head of HR.

BlackRock Investment Management (UK) Limited

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

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

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

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

The Company uses suppliers to help support and enhance business activities. BlackRock has a dedicated service vendor management team responsible for onboarding and monitoring its key vendors. In addition, BlackRock has formal processes and procedures in place to manage supplier risk and service delivery, such as regular performance reviews for key suppliers. BlackRock maintains a Supplier Code of Conduct & Ethics which outlines the minimum expectations and standards of all of BlackRock's suppliers in relation to human rights, inclusion and diversity, environmental sustainability, integrity and ethics in management practices.

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

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

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

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

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

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

BlackRock Investment Management (UK) Limited

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

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

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

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

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

The need to act fairly between members of the Company

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

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

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

Corporate Governance

The Board recognises the importance of good corporate governance to ensure that business is conducted with integrity and with due regard to the interests of all stakeholders. Under the Companies (Miscellaneous Reporting) Regulations 2018, the Board has been guided by and applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles") during the financial year ended 31 December 2022. A description of how the Board has applied the Principles has been outlined below.

Principle 1. Purpose and Leadership

An effective board promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

The Board understands that purpose guides culture and provides a framework for consistent decision-making. As a subsidiary of BlackRock, Inc., the Board shares the purpose developed by the BlackRock Inc. board of directors and considers how best to implement that purpose in the Company's values, strategy and culture. BlackRock's purpose - to help more and more people experience financial well-being - reflects the belief that BlackRock has an important role to play in helping improve people's lives. BlackRock has a responsibility to millions of people around the world, and an urgent social purpose. By improving the relationship people have with their money, BlackRock can help improve their financial well-being - and their overall well-being.

BlackRock Investment Management (UK) Limited

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

BlackRock's vision and strategy, while initially set by BlackRock, Inc., is designed to consider specific jurisdictions and markets. The Board has delegated responsibility for corporate strategy in the first instance to the Head of EMEA, who formulates the strategic objectives of the Company within the risk tolerance set by the Board; develops business plans, budgets and operating strategies; and defines financial objectives, plan and budgets for the Company. The Head of EMEA partners with the Head of the UK and the EMEA Head of Corporate Strategy to develop strategic objectives that are suited to the UK market. The Board receives regular updates from the Head of EMEA on corporate strategy, industry trends and areas of strategic focus. The Company's strategy is regularly communicated with the workforce by way of executive announcements from senior leaders and employee townhalls.

The Board has a strong understanding of BlackRock's culture because it is the foundation for the Company's strategic plans; and remains engaged, provides informed and honest guidance and feedback, and maintains an open dialogue with management based on a clear understanding of BlackRock's strategic plans.

Management monitors culture, examples of such include employee surveys, absenteeism rates, exit interviews and board feedback sessions; and reports to the Board periodically. Employees are encouraged to report concerns relating to business integrity through established whistleblowing processes, and anonymised concerns are reported to the Board on a quarterly basis.

Principle 2. Board Composition

Effective Board composition requires an effective Chair and a balance of skills, background, experience and knowledge. Directors should have sufficient capacity to make a valuable contribution to the Board. The size of the Board should be guided by the scale and complexity of the Company.

The size of the Board is guided by the scale and complexity of the Company. Careful consideration is given to the size and structure of the Board so that it is appropriate to meet the strategic needs and challenges of the organisation and enables effective decision-making. The Board believes that its size and structure is imperative to achieving the diversity of thought, experience and expertise necessary to oversee the Company's large and complex business. The range of insights and experience provided by the diverse Board supports the broad scope and multifaceted nature of the Company's business and strategic growth areas, which include index funds, illiquid alternatives, retirement solutions and technology services.

The Board comprises a Chair, Chief Executive Officer, Chief Operating Officer, and five non-executive directors (in addition to the Chair), three of which are independent. Appointments to the Board promote diversity in line with the Equalities Act 2010, and the Board has committed to maintaining a minimum of 30% female representation in its composition. As at the signing date, the gender balance of the Board is 4 male and 4 female.

The Company maintains separate Chair and Chief Executive roles to ensure that there is a balance of responsibilities, accountability and effective decision-making. The Chair leads the Board and is responsible for its overall effectiveness, promoting open debate and facilitating constructive discussion. The Chair ensures that all directors have appropriate information and sufficient time for meaningful discussion. The Chair is supported by the corporate secretariat in the provision of timely information and preservation of good communication flows between management and the Board.

The Nominations Committee oversees the director nomination process, assists the Board in identifying individuals qualified to become Board members, and recommends new director nominees to the Board. In doing so, the Nominations Committee regularly reviews the overall composition of the Board and its Committees to ensure there is diversity of thought, experience and expertise necessary to oversee the Company's current and future business and strategy. The Nominations Committee also leads the annual review of Board performance, reflecting emerging best practice and regulatory expectations, and recommends areas for future improvement and focus to strengthen overall Board performance and succession planning.

BlackRock Investment Management (UK) Limited

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

The Company demonstrates a commitment to ongoing professional development of the Board through the delivery of annual training sessions for statutory directors and Senior Managers, at which, legal, regulatory and governance priorities are discussed with subject-matter experts. There is an induction programme for all new Board members which is tailored to their specific experience and knowledge. Furthermore, training sessions for non-executive directors are held at least twice a year.

Principle 3. Directors' Responsibilities

A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.

BlackRock are vocal advocates for the adoption of sound corporate governance policies that include strong Board leadership and strategic deliberation, prudent management practices and transparency. The Board understands that clear corporate governance policies, practices and company leadership, all working together, promote effective stewardship to deliver long-term value.

The Board is guided by its terms of reference, which provide a framework for the governance of the Company and the responsibilities of the Board. The terms of reference address matters reserved for Board decision, Board processes, access to management and independent advisors and the annual performance evaluations of the Board and Committees. As corporate governance practices evolve over time, the Board reviews its terms of reference and other governance policies annually, and approves or updates them as necessary. Additionally, both the Board and management recognize that creating long-term value for the Company's shareholders requires consideration of the concerns of the Company's other stakeholders and interested parties including clients, employees and the communities in which BlackRock operates.

The Board has established Committees to effectively fulfil governance obligations owed to the Company. The responsibilities of the Committees, including decision-making authority and escalation processes, are outlined in the Committees terms of reference which are reviewed annually by the Board. The Committees meet regularly and report to the Board on how they have discharged their duties in accordance with their terms of reference. A brief description of each Committee's role is outlined below:

- The Audit Committee assists the Board in ensuring the integrity of the Company's financial reporting, the effectiveness of the Company's internal controls, monitoring the effectiveness and objectivity of the Company's internal and external audit processes, reviewing whistleblowing arrangements, and reviewing assurance reports.
- The Nominations Committee reviews the composition and effectiveness of the Board to ensure that the Board is comprised of individuals who are best able to discharge the duties and responsibilities of directors.
- The Risk Committee provides leadership, direction and oversight of the overall risk management framework in place for the Company.
- The Conflicts Oversight Committee assists the Board in overseeing the framework for the identification and management of conflicts of interest and the implementation of strategy, policies and procedures with regards to conflicts of interest.
- In addition, the Company's Capital Committee, comprising senior executives, assists the Board in overseeing capital management and capital planning processes.

BlackRock Investment Management (UK) Limited

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

The Board has established formal and robust internal processes to ensure systems and controls are operating effectively, and the quality and integrity of information provided to it is reliable, enabling directors to monitor and challenge the performance of the Company and make informed decisions. The Board receives regular and timely information on all matters required to maintain oversight and control of the Company's business including risks and opportunities, the Company's financial performance, strategy, operational matters, market conditions and sustainability. All information provided to the Board is prepared by subject-matter experts with the relevant experience and skills necessary to ensure that the integrity of the information and impact to the Company. Where deemed necessary, the Board has access to independent advice to verify the information received or potential impact to the Company. The Board also receives assurance from second and third-line functions such as Internal Audit, Compliance and independent advisors such as the External Auditor on the effectiveness of internal controls and the integrity of financial information.

Principle 4. Opportunity and Risk

A Board should promote the long-term success of the Company by identifying opportunities to create and preserve value and establish oversight for the identification and mitigation of risk.

The Board promotes the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Board considers and assesses how the Company creates and preserves value over the long-term. This requires the Board to consider both tangible and intangible sources of value, and the stakeholders that contribute to it. The Head of EMEA and EMEA Chief Operating Officer provide an update at each meeting detailing key business initiatives and future plans for value creation, and non-executive directors receive regular business updates from management. Approval of material new business opportunities is a matter reserved for Board decision.

The Board has responsibility for the Company's overall approach to risk management, including reputational risk. The Board has delegated risk oversight to the Risk Committee, which is supported by a sub-committee, the Enterprise Risk Management Committee ("ERMC"). The ERMC designs, reviews, implements and monitors the risk management framework to ensure the effective management of all significant enterprise risks. The Board approves the Company's risk appetite annually and receives regular updates from the Chief Risk Officer on risk-taking relative to performance within the EMEA region. Key risks facing the Company are outlined elsewhere in the Strategic Report.

Principle 5. Remuneration

A Board should promote executive remuneration structures aligned to sustainable long-term success of a company, taking into account pay and conditions elsewhere in the Company.

The Board promotes executive remuneration structures that align to the long-term, sustainable success of the Company. Remuneration is aligned with performance, behaviours and the achievement of the Company's purpose, values and strategy. The Board understands that appropriate and fair levels of remuneration help the Company secure and retain high-quality management and workforce.

The Company's executive remuneration structures are subject to the BGL Remuneration Policy, and the Board has delegated the authority to perform various remuneration functions to the Management Development and Compensation Committee ("MDCC"). The MDCC is the global, independent remuneration committee for BlackRock which supports the Board (and the boards of other regulated entities in EMEA) in discharging their remuneration-related obligations. In addition:

- the Board receives periodic management information and other updates from HR on remuneration-related topics and processes, including matters reviewed and approved by the MDCC. In addition, HR facilitate an annual discussion between the MDCC Chair and the non-executive directors of the Board on remuneration matters;

BlackRock Investment Management (UK) Limited

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

- the Board reviews and approves various remuneration-related items which relate to both the Company and the BGL group, including:
 - the BGL Remuneration Disclosure (which forms part of the annual BGL Public Disclosure Document);
 - the list of BGL Material Risk Takers / FCA Remuneration Code Staff and exclusions from that list (approved twice each year) and the approach to identifying and excluding such individuals; and
 - other items which are reviewed and approved periodically, including the BGL Remuneration Policy and the rationale for not applying certain elements of the FCA Remuneration Code (which BlackRock's UK regulated entities, including the Company, can decide not to apply if they consider it appropriate); and
- the Board also receives a summary of the findings and recommendations arising from the annual independent remuneration review conducted by external legal counsel.

Principle 6. Stakeholder Relationships and Engagement

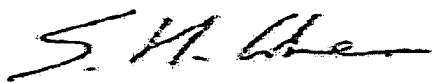
A Board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce and have regard to that discussion when taking decisions. The Board has a responsibility to foster good relationships based on the Company's purpose.

The Board presents to stakeholders a fair, balanced and understandable assessment of the Company's position and prospects in the Company's annual financial statements, and BlackRock, Inc.'s proxy statement. The Board is clear that good corporate governance and effective communication are essential on a day-to-day basis to deliver the Company's purpose to protect the Company's brand, reputation and relationships with all stakeholders including shareholders, customers, employees, suppliers and the local communities in which we work. The Board ensures that there are channels to receive appropriate feedback from discussions with stakeholders.

The Board's considerations in this respect are outlined in the s172 disclosure included elsewhere in the Strategic Report. Highlights of the Company's stakeholder engagement practices include:

- Management engage with the workforce in quarterly, firmwide townhall meetings;
- Employees are encouraged to provide feedback by completing regular employee opinion surveys;
- Client-facing business areas engage with clients daily to understand priorities and concerns;
- Sourcing and Vendor Management maintain good relations with the Company's suppliers;
- Compliance maintains the Company's relationship with regulators through formal means such as the Supervisory Review and Evaluation Process and ICARA processes, and informally through regular calls, interviews and meetings; and
- BlackRock Investment Stewardships manages the framework for engagement with companies in which BlackRock invests and publishes the team's engagement priorities annually.

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



.....
S Cohen
Director

BlackRock Investment Management (UK) Limited

Directors' Report for the Year Ended 31 December 2022

The Board presents its report together with the audited financial statements of BlackRock Investment Management (UK) Limited (registered number: 02020394) for the year ended 31 December 2022.

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

Dividends

Dividends of £275.0m were paid in the year ended 31 December 2022 (2021: £1,410.7m).

Directors and officers of the Company

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

J Charrington - Chairman

J Anderson (appointed 12 July 2022)

D Clarke

C Clausen

S Cohen

E de Freitas

M Duncan

E Fishwick (resigned 20 July 2022)

S Mullin Outhwaite (resigned 6 July 2022)

M Young

Officer:

BlackRock Company Secretarial Services (UK) Limited - Company Secretary

Statement of directors' responsibilities

The directors acknowledge their responsibilities for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom 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.

BlackRock Investment Management (UK) Limited

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

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

Going concern

The directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' third-party indemnity provisions

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2022 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Disabled employees

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers with the Company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees.

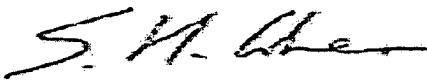
Disclosure of information to the auditors

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

Reappointment of auditor

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

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



.....
S Cohen
Director

BlackRock Investment Management (UK) Limited

Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited

Opinion

In our opinion the financial statements of Blackrock Investment Management (UK) Limited:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes to the financial statements 1 to 31.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and analysing management's assessment of the Company's ability to continue as a going concern for a period of twelve months from the date the financial statements are authorised for issue;
- determining whether or not any material uncertainties exist relating to events or conditions that might cast significant doubt upon the continuing use of the going concern basis of accounting;
- obtaining and assessing the appropriateness of assumptions used in the forecasts (prepared for the BlackRock Group Limited ICARA), based on (i) our understanding of the Company and its environment, (ii) our assessment of the historical accuracy of forecasts prepared by management, and (iii) the amount of headroom in the forecasts with regards to cashflow and potential compliance with regulatory capital requirements;
- reviewing the latest available post year-end management accounts in order to identify unusual movements in balances or significant events subsequent to the period end; and
- reading minutes of post year-end board and committee meetings in order to identify any key changes to the Company or its environment which may cast doubt over the appropriateness of the going concern basis of accounting.

BlackRock Investment Management (UK) Limited

Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited (continued)

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

BlackRock Investment Management (UK) Limited

Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited (continued)

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

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

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

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

Fair value of investment held in Bank of China Investment Management Limited ("BoCIM")

The Company's investment in BoCIM is inherently challenging to value, given the fact that the investment is an unlisted fund management entity located in China, for which there are limited observable valuation inputs or comparable transactions. In addition, we note that management is restricted in the amount, and quality, of management reporting information which it can obtain from this investment, making it more challenging for them to ascertain the investment's actual performance, as well as management's forecasts. As such, management are required to use several judgements and assumptions in developing an appropriate valuation. The large number of inputs and judgements involved, and the lack of comparable market data, increases the risk that the actual value of the investment may materially differ from the estimated value.

The investment value as at 31 December 2022 is £94.5m (2021: £93.8m), which is significantly in excess of the Company's audit materiality. Key assumptions to which the valuation is highly sensitive include discount for lack of marketability ("DLOM"), discount rate, forecast revenue projections (notably shorter term growth rates) and forecast margins for earnings before interest, depreciation and tax.

We therefore consider this valuation to possess a heightened risk of potential fraud or error due to the judgement involved in the valuation.

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

- evaluated the design and implementation of management's review control over the valuation of investments;
- obtained and reviewed management's fair value assessment and assessed the appropriateness of the conclusions reached; and
- developed an independent range expectation of the valuation, involving our fair value specialist and using our own independent assumptions and, inputs and market data employed in the valuation, including growth forecasts, discount rate and DLOM.

Completeness, cut-off and accuracy of SMA performance fee revenue

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

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

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

BlackRock Investment Management (UK) Limited

Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited (continued)

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Opinions on other matters prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information for the financial period ended 31 December 2022 included on pages 63 to 64 has been properly prepared, in all material aspects in accordance with the Capital Requirements (Country-by-Country) Regulations 2013.

BlackRock Investment Management (UK) Limited

**Independent Auditor's Report to the Members of BlackRock Investment Management
(UK) Limited (continued)**

Matters on which we are required to report by exception

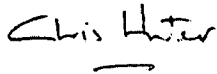
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



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

29 March 2023

BlackRock Investment Management (UK) Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	1,820,405	2,001,671
Cost of sales		<u>(176,162)</u>	<u>(191,229)</u>
Gross profit		1,644,243	1,810,442
Administrative expenses		<u>(1,316,747)</u>	<u>(1,336,638)</u>
Operating profit	5	327,496	473,804
Dividend income		24,060	54,538
Finance income	6	34,050	24,804
Finance costs	6	(19,713)	(8,749)
Net losses on derivative financial instruments		(1,602)	(6,688)
Gain on disposal of financial instruments held at amortised cost	15	-	2,335
Net losses on financial instruments held at fair value through profit or loss	15	<u>(4,880)</u>	<u>(199)</u>
Profit before tax		359,411	539,845
Income tax expense	10	<u>(68,334)</u>	<u>(104,176)</u>
Profit for the year		<u><u>291,077</u></u>	<u><u>435,669</u></u>

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

BlackRock Investment Management (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Profit for the year		<u>291,077</u>	<u>435,669</u>
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of other investments designated at fair value through other comprehensive income	15	640	21,232
Actuarial losses on defined benefit scheme before tax		(3,130)	(400)
Deferred taxes on actuarial losses on defined benefit scheme		<u>605</u>	<u>41</u>
		(1,885)	20,873
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (losses)/gains		<u>(75)</u>	<u>165</u>
Total comprehensive income for the year		<u><u>289,117</u></u>	<u><u>456,707</u></u>

BlackRock Investment Management (UK) Limited

(Registration number: 02020394)

Statement of Financial Position as at 31 December 2022

		31 December 2022 £ 000	31 December 2021 £ 000
Assets			
Non-current assets			
Property and equipment	11	43,267	45,845
Right-of-use assets	12	137,433	162,920
Intangible assets	13	2,559	4,328
Investments	14	18,101	18,101
Deferred tax assets	10	60,526	36,650
Other financial assets	15	<u>1,226,286</u>	<u>1,219,378</u>
		<u>1,488,172</u>	<u>1,487,222</u>
Current assets			
Trade and other receivables	17	853,906	914,745
Income tax assets		189,134	165,555
Cash and cash equivalents	18	<u>1,165,651</u>	<u>1,364,863</u>
		<u>2,208,691</u>	<u>2,445,163</u>
Total assets		<u><u>3,696,863</u></u>	<u><u>3,932,385</u></u>
Equity and liabilities			
Equity			
Share capital	19	94,485	94,485
Share premium reserve		100,000	100,000
Share-based payment reserve	20	147,654	169,344
Foreign currency translation reserve	20	62	137
Investment revaluation reserve	20	93,388	99,570
Retained earnings		<u>766,652</u>	<u>785,555</u>
		<u>1,202,241</u>	<u>1,249,091</u>
Non-current liabilities			
Loans and borrowings	21	62,106	234,249
Long-term lease liabilities	22	162,336	175,716
Other non-current liabilities	22	5,953	-
Retirement benefit obligations	23	8,832	5,527
Provisions	25	27,849	26,386
Deferred compensation plans	26	<u>60,419</u>	<u>62,813</u>
		<u>327,495</u>	<u>504,691</u>

The notes on pages 32 to 62 form an integral part of these financial statements.

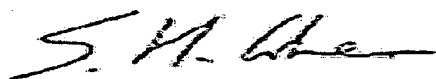
BlackRock Investment Management (UK) Limited

(Registration number: 02020394)

Statement of Financial Position as at 31 December 2022 (continued)

		31 December 2022 £ 000	31 December 2021 £ 000
	Note		
Current liabilities			
Trade and other payables	26	2,152,203	2,146,620
Income tax liability		1,987	19,281
Lease liabilities	22	<u>12,937</u>	<u>12,702</u>
		<u>2,167,127</u>	<u>2,178,603</u>
Total liabilities		<u>2,494,622</u>	<u>2,683,294</u>
Total equity and liabilities		<u><u>3,696,863</u></u>	<u><u>3,932,385</u></u>

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



S Cohen
Director

The notes on pages 32 to 62 form an integral part of these financial statements.

BlackRock Investment Management (UK) Limited

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

	Share capital £ 000	Share premium reserve £ 000	Foreign currency translation reserve £ 000	Investment revaluation reserve £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	94,485	100,000	137	99,570	169,344	785,555	1,249,091
Profit for the year	-	-	-	-	-	291,077	291,077
Other comprehensive income	-	-	(75)	640	-	(2,525)	(1,960)
Total comprehensive income	-	-	(75)	640	-	288,552	289,117
Dividends	-	-	-	-	-	(275,000)	(275,000)
Transfer of gain on disposal	-	-	-	(6,822)	-	6,822	-
Share-based payment transactions	-	-	-	-	(21,690)	(39,277)	(60,967)
At 31 December 2022	<u>94,485</u>	<u>100,000</u>	<u>62</u>	<u>93,388</u>	<u>147,654</u>	<u>766,652</u>	<u>1,202,241</u>

The transfer of gain on disposal relates to the disposal of the Company's equity investment in Embark Group Limited. Further details are provided in note 15.

BlackRock Investment Management (UK) Limited

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

	Share capital £ 000	Share premium reserve £ 000	Foreign currency translation reserve £ 000	Investment revaluation reserve £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	94,485	100,000	(28)	78,338	135,455	1,786,938	2,195,188
Profit for the year	-	-	-	-	-	435,669	435,669
Other comprehensive income	-	-	165	21,232	-	(359)	21,038
Total comprehensive income	-	-	165	21,232	-	435,310	456,707
Dividends	-	-	-	-	-	(1,410,714)	(1,410,714)
Share-based payment transactions	-	-	-	-	33,889	(25,979)	7,910
At 31 December 2021	94,485	100,000	137	99,570	169,344	785,555	1,249,091

The notes on pages 32 to 62 form an integral part of these financial statements.
Page 31

BlackRock Investment Management (UK) Limited

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

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in 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 29 March 2023.

Principal activity

The principal activity of the Company is the provision of investment management, advisory and administrative services. The Company manages fixed income, equity and multi-asset solutions, in addition to providing client business support to other group companies.

The Company operates branches outside the UK in Cape Town and Tel Aviv.

The Company is authorised and regulated by the FCA.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100") as issued by the FRC. Accordingly, in the year ended 31 December 2022 the Company has applied FRS 101.

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

Summary of disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain standards, presentation of a cash-flow statement, standards not yet effective, impairment of assets, share-based payments, earnings per share, segmental disclosures 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 30.

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

Exemption from preparing group accounts

The financial statements contain information about BlackRock Investment Management (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

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

Consideration of climate risk

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

Going concern

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

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing its annual report and financial statements.

Changes in accounting standards

New accounting standards, interpretations and amendments adopted

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

Revenue recognition

Recognition

The Company earns revenue from the provision of services relating to investment management, advisory, principal distribution, administration and other related activities. Revenue is recognised upon transfer of control of promised services to customers, i.e. when (or as) a performance obligation is satisfied, in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the "transaction price"), net of value added tax ("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 revenue gross of related costs.

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

Fee arrangements

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

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

Foreign currency transactions and balances

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

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

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

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

Interest income

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

Tax

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

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

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

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

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

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

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

Property and equipment

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

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

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

Depreciation

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

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

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

An item of property or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property or equipment is determined by the difference between sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and any impairment losses. Amortisation is recognised on a straight-line basis over the asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement when the asset is derecognised.

Amortisation

Amortisation is provided on finite-life intangible assets so as to write-off the cost, less any estimated residual value, over their expected useful economic life as follows:

<i>Asset class</i>	<i>Amortisation method and rate</i>
Management contracts and distribution agreements	Straight-line basis over seven to eight years

Investments

Investments are equity holdings in subsidiaries, which 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.

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

Other financial assets

Other financial assets comprise those financial assets acquired for business operations and strategic business objectives. Equity investments are held at FVTPL or designated as FVTOCI and (in either instance) carried at fair value.

Investments in financial assets recognised at amortised cost include loans receivable from group companies and rated/senior tranches of collateralised loan obligations ("CLOs").

Subordinated/junior tranches of CLOs are recognised at FVTPL. See financial instruments policy and note 15 for further details.

Dividends

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

Dividends payable are included in the financial statements in the period in which they are 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 statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Share-based payments

The ultimate parent company, BlackRock, Inc., issues equity-settled share-based payments to certain employees of the Company. The fair values of equity-settled schemes are determined at the grant date and expensed on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards, based on the group's estimate of awards that will eventually vest and adjusted for the effect of non-market based vesting conditions. Details of the share-based payment schemes in existence are provided in note 24 and the expense arising from share-based compensation is disclosed in note 7.

Defined contribution pension obligation

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

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

Defined benefit obligation

The cost of providing benefits is determined using the projected unit credit method. All actuarial gains and losses on the defined benefit obligation are recognised immediately in other comprehensive income. Past service cost is recognised in the income statement in the period of a plan amendment.

The benefit obligation recognised in the statement of financial position represents the present value of the post retirement medical benefit ("PRMB") obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailments or settlement gains and losses on the defined benefit plan are recognised when the curtailment or settlement occurs.

Other employee benefits

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

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

Leases

Initial recognition and measurement

At lease commencement date, the Company recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

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

The right-of-use asset is initially measured at the amount of the lease liability adjusted for lease prepayments (net of any lease incentives received), the Company's initial direct costs and an estimate of restoration, removal and dismantling costs.

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, the liability will be reduced for payments made and increased for the unwind of interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. The corresponding adjustment is reflected in the carrying value of the right-of-use asset.

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

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

Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified and subsequently measured, based on business model and contractual cash flow characteristics, at amortised cost, FVTPL, or FVTOCI.

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

Financial assets at fair value through profit or loss

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

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

The Company's financial assets measured at FVTPL comprise derivative financial instruments, unrated tranches of CLOs, and a holding of unlisted equity shares acquired with the specific intention of trading. Any gains or losses are recognised in the income statement.

Financial assets at fair value through other comprehensive income

Financial assets are measured at FVTOCI when their contractual cash flows are solely payments of principal and interest and they are held to collect the associated cash flows and sell the asset (and are not designated as FVTPL).

The Company has irrevocably elected to classify certain equity investments at FVTOCI.

The Company's financial assets measured at FVTOCI comprise debt securities and equity investments not held for trading.

Any gains or losses, except for dividend income, are recognised in other comprehensive income. They are recycled upon derecognition of the asset, with the exception of gains or losses recognised in respect of equity investments designated at FVTOCI. For debt instruments at FVTOCI, only fair value gains and losses are recognised in other comprehensive income. Interest income, impairment gains and losses and foreign exchange gains and losses are recognised in the income statement.

Impairment of financial assets

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

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

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

For assets held at amortised cost any ECL is recognised in the income statement with a corresponding adjustment to the asset's carrying value through a provision account. For assets held at FVTOCI, the loss is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

Classification and initial measurement of financial liabilities

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

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

BlackRock Investment Management (UK) Limited

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

2 Accounting policies (continued)

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

In the income statement interest-related charges are included within finance costs and changes in fair value are included within net gains or losses on derivative financial instruments.

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

Derivative financial instruments

The Company's derivative financial instruments are forwards in the foreign exchange markets and are measured at FVTPL. In the statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

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

Equity instruments

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

The directors do not consider that any critical accounting judgements have been made in the year.

Key sources of estimation uncertainty

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

BlackRock Investment Management (UK) Limited

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

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

Fair value of financial asset classified at fair value through other comprehensive income

The Company holds investments in unlisted equity shares, which are classified and measured after initial recognition at FVTOCI. These items are measured in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13"). IFRS 13 requires the application of judgement to best estimate the future cash flows, cost of equity and, in certain instances, the application of any discount for lack of marketability. An unlisted investment held by the Company is measured in this way and the valuation analysis performed on this investment indicates a valuation range between £88.8m and £117.4m. Full details are set out in note 28.

Deferred tax assets

Judgement is required by management to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Full details are set out in note 10.

4 Revenue

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

	2022	2021
	£ 000	£ 000
Investment management and administration fees	1,389,029	1,409,453
Investment management performance fees	48,262	287,224
Fees from group companies	367,859	293,947
Other revenue	15,255	11,047
	1,820,405	2,001,671

Included within investment management and administration fees and investment management performances fees is fee income from other group companies of £1,059,157,000 (2021: £1,295,735,000).

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

The analysis of the Company's revenue for the year by geographical location is as follows:

	2022	2021
	£ 000	£ 000
United Kingdom	1,805,630	1,989,687
Overseas	14,775	11,984
	1,820,405	2,001,671

BlackRock Investment Management (UK) Limited

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

5 Operating profit

Arrived at after charging/(crediting)

	2022	2021
	£ 000	£ 000
Depreciation expense	11,495	14,662
Depreciation on right-of-use assets	13,237	12,016
Amortisation expense	1,769	1,977
Foreign exchange (gains)	<u>(15,702)</u>	<u>(9,946)</u>

6 Finance income and costs

	2022	2021
	£ 000	£ 000
Finance income		
Collateralised loan interest	6,336	6,448
Interest income on bank deposits	5,664	1,066
Interest income on money market funds	3,843	6
Interest on loans to group companies	<u>18,207</u>	<u>17,284</u>
Total finance income	<u>34,050</u>	<u>24,804</u>
Finance costs		
Interest on bank overdrafts and borrowings	(13,612)	(2,789)
Other finance costs	<u>(6,101)</u>	<u>(5,960)</u>
Total finance costs	<u>(19,713)</u>	<u>(8,749)</u>

7 Staff costs

The aggregate payroll costs were as follows:

	2022	2021
	£ 000	£ 000
Wages and salaries	742,863	811,565
Social security costs	112,499	133,893
Pension costs, defined contribution scheme	48,320	40,231
Equity-settled share-based payment expense	78,436	86,245
Other employee expense	<u>10,041</u>	<u>9,855</u>
	<u>992,159</u>	<u>1,081,789</u>

BlackRock Investment Management (UK) Limited

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

7 Staff costs (continued)

The average number of persons employed by the Company during the year, analysed by category was as follows:

	2022 No.	2021 No.
Investment professionals	718	651
Investment product strategy	308	275
Risk management	64	58
Sales and relationship management	481	434
Legal and compliance	165	151
Marketing	88	73
Investment operations	403	354
Technology	677	538
Data analytics and modelling	60	47
Corporate functions	702	694
	<u>3,666</u>	<u>3,275</u>

In addition to the above, 11 employees (2021: 8) were seconded from the Company to another group company. The Company was reimbursed for the related cost of these employees through a secondment recharge of £14,579,000 (2021: £18,482,000).

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Aggregate emoluments	1,735	1,475
Company contributions in respect of defined contribution pension schemes	10	12
	<u>1,745</u>	<u>1,487</u>

Of the 10 (2021: 10) directors that served during the year, 9 were remunerated by the Company (2021: 8). The amounts included above relate to their service as directors of the Company based on an estimated time allocation basis except 6 (2021: 6) directors, who were paid an agreed fee.

The number of directors who were receiving benefits and share incentives was as follows:

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

BlackRock Investment Management (UK) Limited

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

8 Directors' remuneration (continued)

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

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Aggregate emoluments	958	453
Company contributions in respect of defined contribution pension schemes	<u>5</u>	<u>4</u>
	<u>963</u>	<u>457</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.

9 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	<u>879</u>	<u>800</u>
Other fees to the auditor		
Audit of financial statements of any associate of the Company	338	315
Audit-related assurance services	184	164
All other assurance services	<u>111</u>	<u>82</u>
	<u>633</u>	<u>561</u>

BlackRock Investment Management (UK) Limited

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

10 Income tax

Tax charged/(credited) in the income statement:

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	65,828	97,883
UK corporation tax adjustment to prior periods	7,618	1,895
Double taxation relief	-	23
Foreign tax	3,023	3,870
Foreign tax adjustment to prior periods	7,326	8,687
Total current income tax	<u>83,795</u>	<u>112,357</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(5,045)	(7,691)
Arising from changes in tax rates and laws	(3,341)	(849)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(7,075)	359
Total deferred taxation	<u>(15,461)</u>	<u>(8,181)</u>
Tax expense in the income statement	<u>68,334</u>	<u>104,176</u>

In addition to the amount charged in the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2022 £ 000	2021 £ 000
Deferred taxation		
Items that will not be reclassified subsequently to profit or loss:		
Deferred taxes on actuarial losses on defined benefit scheme	(605)	(41)
Total income tax recognised in other comprehensive income	<u>(605)</u>	<u>(41)</u>

In addition to the amount charged in the income statement, and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2022 £ 000	2021 £ 000
Current taxation		
Current taxes on items (credited)/charged to equity	(9,550)	(4,236)
Deferred taxation		
Deferred taxes on items (credited)/charged to equity	17,496	(9,746)
Total income tax recognised directly in equity	<u>7,946</u>	<u>(13,982)</u>

BlackRock Investment Management (UK) Limited

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

10 Income tax (continued)

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

The differences are reconciled below:

	2022	2021
	£ 000	£ 000
Profit before tax	<u>359,411</u>	<u>539,845</u>
Corporation tax at standard rate	68,295	102,571
Increase in current tax from adjustment for prior periods	14,944	10,582
Decrease from effect of revenues exempt from taxation	(4,571)	(10,363)
Increase from effect of expenses not deductible in determining taxable profit	1,067	2,063
Increase arising from overseas tax suffered	1,072	2,255
Increase from effects of double taxation relief	-	23
(Decrease)/increase in deferred tax from unrecognised temporary difference from a prior period	(7,075)	359
Deferred tax credit relating to changes in tax rates or laws	(5,882)	(2,429)
Increase/(decrease) from gain on disposal	1,019	(277)
Other tax effects for reconciliation between accounting profit and tax income	<u>(535)</u>	<u>(608)</u>
Total tax charge	<u><u>68,334</u></u>	<u><u>104,176</u></u>

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

During a previous year, group relief 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 His Majesty's Revenue and Customs. If this open matter is resolved in the favour of the group company, then the Company's tax liability will decrease by approximately £161,149,000 (2021: £161,149,000).

BlackRock Investment Management (UK) Limited

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

10 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	4,132	(109)	-	-	4,023
Other post-employment benefits	1,193	278	605	-	2,076
Share-based payments	50,409	5,513	-	(17,496)	38,426
Provisions	6,222	9,779	-	-	16,001
Other items	-	-	-	-	-
Net tax assets/(liabilities)	<u>61,955</u>	<u>15,461</u>	<u>605</u>	<u>(17,496)</u>	<u>60,526</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	4,149	(17)	-	-	4,132
Other post-employment benefits	1,185	(33)	41	-	1,193
Share-based payments	33,447	7,216	-	9,746	50,409
Provisions	5,081	1,141	-	-	6,222
Other items	125	(125)	-	-	-
Net tax assets/(liabilities)	<u>43,987</u>	<u>8,182</u>	<u>41</u>	<u>9,746</u>	<u>61,955</u>

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

BlackRock Investment Management (UK) Limited

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

11 Property and equipment

	Short-term leasehold property £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2022	85,586	46,726	132,312
Additions	1,198	7,719	8,917
Disposals	-	(1,031)	(1,031)
At 31 December 2022	<u>86,784</u>	<u>53,414</u>	<u>140,198</u>
Depreciation			
At 1 January 2022	48,656	37,811	86,467
Charge for the year	4,934	6,561	11,495
Eliminated on disposal	-	(1,031)	(1,031)
At 31 December 2022	<u>53,590</u>	<u>43,341</u>	<u>96,931</u>
Carrying amount			
At 31 December 2022	<u>33,194</u>	<u>10,073</u>	<u>43,267</u>
At 31 December 2021	<u>36,930</u>	<u>8,915</u>	<u>45,845</u>

BlackRock Investment Management (UK) Limited

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

12 Right-of-use assets

	Property £ 000
Cost	
At 1 January 2022	198,651
Additions	19
Adjustments	(12,269)
Disposals	<u>(2,322)</u>
At 31 December 2022	<u>184,079</u>
Depreciation	
At 1 January 2022	35,731
Charge for the year	13,237
Eliminated on disposal	<u>(2,322)</u>
At 31 December 2022	<u>46,646</u>
Carrying amount	
At 31 December 2022	<u><u>137,433</u></u>
At 31 December 2021	<u><u>162,920</u></u>

Property cost adjustments reflect amendments arising from a review of the lease relating to Drapers Gardens. See note 22 for further information on leases.

BlackRock Investment Management (UK) Limited

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

13 Intangible assets

	Management contracts and distribution agreements £ 000
Cost	
At 1 January 2022	8,490
Disposals	<u>(410)</u>
At 31 December 2022	<u>8,080</u>
Amortisation	
At 1 January 2022	4,162
Amortisation charge	1,769
Amortisation eliminated on disposals	<u>(410)</u>
At 31 December 2022	<u>5,521</u>
Carrying amount	
At 31 December 2022	<u>2,559</u>
At 31 December 2021	<u>4,328</u>

14 Investments

	£ 000
Subsidiaries	
Cost and carrying amount	
At 1 January 2022	<u>18,101</u>
At 31 December 2022	<u>18,101</u>

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

			Proportion of ownership interest and voting rights held	
Name of subsidiary	Principal activity	Principal place of business	2022	2021
BlackRock Fund Managers Limited	Provider of investment management services	United Kingdom	100%	100%

The subsidiary is recorded at elected cost. No impairment has been recognised against the subsidiary.

BlackRock Investment Management (UK) Limited

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

15 Other financial assets

	Fair value through other comprehensive income £ 000	Amortised cost £ 000	Fair value through profit and loss £ 000	Total £ 000
At 1 January 2022	108,117	1,091,482	19,779	1,219,378
Additions	-	31,412	1,441	32,853
Disposals	(14,272)	(15,583)	(4,885)	(34,740)
Foreign exchange gains through profit and loss	-	12,402	845	13,247
Mark-to-market losses through profit and loss	-	-	(5,902)	(5,902)
Gains through other comprehensive income	640	-	-	640
Movement in accrued income	-	810	-	810
At 31 December 2022	<u>94,485</u>	<u>1,120,523</u>	<u>11,278</u>	<u>1,226,286</u>

	Fair value through other comprehensive income £ 000	Amortised cost £ 000	Fair value through profit and loss £ 000	Total £ 000
At 1 January 2021	86,885	1,068,903	12,412	1,168,200
Additions	-	49,460	7,566	57,026
Disposals	-	(17,059)	-	(17,059)
Foreign exchange losses through profit and loss	-	(9,832)	(770)	(10,602)
Mark-to-market gains through profit and loss	-	-	571	571
Gains through other comprehensive income	21,232	-	-	21,232
Movement in accrued income	-	10	-	10
At 31 December 2021	<u>108,117</u>	<u>1,091,482</u>	<u>19,779</u>	<u>1,219,378</u>

FVTOCI assets consists of unlisted equity shares, which by their nature have no fixed maturity date or coupon rate. Gains and losses through other comprehensive income reflect movements in the valuations in these minority shareholdings.

BlackRock Investment Management (UK) Limited

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

15 Other financial assets (continued)

Amortised cost assets include an unsecured loan to BGL of £900,000,000 (2021: £900,000,000) which matures on 31 March 2024 when full principal repayment will fall due. Interest is charged at 2.468% and is receivable six-monthly on 31 March and 30 September.

Disposals in the FVTOCI and FVTPL categories represent the Company's sale of its holding in Embark Group Limited for a cash consideration matching the recognised value.

All remaining balances, additions and disposals in the amortised cost and FVTPL categories relate to interests in CLOs, comprising both rated and unrated tranches. Rated senior tranches are held at amortised cost and pay bi-annual interest with weighted average coupon rates as follows; Tranche 1 - 0.95%, Tranche 2 - 1.70%, Tranche 3 - 2.23%, Tranche 4 - 3.14%, Tranche 5 - 5.76%, and Tranche 6 - 7.74%. Unrated tranches are held at FVTPL and pay bi-annual dividends representing residual waterfall cash flows.

At the statement of financial position date the Company had an undrawn commitment to loan advances of £16,221,000 (2021: £16,372,000) in respect of a CLO in the warehousing phase.

16 Interests in unconsolidated structured entities

The AUM of the Company as at 31 December 2022 was £833.7bn (2021: £915.5bn).

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

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

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

The fees received during the year to 31 December 2022, in relation to the above, were £1,104,852,000 (2021: £1,333,844,000). The carrying value on the statement of financial position as at 31 December 2022 is £38,205,000 (2021: £35,093,000), as represented by trade receivables and accrued income. Amounts relating to SMAs have been excluded as these are not classified as a structured entity. Prior period fees received from unconsolidated structured entities have been restated following a current period review of the underlying accounting data. This change does not have any impact on the revenue or profit recognised and no impact on the Statement of Financial Position in the prior period.

Additionally, the Company currently holds interest related to thirteen CLO vehicles, comprising a vertical slice which contains both rated and unrated tranches. The Company is required to hold a 5% interest in these vehicles, and any vehicles in the warehousing stage, under risk retention rules, as disclosed in note 15 of the accounts. Further to this, the Company receives fees in respect of management of these CLOs.

BlackRock Investment Management (UK) Limited

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

16 Interests in unconsolidated structured entities (continued)

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. In respect of the CLO vehicles, the maximum exposure to loss for the Company is the loss of repayments of principal, coupon payments, non-rated distributions, management fees, and the undrawn commitments to advance loans to CLOs in the warehousing stage as disclosed below and in note 15. Total income received from CLOs during the year was £25,144,000 (2021: £21,973,000), comprising other interest income of £6,336,000 (2021: £6,448,000) and management fees of £18,808,000 (2021: £15,525,000) (these management fees have been included as part of the unconsolidated structured entities above).

Financial support

The Company has not provided financial support, without the obligation to do so, to any of its unconsolidated structured entities during the year. However, as disclosed in note 15, at the year end the Company had undrawn commitments of £16,221,000 (2021: £16,372,000) relating to advancing loans to a CLO in the warehousing stage. These amounts are expected to be called in the future. The Company has no other contractual obligations or current intention of providing financial support in the future to its unconsolidated structured entities.

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.

17 Trade and other receivables

	31 December 2022 £ 000	31 December 2021 £ 000
Trade receivables	110,796	82,107
Amounts due from group companies	584,171	634,221
Accrued income	122,654	135,496
Prepayments	20,111	19,834
Other receivables	16,174	17,782
Deferred tax asset	-	25,305
	<u>853,906</u>	<u>914,745</u>

Amounts due from group companies are unsecured, interest free and repayable on demand. Of the amounts due from group companies above £96,664,000 (2021: £111,813,000) is due from the Company's subsidiary, with the remainder being due from other group companies.

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

BlackRock Investment Management (UK) Limited

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

18 Cash and cash equivalents

	31 December 2022 £ 000	31 December 2021 £ 000
Cash at bank	810,651	814,863
Money market funds	355,000	550,000
	1,165,651	1,364,863

The Company's investments in money market funds are considered to be cash equivalents as they are: short-term; highly liquid; readily convertible to known amounts of cash; subject to insignificant risk of changes in value; and held for the purpose of meeting short-term cash commitments.

19 Share capital

Allotted, called up and fully paid shares

	No. 000	31 December 2022 £ 000	No. 000	31 December 2021 £ 000
Ordinary shares of £1 each	94,485	94,485	94,485	94,485

20 Reserves

Share-based payment reserve

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

Foreign currency translation reserve

The exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Investment revaluation reserve

This reserve comprises the accumulated gains and losses arising from the changes in fair value of the Company's financial assets measured at FVTOCI.

BlackRock Investment Management (UK) Limited

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

21 Loans and borrowings

			31 December 2022 £ 000	31 December 2021 £ 000
Non-current loans and borrowings				
Loans due to group companies				
			62,106	234,249
Group company	Interest rate	Maturity	31 December 2022 £ 000	31 December 2021 £ 000
BlackRock (Netherlands) B.V.	-0.0748%	31 March 2024	62,106	234,249
			62,106	234,249

The loan note shown above is Euro-denominated, unsecured, interest bearing, and was partially repaid during the year. The remaining balance is repayable in full on maturity 31 March 2024, and bears a negative interest rate of -0.0748%. Interest is receivable semi-annually on 31 March and 30 September to the maturity date.

Interest receivable by the Company during the year ended 31 December 2022 on the loan note is included in the income statement as finance income. Early repayment is permissible at no penalty by mutual agreement.

22 Leases

	31 December 2022 £ 000	31 December 2021 £ 000
Non-current	162,336	175,716
Current	12,937	12,702

The Company has leases for office buildings. The average lease term is 5 years (2021: 3 years). With the exception of short-term and low-value leases, each lease is reflected on the statement of financial position as a right-of-use asset and associated lease liability. Payments which are variable in nature and do not depend on an index or rate may include common area maintenance charges and are expensed on the basis that they are not recognised as a lease liability.

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

Some leases contain an option to extend the lease for a further term or an option to terminate the lease early. Such options are taken into effect in determining the term of the lease.

During the year the Company entered into a new office lease where the incentives received exceeded the lease liability, resulting in an 'other liability' being recognised, rather than a right-of-use asset, in addition to the lease liability. This liability (£6,738,000) is allocated between current (£785,000), included within other payables in note 26, and non-current liabilities (£5,953,000), presented separately on the statement of financial position, and amortised over the period of the lease.

BlackRock Investment Management (UK) Limited

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

22 Leases (continued)

Lease liabilities maturity analysis

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

	31 December 2022 £ 000	31 December 2021 £ 000
Less than one year	17,801	17,751
1 - 5 years	69,880	68,169
More than 5 years	119,580	138,718
Total lease liabilities (undiscounted)	<u>207,261</u>	<u>224,638</u>

Total cash outflow for leases for the year ended 31 December 2022 was £16,464,000 (2021: £19,062,000).

23 Retirement benefit obligations

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £48,320,000 (2021: £40,231,000).

Defined benefit schemes

The Company operates a PRMB scheme. The PRMB liability is calculated by an external actuary using the projected unit credit method.

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2022	31 December 2021
Discount rate %	4.7	1.9
Medical cost inflation initial rate %	8.5	6.0
Medical cost inflation ultimate rate %	10.0	4.7
Year ultimate inflation rate reached	<u>2026</u>	<u>2024</u>

During the year, £87,000 (2021: £71,000) was recognised in the income statement and a debit of £3,118,000 (2021: credit £330,000) taken to other comprehensive income, resulting in the PRMB liability moving from £5,627,000 as at 31 December 2021 to £8,832,000 as at 31 December 2022.

BlackRock Investment Management (UK) Limited

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

24 Share-based payments

Standard Restricted Stock Units

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

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

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

Performance condition awards

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

Market performance based stock options

Performance based share options may be granted to certain employees. Vesting of the performance based share options is contingent upon the achievement of obtaining 125% of BlackRock's grant-date share price within five years from the grant date and the attainment of Company performance measures during the four-year performance period. If both hurdles are achieved, the award will vest in three equal instalments at the end of years five, six and seven. Vested options can then be exercised up to nine years following the grant date. The awards are generally forfeited if the employee leaves the Company before the respective vesting date. The expense for each tranche is amortised over the respective requisite service period. The Company assumes the performance condition will be achieved. If such a condition is not met then any recognised compensation cost is reversed.

The options outstanding at the year-end had a weighted average exercise price of \$513.00 (2021: \$513.00) and a weighted average remaining contractual life of 4 years (2021: 5 years).

BlackRock Investment Management (UK) Limited

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

25 Provisions

	Property-related provisions £ 000
At 1 January 2022	26,386
Unused provision reversed	(395)
Increase due to passage of time or unwinding of discount	1,858
At 31 December 2022	27,849

The balance at 31 December 2022 represents a dilapidation provision on the Drapers Gardens property. This amount is based on the estimated cost of returning the property to its original condition at the end of the lease term, discounted back to the current equivalent expense. No provision has been recognised in respect of the new Brandon Street property as refurbishment work had yet to commence at year end.

26 Trade and other payables

	31 December 2022 £ 000	31 December 2021 £ 000
Trade payables	229,667	245,141
Accrued expenses	392,869	512,276
Amounts due to group companies	1,421,551	1,271,483
Social security and other taxes	104,352	117,280
Other payables	3,764	440
	2,152,203	2,146,620

Included within accrued expenses is £102,805,000 (2021: £105,976,000) relating to an Investment Professional Deferred Compensation Programme that the Company adopted for the purpose of providing deferred compensation and retention incentives to certain employees. For this plan, the final value of the deferred amount to be distributed in cash upon vesting is associated with investment returns of certain investment funds. Where compensation vests after one year it is not included in the above but is presented separately on the statement of financial position.

Outstanding amounts in respect of the defined contribution pension schemes payable at 31 December 2022 of £59,000 (2021: nil) are included within accrued expenses.

Cash management within the BlackRock group is governed by a cash pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by the Company. The balances are treated as intercompany receivables and payables between the Company and the corresponding group companies.

Included within amounts due to group companies above is £1,278,211,000 (2021: £1,148,272,000) in relation to the cash management arrangement, of which £38,017,000 (2021: £36,112,000) is due to the Company's subsidiary.

BlackRock Investment Management (UK) Limited

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

26 Trade and other payables (continued)

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

See note 22 for further details on lease liabilities.

27 Dividends

	31 December 2022 £ 000	31 December 2021 £ 000
Interim dividend of £2.91 (2021: £14.92) per ordinary share	275,000	1,410,714

28 Fair value measurement

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

Level 1 - fair value measurement derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurement derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3 - fair value measurement derived from unobservable inputs for the asset or liability.

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities.

Assets measured at fair value

	31 December 2022 £ 000	31 December 2021 £ 000
Assets at FVTPL - subordinated collateralised loan obligations	11,276	14,894
Assets at FVTPL - foreign exchange forward contract derivatives	88	2,013
Assets designated as FVTOCI - unlisted equity shares	94,485	108,117
Assets held at FVTPL - unlisted equity shares	-	4,885
	105,849	129,909

Liabilities measured at fair value

	31 December 2022 £ 000	31 December 2021 £ 000
Liabilities at FVTPL - foreign exchange forward contract derivatives	2,065	12

BlackRock Investment Management (UK) Limited

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

28 Fair value measurement (continued)

Valuation methods and assumptions

Subordinated collateralised loan obligations:

The fair value of subordinated collateralised loan obligations are determined using valuation techniques based on the calculation of the present value of expected future cash flows. These cash flows are based on the performance of a pool of unlisted corporate debt instruments, which are subsequently collateralised. These investments therefore fall within level 3 of the fair value hierarchy.

Foreign exchange forward contracts:

The fair values of derivative instruments are calculated using observable inputs and therefore categorised as level 2 securities in the fair value hierarchy. At the statement of financial position date foreign exchange forward contracts were in place to hedge the transactional foreign exchange exposure of the Company. These forwards are short term in nature and normally have a tenure of less than one month.

Unlisted equity shares:

The fair value of unlisted FVTOCI equity shares has been estimated using an income approach. In applying this approach, in the absence of forecasts, management have used historical management accounts and financial statements, and applied assumptions to create projected cashflows including the application of long-term growth rates. The projected cashflows have then been discounted at a rate of 17.25% to reflect the appropriate cost of equity. These investments therefore fall within level 3 of the fair value hierarchy.

There were no changes to the valuation techniques or transfers between levels during the year.

29 Related party transactions

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

Details of directors' remuneration are set out in note 8. There are no personnel other than directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Company.

30 Parent and ultimate parent undertaking

The Company's immediate holding company is BlackRock Finance Europe Limited. The ultimate parent company and controlling party is BlackRock, Inc., a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the Company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements are available upon request from the Investor Relations website at www.blackrock.com or requests may be addressed to Investor Relations at 50 Hudson Yards, New York, NY 10001, USA or by email at invrel@blackrock.com.

BlackRock Investment Management (UK) Limited

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

31 Non-adjusting events after the financial period

In January 2023 BlackRock announced an organisational restructure in connection with an initiative to modify the size and shape of the workforce to align more closely with strategic priorities. This resulted in the Company recognising termination benefits of £10,768,000, primarily comprised of severance and accelerated amortisation expense of previously granted deferred compensation.

The loan of £900,000,000 due from group company BGL and included within non-current financial assets (note 15) was extended after the statement of financial position date to mature on 31 March 2025, with a revised annual interest rate of 5.1287%. All other terms relating to this loan remain unchanged.

BlackRock Investment Management (UK) Limited

Country by Country Reporting for the Year Ended 31 December 2022

The Company presents information on a consolidated basis on its establishments in existence during the year, in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council and Statutory Instrument 2013/3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013.

2022 Jurisdiction	Revenue £ 000	Profit/(loss) before tax £ 000	Corporation tax paid £ 000	Total charge £ 000	Average number of employees No.
UK*	2,221,079	369,577	62,078	64,658	3,652
Israel	10,485	6,873	1,068	1,581	11
South Africa	4,290	3,396	990	951	3
Netherlands	-	-	(2,205)	-	-
Germany	-	-	25,239	-	-

Jurisdiction Name of establishment

Provider of investment management, advisory and administrative services

UK BlackRock Investment Management (UK) Limited
 BlackRock Fund Managers Limited

Provider of local sales and marketing support

South Africa BlackRock Investment Management (UK) Limited - Cape Town Branch
 Israel BlackRock Investment Management (UK) Limited - Tel Aviv Branch

* UK Corporate tax payments are made in instalments prior to the end of the period to which they relate. They are therefore based on forecast profits and forecast tax liabilities, which can vary from the final accrual in the financial statements. UK Corporate tax payments for the period can also be reduced by amounts carried forward from prior periods.

UK Corporation tax may be reduced by factors such as income received that is not subject to UK taxation such as dividends, or losses incurred by other UK group companies and surrendered for nil payment. Please refer to the income tax note, note 10, in the financial statements for a reconciliation of the tax charge.

As part of the group's Brexit-related restructuring, the European branches and subsidiary of the Company were disposed of as at 31 December 2020 to another group entity. As noted above, tax payments and refunds relating to these European branches' prior years' tax balances were paid/received in the current year when these balances were finalised.

The table above provides information on:

Revenue

Revenue is stated net of VAT.

Profit/(loss) before tax

Profit/(loss) before tax represents accounting profits under FRS 101.

Corporation tax paid

All corporate income tax payments and refunds are made and received during the year in the respective country. Corporation taxes paid in the year rarely relate to the profits earned in the year in which they are paid since income tax for a given period is generally paid across multiple years and as such timing differences will exist between cash tax payments and accruals.

BlackRock Investment Management (UK) Limited

Country by Country Reporting for the Year Ended 31 December 2022 (continued)

Total income tax charge

Current and deferred income tax charges relating to the current year booked to the income statement in the year.

Average number of employees

The number of employees has been calculated as the average number of employees on a full time equivalents basis, who were permanent employees during the period.

Additional information

The Company's directors have also included the combined results for BlackRock Investment Management (UK) Limited (excluding non-UK branches) and BlackRock Advisors (UK) Limited (excluding non-UK branches). BlackRock Advisors (UK) Limited is also subject to the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The combined results provide a more coherent view of their profile on the basis that, in substance, they operate as one business.

Combined revenue for the companies was £2,571,156,000, combined profit was £870,143,000, combined corporate income tax paid was £111,346,000 and the combined total income tax charge for 2022 was £116,552,000.

The average number of employees for BlackRock Investment Management (UK) Limited which are at the disposal of BlackRock Advisors (UK) Limited was 3,652.