



Annual report and audited financial statements

BlackRock Authorised Contractual Scheme 2

- ACS LifePath 2019-2021
- ACS LifePath 2022-2024
- ACS LifePath 2025-2027
- ACS LifePath 2028-2030
- ACS LifePath 2031-2033
- ACS LifePath 2034-2036
- ACS LifePath 2037-2039
- ACS LifePath 2040-2042
- ACS LifePath 2043-2045
- ACS LifePath 2046-2048
- ACS LifePath 2049-2051
- ACS LifePath 2052-2054
- BlackRock Pension Growth Fund

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

CONTENTS

General Information	2
About the Scheme	3
Fund Managers	3
Significant Events	3
Subsequent Events	3
Investment Manager's Report	4
Report on Remuneration	9
Accounting and Distribution Policies	14
Financial Instruments and Risks	16
ACS LifePath 2019-2021	46
ACS LifePath 2022-2024	57
ACS LifePath 2025-2027	68
ACS LifePath 2028-2030	80
ACS LifePath 2031-2033	92
ACS LifePath 2034-2036	104
ACS LifePath 2037-2039	116
ACS LifePath 2040-2042	128
ACS LifePath 2043-2045	140
ACS LifePath 2046-2048	151
ACS LifePath 2049-2051	162
ACS LifePath 2052-2054	173
BlackRock Pension Growth Fund	184
Statement of Manager's Responsibilities	195
Statement of the Depositary's Responsibilities and Report of the Depositary to the Unitholders	196
Independent Auditor's Report	197
Supplementary Information	200

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

GENERAL INFORMATION

Manager

BlackRock Fund Managers Limited
12 Throgmorton Avenue, London EC2N 2DL

Member of The Investment Association and authorised and regulated by the Financial Conduct Authority (“FCA”).

Directors of the Manager

G D Bamping* C L Carter (resigned 17 May 2019) M B Cook W I Cullen*
R A R Hayes A M Lawrence H N Mephram (appointed 26 November 2019)
L E Watkins (resigned 1 March 2019 and re-appointed 7 February 2020) M T Zemek*

* Non-executive Director.

Registrar and Transfer Agent

Northern Trust Global Services SE UK Branch
50 Bank Street, Canary Wharf, London E14 5NT
Fund Services Team: 0333 300 0356

Depositary and Administrator

Northern Trust Global Services SE UK Branch
50 Bank Street, Canary Wharf, London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority.

Investment Manager

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue, London EC2N 2DL

Authorised and regulated by the FCA.

Auditor

Ernst & Young LLP
25 Churchill Place, Canary Wharf, London E14 5EY

Custodian

The Northern Trust Company, London Branch
50 Bank Street, Canary Wharf, London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority.

BlackRock’s proxy voting agent is ISS (Institutional Shareholder Services).

This Report relates to the packaged products of and is issued by:

BlackRock Fund Managers Limited
12 Throgmorton Avenue, London EC2N 2DL
Telephone: 020 7743 3000
Fund Services Team: 0333 300 0356
blackrock.co.uk

For your protection, telephone calls are usually recorded.

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ABOUT THE SCHEME

BlackRock Authorised Contractual Scheme 2 (the “Scheme”) is constituted as an umbrella Co-Ownership Scheme comprising of separate sub-funds with segregated liability (each referred to as a “Fund” and collectively the “Funds”).

The Scheme is constituted as a non-UCITS scheme (or “NURS”) under the Financial Conduct Authority’s Collective Investment Schemes Sourcebook (the “COLL Sourcebook”), Financial Conduct Authority’s Investment Funds Sourcebook (“FUND”) and was authorised by the Financial Conduct Authority (“FCA”) on 5 April 2018.

A new Prospectus was issued on 19 December 2019.

Assessment of value

The Financial Conduct Authority has introduced new requirements for UK authorised fund managers to consider whether the charges taken from a fund it manages are justified in the context of the overall service and value offered by that fund, and to report on those findings. BlackRock is preparing for the reporting requirement, including assessing relevant charges, and will be publishing the assessment of value statements no later than 31 October 2020 in a composite report for all funds managed by BlackRock subject to these requirements.

Cross sub-fund holdings within the Scheme:

As at 31 December 2019, there were no cross sub-fund holdings within the Scheme.

The Alternative Investment Fund Managers Regulations 2013

BlackRock Fund Managers Limited (the “Manager”) is authorised and regulated by the FCA with permission to carry on the activity of ‘managing an AIF’ in the United Kingdom. As such, the Manager has been appointed to be the alternative investment fund manager of the Funds, each of which is an alternative investment fund, or ‘AIF’, for the purposes of the AIFMD.

In this document the term “AIFMD” means, collectively, Alternative Investment Fund Managers Directive (Directive 2011/61/EU) as transposed in the UK by UK SI 2013/1773 entitled ‘Financial Services and Markets; The Alternative Investment Fund Managers Regulations 2013’ and supplemented by the Commission Delegated Regulation (EU) No. 231/2013 and any other applicable national implementing measures, including (without limitation) the rules contained in the FCA Handbook, each as may be amended or updated from time to time.

FUND MANAGERS

As at 31 December 2019, the Fund Manager of the Funds, with the exception of the BlackRock Pension Growth Fund, is Stephen Walker. As at 31 December 2019, the Fund Managers of the BlackRock Pension Growth Fund are Mason Woodworth and Mohammed Khalil.

SIGNIFICANT EVENTS

Changes in the Directors of the Manager

L E Watkins resigned as a Director effective 1 March 2019. C L Carter resigned as a Director effective 17 May 2019. H N Mepham was appointed as a Director effective 26 November 2019.

SUBSEQUENT EVENTS

L E Watkins was re-appointed as a Director effective 7 February 2020.

Other than the above, there have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the financial statements for the year ended 31 December 2019.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

INVESTMENT MANAGER'S REPORT

Investment Objective

ACS LifePath Funds

The Funds are target date retirement funds. The Funds' objective is to provide a return with an asset allocation that changes over time.

The Funds seek to achieve their investment objective by investing primarily in units of collective investment schemes. These collective investment schemes (which are expected to be predominantly index tracker funds and will typically be Associated Funds) may gain exposure globally to equity securities, fixed-income securities (both government and non-government securities) and alternative asset classes (such as property and commodities). The Funds may also invest directly in transferable securities (equity securities and fixed-income securities), money-market instruments, deposits and cash and near cash. Any exposure to property and commodities will only be gained indirectly by the Funds.

The Funds will adjust their investment strategy as they progress towards their maturity date, from a portfolio of units of collective investment schemes which gain exposure predominantly to equities, towards a portfolio of units of collective investment schemes which gain exposure to approximately 60% fixed income assets and 40% equities.

BlackRock Pension Growth Fund

The Fund objective is to seek to achieve a total return.

The Fund seeks to achieve its investment objective by investing primarily in units of collective investment schemes. These collective investment schemes (which are expected to be predominantly index tracker funds and will typically be Associated Funds) may gain exposure globally to equity securities, fixed-income securities (both government and non-government securities) and alternative asset classes (such as property and commodities). The Fund may also invest directly in transferable securities (equity securities and fixed-income securities), money-market instruments, deposits and cash and near cash. Any exposure to property and commodities will only be gained indirectly by the Fund.

Fund name	Comparator benchmark	Investment management approach
ACS LifePath 2019-2021	N/A	Active
ACS LifePath 2022-2024	N/A	Active
ACS LifePath 2025-2027	N/A	Active
ACS LifePath 2028-2030	N/A	Active
ACS LifePath 2031-2033	N/A	Active
ACS LifePath 2034-2036	N/A	Active
ACS LifePath 2037-2039	N/A	Active
ACS LifePath 2040-2042	N/A	Active
ACS LifePath 2043-2045	N/A	Active
ACS LifePath 2046-2048	N/A	Active
ACS LifePath 2049-2051	N/A	Active
ACS LifePath 2052-2054	N/A	Active
BlackRock Pension Growth Fund	Lipper ABI Mixed Investment 40-85% Index	Active

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

INVESTMENT MANAGER'S REPORT (continued)

Performance Summary

The below table compares the realised Funds' performance during the financial year ended 31 December 2019.

The returns disclosed are the performance returns for the only unit class for each Fund, net of ongoing charges free of any commissions or rebates, and is freely available.

	Fund return %	Comparator benchmark return %
ACS LifePath 2019-2021 - Class X1 Accumulation Units	13.62%	N/A
ACS LifePath 2022-2024 - Class X1 Accumulation Units	14.72%	N/A
ACS LifePath 2025-2027 - Class X1 Accumulation Units	15.73%	N/A
ACS LifePath 2028-2030 - Class X1 Accumulation Units	16.61%	N/A
ACS LifePath 2031-2033 - Class X1 Accumulation Units	17.64%	N/A
ACS LifePath 2034-2036 - Class X1 Accumulation Units	18.73%	N/A
ACS LifePath 2037-2039 - Class X1 Accumulation Units	19.85%	N/A
ACS LifePath 2040-2042 - Class X1 Accumulation Units	20.87%	N/A
ACS LifePath 2043-2045 - Class X1 Accumulation Units	21.86%	N/A
ACS LifePath 2046-2048 - Class X1 Accumulation Units	22.66%	N/A
ACS LifePath 2049-2051 - Class X1 Accumulation Units	23.30%	N/A
ACS LifePath 2052-2054 - Class X1 Accumulation Units	23.56%	N/A
BlackRock Pension Growth Fund - Class X1 Accumulation Units	18.95%	14.31%

All financial investments involve an element of risk. Therefore, the value of investment and the income from it will vary and the return of initial investment amount cannot be guaranteed. Changes in exchange rates may cause the value of an investment to fluctuate. Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product.

INVESTMENT MANAGER'S REPORT (continued)

Global Economic Overview

Global equities, as represented by the MSCI All Country World Index ("ACWI"), posted a return of 26.60% for the twelve months ended 31 December 2019. Global equities benefited from hopes that the decade-long US economic expansion would continue to drive global growth, as the chief uncertainties — slowing economic growth and strained trade relations in many parts of the world — were quelled by monetary stimulus from the world's most influential central banks and a "phase one" trade agreement between the US and China. Intermittent volatility meant developed markets led emerging markets for the reporting period as investors sought out less risky assets.

In the global bond markets, low inflation, risk avoidance, and demand for yield led to higher bond prices despite yields near historic lows. Central bank easing and stimulus pushed short-term interest rates lower, while investors' expectations that inflation would remain low led to a sharp decrease in long-term interest rates. In October 2019, a portion of the US yield curve (a graphical representation of bond yields at different maturities) temporarily inverted (where the yield on the 10-year bond fell below that on the 2-year bond) for the first time since 2005. However, the yield curve steepened again shortly thereafter, as inflation increased slightly and economic signals remained mostly positive.

Both government bonds and global corporate bonds performed well, as falling interest rates and low inflation boosted all classes of bonds. Corporate bonds posted a solid return, as demand for higher yielding securities remained robust in a generally positive credit environment. In Europe and Japan, negative short-term interest rate policy by the European Central Bank ("ECB") and the Bank of Japan, excess liquidity, and institutional demand for bonds led to negative yields for a large portion of both bond markets. Emerging market bonds generally outperformed other international bonds as rising optimism about global growth and positive trade developments late in the reporting period led to increased appetite for bonds from developing nations.

In the commodities market, gold prices rose to a seven-year high amid geopolitical tensions, as central banks and exchange-traded funds increased their gold purchases. Negative yields in the bond market also contributed to rising gold prices, as investors looked to gold as a store of value. Similarly, the price of Brent Crude oil rose due to an escalation of tensions in the Middle East and rising expectations for demand.

Looking at currencies, the performance of the US dollar was mixed against other major currencies, gaining earlier in the reporting period before falling slightly as demand from central banks declined. Expectations that the ECB would lower interest rates and resume monetary stimulus weighed on the euro. Declining uncertainty surrounding Brexit helped the British pound gain against the US dollar as the contours of a deal with the EU emerged and were solidified by the results of the UK's December 2019 elections. The Japanese yen and Swiss franc, which tend to benefit from global economic uncertainty, both advanced slightly against the US dollar.

In terms of economic growth, the US economy continued to grow faster than most developed countries. Growth in Europe remained sluggish, with quarterly contractions in Germany and the UK, the two largest European economies. Despite rising consumer spending, economic growth in Japan was tepid, and exports declined year-on-year for twelve consecutive months. China, the world's second largest economy, saw growth slow to a pace of approximately 6%, as trade conflict with the US constrained export growth. Trade disputes and geopolitical uncertainty led to dampened global trade, which in 2019 grew at its slowest pace since the financial crisis. The slowdown in trade in turn had a cooling effect on economic growth, particularly for export-reliant economies.

In response to sluggish economic conditions and benign inflation, central banks dramatically shifted monetary policy toward more accommodative policies. Notably, emerging market central banks were the first to cut short-term interest rates in anticipation of a rate cut by the Federal Reserve (the "Fed"), which lowered interest rates three times from July to October 2019. The ECB also reduced interest rates and revived its bond purchase program in September 2019, while the Bank of Japan renewed its commitment to future economic stimulus. The sea change in central bank policy raised investors' optimism that a deepening downturn could be averted, which generally helped the performance of riskier assets. At the end of the reporting period, the signing of a phase one trade agreement between the US and China and expectations that the global decline in manufacturing had bottomed sparked an equity market rally.

INVESTMENT MANAGER'S REPORT (continued)

Global Economic Overview (continued)

Reform of the UK's Retail Price Index ("RPI"), the primary inflation index used for pricing the inflation compensation in index linked government debt, came back into focus during 2019 following the release of a House of Lords report on the inflation measure. The next updates are likely to come in 2020 when a new consultation is launched. The results of the consultation may result in amending the measure over the next 10 years, and this may reduce expectations for the difference between RPI and Consumer Price Index to persist.

Fund Performance Review and Activity

ACS LifePath 2019-2021

ACS LifePath 2022-2024

ACS LifePath 2025-2027

ACS LifePath 2028-2030

ACS LifePath 2031-2033

ACS LifePath 2034-2036

ACS LifePath 2037-2039

ACS LifePath 2040-2042

ACS LifePath 2043-2045

ACS LifePath 2046-2048

ACS LifePath 2049-2051

ACS LifePath 2052-2054

Over the year to 31 December 2019, ACS LifePath Funds experienced positive returns (13.6%, 14.7%, 15.7%, 16.6%, 17.6%, 18.7%, 19.8%, 20.9%, 21.9%, 22.7%, 23.3%, 23.6% for the 12 funds respectively.)

Absolute performance across the range of Funds was primarily driven by the strategic asset allocations. All the underlying Funds and asset classes contributed positively to the performance of the Funds over the year.

The ACS LifePath Funds utilise proprietary index Fund building blocks to achieve their strategic allocations. Performance of the Funds was driven by the strategic asset allocation implemented within the glidepath.

Longer-dated vintages, designed for savers that have a long time (e.g. over 20 years) to their retirement date, outperformed the shorter-dated vintages (where our investments are more suitable for investors approaching and navigating retirement) in 2019. The main reason for this was due to the larger allocation to global equities which outperformed bond investments.

Looking more deeply into the drivers of return, within equity markets in 2019, the ACS LifePath Funds were diversified across a variety of equity exposures. Global equity prices finished the year close to all-time highs. The U.S. Equity Fund was the best performing building block within LifePath returning 26.5%, followed by the World ex-UK Equity Fund which returned 23.4%. European ex-UK and UK equity exposures performed significantly well over the year, returning 20.5% and 19.2%, respectively. The other equity exposures also contributed positively to the overall exposure of the ACS LifePath Funds.

For those portfolios that held bond market exposure, all the fixed income building blocks showed positive returns. Emerging markets government debt was the best performing asset class returning 10.7%, followed by UK 9.5% and Global 7.2% corporates. UK Gilts and UK Index linked Securities also performed well, returning 7.0% and 6.9%, respectively.

Our real asset strategies experienced positive returns. The global property exposure added 17.9% while the commodity exposure added 3.6%.

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INVESTMENT MANAGER'S REPORT (continued)

Fund Performance Review and Activity (continued)

BlackRock Pension Growth Fund

Over the financial year to 31 December 2019, the Fund's return was 19.0%.

Positive performance was largely driven by the Fund's strategic asset allocation. Equity and fixed income securities across regions had positive performance for 2019. Non-UK developed equities, particularly North American (including Canadian) equities drove most of the Fund's positive performance in the period. The allocation to fixed income also added to positive performance with contributions from both government and corporate bonds over the period.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

REPORT ON REMUNERATION

The below disclosures are made in respect of the remuneration policies of the BlackRock group (“BlackRock”), as they apply to BlackRock Fund Managers Limited (the “Manager”). The disclosures are made in accordance with the Alternative Investment Fund Managers Directive (the “AIFMD”), the European Commission Delegated Regulation supplementing the AIFMD (the “Delegated Regulation”) and the “Guidelines on sound remuneration policies under the AIFMD” issued by the European Securities and Markets Authority.

The BlackRock AIFM Remuneration Policy (the “AIFM Remuneration Policy”) will apply to the EEA entities within the BlackRock group authorised as a manager of alternative investment funds in accordance with the AIFMD and will ensure compliance with the requirements of Annex II of the AIFMD.

The Manager has adopted the AIFM Remuneration Policy, a summary of which is set out below.

Remuneration Governance

BlackRock’s remuneration governance in EMEA operates as a tiered structure which includes: (a) the Management Development and Compensation Committee (“MDCC”) (which is the global, independent remuneration committee for BlackRock, Inc. and all of its subsidiaries, including the Manager); and (b) the Manager’s board of directors (the “Manager’s Board”). These bodies are responsible for the determination of BlackRock’s remuneration policies.

(a) MDCC

The MDCC’s purposes include:

- providing oversight of:
 - BlackRock’s executive compensation programmes;
 - BlackRock’s employee benefit plans; and
 - such other compensation plans as may be established by BlackRock from time to time for which the MDCC is deemed as administrator;
- reviewing and discussing the compensation discussion and analysis included in the BlackRock, Inc. annual proxy statement with management and approving the MDCC’s report for inclusion in the proxy statement;
- reviewing, assessing and making reports and recommendations to the BlackRock, Inc. board of directors (the “BlackRock, Inc. Board”) as appropriate on BlackRock’s talent development and succession planning, with the emphasis on performance and succession at the highest management levels; and
- supporting the boards of the Company’s EMEA regulated entities in meeting their remuneration-related obligations by overseeing the design and implementation of EMEA remuneration policy in accordance with applicable regulation.

The MDCC directly retains its own independent compensation consultant, Semler Brossy Consulting Group LLC, who has no relationship with BlackRock Inc. or the BlackRock, Inc. Board that would interfere with its ability to provide independent advice to the MDCC on compensation matters.

The BlackRock, Inc. Board has determined that all the members of the MDCC are “independent” within the meaning of the listing standards of the New York Stock Exchange (NYSE), which requires each meet a “non-employee director” standard.

The MDCC held 8 meetings during 2019. The MDCC charter is available on BlackRock, Inc.’s website (www.blackrock.com).

(b) The Manager’s Board

The Manager’s Board has the task of supervising and providing oversight of the AIFM Remuneration Policy as it applies to the Manager and its Identified Staff.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

REPORT ON REMUNERATION (continued)

Decision-making process

Remuneration decisions for employees are made once annually in January following the end of the performance year. This timing allows full-year financial results to be considered along with other non-financial goals and objectives. Although the framework for remuneration decision-making is tied to financial performance, significant discretion is used to determine individual variable remuneration based on achievement of strategic and operating results and other considerations such as management and leadership capabilities.

No set formulas are established, and no fixed benchmarks are used in determining annual incentive awards. In determining specific individual remuneration amounts, a number of factors are considered including non-financial goals and objectives and overall financial and investment performance. These results are viewed in the aggregate without any specific weighting, and there is no direct correlation between any particular performance measure and the resulting annual incentive award. The variable remuneration awarded to any individual(s) for a particular performance year may also be zero.

Annual incentive awards are paid from a bonus pool.

The size of the projected bonus pool, including cash and equity awards, is reviewed throughout the year by the MDCC and the final total bonus pool is approved after year-end. As part of this review, the MDCC receives actual and projected financial information over the course of the year as well as final year-end information. The financial information that the MDCC receives and considers includes the current year projected income statement and other financial measures compared with prior year results and the current year budget. The MDCC additionally reviews other metrics of BlackRock's financial performance (e.g., net inflows of AUM and investment performance) as well as information regarding market conditions and competitive compensation levels.

The MDCC regularly considers management's recommendation as to the percentage of preincentive operating income that will be accrued and reflected as a compensation expense throughout the year for the cash portion of the total annual bonus pool (the "accrual rate"). The accrual rate of the cash portion of the total annual bonus pool may be modified by the MDCC during the year based on its review of the financial information described above. The MDCC does not apply any particular weighting or formula to the information it considers when determining the size of the total bonus pool or the accruals made for the cash portion of the total bonus pool.

Following the end of the performance year, the MDCC approves the final bonus pool amount.

As part of the year-end review process the Enterprise Risk and Regulatory Compliance departments report to the MDCC on any activities, incidents or events that warrant consideration in making compensation decisions.

Individuals are not involved in setting their own remuneration.

Control functions

Each of the control functions (Enterprise Risk, Legal & Compliance, and Internal Audit) has its own organisational structure which is independent of the business units. The head of each control function is either a member of the Global Executive Committee ("GEC"), the global management committee, or has a reporting obligation to the board of directors of BlackRock Group Limited, the parent company of all of BlackRock's EMEA regulated entities, including the Manager.

Functional bonus pools are determined with reference to the performance of each individual function. The remuneration of the senior members of control functions is directly overseen by the MDCC.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

REPORT ON REMUNERATION (continued)

Link between pay and performance

There is a clear and well defined pay-for-performance philosophy and compensation programmes which are designed to meet the following key objectives as detailed below:

- appropriately balance BlackRock's financial results between shareholders and employees;
- attract, retain and motivate employees capable of making significant contributions to the long-term success of the business;
- align the interests of senior employees with those of shareholders by awarding BlackRock Inc.'s stock as a significant part of both annual and long-term incentive awards;
- control fixed costs by ensuring that compensation expense varies with profitability;
- link a significant portion of an employee's total compensation to the financial and operational performance of the business as well as its common stock performance;
- discourage excessive risk-taking; and
- ensure that client interests are not negatively impacted by remuneration awarded on a short-term, mid-term and/or long-term basis.

Driving a high-performance culture is dependent on the ability to measure performance against objectives, values and behaviours in a clear and consistent way. Managers use a 5-point rating scale to provide an overall assessment of an employee's performance, and employees also provide a self-evaluation. The overall, final rating is reconciled during each employee's performance appraisal. Employees are assessed on the manner in which performance is attained as well as the absolute performance itself.

In keeping with the pay-for-performance philosophy, ratings are used to differentiate and reward individual performance – but don't pre-determine compensation outcomes. Compensation decisions remain discretionary and are made as part of the year-end compensation process.

When setting remuneration levels other factors are considered, as well as individual performance, which may include:

- the performance of the Manager, the funds managed by the Manager and/or the relevant functional department;
- factors relevant to an employee individually; relationships with clients and colleagues; teamwork; skills; any conduct issues; and, subject to any applicable policy, the impact that any relevant leave of absence may have on contribution to the business);
- the management of risk within the risk profiles appropriate for BlackRock's clients;
- strategic business needs, including intentions regarding retention;
- market intelligence; and
- criticality to business.

A primary product tool is risk management and, while employees are compensated for strong performance in their management of client assets, they are required to manage risk within the risk profiles appropriate for their clients. Therefore, employees are not rewarded for engaging in high-risk transactions outside of established parameters. Remuneration practices do not provide undue incentives for short-term planning or short-term financial rewards, do not reward unreasonable risk and provide a reasonable balance between the many and substantial risks inherent within the business of investment management, risk management and advisory services.

BlackRock operates a total compensation model for remuneration which includes a base salary, which is contractual, and a discretionary bonus scheme.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

REPORT ON REMUNERATION (continued)

BlackRock operates an annual discretionary bonus scheme. Although all employees are eligible to be considered for a discretionary bonus, there is no contractual obligation to make any award to an employee under its discretionary bonus scheme. In exercising discretion to award a discretionary bonus, the factors listed above (under the heading “Link between pay and performance”) may be taken into account in addition to any other matters which become relevant to the exercise of discretion in the course of the performance year.

Discretionary bonus awards for all employees, including executive officers, are subject to a guideline that determines the portion paid in cash and the portion paid in BlackRock, Inc. stock and subject to additional vesting/clawback conditions. Stock awards are subject to further performance adjustment through variation in BlackRock, Inc.’s share price over the vesting period. As total annual compensation increases, a greater portion is deferred into stock. The MDCC adopted this approach in 2006 to substantially increase the retention value and shareholder alignment of the compensation package for eligible employees, including the executive officers. The portion deferred into stock vests into three equal instalments over the three years following grant.

Supplementary to the annual discretionary bonus as described above, equity awards may be made to selected individuals to provide greater linkage with future business results. The long-term incentive awards have been established individually to provide meaningful incentive for continued performance over a multi-year period recognising the scope of the individual’s role, business expertise and leadership skills.

Selected senior leaders are eligible to receive performance-adjusted equity-based awards from the “BlackRock Performance Incentive Plan” (“BPIP”). Awards made from the BPIP have a three-year performance period based on a measurement of As Adjusted Operating Margin¹ and Organic Revenue Growth². Determination of pay-out will be made based on the firm’s achievement relative to target financial results at the conclusion of the performance period. The maximum number of shares that can be earned is 165% of the award in those situations where both metrics achieve pre-determined financial targets. No shares will be earned where the firm’s financial performance in both of the above metrics is below a pre-determined performance threshold. These metrics have been selected as key measures of shareholder value which endure across market cycles.

A limited number of investment professionals have a portion of their annual discretionary bonus (as described above) awarded as deferred cash that notionally tracks investment in selected products managed by the employee. The intention of these awards is to align investment professionals with the investment returns of the products they manage through the deferral of compensation into those products. Clients and external evaluators have increasingly viewed more favourably those products where key investors have “skin in the game” through significant personal investments.

Identified Staff

The AIFM Remuneration Policy sets out the process that will be applied to identify staff as Identified Staff, being categories of staff of the Manager, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or of the funds it manages.

¹ As Adjusted Operating Margin: As reported in BlackRock’s external filings, reflects adjusted Operating Income divided by Total Revenue net of distribution and servicing expenses and amortisation of deferred sales commissions.

² Organic Revenue Growth: Equal to net new base fees plus net new Aladdin revenue generated in the year (in dollars).

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

REPORT ON REMUNERATION (continued)

The list of Identified Staff will be subject to regular review, being formally reviewed in the event of but not limited to:

- organisational changes;
- new business initiatives;
- changes in significant influence function lists;
- changes in role responsibilities; and
- revised regulatory direction.

Quantitative Remuneration Disclosure

The Manager is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with BlackRock's interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops BlackRock may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other BlackRock fund disclosures in that same year.

Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; and (c) staff who have the ability to materially affect the risk profile of the Fund, including individuals who, although not directly employed by the Manager, are assigned by their employer to carry out services directly for the Manager.

All individuals included in the aggregated figures disclosed are rewarded in line with BlackRock's remuneration policy for their responsibilities across the relevant BlackRock business area. As all individuals have a number of areas of responsibilities, only the portion of remuneration for those individuals' services attributable to the Fund is included in the aggregate figures disclosed.

Members of staff and senior management of the Manager typically provide both AIFMD and non-AIFMD related services in respect of multiple funds, clients and functions of the Manager and across the broader BlackRock group. Therefore, the figures disclosed are a sum of each individual's portion of remuneration attributable to the Manager according to an objective apportionment methodology which acknowledges the multiple-service nature of the Manager. Accordingly, the figures are not representative of any individual's actual remuneration or their remuneration structure.

The amount of the total remuneration awarded by the Manager to its staff which has been attributed to the Manager's AIFMD-related business in respect of the Manager's financial year ending 31 December 2019 is £23.8 million. This figure is comprised of fixed remuneration of £1.4 million and variable remuneration of £22.4 million. There were a total of 53 beneficiaries of the remuneration described above.

The amount of the aggregate remuneration awarded by the Manager, which has been attributed to the Manager's AIFMD-related business in respect of the Manager's financial year ending 31 December 2019, to its senior management was £0.1 million, and to other members of its staff whose actions have a material impact on the risk profile of the Manager's AIFMD-related business was £23.7 million.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

ACCOUNTING AND DISTRIBUTION POLICIES*

for the year ended 31 December 2019

Accounting Policies

(a) The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Management Association (now known as the Investment Association) in May 2014 and amended in June 2017.

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

(b) Dividends on quoted ordinary shares and preference shares are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when the right to receive payment is established.

Revenue from securities lending is accounted for net of associated costs and is recognised on an accruals basis.

All revenue is recognised as a gross amount that takes account of any withholding taxes but excludes any other taxes such as attributable tax credits.

Bank interest is recognised on an accruals basis.

(c) Ordinary stock dividends are recognised wholly as revenue and are based on the market value of the shares on the date they are quoted ex-dividend. Where an enhancement is offered, the amount by which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash dividend is taken to capital.

(d) The underlying circumstances behind both special dividends and share buy backs are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue form part of the distribution. Any tax treatment will follow the accounting treatment of the principal amount.

(e) Underwriting commission is wholly recognised as revenue when the issue takes place, except where the Funds are required to take up some or all of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

(f) All distributions from Collective Investment Schemes ("CIS") are recognised when the securities are quoted ex-dividend. All distributions from holdings in CIS are treated as revenue with the exception of the equalisation element, which is treated as capital.

Any reported revenue from an offshore fund with reporting status from HMRC, in excess of any distribution received in the reporting period, is recognised as revenue if the reporting fund makes this information available before the start of the new reporting period of the sub-fund. The equalisation element is treated as capital.

(g) The Funds receive Manager's charge rebates from BlackRock related investments in the normal course of business. These are recognised on an accruals basis and are treated as revenue, unless it is the policy of the underlying fund to charge its fees to capital, in which case these rebates will be recognised as capital.

(h) All expenses, except those relating to the purchase and sale of investments are charged against revenue. All expenses are recognised on an accruals basis.

(i) No provision for corporation tax is made due to the tax transparent nature of the Funds, in accordance with section 1121 of Corporation Tax Act 2010. Instead, the unitholders of the Funds are treated as if they owned the underlying assets directly, and are taxed on their share of the income derived from the underlying assets.

(j) The investments of the Funds have been valued at market values, defined as fair value, which is usually bid value at close of business on the last business day of the accounting period. In the case of an investment which is not quoted, listed or dealt in on a recognised market, or in respect of which a listed, traded or dealt price or quotation is not available at the time of valuation, the fair value of such investments shall be estimated with care and in good faith by a competent professional person, body, firm or corporation including the Manager's pricing committee, and such fair value shall be determined on the basis of the probable realisation value of the investment. The Manager shall be entitled to adopt an alternative method of valuing any particular asset or liability if it considers that the methods of valuation set out above do not provide a fair valuation of a particular asset or liability.

* The Accounting and Distribution Policies are an integral part of the notes to financial statements.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

ACCOUNTING AND DISTRIBUTION POLICIES (continued)

Investments in dual priced Collective Investment Schemes have been valued at market values, defined as fair value, which is usually the latest available bid price at the Funds' close of business valuation point on the last business day of the accounting period. Investments in single priced Collective Investment Schemes have been valued at market values, defined as fair value, which is usually the latest available price at the Funds' close of business valuation point on the last business day of the accounting period.

(k) Any transactions in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of any such transaction. Assets and liabilities in foreign currencies are translated into Sterling at the exchange rates ruling at the close of business on the last business day of the accounting period. Revenue items in foreign currencies are translated into Sterling at the exchange rate when the revenue is received.

(l) Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in "Revenue" in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in "Net capital gains" in the Statement of Total Return.

(m) Cash and bank balances consist of deposits held on call with banks and cash held with clearing brokers and counterparties. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Distribution Policies

(n) The ordinary element of stock dividends is treated as revenue but does not form part of the distribution.

(o) All of the net revenue available for distribution at the final accounting year end will be retained within the Funds, as all unitholders are accumulation unitholders. Although the income is accumulated it is still deemed to arise directly to the investor. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

FINANCIAL INSTRUMENTS AND RISKS*

Introduction and overview

The Funds' investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and investors should refer to the Prospectus for a more detailed discussion of the risks inherent in investing in the Funds.

Risk management framework

The Manager has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Funds are managed within the terms of its investment guidelines and limits set out in the Prospectus. The Manager reserves to itself the investment performance, product risk monitoring and oversight and the responsibility for the monitoring and oversight of regulatory and operational risk for the Funds.

The Manager has appointed a risk manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the Risk and Quantitative Analysis Group ("RQA Group") which is a centralised group which performs an independent risk management function. The RQA Group independently identifies, measures and monitors investment risk. The RQA Group tracks the actual risk management practices being deployed across the different funds. By breaking down the components of the process, the RQA Group has the ability to determine if the appropriate risk management processes are in place for the Funds. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The risk profile of the Funds are set out as follows:

a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Funds may suffer through holding market positions in the face of market movements. The Funds are potentially exposed to market risk by virtue of its investments in equities and futures contracts.

A key metric the RQA Group uses to measure market risk is VaR which encompasses price, currency and interest rate risk. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on an adjusted historical simulation model with a confidence level of 99%, a holding period of one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Funds will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of the VaR methodology has limitations, namely assumptions that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Fund can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts, will not occur more frequently.

* The information relating to Financial Instruments and Risks is an integral part of the notes to financial statements.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

FINANCIAL INSTRUMENTS AND RISKS (continued)

The one day VaR as at 31 December 2019 based on a 99% confidence level is outlined in the table below:

Fund	31 December 2019	31 December 2018
	%	%
ACS LifePath 2019-2021	0.78	1.17
ACS LifePath 2022-2024	0.86	1.34
ACS LifePath 2025-2027	0.99	1.50
ACS LifePath 2028-2030	1.08	1.61
ACS LifePath 2031-2033	1.20	1.72
ACS LifePath 2034-2036	1.34	1.81
ACS LifePath 2037-2039	1.47	1.92
ACS LifePath 2040-2042	1.63	2.01
ACS LifePath 2043-2045	1.79	2.10
ACS LifePath 2046-2048	1.92	2.17
ACS LifePath 2049-2051	2.00	2.24
ACS LifePath 2052-2054	2.05	2.28
BlackRock Pension Growth Fund	1.34	1.78

i) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Funds are accounted for in Sterling and holds financial assets and financial liabilities denominated in Sterling and other international currencies, with the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

The underlying CIS hold financial assets and financial liabilities denominated in other international currencies. As such, the Funds have indirect exposure to foreign currency risk through their underlying investments in CIS, whereby the value of the underlying CIS may fluctuate as a result of changes to foreign currency rates.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

The tables in the following pages outline the Funds' exposure to foreign currency risk as at the Balance Sheet date.

31 December 2019				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2019-2021				
Australian dollar	1,920	(3,813)	(1,893)	(0.98)
Canadian dollar	2,545	(5,055)	(2,510)	(1.30)
Danish kroner	463	(927)	(464)	(0.24)
Euro	17,156	(34,123)	(16,967)	(8.78)
Hong Kong dollar	606	(1,212)	(606)	(0.31)
Israeli new shekel	131	(261)	(130)	(0.07)
Japanese yen	11,643	(23,134)	(11,491)	(5.95)
New Zealand dollar	75	(149)	(74)	(0.04)
Norwegian krone	188	(377)	(189)	(0.10)
Polish zloty	–	(55)	(55)	(0.03)
Singapore dollar	252	(504)	(252)	(0.13)
South Korean won	–	(615)	(615)	(0.32)
Swedish krona	–	(676)	(676)	(0.35)
Swiss franc	1,597	(3,217)	(1,620)	(0.84)
US dollar	68,849	(115,362)	(46,513)	(24.09)
Total exposure to foreign currencies	105,425	(189,480)	(84,055)	(43.53)
ACS LifePath 2022-2024				
Australian dollar	3,350	(6,699)	(3,349)	(1.05)
Canadian dollar	4,101	(8,276)	(4,175)	(1.31)
Danish kroner	837	(1,676)	(839)	(0.26)
Euro	26,942	(53,865)	(26,923)	(8.47)
Hong Kong dollar	1,130	(2,340)	(1,210)	(0.38)
Israeli new shekel	216	(433)	(217)	(0.07)
Japanese yen	18,978	(37,931)	(18,953)	(5.96)
New Zealand dollar	117	(235)	(118)	(0.04)
Norwegian krone	322	(686)	(364)	(0.11)
Polish zloty	–	(84)	(84)	(0.03)
Singapore dollar	481	(963)	(482)	(0.15)
South Korean won	–	(1,249)	(1,249)	(0.39)
Swedish krona	–	(1,272)	(1,272)	(0.40)
Swiss franc	3,150	(6,378)	(3,228)	(1.02)
US dollar	118,566	(198,454)	(79,888)	(25.12)
Total exposure to foreign currencies	178,190	(320,541)	(142,351)	(44.76)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2025-2027				
Australian dollar	5,166	(10,328)	(5,162)	(1.10)
Canadian dollar	6,028	(12,117)	(6,089)	(1.30)
Danish kroner	1,313	(2,627)	(1,314)	(0.28)
Euro	37,979	(76,005)	(38,026)	(8.13)
Hong Kong dollar	1,871	(3,806)	(1,935)	(0.41)
Israeli new shekel	365	(731)	(366)	(0.08)
Japanese yen	27,367	(54,786)	(27,419)	(5.86)
New Zealand dollar	223	(446)	(223)	(0.05)
Norwegian krone	576	(1,152)	(576)	(0.12)
Polish zloty	–	(130)	(130)	(0.03)
Singapore dollar	773	(1,547)	(774)	(0.16)
South Korean won	–	(2,000)	(2,000)	(0.43)
Swedish krona	–	(2,030)	(2,030)	(0.43)
Swiss franc	5,172	(10,358)	(5,186)	(1.11)
US dollar	177,676	(297,072)	(119,396)	(25.52)
Total exposure to foreign currencies	264,509	(475,135)	(210,626)	(45.01)
ACS LifePath 2028-2030				
Australian dollar	5,972	(11,939)	(5,967)	(1.16)
Canadian dollar	6,791	(13,656)	(6,865)	(1.34)
Danish kroner	1,524	(3,050)	(1,526)	(0.30)
Euro	40,378	(80,864)	(40,486)	(7.90)
Hong Kong dollar	2,204	(4,532)	(2,328)	(0.45)
Israeli new shekel	436	(872)	(436)	(0.09)
Japanese yen	29,814	(59,738)	(29,924)	(5.84)
New Zealand dollar	274	(548)	(274)	(0.05)
Norwegian krone	693	(1,387)	(694)	(0.14)
Polish zloty	–	(156)	(156)	(0.03)
Singapore dollar	937	(1,874)	(937)	(0.18)
South Korean won	–	(2,414)	(2,414)	(0.47)
Swedish krona	–	(2,428)	(2,428)	(0.47)
Swiss franc	6,226	(12,525)	(6,299)	(1.23)
US dollar	200,691	(335,167)	(134,476)	(26.23)
Total exposure to foreign currencies	295,940	(531,150)	(235,210)	(45.88)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2031-2033				
Australian dollar	8,092	(16,176)	(8,084)	(1.23)
Canadian dollar	9,179	(18,512)	(9,333)	(1.42)
Danish kroner	2,086	(4,174)	(2,088)	(0.32)
Euro	50,571	(101,590)	(51,019)	(7.77)
Hong Kong dollar	3,162	(6,454)	(3,292)	(0.50)
Israeli new shekel	615	(1,232)	(617)	(0.09)
Japanese yen	38,265	(76,879)	(38,614)	(5.88)
New Zealand dollar	320	(639)	(319)	(0.05)
Norwegian krone	971	(1,944)	(973)	(0.15)
Polish zloty	–	(244)	(244)	(0.04)
Singapore dollar	1,300	(2,599)	(1,299)	(0.20)
South Korean won	–	(3,270)	(3,270)	(0.50)
Swedish krona	–	(3,435)	(3,435)	(0.52)
Swiss franc	8,731	(17,629)	(8,898)	(1.36)
US dollar	267,132	(446,032)	(178,900)	(27.24)
Total exposure to foreign currencies	390,424	(700,809)	(310,385)	(47.27)
ACS LifePath 2034-2036				
Australian dollar	6,701	(13,395)	(6,694)	(1.32)
Canadian dollar	7,574	(15,248)	(7,674)	(1.51)
Danish kroner	1,728	(3,509)	(1,781)	(0.35)
Euro	38,431	(77,283)	(38,852)	(7.64)
Hong Kong dollar	2,703	(5,513)	(2,810)	(0.55)
Israeli new shekel	529	(1,060)	(531)	(0.11)
Japanese yen	29,979	(60,169)	(30,190)	(5.94)
New Zealand dollar	276	(551)	(275)	(0.05)
Norwegian krone	833	(1,667)	(834)	(0.16)
Polish zloty	–	(207)	(207)	(0.04)
Singapore dollar	1,112	(2,224)	(1,112)	(0.22)
South Korean won	–	(2,801)	(2,801)	(0.55)
Swedish krona	–	(2,895)	(2,895)	(0.57)
Swiss franc	7,433	(14,991)	(7,558)	(1.49)
US dollar	215,687	(359,552)	(143,865)	(28.30)
Total exposure to foreign currencies	312,986	(561,065)	(248,079)	(48.80)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2037-2039				
Australian dollar	8,400	(16,897)	(8,497)	(1.39)
Canadian dollar	9,551	(19,360)	(9,809)	(1.61)
Danish kroner	2,200	(4,513)	(2,313)	(0.38)
Euro	45,133	(91,042)	(45,909)	(7.53)
Hong Kong dollar	3,478	(7,133)	(3,655)	(0.60)
Israeli new shekel	690	(1,381)	(691)	(0.11)
Japanese yen	35,894	(72,344)	(36,450)	(5.97)
New Zealand dollar	397	(794)	(397)	(0.07)
Norwegian krone	1,097	(2,278)	(1,181)	(0.19)
Polish zloty	–	(253)	(253)	(0.04)
Singapore dollar	1,408	(2,906)	(1,498)	(0.25)
South Korean won	–	(3,292)	(3,292)	(0.54)
Swedish krona	–	(3,749)	(3,749)	(0.61)
Swiss franc	9,530	(19,382)	(9,852)	(1.62)
US dollar	268,204	(447,464)	(179,260)	(29.38)
Total exposure to foreign currencies	385,982	(692,788)	(306,806)	(50.29)
ACS LifePath 2040-2042				
Australian dollar	6,055	(12,169)	(6,114)	(1.48)
Canadian dollar	6,811	(13,754)	(6,943)	(1.68)
Danish kroner	1,593	(3,258)	(1,665)	(0.40)
Euro	30,206	(61,069)	(30,863)	(7.45)
Hong Kong dollar	2,565	(5,258)	(2,693)	(0.65)
Israeli new shekel	507	(1,015)	(508)	(0.12)
Japanese yen	24,701	(49,777)	(25,076)	(6.05)
New Zealand dollar	297	(594)	(297)	(0.07)
Norwegian krone	813	(1,678)	(865)	(0.21)
Polish zloty	–	(191)	(191)	(0.05)
Singapore dollar	1,047	(2,148)	(1,101)	(0.27)
South Korean won	–	(2,469)	(2,469)	(0.60)
Swedish krona	–	(2,742)	(2,742)	(0.66)
Swiss franc	7,051	(14,303)	(7,252)	(1.75)
US dollar	189,154	(315,831)	(126,677)	(30.59)
Total exposure to foreign currencies	270,800	(486,256)	(215,456)	(52.03)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2043-2045				
Australian dollar	7,348	(14,857)	(7,509)	(1.56)
Canadian dollar	8,222	(16,729)	(8,507)	(1.76)
Danish kroner	1,961	(4,041)	(2,080)	(0.43)
Euro	34,514	(70,045)	(35,531)	(7.37)
Hong Kong dollar	3,175	(6,554)	(3,379)	(0.70)
Israeli new shekel	630	(1,260)	(630)	(0.13)
Japanese yen	28,761	(58,282)	(29,521)	(6.12)
New Zealand dollar	357	(714)	(357)	(0.07)
Norwegian krone	1,023	(2,140)	(1,117)	(0.23)
Polish zloty	–	(201)	(201)	(0.04)
Singapore dollar	1,326	(2,710)	(1,384)	(0.29)
South Korean won	–	(2,859)	(2,859)	(0.59)
Swedish krona	–	(3,424)	(3,424)	(0.71)
Swiss franc	8,730	(17,826)	(9,096)	(1.89)
US dollar	229,672	(383,103)	(153,431)	(31.81)
Total exposure to foreign currencies	325,719	(584,745)	(259,026)	(53.70)
ACS LifePath 2046-2048				
Australian dollar	4,918	(9,923)	(5,005)	(1.61)
Canadian dollar	5,357	(10,870)	(5,513)	(1.77)
Danish kroner	1,317	(2,709)	(1,392)	(0.45)
Euro	22,133	(44,938)	(22,805)	(7.32)
Hong Kong dollar	2,149	(4,427)	(2,278)	(0.73)
Israeli new shekel	420	(841)	(421)	(0.14)
Japanese yen	18,866	(38,203)	(19,337)	(6.21)
New Zealand dollar	233	(466)	(233)	(0.07)
Norwegian krone	698	(1,449)	(751)	(0.24)
Polish zloty	–	(145)	(145)	(0.05)
Singapore dollar	871	(1,803)	(932)	(0.30)
South Korean won	–	(1,961)	(1,961)	(0.63)
Swedish krona	–	(2,310)	(2,310)	(0.74)
Swiss franc	5,940	(12,105)	(6,165)	(1.98)
US dollar	152,184	(254,338)	(102,154)	(32.81)
Total exposure to foreign currencies	215,086	(386,488)	(171,402)	(55.05)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2049-2051				
Australian dollar	5,088	(10,347)	(5,259)	(1.65)
Canadian dollar	5,590	(11,462)	(5,872)	(1.84)
Danish kroner	1,381	(2,867)	(1,486)	(0.47)
Euro	22,507	(45,856)	(23,349)	(7.32)
Hong Kong dollar	2,242	(4,657)	(2,415)	(0.76)
Israeli new shekel	442	(885)	(443)	(0.14)
Japanese yen	19,370	(39,300)	(19,930)	(6.25)
New Zealand dollar	231	(462)	(231)	(0.07)
Norwegian krone	765	(1,584)	(819)	(0.26)
Polish zloty	–	(133)	(133)	(0.04)
Singapore dollar	937	(1,927)	(990)	(0.31)
South Korean won	–	(1,915)	(1,915)	(0.60)
Swedish krona	–	(2,450)	(2,450)	(0.77)
Swiss franc	6,207	(12,751)	(6,544)	(2.05)
US dollar	159,397	(265,907)	(106,510)	(33.39)
Total exposure to foreign currencies	224,157	(402,503)	(178,346)	(55.92)
ACS LifePath 2052-2054				
Australian dollar	2,998	(6,089)	(3,091)	(1.67)
Canadian dollar	3,224	(6,603)	(3,379)	(1.82)
Danish kroner	813	(1,685)	(872)	(0.47)
Euro	13,205	(26,848)	(13,643)	(7.35)
Hong Kong dollar	1,323	(2,745)	(1,422)	(0.77)
Israeli new shekel	258	(516)	(258)	(0.14)
Japanese yen	11,329	(22,995)	(11,666)	(6.29)
New Zealand dollar	141	(282)	(141)	(0.08)
Norwegian krone	434	(912)	(478)	(0.26)
Polish zloty	–	(87)	(87)	(0.05)
Singapore dollar	553	(1,135)	(582)	(0.31)
South Korean won	–	(1,174)	(1,174)	(0.63)
Swedish krona	–	(1,449)	(1,449)	(0.78)
Swiss franc	3,683	(7,554)	(3,871)	(2.09)
US dollar	93,802	(156,469)	(62,667)	(33.78)
Total exposure to foreign currencies	131,763	(236,543)	(104,780)	(56.49)
BlackRock Pension Growth Fund				
Euro	–	(1,008,183)	(1,008,183)	(12.56)
Japanese yen	–	(119,695)	(119,695)	(1.49)
US dollar	234,999	(1,989,196)	(1,754,197)	(21.85)
Total exposure to foreign currencies	234,999	(3,117,074)	(2,882,075)	(35.90)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2019-2021				
Australian dollar	1,764	(3,617)	(1,853)	(1.12)
Canadian dollar	2,343	(4,688)	(2,345)	(1.41)
Danish kroner	441	(883)	(442)	(0.27)
Euro	16,764	(33,223)	(16,459)	(9.93)
Hong Kong dollar	616	(1,265)	(649)	(0.39)
Israeli new shekel	126	(253)	(127)	(0.08)
Japanese yen	11,495	(22,489)	(10,994)	(6.63)
New Zealand dollar	58	(116)	(58)	(0.03)
Norwegian krone	147	(294)	(147)	(0.09)
Polish zloty	57	(115)	(58)	(0.03)
Singapore dollar	229	(486)	(257)	(0.16)
South Korean won	–	(779)	(779)	(0.47)
Swedish krona	689	(1,347)	(658)	(0.40)
Swiss franc	1,505	(3,019)	(1,514)	(0.91)
US dollar	66,522	(109,338)	(42,816)	(25.83)
Total exposure to foreign currencies	102,756	(181,912)	(79,156)	(47.75)
ACS LifePath 2022-2024				
Australian dollar	2,528	(5,175)	(2,647)	(1.20)
Canadian dollar	3,266	(6,536)	(3,270)	(1.49)
Danish kroner	613	(1,229)	(616)	(0.28)
Euro	21,427	(42,564)	(21,137)	(9.60)
Hong Kong dollar	953	(1,954)	(1,001)	(0.45)
Israeli new shekel	196	(391)	(195)	(0.09)
Japanese yen	15,291	(29,948)	(14,657)	(6.66)
New Zealand dollar	94	(188)	(94)	(0.04)
Norwegian krone	238	(477)	(239)	(0.11)
Polish zloty	88	(176)	(88)	(0.04)
Singapore dollar	363	(727)	(364)	(0.17)
South Korean won	–	(1,206)	(1,206)	(0.55)
Swedish krona	1,010	(1,986)	(976)	(0.44)
Swiss franc	2,309	(4,631)	(2,322)	(1.05)
US dollar	91,318	(150,369)	(59,051)	(26.82)
Total exposure to foreign currencies	139,694	(247,557)	(107,863)	(48.99)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2025-2027				
Australian dollar	3,762	(7,669)	(3,907)	(1.24)
Canadian dollar	4,750	(9,507)	(4,757)	(1.51)
Danish kroner	902	(1,858)	(956)	(0.30)
Euro	29,484	(58,492)	(29,008)	(9.21)
Hong Kong dollar	1,471	(3,016)	(1,545)	(0.49)
Israeli new shekel	299	(599)	(300)	(0.10)
Japanese yen	21,497	(42,169)	(20,672)	(6.56)
New Zealand dollar	142	(284)	(142)	(0.05)
Norwegian krone	373	(747)	(374)	(0.12)
Polish zloty	136	(273)	(137)	(0.04)
Singapore dollar	576	(1,152)	(576)	(0.18)
South Korean won	–	(1,862)	(1,862)	(0.59)
Swedish krona	1,521	(3,047)	(1,526)	(0.48)
Swiss franc	3,560	(7,140)	(3,580)	(1.14)
US dollar	132,051	(216,899)	(84,848)	(26.93)
Total exposure to foreign currencies	200,524	(354,714)	(154,190)	(48.94)
ACS LifePath 2028-2030				
Australian dollar	4,279	(8,697)	(4,418)	(1.26)
Canadian dollar	5,215	(5,277)	(62)	(0.02)
Danish kroner	1,050	(5,333)	(4,283)	(1.23)
Euro	31,654	(32,081)	(427)	(0.12)
Hong Kong dollar	1,745	(25,731)	(23,986)	(6.86)
Israeli new shekel	313	(408)	(95)	(0.03)
Japanese yen	23,738	8,082	31,820	9.10
New Zealand dollar	181	(929)	(748)	(0.21)
Norwegian krone	456	(6,673)	(6,217)	(1.78)
Polish zloty	164	(4,463)	(4,299)	(1.23)
Singapore dollar	682	(1,737)	(1,055)	(0.30)
South Korean won	–	(126,594)	(126,594)	(36.21)
Swedish krona	1,817	(2,439)	(622)	(0.18)
Swiss franc	4,274	(5,953)	(1,679)	(0.48)
US dollar	148,763	(118,355)	30,408	8.70
Total exposure to foreign currencies	224,331	(336,588)	(112,257)	(32.11)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2031-2033				
Australian dollar	4,914	(10,009)	(5,095)	(1.29)
Canadian dollar	5,721	(11,450)	(5,729)	(1.45)
Danish kroner	1,222	(2,450)	(1,228)	(0.31)
Euro	34,166	(67,708)	(33,542)	(8.48)
Hong Kong dollar	2,063	(4,216)	(2,153)	(0.54)
Israeli new shekel	359	(718)	(359)	(0.09)
Japanese yen	26,436	(51,703)	(25,267)	(6.39)
New Zealand dollar	206	(413)	(207)	(0.05)
Norwegian krone	547	(1,096)	(549)	(0.14)
Polish zloty	196	(393)	(197)	(0.05)
Singapore dollar	806	(1,612)	(806)	(0.20)
South Korean won	–	(2,604)	(2,604)	(0.66)
Swedish krona	2,144	(4,198)	(2,054)	(0.52)
Swiss franc	5,108	(10,246)	(5,138)	(1.30)
US dollar	170,171	(277,971)	(107,800)	(27.25)
Total exposure to foreign currencies	254,059	(446,787)	(192,728)	(48.72)
ACS LifePath 2034-2036				
Australian dollar	4,084	(8,304)	(4,220)	(1.31)
Canadian dollar	4,580	(9,165)	(4,585)	(1.42)
Danish kroner	1,014	(2,082)	(1,068)	(0.33)
Euro	26,821	(53,002)	(26,181)	(8.13)
Hong Kong dollar	1,772	(3,609)	(1,837)	(0.57)
Israeli new shekel	306	(612)	(306)	(0.10)
Japanese yen	21,282	(41,585)	(20,303)	(6.31)
New Zealand dollar	197	(395)	(198)	(0.06)
Norwegian krone	486	(974)	(488)	(0.15)
Polish zloty	171	(343)	(172)	(0.05)
Singapore dollar	692	(1,384)	(692)	(0.21)
South Korean won	–	(2,235)	(2,235)	(0.69)
Swedish krona	1,839	(3,588)	(1,749)	(0.54)
Swiss franc	4,429	(8,885)	(4,456)	(1.38)
US dollar	140,101	(228,636)	(88,535)	(27.50)
Total exposure to foreign currencies	207,774	(364,799)	(157,025)	(48.78)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2037-2039				
Australian dollar	4,746	(9,642)	(4,896)	(1.34)
Canadian dollar	5,081	(10,168)	(5,087)	(1.39)
Danish kroner	1,223	(2,452)	(1,229)	(0.34)
Euro	29,171	(57,530)	(28,359)	(7.74)
Hong Kong dollar	2,122	(4,318)	(2,196)	(0.60)
Israeli new shekel	353	(707)	(354)	(0.10)
Japanese yen	23,929	(46,690)	(22,761)	(6.22)
New Zealand dollar	219	(438)	(219)	(0.06)
Norwegian krone	586	(1,174)	(588)	(0.16)
Polish zloty	207	(415)	(208)	(0.06)
Singapore dollar	828	(1,656)	(828)	(0.23)
South Korean won	–	(2,673)	(2,673)	(0.73)
Swedish krona	2,197	(4,285)	(2,088)	(0.57)
Swiss franc	5,353	(10,680)	(5,327)	(1.45)
US dollar	162,063	(263,394)	(101,331)	(27.67)
Total exposure to foreign currencies	238,078	(416,222)	(178,144)	(48.66)
ACS LifePath 2040-2042				
Australian dollar	3,488	(7,081)	(3,593)	(1.36)
Canadian dollar	3,600	(7,157)	(3,557)	(1.35)
Danish kroner	912	(1,827)	(915)	(0.35)
Euro	20,085	(39,613)	(19,528)	(7.39)
Hong Kong dollar	1,611	(3,265)	(1,654)	(0.63)
Israeli new shekel	264	(529)	(265)	(0.10)
Japanese yen	17,085	(33,288)	(16,203)	(6.13)
New Zealand dollar	184	(368)	(184)	(0.07)
Norwegian krone	454	(910)	(456)	(0.17)
Polish zloty	159	(319)	(160)	(0.06)
Singapore dollar	603	(1,252)	(649)	(0.25)
South Korean won	–	(2,028)	(2,028)	(0.77)
Swedish krona	1,666	(3,236)	(1,570)	(0.59)
Swiss franc	4,096	(8,140)	(4,044)	(1.53)
US dollar	118,508	(192,005)	(73,497)	(27.81)
Total exposure to foreign currencies	172,715	(301,018)	(128,303)	(48.56)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2043-2045				
Australian dollar	3,772	(7,652)	(3,880)	(1.38)
Canadian dollar	3,722	(7,449)	(3,727)	(1.33)
Danish kroner	990	(1,984)	(994)	(0.35)
Euro	20,451	(40,220)	(19,769)	(7.05)
Hong Kong dollar	1,779	(3,608)	(1,829)	(0.65)
Israeli new shekel	283	(566)	(283)	(0.10)
Japanese yen	17,994	(34,970)	(16,976)	(6.05)
New Zealand dollar	193	(387)	(194)	(0.07)
Norwegian krone	502	(1,006)	(504)	(0.18)
Polish zloty	177	(354)	(177)	(0.06)
Singapore dollar	693	(1,387)	(694)	(0.25)
South Korean won	–	(2,238)	(2,238)	(0.80)
Swedish krona	1,836	(3,571)	(1,735)	(0.62)
Swiss franc	4,554	(9,060)	(4,506)	(1.61)
US dollar	127,470	(206,004)	(78,534)	(27.99)
Total exposure to foreign currencies	184,416	(320,456)	(136,040)	(48.49)
ACS LifePath 2046-2048				
Australian dollar	2,626	(5,328)	(2,702)	(1.40)
Canadian dollar	2,514	(5,030)	(2,516)	(1.31)
Danish kroner	697	(1,397)	(700)	(0.36)
Euro	13,542	(26,552)	(13,010)	(6.75)
Hong Kong dollar	1,269	(2,539)	(1,270)	(0.66)
Israeli new shekel	200	(401)	(201)	(0.10)
Japanese yen	12,256	(23,782)	(11,526)	(5.98)
New Zealand dollar	123	(246)	(123)	(0.06)
Norwegian krone	366	(732)	(366)	(0.19)
Polish zloty	127	(255)	(128)	(0.07)
Singapore dollar	477	(986)	(509)	(0.26)
South Korean won	–	(1,596)	(1,596)	(0.83)
Swedish krona	1,309	(2,540)	(1,231)	(0.64)
Swiss franc	3,295	(6,512)	(3,217)	(1.67)
US dollar	88,118	(142,436)	(54,318)	(28.20)
Total exposure to foreign currencies	126,919	(220,332)	(93,413)	(48.49)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018				
Foreign currency exposure	Gross Foreign Currency Exposure £000's	Forward Currency Contracts £000's	Net Foreign Currency Exposure £000's	% of Net Assets
ACS LifePath 2049-2051				
Australian dollar	2,426	(4,933)	(2,507)	(1.42)
Canadian dollar	2,258	(4,519)	(2,261)	(1.28)
Danish kroner	644	(1,292)	(648)	(0.37)
Euro	12,060	(23,657)	(11,597)	(6.55)
Hong Kong dollar	1,184	(2,403)	(1,219)	(0.69)
Israeli new shekel	183	(366)	(183)	(0.10)
Japanese yen	11,264	(21,770)	(10,506)	(5.94)
New Zealand dollar	131	(262)	(131)	(0.07)
Norwegian krone	339	(679)	(340)	(0.19)
Polish zloty	119	(238)	(119)	(0.07)
Singapore dollar	461	(922)	(461)	(0.26)
South Korean won	–	(1,488)	(1,488)	(0.84)
Swedish krona	1,220	(2,375)	(1,155)	(0.65)
Swiss franc	3,094	(6,127)	(3,033)	(1.71)
US dollar	82,114	(131,914)	(49,800)	(28.14)
Total exposure to foreign currencies	117,497	(202,945)	(85,448)	(48.28)
ACS LifePath 2052-2054				
Australian dollar	1,537	(3,120)	(1,583)	(1.42)
Canadian dollar	1,416	(2,833)	(1,417)	(1.27)
Danish kroner	400	(819)	(419)	(0.38)
Euro	7,471	(14,660)	(7,189)	(6.46)
Hong Kong dollar	755	(1,529)	(774)	(0.70)
Israeli new shekel	118	(236)	(118)	(0.11)
Japanese yen	7,047	(13,631)	(6,584)	(5.91)
New Zealand dollar	73	(146)	(73)	(0.07)
Norwegian krone	220	(441)	(221)	(0.20)
Polish zloty	76	(152)	(76)	(0.07)
Singapore dollar	285	(589)	(304)	(0.27)
South Korean won	–	(948)	(948)	(0.85)
Swedish krona	778	(1,511)	(733)	(0.66)
Swiss franc	1,975	(3,905)	(1,930)	(1.73)
US dollar	51,640	(83,044)	(31,404)	(28.21)
Total exposure to foreign currencies	73,791	(127,564)	(53,773)	(48.31)
BlackRock Pension Growth Fund				
Euro	–	(757,751)	(757,751)	(10.84)
US dollar	–	(1,557,616)	(1,557,616)	(22.27)
Total exposure to foreign currencies	–	(2,315,367)	(2,315,367)	(33.11)

Management of foreign currency risk

Foreign currency exposures are managed within parameters utilising forward currency contracts. The details of the contracts in place at the year-end are disclosed in the portfolio statement of each Fund.

FINANCIAL INSTRUMENTS AND RISKS (continued)

ii) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Funds are exposed to market price risk arising from its investments. The exposure of the Funds to other price risk is the market value of the investments held as shown in the portfolio statement of each Fund.

Management of other price risk

By diversifying the portfolio, where this is appropriate and consistent with the Funds' objectives, the risk that a price change of a particular investment will have a material impact on the net asset value of the Funds is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement of each Fund by investment type.

The other price risk inherent in holdings in CIS is monitored by the Investment Manager by understanding the investment objectives of the underlying funds as well as their internal control policies and regular risk and performance reporting.

To manage other price risk, the Investment Manager performs extensive initial and ongoing due diligence on the underlying funds. The underlying funds are required to provide the Investment Manager with reports on a daily, monthly or quarterly basis, monitoring the internal controls and operational infrastructure of the managers of these funds.

iii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds are exposed to interest rate risk on its cash and bank balances held at The Northern Trust Company. Cash held on deposit at The Northern Trust Company receives/incurs interest at the prevailing daily rate which may be negative depending on the currency in which the cash is held.

The Funds also have indirect exposure to interest rate risk through their investments into CIS, whereby the value of the underlying asset may fluctuate as a result of a change in interest rates and through their investments in futures contracts, whereby the value of an underlying assets may fluctuate as a result of a change in interest rates through their investments in interest-bearing securities.

At 31 December 2019 and 31 December 2018, no interest bearing investments were held by the Funds.

Management of interest rate risk

Interest rate risk exposure is managed by constantly monitoring the position for deviations outside a pre-determined tolerance level and, when necessary, rebalancing back to the original desired parameters.

b) Counterparty credit risk

Exposure to counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Funds are exposed to counterparty credit risk from the parties with which they trade and will bear the risk of settlement default.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

FINANCIAL INSTRUMENTS AND RISKS (continued)

Management of counterparty credit risk

Counterparty credit risk is monitored and managed by BlackRock's RQA Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Counterparty Credit Officer who reports directly to the Global Head of RQA Group. Credit authority resides with the Chief Counterparty Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Counterparty Credit Officer or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Counterparty Credit Officer as deemed appropriate.

BlackRock's RQA Counterparty & Concentration Risk Team completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures.

The Manager maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's creditworthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

i) Over-the-Counter ("OTC") Financial Derivative Instruments ("FDIs")

The Funds' holdings in OTC FDIs also expose the Funds to counterparty credit risk.

All OTC FDIs are entered into by the Funds under an International Swaps and Derivatives Associations, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement. An ISDA Master Agreement is a bilateral agreement between the Funds and a counterparty that governs OTC FDIs entered into by the parties. The parties' exposures under the ISDA Master Agreement are netted and collateralised together, therefore any collateral disclosures provided are in respect of all OTC FDIs entered into by the Funds under the ISDA Master Agreement. All collateral received/posted by the Funds under the ISDA Master Agreement is transferred bilaterally under a title transfer arrangement.

The Funds' maximum exposure to counterparty credit risk from holding forward currency contracts will be equal to the notional amount of the currency and any net unrealised gains or losses as disclosed in the portfolio statement.

Management of counterparty credit risk related to OTC FDIs

Forward currency contracts do not require variation margins and thus the counterparty credit risk is monitored through the BlackRock RQA Counterparty & Concentration Risk Team who monitor the creditworthiness of the counterparty.

The following table details the counterparties the Funds' are exposed to by OTC FDIs and the maximum exposure (which is calculated on a net basis) to each counterparty.

31 December 2019		
Counterparty	Forwards £000's	Total Exposure £000's
ACS LifePath 2019-2021		
Barclays Bank	34	34
CitiGroup Global Markets	(1)	(1)
Goldman Sachs	1,568	1,568
J.P. Morgan Chase Bank	(1)	(1)
Morgan Stanley & Co. International	(17)	(17)
Royal Bank of Canada	(2)	(2)
State Street Bank and Trust	(10)	(10)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019 Counterparty	Forwards £000's	Total Exposure £000's
ACS LifePath 2022-2024		
Barclays Bank	68	68
CitiGroup Global Markets	(1)	(1)
Goldman Sachs	2,572	2,572
HSBC Bank	2	2
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(5)	(5)
Royal Bank of Canada^	–	–
State Street Bank and Trust	3	3
ACS LifePath 2025-2027		
Barclays Bank	106	106
CitiGroup Global Markets	(4)	(4)
Goldman Sachs	3,841	3,841
J.P. Morgan Chase Bank	(1)	(1)
Morgan Stanley & Co. International	5	5
State Street Bank and Trust	6	6
ACS LifePath 2028-2030		
Barclays Bank	123	123
CitiGroup Global Markets	(2)	(2)
Goldman Sachs	4,306	4,306
J.P. Morgan Chase Bank	(3)	(3)
Morgan Stanley & Co. International	10	10
Royal Bank of Canada^	–	–
State Street Bank and Trust	3	3
ACS LifePath 2031-2033		
Barclays Bank	182	182
CitiGroup Global Markets	(2)	(2)
Goldman Sachs	5,628	5,628
J.P. Morgan Chase Bank	(2)	(2)
Morgan Stanley & Co. International	19	19
State Street Bank and Trust	(1)	(1)

^ Investments which are less than £500 are rounded to zero.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019 Counterparty	Forwards £000's	Total Exposure £000's
ACS LifePath 2034-2036		
Barclays Bank	150	150
CitiGroup Global Markets	(2)	(2)
Goldman Sachs	4,503	4,503
J.P. Morgan Chase Bank	(1)	(1)
Morgan Stanley & Co. International	11	11
Royal Bank of Canada [^]	–	–
State Street Bank and Trust	9	9
ACS LifePath 2037-2039		
Barclays Bank	200	200
CitiGroup Global Markets	(3)	(3)
Goldman Sachs	5,491	5,491
HSBC Bank	4	4
J.P. Morgan Chase Bank	(5)	(5)
Morgan Stanley & Co. International	33	33
Royal Bank of Canada	2	2
State Street Bank and Trust [^]	–	–
ACS LifePath 2040-2042		
Barclays Bank	145	145
CitiGroup Global Markets	(2)	(2)
Goldman Sachs	3,868	3,868
HSBC Bank [^]	–	–
J.P. Morgan Chase Bank	(1)	(1)
Morgan Stanley & Co. International	14	14
Royal Bank of Canada	3	3
State Street Bank and Trust	9	9
ACS LifePath 2043-2045		
Barclays Bank	177	177
CitiGroup Global Markets	(2)	(2)
Goldman Sachs	4,597	4,597
HSBC Bank	3	3
J.P. Morgan Chase Bank	(2)	(2)
Morgan Stanley & Co. International	29	29
Royal Bank of Canada	4	4
State Street Bank and Trust	9	9

[^] Investments which are less than £500 are rounded to zero.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019 Counterparty	Forwards £000's	Total Exposure £000's
ACS LifePath 2046-2048		
Barclays Bank	120	120
CitiGroup Global Markets	(1)	(1)
Goldman Sachs	3,058	3,058
HSBC Bank^	–	–
J.P. Morgan Chase Bank	(2)	(2)
Morgan Stanley & Co. International	15	15
Royal Bank of Canada	4	4
State Street Bank and Trust	8	8
ACS LifePath 2049-2051		
Barclays Bank	124	124
CitiGroup Global Markets	(1)	(1)
Goldman Sachs	3,134	3,134
HSBC Bank	3	3
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	26	26
Royal Bank of Canada	4	4
State Street Bank and Trust	11	11
ACS LifePath 2052-2054		
Barclays Bank	74	74
CitiGroup Global Markets	(1)	(1)
Goldman Sachs	1,850	1,850
HSBC Bank	1	1
J.P. Morgan Chase Bank	(1)	(1)
Morgan Stanley & Co. International	14	14
Royal Bank of Canada	3	3
State Street Bank and Trust	8	8
BlackRock Pension Growth Fund		
Barclays Bank	19,268	19,268
BNP Paribas	16,985	16,985
CitiGroup Global Markets	844	844
Goldman Sachs	4,185	4,185
HSBC Bank	3,714	3,714
J.P. Morgan Chase Bank	(310)	(310)
Morgan Stanley & Co. International	9,530	9,530
Royal Bank of Canada	(168)	(168)
Société Générale	15,843	15,843
State Street Bank and Trust	10,224	10,224
Toronto Dominion Bank	19,641	19,641
UBS	4,388	4,388

^ Investments which are less than £500 are rounded to zero.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018	Forwards	Total Exposure
Counterparty	£000's	£000's
ACS LifePath 2019-2021		
CitiGroup Global Markets	56	56
Goldman Sachs International	(693)	(693)
HSBC Bank	(1)	(1)
J.P.Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(121)	(121)
Royal Bank of Canada	1	1
State Street Bank and Trust	(5)	(5)
Toronto-Dominion Bank	3	3
UBS AG	4	4
ACS LifePath 2022-2024		
CitiGroup Global Markets	80	80
Goldman Sachs International	(922)	(922)
HSBC Bank	(2)	(2)
Morgan Stanley & Co. International	(172)	(172)
Royal Bank of Canada	1	1
State Street Bank and Trust	(9)	(9)
Toronto-Dominion Bank	2	2
UBS AG	2	2
ACS LifePath 2025-2027		
CitiGroup Global Markets	119	119
Goldman Sachs International	(1,298)	(1,298)
HSBC Bank	(3)	(3)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(246)	(246)
Royal Bank of Canada	1	1
State Street Bank and Trust	(15)	(15)
Toronto-Dominion Bank	2	2
ACS LifePath 2028-2030		
CitiGroup Global Markets	139	139
Goldman Sachs International	(1,339)	(1,339)
HSBC Bank	(65)	(65)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(287)	(287)
Royal Bank of Canada	(9)	(9)
State Street Bank and Trust	78	78
Toronto-Dominion Bank	(122)	(122)

^ Investments which are less than £500 are rounded to zero.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018 Counterparty	Forwards £000's	Total Exposure £000's
ACS LifePath 2031-2033		
CitiGroup Global Markets	154	154
Goldman Sachs International	(1,601)	(1,601)
HSBC Bank	(5)	(5)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(313)	(313)
Royal Bank of Canada	1	1
State Street Bank and Trust	(20)	(20)
Toronto-Dominion Bank	2	2
ACS LifePath 2034-2036		
CitiGroup Global Markets	130	130
Goldman Sachs International	(1,289)	(1,289)
HSBC Bank	(4)	(4)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(265)	(265)
Royal Bank of Canada	1	1
State Street Bank and Trust	(18)	(18)
Toronto-Dominion Bank	2	2
ACS LifePath 2037-2039		
CitiGroup Global Markets	149	149
Goldman Sachs International	(1,447)	(1,447)
HSBC Bank	(5)	(5)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(299)	(299)
Royal Bank of Canada	1	1
State Street Bank and Trust	(21)	(21)
Toronto-Dominion Bank	2	2
ACS LifePath 2040-2042		
CitiGroup Global Markets	111	111
Goldman Sachs International	(1,038)	(1,038)
HSBC Bank	(4)	(4)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(221)	(221)
Royal Bank of Canada	1	1
State Street Bank and Trust	(16)	(16)
Toronto-Dominion Bank	1	1

^ Investments which are less than £500 are rounded to zero.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018 Counterparty	Forwards £000's	Total Exposure £000's
ACS LifePath 2043-2045		
CitiGroup Global Markets	117	117
Goldman Sachs International	(1,084)	(1,084)
HSBC Bank	(4)	(4)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(234)	(234)
Royal Bank of Canada	1	1
State Street Bank and Trust	(18)	(18)
Toronto-Dominion Bank	1	1
ACS LifePath 2046-2048		
CitiGroup Global Markets	83	83
Goldman Sachs International	(744)	(744)
HSBC Bank	(3)	(3)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(165)	(165)
Royal Bank of Canada	1	1
State Street Bank and Trust	(12)	(12)
Toronto-Dominion Bank	1	1
ACS LifePath 2049-2051		
CitiGroup Global Markets	75	75
Goldman Sachs International	(673)	(673)
HSBC Bank	(3)	(3)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(147)	(147)
Royal Bank of Canada	1	1
State Street Bank and Trust	(11)	(11)
Toronto-Dominion Bank	1	1
ACS LifePath 2052-2054		
CitiGroup Global Markets	47	47
Goldman Sachs International	(424)	(424)
HSBC Bank	(2)	(2)
J.P. Morgan Chase Bank^	–	–
Morgan Stanley & Co. International	(92)	(92)
Royal Bank of Canada^	–	–
State Street Bank and Trust	(7)	(7)
Toronto-Dominion Bank^	–	–

^ Investments which are less than £500 are rounded to zero.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018 Counterparty	Forwards £000's	Total Exposure £000's
BlackRock Pension Growth Fund		
Barclays Bank	(7,662)	(7,662)
BNP Paribas	(13)	(13)
CitiGroup Global Markets	(7,466)	(7,466)
Goldman Sachs International	(5,340)	(5,340)
HSBC Bank	(7,713)	(7,713)
J.P. Morgan Chase Bank	(6,772)	(6,772)
Morgan Stanley & Co. International	(8,075)	(8,075)
Société Générale	3	3
State Street Bank and Trust	(1,408)	(1,408)
Toronto-Dominion Bank	(7)	(7)

ii) Depository and Custodian

The Funds' Depository is Northern Trust Global Services SE UK Branch (the "Depository"). The Depository has delegated the function of custodian of the property of the Funds to The Northern Trust Company (the "Custodian").

Substantially all of the investments other than financial derivative instruments of the Funds are held by the Custodian at year end.

Investments are segregated from the assets of the Custodian's, with ownership rights remaining with the Funds. Bankruptcy or insolvency of the Custodian may cause the Funds' rights with respect to its investments held by the Custodian to be delayed or limited. The maximum exposure to this risk is the amount of long investments disclosed in the portfolio statement of each Fund.

The Funds will be exposed to the credit risk of the Custodian, or any depository used by the Depository regarding cash balances held in accounts with same. In the event of insolvency or bankruptcy of the Custodian or any depository used by the Depository, the Funds will be treated as a general creditor of the Depository.

Management of counterparty credit risk related to the Depository and Custodian

To mitigate the Funds' credit risk with respect to the Depository, the Investment Manager of the Funds employs specific procedures to ensure that the Depository employed is a reputable institution and that the associated credit risk is acceptable to the Funds. The Funds transact with counterparties that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies.

The long term credit rating of the parent company of the Depository and Custodian, Northern Trust Corporation as at 31 December 2019 was A+ (31 December 2018: A+) (Standard & Poor's rating).

iii) Debt securities

Issuer credit risk is the default risk of one of the issuers of any securities held by the Funds.

The bonds held by the Funds' underlying CIS are issued by companies and government agencies in order to achieve the investment objectives for each of the Funds' underlying CIS.

The borrower receives from the Funds' underlying CIS a principal amount. The Funds' underlying CIS will then receive interest based on the coupon rate of the bond and repayment of the initial principal amount on the bond's maturity date.

Any impairment to the borrower's ability to pay amounts due may result in changes to the tradable value of the bond and the amount to be received upon maturity of the bond.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

FINANCIAL INSTRUMENTS AND RISKS (continued)

Management of counterparty credit risk related to debt securities

The ability of the borrower to repay not only the principal value but also any interest due on the bond, referred to as the borrower's credit rating, is monitored by the Investment Manager of the Funds underlying CIS.

The Investment Manager of the Funds' underlying CIS may undertake its own research of the borrower's financial position in order to assess the ability of the borrower to pay amounts due.

The ratings of the underlying funds' debt securities are continually monitored by the BlackRock Portfolio Management Group.

iv) Counterparties

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

Management of counterparty credit risk related to counterparties

The Manager monitors the credit rating and financial position of the brokers used to further mitigate this risk.

c) Liquidity risk

Exposure to liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulties in meeting its obligations associated with financial liabilities.

Liquidity risk to the Funds arises from the redemption requests of investors and the liquidity of the underlying investments the Funds are invested in. The Funds' unitholders may redeem their units on the close of any daily dealing deadline for cash equal to a proportionate share of the Funds' Net Asset Value. The Funds are therefore potentially exposed to the liquidity risk of meeting the unitholders' redemptions and may need to sell assets at prevailing market prices to meet liquidity demands.

All non-derivative financial liabilities held by the Funds as at 31 December 2019 and 31 December 2018, based on contractual maturities, fall due within three months.

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

To manage this risk, at times of excessive redemptions the Manager may decide to defer redemptions at any valuation point to the next valuation point where the requested aggregate redemptions exceed 10 per cent of the Fund's value. This allows the Manager to protect the interests of continuing unitholders by allowing the Manager to match the sale of Funds' investments to the level of redemptions.

All unitholders who have sought to redeem units at any valuation point at which redemptions are deferred will be treated consistently and any redemption requests received in the meantime will not be processed until the redemption requests that have been deferred to subsequent valuation points have been processed.

The Funds' liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward looking cash reports which project cash obligations. These reports allow them to manage their cash obligations.

d) Valuation of financial instruments

The Funds classify financial instruments measured at fair value using a fair value hierarchy. The fair value hierarchy has the following categories:

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

FINANCIAL INSTRUMENTS AND RISKS (continued)

Level 1 – Quoted prices for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. Funds do not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as OTC derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity determined inputs.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation techniques used include inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. The Investment Manager considers observable inputs to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below is an analysis of each Fund's investment assets and investment liabilities measured at fair value at the Balance Sheet date.

31 December 2019	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
ACS LifePath 2019-2021				
Investment Assets				
Collective Investment Schemes	14,661	176,102	–	190,763
Derivatives	–	1,666	–	1,666
Investment liabilities				
Derivatives	–	(95)	–	(95)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
ACS LifePath 2022-2024				
Investment Assets				
Collective Investment Schemes	26,759	286,813	–	313,572
Derivatives	–	2,734	–	2,734
Investment liabilities				
Derivatives	–	(95)	–	(95)
ACS LifePath 2025-2027				
Investment Assets				
Collective Investment Schemes	40,640	420,329	–	460,969
Derivatives	–	4,103	–	4,103
Investment liabilities				
Derivatives	–	(150)	–	(150)
ACS LifePath 2028-2030				
Investment Assets				
Collective Investment Schemes	45,079	459,423	–	504,502
Derivatives	–	4,613	–	4,613
Investment liabilities				
Derivatives	–	(176)	–	(176)
ACS LifePath 2031-2033				
Investment Assets				
Collective Investment Schemes	58,148	587,390	–	645,538
Derivatives	–	6,054	–	6,054
Investment liabilities				
Derivatives	–	(230)	–	(230)
ACS LifePath 2034-2036				
Investment Assets				
Collective Investment Schemes	45,920	453,139	–	499,059
Derivatives	–	4,864	–	4,864
Investment liabilities				
Derivatives	–	(194)	–	(194)
ACS LifePath 2037-2039				
Investment Assets				
Collective Investment Schemes	55,318	542,208	–	597,526
Derivatives	–	5,965	–	5,965
Investment liabilities				
Derivatives	–	(243)	–	(243)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2019	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
ACS LifePath 2040-2042				
Investment Assets				
Collective Investment Schemes	37,900	367,681	–	405,581
Derivatives	–	4,213	–	4,213
Investment liabilities				
Derivatives	–	(177)	–	(177)
ACS LifePath 2043-2045				
Investment Assets				
Collective Investment Schemes	44,356	427,702	–	472,058
Derivatives	–	5,031	–	5,031
Investment liabilities				
Derivatives	–	(216)	–	(216)
ACS LifePath 2046-2048				
Investment Assets				
Collective Investment Schemes	28,218	276,166	–	304,384
Derivatives	–	3,347	–	3,347
Investment liabilities				
Derivatives	–	(145)	–	(145)
ACS LifePath 2049-2051				
Investment Assets				
Collective Investment Schemes	28,962	282,784	–	311,746
Derivatives	–	3,452	–	3,452
Investment liabilities				
Derivatives	–	(151)	–	(151)
ACS LifePath 2052-2054				
Investment Assets				
Collective Investment Schemes	16,701	164,481	–	181,182
Derivatives	–	2,037	–	2,037
Investment liabilities				
Derivatives	–	(89)	–	(89)
BlackRock Pension Growth Fund				
Investment Assets				
Collective Investment Schemes	–	7,798,936	–	7,798,936
Derivatives	–	115,109	–	115,109
Investment liabilities				
Derivatives	–	(10,965)	–	(10,965)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
ACS LifePath 2019-2021				
Investment Assets				
Collective Investment Schemes	12,383	153,384	–	165,767
Derivatives	–	111	–	111
Investment liabilities				
Derivatives	–	(867)	–	(867)
ACS LifePath 2022-2024				
Investment Assets				
Collective Investment Schemes	17,510	202,245	–	219,755
Derivatives	–	157	–	157
Investment liabilities				
Derivatives	–	(1,177)	–	(1,177)
ACS LifePath 2025-2027				
Investment Assets				
Collective Investment Schemes	26,311	288,336	–	314,647
Derivatives	–	231	–	231
Investment liabilities				
Derivatives	–	(1,671)	–	(1,671)
ACS LifePath 2028-2030				
Investment Assets				
Collective Investment Schemes	30,590	318,520	–	349,110
Derivatives	–	356	–	356
Investment liabilities				
Derivatives	–	(1,961)	–	(1,961)
ACS LifePath 2031-2033				
Investment Assets				
Collective Investment Schemes	35,880	358,318	–	394,198
Derivatives	–	292	–	292
Investment liabilities				
Derivatives	–	(2,074)	–	(2,074)
ACS LifePath 2034-2036				
Investment Assets				
Collective Investment Schemes	30,154	290,211	–	320,365
Derivatives	–	240	–	240
Investment liabilities				
Derivatives	–	(1,683)	–	(1,683)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2
FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
ACS LifePath 2037-2039				
Investment Assets				
Collective Investment Schemes	35,527	328,586	–	364,113
Derivatives	–	272	–	272
Investment liabilities				
Derivatives	–	(1,892)	–	(1,892)
ACS LifePath 2040-2042				
Investment Assets				
Collective Investment Schemes	26,802	235,422	–	262,224
Derivatives	–	197	–	197
Investment liabilities				
Derivatives	–	(1,363)	–	(1,363)
ACS LifePath 2043-2045				
Investment Assets				
Collective Investment Schemes	29,383	248,149	–	277,532
Derivatives	–	210	–	210
Investment liabilities				
Derivatives	–	(1,431)	–	(1,431)
ACS LifePath 2046-2048				
Investment Assets				
Collective Investment Schemes	20,785	169,716	–	190,501
Derivatives	–	143	–	143
Investment liabilities				
Derivatives	–	(982)	–	(982)
ACS LifePath 2049-2051				
Investment Assets				
Collective Investment Schemes	19,682	155,282	–	174,964
Derivatives	–	131	–	131
Investment liabilities				
Derivatives	–	(888)	–	(888)
ACS LifePath 2052-2054				
Investment Assets				
Collective Investment Schemes	12,443	97,600	–	110,043
Derivatives	–	82	–	82
Investment liabilities				
Derivatives	–	(560)	–	(560)

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

FINANCIAL INSTRUMENTS AND RISKS (continued)

31 December 2018	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
BlackRock Pension Growth Fund				
Investment Assets				
Collective Investment Schemes	–	6,922,021	–	6,922,021
Investment liabilities				
Derivatives	–	(44,453)	–	(44,453)

Securities with a value less than £500 are not disclosed in the tables above. These securities are identified on the portfolio statement of each Fund.

e) Leverage

The Funds may employ leverage and borrow cash in accordance with their stated investment policy or investment strategy. The Funds may employ leverage in their investment programmes through various means including the use of Financial Derivative Instruments ("FDIs").

The use of borrowings and leverage has associated risks and can, in certain circumstances, substantially increase the adverse impact to which the Funds' investment portfolios may be subject.

For the purposes of this disclosure, leverage is any method by which the Funds' exposure is increased, whether through borrowing of cash or securities, or leverage embedded in derivative positions, or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Fund's exposure and its NAV and prescribes two required methodologies, the gross methodology and the commitment methodology, for calculating such exposure using the methodologies prescribed under the AIFMD, the leverage of the Funds is disclosed in the table below.

Fund	Gross exposure		Commitment approach	
	Maximum limit	Leverage as at 31.12.2019	Maximum limit	Leverage as at 31.12.2019
ACS Life Path 2019-2021	4.1:1	2.52	2.1:1	1.44
ACS Life Path 2022-2024	4.1:1	2.52	2.1:1	1.45
ACS Life Path 2025-2027	4.1:1	2.53	2.1:1	1.45
ACS Life Path 2028-2030	4.1:1	2.57	2.1:1	1.46
ACS Life Path 2031-2033	4.1:1	2.61	2.1:1	1.47
ACS Life Path 2034-2036	4.1:1	2.67	2.1:1	1.49
ACS Life Path 2037-2039	4.1:1	2.71	2.1:1	1.50
ACS Life Path 2040-2042	4.1:1	2.77	2.1:1	1.52
ACS Life Path 2043-2045	4.1:1	2.82	2.1:1	1.54
ACS Life Path 2046-2048	4.1:1	2.87	2.1:1	1.55
ACS Life Path 2049-2051	4.1:1	2.90	2.1:1	1.56
ACS Life Path 2052-2054	4.1:1	2.92	2.1:1	1.56
BlackRock Pension Growth Fund	4.1:1	1.61	2.1:1	1.35

The maximum level of leverage which the Funds, or the Manager on the Funds' behalf, is permitted to use as part of the Funds' investment strategies is set out in the Prospectus and in the above table.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805809.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	95.64	100.00
Return before operating charges	13.15	(4.35)
Operating charges	(0.02)	(0.01)
Return after operating charges	13.13	(4.36)
Distributions	(1.97)	(0.96)
Retained distributions on accumulation units	1.97	0.96
Closing net asset value per unit	108.77	95.64
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	13.73%	(4.36)%
Other Information		
Closing net asset value (£000's)	193,097	165,781
Closing number of units	177,521,813	173,331,598
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	109.60	101.40
Lowest bid unit price	95.49	94.84

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 12 for further details.

ACS LIFE PATH 2019-2021

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	1.9676
Distribution payable 29.2.2020	1.9676
Distribution paid 28.2.2019	0.9563

ACS LIFEPATH 2019-2021

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 98.79%; 31.12.18 99.99%								
Equity Funds - 40.53%; 31.12.18 44.89%								
10,150,344	BlackRock ACS UK Equity Tracker Fund	10,980	5.69	SEK 8,748,660	Swedish krona vs UK sterling	706	1	0.00
8,125,014	BlackRock ACS World ESG Equity Tracker Fund	8,336	4.32	CHF 113,904	Swiss franc vs UK sterling^	89	-	0.00
29,073,626	BlackRock ACS World Ex UK Equity Tracker Fund	37,407	19.37	GBP 3,850,480	UK sterling vs Australian dollar	(3,878)	(28)	(0.01)
2,012,227	iShares Diversified Commodity Swap UCITS ETF	7,739	4.01	GBP 5,152,518	UK sterling vs Canadian dollar	(5,154)	(2)	0.00
2,370,409	iShares Emerging Markets Equity Index Fund (UK)	3,883	2.01	GBP 930,150	UK sterling vs Danish krone	(927)	3	0.00
105,830	iShares Emerging Markets Index Fund (IE)	2,991	1.55	GBP 34,760,975	UK sterling vs Euro	(34,638)	123	0.06
1,664,898	iShares MSCI World Small Cap UCITS ETF	6,922	3.58	GBP 1,222,334	UK sterling vs Hong Kong dollar	(1,212)	10	0.00
		78,258	40.53	GBP 263,190	UK sterling vs Israel shekel	(261)	2	0.00
Fixed Income Funds - 58.26%; 31.12.18 55.10%				GBP 23,757,142	UK sterling vs Japanese yen	(23,559)	198	0.10
8,353,095	iShares Corporate Bond Index Fund (UK)	12,722	6.59	GBP 1,256,680	UK sterling vs Korean won	(1,255)	2	0.00
43,212	iShares Emerging Markets Government Bond Index Fund (LU)	4,610	2.39	GBP 147,209	UK sterling vs New Zealand dollar	(149)	(2)	0.00
10,113,181	iShares Index Linked Gilt Index Fund (UK)	17,061	8.83	GBP 372,386	UK Sterling vs Norwegian krone	(377)	(5)	0.00
7,174,018	iShares Overseas Corporate Bond Index Fund (UK)	11,191	5.80	GBP 108,532	UK sterling vs Polish zloty^	(109)	(1)	0.00
24,593,302	iShares Overseas Government Bond Index Fund (UK)	32,192	16.67	GBP 505,776	UK sterling vs Singapore dollar	(504)	1	0.00
26,033,474	iShares UK Gilts All Stocks Index Fund (UK)	34,729	17.98	GBP 1,383,372	UK sterling vs Swedish krona	(1,382)	2	0.00
		112,505	58.26	GBP 3,293,205	UK sterling vs Swiss franc	(3,306)	(13)	(0.01)
DERIVATIVES - 0.81%; 31.12.18 (0.46)%				GBP 118,903,229	UK sterling vs United States dollar	(117,580)	1,324	0.69
Forward Currency Contracts - 0.81%; 31.12.18 (0.46)%				USD 2,937,976	United States dollar vs UK sterling	2,217	(37)	(0.02)
AUD 123,058	Australian dollar vs UK sterling^	65	-			(189,480)	1,571	0.81
CAD 170,880	Canadian dollar vs UK sterling^	99	-					
EUR 608,201	Euro vs UK sterling	516	(2)					
JPY 61,242,714	Japanese yen vs UK sterling	426	(4)					
KRW 978,326,888	Korean won vs UK sterling	639	(1)					
PLN 273,741	Polish zloty vs UK sterling^	54	-					
Portfolio of investments							192,334	99.60
Net other assets							763	0.40
Total net assets							193,097	100.00

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		19,826	(8,587)
Revenue	4	3,473		1,423
Expenses	5	71		44
Interest payable and similar charges		–		–
Net revenue before taxation		3,544		1,467
Taxation	6	–		–
Net revenue after taxation			3,544	1,467
Total return before distributions			23,370	(7,120)
Distributions	7		(3,544)	(1,467)
Change in net assets attributable to unitholders from investment activities			19,826	(8,587)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		165,781	–
Amounts receivable on issue of units	63,220		54,480
Amounts receivable on in-specie transactions	–		143,327
Amounts payable on cancellation of units	(59,223)		(18,595)
Amounts payable on in-specie transactions	–		(6,502)
		3,997	172,710
Change in net assets attributable to unitholders from investment activities		19,826	(8,587)
Retained distribution on accumulation units		3,493	1,658
Closing net assets attributable to unitholders		193,097	165,781

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		192,429	165,878
Current assets			
– Debtors	8	3,967	2,502
– Cash and bank balances		69	5
Total assets		196,465	168,385
Liabilities:			
Investment liabilities		(95)	(867)
Creditors			
– Bank overdrafts		–	(31)
– Other creditors	9	(3,273)	(1,706)
Total liabilities		(3,368)	(2,604)
Net assets attributable to unitholders		193,097	165,781

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	17,067	(4,764)
Forward currency contracts	639	(3,469)
Currency gains/(losses)	2,208	(306)
Custodian transaction costs	(88)	(48)
Net capital gains/(losses)	19,826	(8,587)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	1	1
Equity distributions on CIS holdings	314	122
Interest distributions on CIS holdings	1,555	576
Overseas dividends	1,130	476
Rebate from underlying CIS holdings	39	13
Securities lending revenue	9	3
UK dividends	390	215
UK REIT dividends	9	2
US REIT dividends	26	15
Total revenue	3,473	1,423

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(103)	(68)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	15	9
– Dividend charges [*]	3	4
Total expenses	(71)	(44)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

7. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	3,493	1,658
	3,493	1,658
Add: Amounts deducted on cancellation of units	624	98
Add: Amounts deducted on in-specie transactions	–	47
Deduct: Amounts received on issue of units	(573)	(336)
Distributions	3,544	1,467

Details of the final distribution per unit are set out in the table on page 48.

8. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	171	68
Accrued rebate from underlying CIS holdings	52	13
Accrued revenue	1,380	804
Amount receivable on issue of units	282	902
Currency deals awaiting settlement	–	2
Sales awaiting settlement	2,082	713
Total debtors	3,967	2,502

NOTES TO FINANCIAL STATEMENTS (continued)

9. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depository's fee	3	2
Accrued Safe custody fees	8	5
Amount payable for cancellation of units	3,208	917
Currency deals awaiting settlement	3	–
Custodian transaction costs	44	27
Purchases awaiting settlement	–	748
Total other creditors	3,273	1,706

10. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

11. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Securities lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depository in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 7. Any amounts due to or from the Manager at the year end are disclosed in notes 8 and 9. Securities lending revenue earned by the Fund is disclosed in note 4.

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

NOTES TO FINANCIAL STATEMENTS (continued)

11. Related Parties (continued)

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
18%	1	82%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
26%	1	75%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £143 million and paid out total of £7 million in respect of in-specie transactions with its related parties.

NOTES TO FINANCIAL STATEMENTS (continued)**12. Portfolio Transaction Costs**

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.11% (31 December 2018: 0.15%).

13. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	173,331,598
Issued during the year	61,189,130
Cancelled during the year	(56,998,915)
Balance at the end of the year	177,521,813

14. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805810.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	94.91	100.00
Return before operating charges	14.16	(5.08)
Operating charges	(0.02)	(0.01)
Return after operating charges	14.14	(5.09)
Distributions	(1.99)	(0.95)
Retained distributions on accumulation units	1.99	0.95
Closing net asset value per unit	109.05	94.91
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	14.90%	(5.09)%
Other Information		
Closing net asset value (£000's)	318,022	220,173
Closing number of units	291,621,425	231,976,436
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	110.00	101.50
Lowest bid unit price	94.67	94.00

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	1.9922
Distribution payable 29.2.2020	1.9922
Distribution paid 28.2.2019	0.9537

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value		Investment	Market Value £000's	% of Total Net Assets	Underlying Exposure £000's		Market Value £000's	% of Total Net Assets	
COLLECTIVE INVESTMENT SCHEMES - 98.60%; 31.12.18 99.81%									
Equity Funds - 48.57%; 31.12.18 51.75%									
1,760,820	BlackRock ACS Continental European Equity Tracker Fund		1,949	0.61	PLN 419,718	Polish zloty vs UK sterling^	83	-	0.00
957,273	BlackRock ACS Japan Equity Tracker Fund		1,136	0.36	SEK 15,768,322	Swedish krona vs UK sterling	1,273	1	0.00
20,871,497	BlackRock ACS UK Equity Tracker Fund		22,577	7.10	GBP 6,650,566	UK sterling vs Australian dollar	(6,699)	(48)	(0.02)
5,739,939	BlackRock ACS US Equity Tracker Fund		7,812	2.46	GBP 8,273,857	UK sterling vs Canadian dollar	(8,276)	(2)	0.00
12,764,771	BlackRock ACS World ESG Equity Tracker Fund		13,096	4.12	GBP 1,682,479	UK sterling vs Danish krone	(1,676)	6	0.00
51,967,467	BlackRock ACS World Ex UK Equity Tracker Fund		66,864	21.02	GBP 54,147,045	UK sterling vs Euro	(53,962)	185	0.06
3,333,845	iShares Diversified Commodity Swap UCITS ETF		12,822	4.03	GBP 2,359,076	UK sterling vs Hong Kong dollar	(2,340)	19	0.01
3,510,693	iShares Emerging Markets Equity Index Fund (UK)		5,751	1.81	GBP 437,122	UK sterling vs Israel shekel	(433)	4	0.00
274,861	iShares Emerging Markets Index Fund (IE)		7,769	2.44	GBP 38,339,771	UK sterling vs Japanese yen	(38,029)	311	0.10
3,352,136	iShares MSCI World Small Cap UCITS ETF		13,937	4.38	GBP 2,407,418	UK sterling vs Korean won	(2,404)	3	0.00
404,221	iShares Pacific ex Japan Equity Index Fund (UK)		760	0.24	GBP 231,394	UK sterling vs New Zealand dollar	(234)	(3)	0.00
			154,473	48.57					
Fixed Income Funds - 50.03%; 31.12.18 48.06%									
11,327,840	iShares Corporate Bond Index Fund (UK)		17,252	5.43	GBP 677,668	UK Sterling vs Norwegian krone	(686)	(8)	0.00
58,481	iShares Emerging Markets Government Bond Index Fund (LU)		6,239	1.96	GBP 166,409	UK sterling vs Polish zloty	(167)	(1)	0.00
16,397,564	iShares Index Linked Gilt Index Fund (UK)		27,663	8.70	GBP 965,842	UK sterling vs Singapore dollar	(964)	3	0.00
9,786,596	iShares Overseas Corporate Bond Index Fund (UK)		15,267	4.80	GBP 2,546,787	UK sterling vs Swedish krona	(2,544)	3	0.00
33,994,720	iShares Overseas Government Bond Index Fund (UK)		44,499	13.99	GBP 6,354,358	UK sterling vs Swiss franc	(6,378)	(24)	(0.01)
36,115,707	iShares UK Gilts All Stocks Index Fund (UK)		48,179	15.15	GBP 200,910,742	UK sterling vs United States dollar	(198,712)	2,199	0.69
			159,099	50.03	USD 341,886	United States dollar vs UK sterling	258	(7)	0.00
							(320,541)	2,639	0.83
DERIVATIVES - 0.83%; 31.12.18 (0.46)%									
Forward Currency Contracts - 0.83%; 31.12.18 (0.46)%									
EUR 114,749	Euro vs UK sterling^		97	-					
JPY 14,021,353	Japanese yen vs UK sterling		97	(1)					
KRW 1,766,811,012	Korean won vs UK sterling		1,155	(1)					
					Portfolio of investments		316,211	99.43	
					Net other assets		1,811	0.57	
					Total net assets		318,022	100.00	
All underlying funds are managed by a related party.									
The counterparties for the forward currency contracts are disclosed in note 2(b)(i).									
^ Investments which are less than £500 are rounded to zero.									

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		30,331	(13,217)
Revenue	4	5,148		1,966
Expenses	5	49		26
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		5,197		1,991
Taxation	7	–		–
Net revenue after taxation			5,197	1,991
Total return before distributions			35,528	(11,226)
Distributions	8		(5,197)	(1,991)
Change in net assets attributable to unitholders from investment activities			30,331	(13,217)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		220,173	–
Amounts receivable on issue of units	89,416		54,858
Amounts receivable on in-specie transactions	–		204,977
Amounts payable on cancellation of units	(27,707)		(14,100)
Amounts payable on in-specie transactions	–		(14,557)
		61,709	231,178
Change in net assets attributable to unitholders from investment activities		30,331	(13,217)
Retained distribution on accumulation units		5,809	2,212
Closing net assets attributable to unitholders		318,022	220,173

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		316,306	219,912
Current assets			
– Debtors	9	3,664	3,415
– Cash and bank balances		112	77
Total assets		320,082	223,404
Liabilities:			
Investment liabilities		(95)	(1,177)
Creditors			
– Other creditors	10	(1,965)	(2,054)
Total liabilities		(2,060)	(3,231)
Net assets attributable to unitholders		318,022	220,173

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	25,599	(7,961)
Forward currency contracts	1,787	(4,833)
Currency gains/(losses)	3,027	(392)
Custodian transaction costs	(82)	(31)
Net capital gains/(losses)	30,331	(13,217)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	11	1
Equity distributions on CIS holdings	472	210
Interest distributions on CIS holdings	1,872	628
Overseas dividends	1,993	742
Rebate from underlying CIS holdings	63	20
Securities lending revenue	15	4
UK dividends	670	334
UK REIT dividends	15	4
US REIT dividends	37	23
Total revenue	5,148	1,966

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(92)	(53)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	16	10
– Dividend charges [*]	13	6
Total expenses	(49)	(26)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	5,809	2,212
	5,809	2,212
Add: Amounts deducted on cancellation of units	294	71
Add: Amounts deducted on in-specie transactions	–	103
Deduct: Amounts received on issue of units	(906)	(395)
Distributions	5,197	1,991

Details of the final distribution per unit are set out in the table on page 59.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	145	53
Accrued rebate from underlying CIS holdings	83	20
Accrued revenue	2,743	1,223
Amount receivable on issue of units	693	363
Currency deals awaiting settlement	–	1
Sales awaiting settlement	–	1,755
Total debtors	3,664	3,415

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	8	5
Amount payable for cancellation of units	853	220
Currency deals awaiting settlement	7	–
Custodian transaction costs	36	17
Purchases awaiting settlement	1,051	1,803
Total other creditors	1,965	2,054

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
21%	1	79%

As at 31 December 2018

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
26%	1	74%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £205 million and paid out total of £15 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)

13. Portfolio Transaction Costs (continued)

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.11% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	231,976,436
Issued during the year	86,393,899
Cancelled during the year	(26,748,910)
Balance at the end of the year	291,621,425

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805813.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	94.44	100.00
Return before operating charges	14.99	(5.55)
Operating charges	(0.02)	(0.01)
Return after operating charges	14.97	(5.56)
Distributions	(2.04)	(0.99)
Retained distributions on accumulation units	2.04	0.99
Closing net asset value per unit	109.41	94.44
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	15.85%	(5.56)%
Other Information		
Closing net asset value (£000's)	467,932	315,116
Closing number of units	427,683,140	333,681,027
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	110.40	101.80
Lowest bid unit price	94.14	93.45

[^]The date of commencement of operations.

¹The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

²Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.0425
Distribution payable 29.2.2020	2.0425
Distribution paid 28.2.2019	0.9936

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 98.51%; 31.12.18 99.85%								
Equity Funds - 54.85%; 31.12.18 57.53%								
4,236,663	BlackRock ACS Continental European Equity Tracker Fund	4,689	1.00	JPY 33,035,588	Japanese yen vs UK sterling	229	(2)	0.00
2,286,107	BlackRock ACS Japan Equity Tracker Fund	2,687	0.58	KRW 2,920,404,575	Korean won vs UK sterling	1,909	(1)	0.00
34,743,929	BlackRock ACS UK Equity Tracker Fund	37,584	8.03	PLN 652,131	Polish zloty vs UK sterling^	130	-	0.00
13,713,941	BlackRock ACS US Equity Tracker Fund	18,664	3.99	SEK 25,174,628	Swedish krona vs UK sterling	2,032	2	0.00
19,984,928	BlackRock ACS World ESG Equity Tracker Fund	20,504	4.38	GBP 10,254,805	UK sterling vs Australian dollar	(10,329)	(74)	(0.02)
77,933,084	BlackRock ACS World Ex UK Equity Tracker Fund	100,273	21.43	GBP 12,113,162	UK sterling vs Canadian dollar	(12,117)	(4)	0.00
4,677,092	iShares Diversified Commodity Swap UCITS ETF	17,988	3.84	GBP 2,636,781	UK sterling vs Danish krone	(2,627)	10	0.00
6,875,122	iShares Emerging Markets Equity Index Fund (UK)	11,261	2.41	GBP 76,532,226	UK sterling vs Euro	(76,268)	264	0.05
389,396	iShares Emerging Markets Index Fund (IE)	11,006	2.35	GBP 3,836,826	UK sterling vs Hong Kong dollar	(3,806)	31	0.01
3,491,198	iShares Global Property Securities Equity Index Fund (UK)	7,545	1.61	GBP 737,880	UK sterling vs Israel shekel	(731)	7	0.00
5,448,174	iShares MSCI World Small Cap UCITS ETF	22,652	4.84	GBP 55,470,838	UK sterling vs Japanese yen	(55,015)	455	0.10
972,240	iShares Pacific ex Japan Equity Index Fund (UK)	1,829	0.39	GBP 3,914,201	UK sterling vs Korean won	(3,908)	6	0.00
		256,682	54.85	GBP 440,205	UK sterling vs New Zealand dollar	(446)	(6)	0.00
Fixed Income Funds - 43.66%; 31.12.18 42.32%				GBP 1,137,304	UK Sterling vs Norwegian krone	(1,152)	(15)	0.00
14,338,037	iShares Corporate Bond Index Fund (UK)	21,837	4.67	GBP 258,555	UK sterling vs Polish zloty	(260)	(1)	0.00
73,418	iShares Emerging Markets Government Bond Index Fund (LU)	7,833	1.67	GBP 1,551,201	UK sterling vs Singapore dollar	(1,547)	4	0.00
23,304,510	iShares Index Linked Gilt Index Fund (UK)	39,315	8.40	GBP 4,066,027	UK sterling vs Swedish krona	(4,062)	4	0.00
12,407,978	iShares Overseas Corporate Bond Index Fund (UK)	19,356	4.14	GBP 10,318,914	UK sterling vs Swiss franc	(10,358)	(39)	(0.01)
42,764,090	iShares Overseas Government Bond Index Fund (UK)	55,978	11.96	GBP 301,448,470	UK sterling vs United States dollar	(298,129)	3,320	0.71
44,953,832	iShares UK Gilts All Stocks Index Fund (UK)	59,968	12.82	USD 1,400,130	United States dollar vs UK sterling	1,057	(8)	0.00
		204,287	43.66			(475,135)	3,953	0.84
DERIVATIVES - 0.84%; 31.12.18 (0.46)%								
Forward Currency Contracts - 0.84%; 31.12.18 (0.46)%								
EUR 310,529	Euro vs UK sterling^	263	-					0.00

PORTFOLIO STATEMENT (continued)

Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
Portfolio of investments			464,922	99.35
Net other assets			3,010	0.65
Total net assets			467,932	100.00

All underlying funds are managed by a related party.

The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		46,956	(20,865)
Revenue	4	7,734		2,992
Expenses	5	25		27
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		7,759		3,018
Taxation	7	–		–
Net revenue after taxation			7,759	3,018
Total return before distributions			54,715	(17,847)
Distributions	8		(7,759)	(3,018)
Change in net assets attributable to unitholders from investment activities			46,956	(20,865)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		315,116	–
Amounts receivable on issue of units	133,411		84,866
Amounts receivable on in-specie transactions	–		287,519
Amounts payable on cancellation of units	(36,287)		(11,878)
Amounts payable on in-specie transactions	–		(27,841)
		97,124	332,666
Change in net assets attributable to unitholders from investment activities		46,956	(20,865)
Retained distribution on accumulation units		8,736	3,315
Closing net assets attributable to unitholders		467,932	315,116

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		465,072	314,878
Current assets			
– Debtors	9	5,249	3,967
– Cash and bank balances		160	119
Total assets		470,481	318,964
Liabilities:			
Investment liabilities		(150)	(1,671)
Creditors			
– Other creditors	10	(2,399)	(2,177)
Total liabilities		(2,549)	(3,848)
Net assets attributable to unitholders		467,932	315,116

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	39,799	(13,309)
Forward currency contracts	2,836	(7,032)
Currency gains/(losses)	4,397	(489)
Custodian transaction costs	(76)	(35)
Net capital gains/(losses)	46,956	(20,865)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	4	2
Equity distributions on CIS holdings	853	429
Interest distributions on CIS holdings	2,444	804
Overseas dividends	3,151	1,156
Rebate from underlying CIS holdings	97	31
Securities lending revenue	23	7
UK dividends	1,064	521
UK REIT dividends	24	6
US REIT dividends	74	36
Total revenue	7,734	2,992

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(77)	(58)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	17	10
– Dividend charges [*]	21	10
Total expenses	(25)	(27)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	8,736	3,315
	8,736	3,315
Add: Amounts deducted on cancellation of units	392	66
Add: Amounts deducted on in-specie transactions	–	200
Deduct: Amounts received on issue of units	(1,369)	(563)
Distributions	7,759	3,018

Details of the final distribution per unit are set out in the table on page 70.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019	31.12.2018
	£000's	£000's
Accrued Manager's charge rebates	135	58
Accrued rebate from underlying CIS holdings	128	31
Accrued revenue	4,479	1,900
Amount receivable on issue of units	507	365
Currency deals awaiting settlement	–	2
Sales awaiting settlement	–	1,611
Total debtors	5,249	3,967

10. Other Creditors

	31.12.2019	31.12.2018
	£000's	£000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	9	6
Amount payable for cancellation of units	1,040	–
Currency deals awaiting settlement	9	–
Custodian transaction costs	34	19
Purchases awaiting settlement	1,297	2,143
Total other creditors	2,399	2,177

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
33%	1	67%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
30%	1	70%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £288 million and paid out total of £28 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)**13. Portfolio Transaction Costs (continued)**

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.11% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	333,681,027
Issued during the year	129,081,880
Cancelled during the year	(35,079,767)
Balance at the end of the year	427,683,140

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805821.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	94.00	100.00
Return before operating charges	15.79	(5.99)
Operating charges	(0.02)	(0.01)
Return after operating charges	15.77	(6.00)
Distributions	(2.10)	(1.03)
Retained distributions on accumulation units	2.10	1.03
Closing net asset value per unit	109.77	94.00
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	16.78%	(6.00)%
Other Information		
Closing net asset value (£000's)	512,670	349,622
Closing number of units	467,031,107	371,923,932
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	110.80	102.00
Lowest bid unit price	93.66	92.97

[^]The date of commencement of operations.

¹The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

²Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

ACS LIFEPAATH 2028-2030

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.0992
Distribution payable 29.2.2020	2.0992
Distribution paid 28.2.2019	1.0342

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value Investment		Market Value £000's	% of Total Net Assets	Holding or Nominal Value Investment		Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 98.41%; 31.12.18 99.85%								
Equity Funds - 60.53%; 31.12.18 63.13%								
5,581,189	BlackRock ACS Continental European Equity Tracker Fund	6,177	1.21	JPY 37,697,622	Japanese yen vs UK sterling	262	(2)	0.00
3,014,957	BlackRock ACS Japan Equity Tracker Fund	3,540	0.69	KRW 3,534,219,953	Korean won vs UK sterling	2,310	(2)	0.00
41,570,799	BlackRock ACS UK Equity Tracker Fund	44,968	8.77	PLN 784,623	Polish zloty vs UK sterling^	156	-	0.00
18,164,139	BlackRock ACS US Equity Tracker Fund	24,721	4.82	SEK 30,110,445	Swedish krona vs UK sterling	2,430	2	0.00
23,003,075	BlackRock ACS World ESG Equity Tracker Fund	23,912	4.67	GBP 11,853,967	UK sterling vs Australian dollar	(11,939)	(85)	(0.02)
92,453,635	BlackRock ACS World Ex UK Equity Tracker Fund	118,956	23.20	GBP 13,651,560	UK sterling vs Canadian dollar	(13,656)	(4)	0.00
4,623,133	iShares Diversified Commodity Swap UCITS ETF	17,781	3.47	GBP 3,061,261	UK sterling vs Danish krone	(3,050)	11	0.00
6,986,346	iShares Emerging Markets Equity Index Fund (UK)	11,444	2.23	GBP 81,399,457	UK sterling vs Euro	(81,116)	284	0.06
549,791	iShares Emerging Markets Index Fund (IE)	15,539	3.03	GBP 4,568,505	UK sterling vs Hong Kong dollar	(4,532)	37	0.01
6,267,777	iShares Global Property Securities Equity Index Fund (UK)	13,545	2.64	GBP 879,724	UK sterling vs Israel shekel	(872)	8	0.00
6,565,581	iShares MSCI World Small Cap UCITS ETF	27,298	5.33	GBP 60,498,331	UK sterling vs Japanese yen	(60,000)	498	0.10
1,279,010	iShares Pacific ex Japan Equity Index Fund (UK)	2,406	0.47	GBP 4,731,088	UK sterling vs Korean won	(4,724)	7	0.00
		310,287	60.53	GBP 540,989	UK sterling vs New Zealand dollar	(548)	(7)	0.00
Fixed Income Funds - 37.88%; 31.12.18 36.72%				GBP 1,369,567	UK Sterling vs Norwegian krone	(1,387)	(18)	0.00
13,367,637	iShares Corporate Bond Index Fund (UK)	20,359	3.97	GBP 311,085	UK sterling vs Polish zloty	(312)	(1)	0.00
69,327	iShares Emerging Markets Government Bond Index Fund (LU)	7,396	1.44	GBP 1,878,482	UK sterling vs Singapore dollar	(1,874)	5	0.00
22,997,522	iShares Index Linked Gilt Index Fund (UK)	38,797	7.57	GBP 4,863,225	UK sterling vs Swedish krona	(4,858)	5	0.00
11,593,915	iShares Overseas Corporate Bond Index Fund (UK)	18,087	3.53	GBP 12,477,568	UK sterling vs Swiss franc	(12,525)	(47)	(0.01)
39,825,256	iShares Overseas Government Bond Index Fund (UK)	52,131	10.17	GBP 340,547,401	UK sterling vs United States dollar	(336,792)	3,756	0.73
43,062,335	iShares UK Gilts All Stocks Index Fund (UK)	57,445	11.20	USD 2,152,415	United States dollar vs UK sterling	1,625	(10)	0.00
		194,215	37.88			(531,150)	4,437	0.87
DERIVATIVES - 0.87%; 31.12.18 (0.46)%								
Forward Currency Contracts - 0.87%; 31.12.18 (0.46)%								
EUR 296,869	Euro vs UK sterling^	252	-					0.00

PORTFOLIO STATEMENT (continued)

Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
Portfolio of investments			508,939	99.28
Net other assets			3,731	0.72
Total net assets			512,670	100.00

All underlying funds are managed by a related party.

The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		55,191	(25,240)
Revenue	4	8,812		3,634
Expenses	5	18		18
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		8,830		3,651
Taxation	7	–		–
Net revenue after taxation			8,830	3,651
Total return before distributions			64,021	(21,589)
Distributions	8		(8,830)	(3,651)
Change in net assets attributable to unitholders from investment activities			55,191	(25,240)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		349,622	–
Amounts receivable on issue of units	128,549		77,225
Amounts receivable on in-specie transactions	–		342,302
Amounts payable on cancellation of units	(30,496)		(7,006)
Amounts payable on in-specie transactions	–		(41,505)
		98,053	371,016
Change in net assets attributable to unitholders from investment activities		55,191	(25,240)
Retained distribution on accumulation units		9,804	3,846
Closing net assets attributable to unitholders		512,670	349,622

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		509,115	349,466
Current assets			
– Debtors	9	6,058	4,886
– Cash and bank balances		180	122
Total assets		515,353	354,474
Liabilities:			
Investment liabilities		(176)	(1,961)
Creditors			
– Other creditors	10	(2,507)	(2,891)
Total liabilities		(2,683)	(4,852)
Net assets attributable to unitholders		512,670	349,622

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	47,089	(16,525)
Forward currency contracts	3,276	(8,213)
Currency gains/(losses)	4,901	(477)
Custodian transaction costs	(75)	(25)
Net capital gains/(losses)	55,191	(25,240)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	5	3
Equity distributions on CIS holdings	1,105	635
Interest distributions on CIS holdings	2,375	829
Overseas dividends	3,786	1,423
Rebate from underlying CIS holdings	112	39
Securities lending revenue	27	8
UK dividends	1,284	645
UK REIT dividends	29	8
US REIT dividends	89	44
Total revenue	8,812	3,634

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(74)	(50)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	17	10
– Dividend charges [*]	25	11
Total expenses	(18)	(18)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	9,804	3,846
	9,804	3,846
Add: Amounts deducted on cancellation of units	373	51
Add: Amounts deducted on in-specie transactions	–	300
Deduct: Amounts received on issue of units	(1,347)	(546)
Distributions	8,830	3,651

Details of the final distribution per unit are set out in the table on page 82.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	124	50
Accrued rebate from underlying CIS holdings	151	39
Accrued revenue	5,405	2,259
Amount receivable on issue of units	378	464
Currency deals awaiting settlement	–	2
Sales awaiting settlement	–	2,072
Total debtors	6,058	4,886

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	9	5
Amount payable for cancellation of units	271	–
Currency deals awaiting settlement	10	–
Custodian transaction costs	32	13
Purchases awaiting settlement	2,175	2,864
Total other creditors	2,507	2,891

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
23%	1	77%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £342 million and paid out total of £42 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)**13. Portfolio Transaction Costs (continued)**

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.11% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	371,923,932
Issued during the year	124,437,372
Cancelled during the year	(29,330,197)
Balance at the end of the year	467,031,107

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805822.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	93.61	100.00
Return before operating charges	16.66	(6.38)
Operating charges	(0.02)	(0.01)
Return after operating charges	16.64	(6.39)
Distributions	(2.14)	(1.07)
Retained distributions on accumulation units	2.14	1.07
Closing net asset value per unit	110.25	93.61
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	17.78%	(6.39)%
Other Information		
Closing net asset value (£000's)	656,677	395,536
Closing number of units	595,601,529	422,526,230
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	111.30	102.20
Lowest bid unit price	93.20	92.51

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

ACS LIFE PATH 2031-2033

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.1352
Distribution payable 29.2.2020	2.1352
Distribution paid 28.2.2019	1.0722

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value Investment		Market Value £000's	% of Total Net Assets	Holding or Nominal Value Investment		Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 98.30%; 31.12.18 99.66%				DERIVATIVES - 0.89%; 31.12.18 (0.45)%				
Equity Funds - 66.09%; 31.12.18 68.42%				Forward Currency Contracts - 0.89%; 31.12.18 (0.45)%				
7,833,910	BlackRock ACS Continental European Equity Tracker Fund	8,671	1.32	EUR 189,993	Euro vs UK sterling^	161	-	0.00
4,232,366	BlackRock ACS Japan Equity Tracker Fund	4,958	0.76	JPY 21,534,279	Japanese yen vs UK sterling	150	(1)	0.00
58,740,136	BlackRock ACS UK Equity Tracker Fund	63,541	9.68	KRW 4,777,765,981	Korean won vs UK sterling	3,122	(2)	0.00
25,497,556	BlackRock ACS US Equity Tracker Fund	34,700	5.28	PLN 1,226,965	Polish zloty vs UK sterling^	244	-	0.00
41,689,208	BlackRock ACS World ESG Equity Tracker Fund	43,337	6.60	SEK 41,393,045	Swedish krona vs UK sterling	3,341	3	0.00
124,269,045	BlackRock ACS World Ex UK Equity Tracker Fund	159,891	24.35	GBP 16,060,612	UK sterling vs Australian dollar	(16,176)	(115)	(0.02)
5,088,875	iShares Diversified Commodity Swap UCITS ETF	19,572	2.98	GBP 18,506,764	UK sterling vs Canadian dollar	(18,512)	(6)	0.00
11,989,283	iShares Emerging Markets Equity Index Fund (UK)	19,638	2.99	GBP 4,189,136	UK sterling vs Danish krone	(4,174)	15	0.00
645,968	iShares Emerging Markets Index Fund (IE)	18,258	2.78	GBP 102,105,217	UK sterling vs Euro	(101,751)	354	0.05
9,008,239	iShares Global Property Securities Equity Index Fund (UK)	19,467	2.96	GBP 6,506,542	UK sterling vs Hong Kong dollar	(6,454)	53	0.01
9,278,202	iShares MSCI World Small Cap UCITS ETF	38,577	5.88	GBP 1,243,301	UK sterling vs Israel shekel	(1,232)	11	0.00
1,795,177	iShares Pacific ex Japan Equity Index Fund (UK)	3,377	0.51	GBP 77,665,131	UK sterling vs Japanese yen	(77,029)	637	0.10
		433,987	66.09	GBP 6,401,620	UK sterling vs Korean won	(6,392)	9	0.00
Fixed Income Funds - 32.21%; 31.12.18 31.24%				GBP 630,953	UK sterling vs New Zealand dollar	(639)	(8)	0.00
14,776,198	iShares Corporate Bond Index Fund (UK)	22,504	3.43	GBP 1,919,199	UK Sterling vs Norwegian krone	(1,944)	(25)	0.00
73,015	iShares Emerging Markets Government Bond Index Fund (LU)	7,790	1.18	GBP 486,464	UK sterling vs Polish zloty	(488)	(2)	0.00
26,157,120	iShares Index Linked Gilt Index Fund (UK)	44,127	6.72	GBP 2,605,482	UK sterling vs Singapore dollar	(2,599)	7	0.00
12,380,168	iShares Overseas Corporate Bond Index Fund (UK)	19,313	2.94	GBP 6,782,095	UK sterling vs Swedish krona	(6,776)	7	0.00
42,894,510	iShares Overseas Government Bond Index Fund (UK)	56,149	8.55	GBP 17,562,955	UK sterling vs Swiss franc	(17,629)	(67)	(0.01)
46,228,131	iShares UK Gilts All Stocks Index Fund (UK)	61,668	9.39	GBP 452,032,417	UK sterling vs United States dollar	(447,075)	4,958	0.76
		211,551	32.21					

PORTFOLIO STATEMENT (continued)

Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
USD 1,381,352	United States dollar vs UK sterling	1,043	(4)	0.00
		(700,809)	5,824	0.89
Portfolio of investments			651,362	99.19
Net other assets			5,315	0.81
Total net assets			656,677	100.00

All underlying funds are managed by a related party.

The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		69,904	(30,371)
Revenue	4	10,810		4,206
Expenses	5	–		20
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		10,810		4,225
Taxation	7	–		–
Net revenue after taxation			10,810	4,225
Total return before distributions			80,714	(26,146)
Distributions	8		(10,810)	(4,225)
Change in net assets attributable to unitholders from investment activities			69,904	(30,371)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		395,536	–
Amounts receivable on issue of units	196,894		109,105
Amounts receivable on in-specie transactions	–		369,517
Amounts payable on cancellation of units	(18,374)		(8,590)
Amounts payable on in-specie transactions	–		(48,655)
		178,520	421,377
Change in net assets attributable to unitholders from investment activities		69,904	(30,371)
Retained distribution on accumulation units		12,717	4,530
Closing net assets attributable to unitholders		656,677	395,536

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		651,592	394,490
Current assets			
– Debtors	9	9,154	5,833
– Cash and bank balances		230	139
Total assets		660,976	400,462
Liabilities:			
Investment liabilities		(230)	(2,074)
Creditors			
– Other creditors	10	(4,069)	(2,852)
Total liabilities		(4,299)	(4,926)
Net assets attributable to unitholders		656,677	395,536

G D Bamping (Director)
 W I Cullen (Director)
 BlackRock Fund Managers Limited
 24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	58,976	(20,579)
Forward currency contracts	5,377	(9,261)
Currency gains/(losses)	5,626	(499)
Custodian transaction costs	(75)	(32)
Net capital gains/(losses)	69,904	(30,371)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	6	2
Equity distributions on CIS holdings	1,478	819
Interest distributions on CIS holdings	2,382	814
Overseas dividends	4,938	1,690
Rebate from underlying CIS holdings	141	46
Securities lending revenue	36	10
UK dividends	1,676	764
UK REIT dividends	37	–
US REIT dividends	116	61
Total revenue	10,810	4,206

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(65)	(55)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	17	10
– Dividend charges [*]	34	14
Total expenses	–	(20)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	12,717	4,530
	12,717	4,530
Add: Amounts deducted on cancellation of units	246	54
Add: Amounts deducted on in-specie transactions	–	356
Deduct: Amounts received on issue of units	(2,153)	(715)
Distributions	10,810	4,225

Details of the final distribution per unit are set out in the table on page 94.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	120	55
Accrued rebate from underlying CIS holdings	187	46
Accrued revenue	7,539	2,738
Amount receivable on issue of units	1,018	577
Currency deals awaiting settlement	–	3
Sales awaiting settlement	290	2,414
Total debtors	9,154	5,833

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	9	6
Amount payable for cancellation of units	602	19
Currency deals awaiting settlement	12	–
Custodian transaction costs	31	17
Purchases awaiting settlement	3,405	2,801
Total other creditors	4,069	2,852

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
16%	1	84%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
10%	1	90%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £370 million and paid out total of £49 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)**13. Portfolio Transaction Costs (continued)**

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.10% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	422,526,230
Issued during the year	190,692,855
Cancelled during the year	(17,617,556)
Balance at the end of the year	595,601,529

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805823.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	93.18	100.00
Return before operating charges	17.54	(6.81)
Operating charges	(0.02)	(0.01)
Return after operating charges	17.52	(6.82)
Distributions	(2.21)	(1.12)
Retained distributions on accumulation units	2.21	1.12
Closing net asset value per unit	110.70	93.18
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	18.80%	(6.82)%
Other Information		
Closing net asset value (£000's)	508,396	321,929
Closing number of units	459,275,551	345,491,678
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	111.80	102.30
Lowest bid unit price	92.72	92.02

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.2112
Distribution payable 29.2.2020	2.2112
Distribution paid 28.2.2019	1.1173

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 98.16%; 31.12.18 99.51%								
Equity Funds - 72.05%; 31.12.18 73.64%								
6,398,923	BlackRock ACS Continental European Equity Tracker Fund	7,083	1.39	KRW 4,022,313,314	Korean won vs UK sterling	2,629	(2)	0.00
3,457,210	BlackRock ACS Japan Equity Tracker Fund	4,059	0.80	PLN 1,037,180	Polish zloty vs UK sterling^	206	-	0.00
50,089,772	BlackRock ACS UK Equity Tracker Fund	54,184	10.66	SEK 35,082,627	Swedish krona vs UK sterling	2,832	3	0.00
20,827,221	BlackRock ACS US Equity Tracker Fund	28,345	5.57	GBP 13,299,174	UK sterling vs Australian dollar	(13,395)	(96)	(0.02)
34,864,621	BlackRock ACS World ESG Equity Tracker Fund	36,243	7.13	GBP 15,243,709	UK sterling vs Canadian dollar	(15,248)	(5)	0.00
107,709,488	BlackRock ACS World Ex UK Equity Tracker Fund	138,586	27.26	GBP 3,521,437	UK sterling vs Danish krone	(3,509)	13	0.00
3,380,915	iShares Diversified Commodity Swap UCITS ETF	13,003	2.56	GBP 77,692,561	UK sterling vs Euro	(77,421)	271	0.05
8,710,814	iShares Emerging Markets Equity Index Fund (UK)	14,268	2.81	GBP 5,558,370	UK sterling vs Hong Kong dollar	(5,513)	45	0.01
639,698	iShares Emerging Markets Index Fund (IE)	18,080	3.56	GBP 1,069,942	UK sterling vs Israel shekel	(1,060)	10	0.00
7,760,817	iShares Global Property Securities Equity Index Fund (UK)	16,771	3.30	GBP 60,788,998	UK sterling vs Japanese yen	(60,290)	499	0.10
7,917,055	iShares MSCI World Small Cap UCITS ETF	32,917	6.47	GBP 5,437,500	UK sterling vs Korean won	(5,430)	8	0.00
1,466,281	iShares Pacific ex Japan Equity Index Fund (UK)	2,758	0.54	GBP 543,888	UK sterling vs New Zealand dollar	(551)	(7)	0.00
		366,297	72.05					
Fixed Income Funds - 26.11%; 31.12.18 25.87%								
8,897,312	iShares Corporate Bond Index Fund (UK)	13,551	2.66	GBP 1,645,911	UK Sterling vs Norwegian krone	(1,667)	(21)	0.00
45,617	iShares Emerging Markets Government Bond Index Fund (LU)	4,866	0.96	GBP 411,219	UK sterling vs Polish zloty	(413)	(2)	0.00
17,302,659	iShares Index Linked Gilt Index Fund (UK)	29,189	5.74	GBP 2,229,407	UK sterling vs Singapore dollar	(2,224)	6	0.00
7,681,526	iShares Overseas Corporate Bond Index Fund (UK)	11,983	2.36	GBP 5,732,244	UK sterling vs Swedish krona	(5,727)	6	0.00
26,597,381	iShares Overseas Government Bond Index Fund (UK)	34,816	6.85	GBP 14,934,408	UK sterling vs Swiss franc	(14,991)	(57)	(0.01)
28,753,100	iShares UK Gilts All Stocks Index Fund (UK)	38,357	7.54	GBP 364,367,041	UK sterling vs United States dollar	(360,364)	4,003	0.79
		132,762	26.11					
				USD 1,075,535	United States dollar vs UK sterling	812	(3)	0.00
						(561,065)	4,670	0.92
DERIVATIVES - 0.92%; 31.12.18 (0.45)%								
Forward Currency Contracts - 0.92%; 31.12.18 (0.45)%								
EUR 162,769	Euro vs UK sterling^	138	-					0.00
JPY 17,436,551	Japanese yen vs UK sterling	121	(1)					0.00

PORTFOLIO STATEMENT (continued)

Holding or Nominal Value Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
Portfolio of investments		503,729	99.08
Net other assets		4,667	0.92
Total net assets		508,396	100.00

All underlying funds are managed by a related party.

The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		59,147	(26,663)
Revenue	4	8,897		3,780
Expenses	5	3		19
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		8,900		3,798
Taxation	7	–		–
Net revenue after taxation			8,900	3,798
Total return before distributions			68,047	(22,865)
Distributions	8		(8,900)	(3,798)
Change in net assets attributable to unitholders from investment activities			59,147	(26,663)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		321,929	–
Amounts receivable on issue of units	127,266		69,808
Amounts receivable on in-specie transactions	–		333,754
Amounts payable on cancellation of units	(10,102)		(6,400)
Amounts payable on in-specie transactions	–		(52,430)
		117,164	344,732
Change in net assets attributable to unitholders from investment activities		59,147	(26,663)
Retained distribution on accumulation units		10,156	3,860
Closing net assets attributable to unitholders		508,396	321,929

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		503,923	320,605
Current assets			
– Debtors	9	7,039	5,377
– Cash and bank balances		178	113
Total assets		511,140	326,095
Liabilities:			
Investment liabilities		(194)	(1,683)
Creditors			
– Other creditors	10	(2,550)	(2,483)
Total liabilities		(2,744)	(4,166)
Net assets attributable to unitholders		508,396	321,929

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	50,150	(18,308)
Forward currency contracts	4,513	(8,050)
Currency gains/(losses)	4,549	(276)
Custodian transaction costs	(65)	(29)
Net capital gains/(losses)	59,147	(26,663)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	5	2
Equity distributions on CIS holdings	1,315	878
Interest distributions on CIS holdings	1,632	565
Overseas dividends	4,232	1,532
Rebate from underlying CIS holdings	117	42
Securities lending revenue	31	9
UK dividends	1,433	697
UK REIT dividends	32	8
US REIT dividends	100	47
Total revenue	8,897	3,780

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(63)	(52)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	17	10
– Dividend charges [*]	29	12
Total expenses	(3)	(19)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	10,156	3,860
	10,156	3,860
Add: Amounts deducted on cancellation of units	146	46
Add: Amounts deducted on in-specie transactions	–	384
Deduct: Amounts received on issue of units	(1,402)	(492)
Distributions	8,900	3,798

Details of the final distribution per unit are set out in the table on page 106.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	115	52
Accrued rebate from underlying CIS holdings	159	42
Accrued revenue	6,438	2,366
Amount receivable on issue of units	327	551
Currency deals awaiting settlement	–	2
Sales awaiting settlement	–	2,364
Total debtors	7,039	5,377

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	9	6
Currency deals awaiting settlement	9	–
Custodian transaction costs	28	15
Purchases awaiting settlement	2,494	2,453
Total other creditors	2,550	2,483

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the year ended 31 December 2018, the Fund received total of £334 million and paid out total of £52 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)**13. Portfolio Transaction Costs (continued)**

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.10% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	345,491,678
Issued during the year	123,438,099
Cancelled during the year	(9,654,226)
Balance at the end of the year	459,275,551

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805824.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	92.74	100.00
Return before operating charges	18.47	(7.25)
Operating charges	(0.02)	(0.01)
Return after operating charges	18.45	(7.26)
Distributions	(2.26)	(1.17)
Retained distributions on accumulation units	2.26	1.17
Closing net asset value per unit	111.19	92.74
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	19.89%	(7.26)%
Other Information		
Closing net asset value (£000's)	610,077	366,216
Closing number of units	548,672,561	394,891,912
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	112.30	102.70
Lowest bid unit price	92.23	91.50

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

ACS LIFEPAATH 2037-2039

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.2636
Distribution payable 29.2.2020	2.2636
Distribution paid 28.2.2019	1.1653

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value		Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value		Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 97.94%; 31.12.18 99.43%					DERIVATIVES - 0.94%; 31.12.18 (0.44)%					
Equity Funds - 77.62%; 31.12.18 79.51%					Forward Currency Contracts - 0.94%; 31.12.18 (0.44)%					
8,385,487	BlackRock ACS Continental European Equity Tracker Fund		9,281	1.52	JPY 9,348,634	Japanese yen vs UK sterling^		65	-	0.00
4,574,371	BlackRock ACS Japan Equity Tracker Fund		5,360	0.88	KRW 4,807,357,351	Korean won vs UK sterling		3,142	(2)	0.00
64,171,445	BlackRock ACS UK Equity Tracker Fund		69,417	11.38	PLN 1,269,601	Polish zloty vs UK sterling^		253	-	0.00
27,392,082	BlackRock ACS US Equity Tracker Fund		37,278	6.11	SEK 44,655,120	Swedish krona vs UK sterling		3,604	3	0.00
67,690,521	BlackRock ACS World ESG Equity Tracker Fund		70,369	11.53	GBP 16,777,557	UK sterling vs Australian dollar		(16,897)	(120)	(0.02)
123,277,702	BlackRock ACS World Ex UK Equity Tracker Fund		158,616	26.00	GBP 19,354,572	UK sterling vs Canadian dollar		(19,360)	(6)	0.00
3,291,724	iShares Diversified Commodity Swap UCITS ETF		12,660	2.08	GBP 4,529,391	UK sterling vs Danish krone		(4,513)	16	0.00
12,946,142	iShares Emerging Markets Equity Index Fund (UK)		21,206	3.48	GBP 91,357,429	UK sterling vs Euro		(91,042)	315	0.05
725,979	iShares Emerging Markets Index Fund (IE)		20,519	3.36	GBP 7,190,237	UK sterling vs Hong Kong dollar		(7,133)	58	0.01
10,432,717	iShares Global Property Securities Equity Index Fund (UK)		22,545	3.70	GBP 1,394,022	UK sterling vs Israel shekel		(1,381)	13	0.00
10,259,822	iShares MSCI World Small Cap UCITS ETF		42,658	6.99	GBP 73,004,661	UK sterling vs Japanese yen		(72,409)	596	0.10
1,928,455	iShares Pacific ex Japan Equity Index Fund (UK)		3,627	0.59	GBP 6,443,336	UK sterling vs Korean won		(6,434)	9	0.00
			473,536	77.62	GBP 784,158	UK sterling vs New Zealand dollar		(794)	(10)	0.00
Fixed Income Funds - 20.32%; 31.12.18 19.92%					GBP 2,249,564	UK Sterling vs Norwegian krone		(2,278)	(28)	0.00
8,500,459	iShares Corporate Bond Index Fund (UK)		12,946	2.12	GBP 503,369	UK sterling vs Polish zloty		(506)	(2)	0.00
42,314	iShares Emerging Markets Government Bond Index Fund (LU)		4,514	0.74	GBP 2,912,501	UK sterling vs Singapore dollar		(2,906)	7	0.00
16,792,443	iShares Index Linked Gilt Index Fund (UK)		28,329	4.64	GBP 7,360,432	UK sterling vs Swedish krona		(7,353)	7	0.00
6,965,185	iShares Overseas Corporate Bond Index Fund (UK)		10,866	1.78	GBP 19,308,876	UK sterling vs Swiss franc		(19,382)	(73)	(0.01)
24,524,859	iShares Overseas Government Bond Index Fund (UK)		32,103	5.26	GBP 452,786,095	UK sterling vs United States dollar		(447,845)	4,941	0.81
26,411,235	iShares UK Gilts All Stocks Index Fund (UK)		35,232	5.78						
			123,990	20.32						

PORTFOLIO STATEMENT (continued)

Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
USD 505,364	United States dollar vs UK sterling	381	(2)	0.00
		(692,788)	5,722	0.94
Portfolio of investments			603,248	98.88
Net other assets			6,829	1.12
Total net assets			610,077	100.00

All underlying funds are managed by a related party.

The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		72,833	(32,305)
Revenue	4	10,584		4,362
Expenses	5	(5)		22
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		10,579		4,383
Taxation	7	–		–
Net revenue after taxation			10,579	4,383
Total return before distributions			83,412	(27,922)
Distributions	8		(10,579)	(4,383)
Change in net assets attributable to unitholders from investment activities			72,833	(32,305)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		366,216		–
Amounts receivable on issue of units	168,667		96,861	
Amounts receivable on in-specie transactions	–		352,083	
Amounts payable on cancellation of units	(10,059)		(5,225)	
Amounts payable on in-specie transactions	–		(49,800)	
		158,608		393,919
Change in net assets attributable to unitholders from investment activities		72,833		(32,305)
Retained distribution on accumulation units		12,420		4,602
Closing net assets attributable to unitholders		610,077		366,216

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		603,491	364,385
Current assets			
– Debtors	9	9,579	6,000
– Cash and bank balances		214	129
Total assets		613,284	370,514
Liabilities:			
Investment liabilities		(243)	(1,892)
Creditors			
– Other creditors	10	(2,964)	(2,406)
Total liabilities		(3,207)	(4,298)
Net assets attributable to unitholders		610,077	366,216

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	61,950	(23,018)
Forward currency contracts	5,875	(8,858)
Currency gains/(losses)	5,080	(395)
Custodian transaction costs	(72)	(34)
Net capital gains/(losses)	72,833	(32,305)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	6	3
Equity distributions on CIS holdings	1,693	1,102
Interest distributions on CIS holdings	1,477	512
Overseas dividends	5,273	1,801
Rebate from underlying CIS holdings	141	49
Securities lending revenue	38	11
UK dividends	1,792	818
UK REIT dividends	40	10
US REIT dividends	124	56
Total revenue	10,584	4,362

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(65)	(58)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	17	10
– Dividend charges [*]	39	15
Total expenses	5	(22)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	12,420	4,602
	12,420	4,602
Add: Amounts deducted on cancellation of units	122	37
Add: Amounts deducted on in-specie transactions	–	371
Deduct: Amounts received on issue of units	(1,963)	(627)
Distributions	10,579	4,383

Details of the final distribution per unit are set out in the table on page 118.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	123	58
Accrued rebate from underlying CIS holdings	190	49
Accrued revenue	8,081	2,869
Amount receivable on issue of units	1,185	537
Currency deals awaiting settlement	–	2
Sales awaiting settlement	–	2,485
Total debtors	9,579	6,000

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	9	6
Amount payable for cancellation of units	125	71
Currency deals awaiting settlement	11	–
Custodian transaction costs	31	18
Purchases awaiting settlement	2,778	2,302
Total other creditors	2,964	2,406

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
20%	1	80%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
14%	1	86%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received £352 million and paid out total of £50 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

NOTES TO FINANCIAL STATEMENTS (continued)

13. Portfolio Transaction Costs (continued)

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.09% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	394,891,912
Issued during the year	163,493,367
Cancelled during the year	(9,712,718)
Balance at the end of the year	548,672,561

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805825.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	92.30	100.00
Return before operating charges	19.33	(7.69)
Operating charges	(0.02)	(0.01)
Return after operating charges	19.31	(7.70)
Distributions	(2.35)	(1.20)
Retained distributions on accumulation units	2.35	1.20
Closing net asset value per unit	111.61	92.30
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	20.92%	(7.70)%
Other Information		
Closing net asset value (£000's)	414,088	264,241
Closing number of units	371,001,390	286,271,612
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	112.70	102.90
Lowest bid unit price	91.75	91.00

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

ACS LIFEPAATH 2040-2042

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.3464
Distribution payable 29.2.2020	2.3464
Distribution paid 28.2.2019	1.1990

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value Investment		Market Value £000's	% of Total Net Assets	or Nominal Value Investment		Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 97.95%; 31.12.18 99.24%								
Equity Funds - 83.54%; 31.12.18 84.83%								
6,395,401	BlackRock ACS Continental European Equity Tracker Fund	7,079	1.71	PLN 952,855	Polish zloty vs UK sterling^	189	-	0.00
3,435,254	BlackRock ACS Japan Equity Tracker Fund	4,031	0.97	SEK 32,939,345	Swedish krona vs UK sterling	2,659	2	0.00
47,131,012	BlackRock ACS UK Equity Tracker Fund	50,983	12.31	GBP 12,082,465	UK sterling vs Australian dollar	(12,169)	(86)	(0.02)
20,802,770	BlackRock ACS US Equity Tracker Fund	28,312	6.84	GBP 13,749,959	UK sterling vs Canadian dollar	(13,754)	(4)	0.00
47,077,507	BlackRock ACS World ESG Equity Tracker Fund	48,942	11.82	GBP 3,269,230	UK sterling vs Danish krone	(3,258)	12	0.00
92,058,631	BlackRock ACS World Ex UK Equity Tracker Fund	118,448	28.60	GBP 61,283,562	UK sterling vs Euro	(61,069)	214	0.05
1,686,793	iShares Diversified Commodity Swap UCITS ETF	6,488	1.57	GBP 5,300,927	UK sterling vs Hong Kong dollar	(5,258)	43	0.01
8,358,459	iShares Emerging Markets Equity Index Fund (UK)	13,691	3.31	GBP 1,024,632	UK sterling vs Israel shekel	(1,015)	9	0.00
600,815	iShares Emerging Markets Index Fund (IE)	16,981	4.10	GBP 50,187,420	UK sterling vs Japanese yen	(49,777)	411	0.10
7,760,779	iShares Global Property Securities Equity Index Fund (UK)	16,771	4.05	GBP 4,779,764	UK sterling vs Korean won	(4,773)	7	0.00
7,555,067	iShares MSCI World Small Cap UCITS ETF	31,412	7.59	GBP 586,823	UK sterling vs New Zealand dollar	(594)	(7)	0.00
1,473,049	iShares Pacific ex Japan Equity Index Fund (UK)	2,771	0.67	GBP 1,657,189	UK Sterling vs Norwegian krone	(1,678)	(21)	(0.01)
		345,909	83.54	GBP 377,786	UK sterling vs Polish zloty	(380)	(2)	0.00
Fixed Income Funds - 14.41%; 31.12.18 14.41%								
4,029,127	iShares Corporate Bond Index Fund (UK)	6,136	1.48	GBP 2,153,529	UK sterling vs Singapore dollar	(2,148)	5	0.00
19,353	iShares Emerging Markets Government Bond Index Fund (LU)	2,065	0.50	GBP 5,406,162	UK sterling vs Swedish krona	(5,401)	5	0.00
8,574,853	iShares Index Linked Gilt Index Fund (UK)	14,466	3.49	GBP 14,249,471	UK sterling vs Swiss franc	(14,303)	(54)	(0.01)
3,306,386	iShares Overseas Corporate Bond Index Fund (UK)	5,158	1.25	GBP 319,674,286	UK sterling vs United States dollar	(316,169)	3,505	0.85
11,566,867	iShares Overseas Government Bond Index Fund (UK)	15,141	3.66	USD 447,396	United States dollar vs UK sterling	338	(1)	0.00
12,523,550	iShares UK Gilts All Stocks Index Fund (UK)	16,706	4.03			(486,256)	4,036	0.97
		59,672	14.41					
DERIVATIVES - 0.97%; 31.12.18 (0.44)%								
Forward Currency Contracts - 0.97%; 31.12.18 (0.44)%								
KRW 3,525,718,451	Korean won vs UK sterling	2,304	(2)	0.00				

PORTFOLIO STATEMENT (continued)

or Nominal Value Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
Portfolio of investments		409,617	98.92
Net other assets		4,471	1.08
Total net assets		414,088	100.00

All underlying funds are managed by a related party.

The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		54,033	(24,694)
Revenue	4	7,693		3,404
Expenses	5	14		19
Interest payable and similar charges	6	–		(2)
Net revenue before taxation		7,707		3,421
Taxation	7	–		–
Net revenue after taxation			7,707	3,421
Total return before distributions			61,740	(21,273)
Distributions	8		(7,707)	(3,421)
Change in net assets attributable to unitholders from investment activities			54,033	(24,694)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		264,241	–
Amounts receivable on issue of units	93,932		56,403
Amounts receivable on in-specie transactions	–		281,217
Amounts payable on cancellation of units	(6,823)		(4,622)
Amounts payable on in-specie transactions	–		(47,495)
		87,109	285,503
Change in net assets attributable to unitholders from investment activities		54,033	(24,694)
Retained distribution on accumulation units		8,705	3,432
Closing net assets attributable to unitholders		414,088	264,241

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		409,794	262,421
Current assets			
– Debtors	9	7,233	4,773
– Cash and bank balances		145	92
Total assets		417,172	267,286
Liabilities:			
Investment liabilities		(177)	(1,363)
Creditors			
– Other creditors	10	(2,907)	(1,682)
Total liabilities		(3,084)	3,045
Net assets attributable to unitholders		414,088	264,241

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	46,323	(17,648)
Forward currency contracts	4,113	(6,850)
Currency gains/(losses)	3,668	(169)
Custodian transaction costs	(71)	(27)
Net capital gains/(losses)	54,033	(24,694)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	5	2
Equity distributions on CIS holdings	1,321	962
Interest distributions on CIS holdings	817	258
Overseas dividends	3,953	1,432
Rebate from underlying CIS holdings	103	39
Securities lending revenue	28	8
UK dividends	1,344	650
UK REIT dividends	30	8
US REIT dividends	92	45
Total revenue	7,693	3,404

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(74)	(51)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	17	10
– Dividend charges [*]	29	11
Total expenses	(14)	(19)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	2
Total interest payable and similar charges	–	2

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	8,705	3,432
	8,705	3,432
Add: Amounts deducted on cancellation of units	91	31
Add: Amounts deducted on in-specie transactions	–	354
Deduct: Amounts received on issue of units	(1,089)	(396)
Distributions	7,707	3,421

Details of the final distribution per unit are set out in the table on page 130.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	124	51
Accrued rebate from underlying CIS holdings	142	39
Accrued revenue	5,972	2,179
Amount receivable on issue of units	995	461
Currency deals awaiting settlement	–	2
Sales awaiting settlement	–	2,041
Total debtors	7,233	4,773

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	9	5
Currency deals awaiting settlement	7	–
Custodian transaction costs	31	15
Purchases awaiting settlement	2,850	1,653
Total other creditors	2,907	1,682

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £281 million and paid out total of £48 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)**13. Portfolio Transaction Costs (continued)**

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.09% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	286,271,612
Issued during the year	91,305,657
Cancelled during the year	(6,575,879)
Balance at the end of the year	371,001,390

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805826.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	91.90	100.00
Return before operating charges	20.12	(8.09)
Operating charges	(0.02)	(0.01)
Return after operating charges	20.10	(8.10)
Distributions	(2.39)	(1.18)
Retained distributions on accumulation units	2.39	1.18
Closing net asset value per unit	112.00	91.90
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	21.87%	(8.10)%
Other Information		
Closing net asset value (£000's)	482,395	280,561
Closing number of units	430,697,893	305,304,640
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	113.20	103.10
Lowest bid unit price	91.29	90.52

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

ACS LIFEPAATH 2043-2045

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.3880
Distribution payable 29.2.2020	2.3880
Distribution paid 28.2.2019	1.1798

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 97.86%; 31.12.18 98.92%								
Equity Funds - 89.37%; 31.12.18 89.72%								
8,341,093	BlackRock ACS Continental European Equity Tracker Fund	9,232	1.91	SEK 40,536,199	Swedish krona vs UK sterling	3,272	3	0.00
4,550,750	BlackRock ACS Japan Equity Tracker Fund	5,324	1.10	GBP 14,752,900	UK sterling vs Australian dollar	(14,857)	(105)	(0.02)
58,313,887	BlackRock ACS UK Equity Tracker Fund	63,080	13.08	GBP 16,724,633	UK sterling vs Canadian dollar	(16,730)	(5)	0.00
27,442,528	BlackRock ACS US Equity Tracker Fund	37,347	7.74	GBP 4,055,058	UK sterling vs Danish krone	(4,041)	14	0.00
74,170,770	BlackRock ACS World ESG Equity Tracker Fund	77,107	15.98	GBP 70,286,309	UK sterling vs Euro	(70,045)	242	0.05
102,238,589	BlackRock ACS World Ex UK Equity Tracker Fund	131,546	27.27	GBP 6,606,753	UK sterling vs Hong Kong dollar	(6,554)	53	0.01
1,302,412	iShares Diversified Commodity Swap UCITS ETF	5,009	1.04	GBP 1,272,073	UK sterling vs Israel shekel	(1,260)	12	0.00
13,003,533	iShares Emerging Markets Equity Index Fund (UK)	21,300	4.42	GBP 58,758,762	UK sterling vs Japanese yen	(58,282)	477	0.10
596,309	iShares Emerging Markets Index Fund (IE)	16,854	3.49	GBP 5,579,806	UK sterling vs Korean won	(5,572)	8	0.00
9,840,035	iShares Global Property Securities Equity Index Fund (UK)	21,264	4.41	GBP 704,978	UK sterling vs New Zealand dollar	(714)	(9)	0.00
9,463,462	iShares MSCI World Small Cap UCITS ETF	39,347	8.16	GBP 2,113,350	UK Sterling vs Norwegian krone	(2,140)	(27)	0.00
1,974,646	iShares Pacific ex Japan Equity Index Fund (UK)	3,714	0.77	GBP 400,013	UK sterling vs Polish zloty	(402)	(2)	0.00
		431,124	89.37					
Fixed Income Funds - 8.49%; 31.12.18 9.20%								
2,633,804	iShares Corporate Bond Index Fund (UK)	4,011	0.83	GBP 2,715,880	UK sterling vs Singapore dollar	(2,709)	7	0.00
13,397	iShares Emerging Markets Government Bond Index Fund (LU)	1,429	0.30	GBP 6,702,073	UK sterling vs Swedish krona	(6,696)	6	0.00
6,615,530	iShares Index Linked Gilt Index Fund (UK)	11,160	2.31	GBP 17,759,376	UK sterling vs Swiss franc	(17,826)	(66)	(0.01)
2,213,162	iShares Overseas Corporate Bond Index Fund (UK)	3,453	0.72	GBP 387,312,185	UK sterling vs United States dollar	(383,103)	4,209	0.87
7,571,990	iShares Overseas Government Bond Index Fund (UK)	9,912	2.06			(584,745)	4,815	1.00
8,222,450	iShares UK Gilts All Stocks Index Fund (UK)	10,969	2.27					
		40,934	8.49					
				Portfolio of investments 476,873 98.86				
				Net other assets 5,522 1.14				
				Total net assets 482,395 100.00				
Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets				
DERIVATIVES - 1.00%; 31.12.18 (0.44)%								
Forward Currency Contracts - 1.00%; 31.12.18 (0.44)%								
KRW 4,150,704,169	Korean won vs UK sterling	2,713	(2)	0.00				
PLN 1,008,918	Polish zloty vs UK sterling^	201	-	0.00				

All underlying funds are managed by a related party.
 The counterparties for the forward currency contracts are disclosed in note 2(b)(i).
 ^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		62,829	(27,417)
Revenue	4	8,762		3,491
Expenses	5	18		21
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		8,780		3,511
Taxation	7	–		–
Net revenue after taxation			8,780	3,511
Total return before distributions			71,609	(23,906)
Distributions	8		(8,780)	(3,511)
Change in net assets attributable to unitholders from investment activities			62,829	(27,417)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		280,561	–
Amounts receivable on issue of units	133,024		74,414
Amounts receivable on in-specie transactions	–		283,490
Amounts payable on cancellation of units	(4,304)		(2,947)
Amounts payable on in-specie transactions	–		(50,581)
		128,720	304,376
Change in net assets attributable to unitholders from investment activities		62,829	(27,417)
Retained distribution on accumulation units		10,285	3,602
Closing net assets attributable to unitholders		482,395	280,561

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		477,089	277,742
Current assets			
– Debtors	9	8,431	4,285
– Cash and bank balances		192	98
Total assets		485,712	282,125
Liabilities:			
Investment liabilities		(216)	(1,431)
Creditors			
– Other creditors	10	(3,101)	(133)
Total liabilities		(3,317)	(1,564)
Net assets attributable to unitholders		482,395	280,561

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	53,655	(20,030)
Forward currency contracts	6,539	(7,177)
Currency gains/(losses)	2,722	(175)
Custodian transaction costs	(87)	(35)
Net capital gains/(losses)	62,829	(27,417)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	5	2
Equity distributions on CIS holdings	1,568	931
Interest distributions on CIS holdings	599	167
Overseas dividends	4,690	1,566
Rebate from underlying CIS holdings	119	43
Securities lending revenue	33	9
UK dividends	1,602	716
UK REIT dividends	36	–
US REIT dividends	110	57
Total revenue	8,762	3,491

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(85)	(55)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	17	10
– Dividend charges [*]	36	13
Total expenses	(18)	(21)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	10,285	3,602
	10,285	3,602
Add: Amounts deducted on cancellation of units	55	19
Add: Amounts deducted on in-specie transactions	–	384
Deduct: Amounts received on issue of units	(1,560)	(494)
Distributions	8,780	3,511

Details of the final distribution per unit are set out in the table on page 142.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	141	55
Accrued rebate from underlying CIS holdings	162	43
Accrued revenue	7,283	2,450
Amount receivable on issue of units	845	366
Currency deals awaiting settlement	–	2
Sales awaiting settlement	–	1,369
Total debtors	8,431	4,285

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	8	6
Currency deals awaiting settlement	8	–
Custodian transaction costs	39	19
Purchases awaiting settlement	3,036	99
Total other creditors	3,101	133

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
22%	1	78%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
15%	1	85%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £283 million and paid out total of £51 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)

13. Portfolio Transaction Costs (continued)

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.08% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	305,304,640
Issued during the year	129,540,566
Cancelled during the year	(4,147,313)
Balance at the end of the year	430,697,893

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805827.

Performance Record

Comparative Tables

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	91.54	100.00
Return before operating charges	20.81	(8.45)
Operating charges	(0.02)	(0.01)
Return after operating charges	20.79	(8.46)
Distributions	(2.46)	(1.28)
Retained distributions on accumulation units	2.46	1.28
Closing net asset value per unit	112.33	91.54
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	22.71%	(8.46)%
Other Information		
Closing net asset value (£000's)	311,383	192,645
Closing number of units	277,200,131	210,439,835
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	113.50	103.30
Lowest bid unit price	90.88	90.12

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.4550
Distribution payable 29.2.2020	2.4550
Distribution paid 28.2.2019	1.2783

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 97.75%; 31.12.18 98.89%								
Equity Funds - 93.54%; 31.12.18 94.21%								
6,360,964	BlackRock ACS Continental European Equity Tracker Fund	7,041	2.26	SEK 27,605,763	Swedish krona vs UK sterling	2,228	2	0.00
3,514,370	BlackRock ACS Japan Equity Tracker Fund	4,116	1.32	GBP 9,852,976	UK sterling vs Australian dollar	(9,923)	(70)	(0.02)
39,824,761	BlackRock ACS UK Equity Tracker Fund	43,079	13.84	GBP 10,866,403	UK sterling vs Canadian dollar	(10,870)	(3)	0.00
21,004,297	BlackRock ACS US Equity Tracker Fund	28,586	9.18	GBP 2,719,018	UK sterling vs Danish krone	(2,709)	10	0.00
47,888,641	BlackRock ACS World ESG Equity Tracker	49,785	15.99	GBP 45,095,393	UK sterling vs Euro	(44,938)	157	0.05
67,644,300	BlackRock ACS World Ex UK Equity Tracker Fund	87,035	27.95	GBP 4,462,973	UK sterling vs Hong Kong dollar	(4,427)	36	0.01
444,680	iShares Diversified Commodity Swap UCITS ETF	1,710	0.55	GBP 848,844	UK sterling vs Israel shekel	(841)	8	0.00
8,213,568	iShares Emerging Markets Equity Index Fund (UK)	13,454	4.32	GBP 38,517,310	UK sterling vs Japanese yen	(38,203)	315	0.10
446,619	iShares Emerging Markets Index Fund (IE)	12,623	4.05	GBP 3,827,536	UK sterling vs Korean won	(3,822)	5	0.00
6,715,128	iShares Global Property Securities Equity Index Fund (UK)	14,511	4.66	GBP 460,406	UK sterling vs New Zealand dollar	(466)	(6)	0.00
6,375,503	iShares MSCI World Small Cap UCITS ETF	26,508	8.51	GBP 1,430,872	UK Sterling vs Norwegian krone	(1,449)	(18)	0.00
1,506,362	iShares Pacific ex Japan Equity Index Fund (UK)	2,834	0.91	GBP 288,795	UK sterling vs Polish zloty	(290)	(2)	0.00
		291,282	93.54					
Fixed Income Funds - 4.21%; 31.12.18 4.68%								
819,434	iShares Corporate Bond Index Fund (UK)	1,248	0.40	GBP 1,806,809	UK sterling vs Singapore dollar	(1,803)	4	0.00
4,324	iShares Emerging Markets Government Bond Index Fund (LU)	461	0.15	GBP 4,542,724	UK sterling vs Swedish krona	(4,538)	4	0.00
2,274,196	iShares Index Linked Gilt Index Fund (UK)	3,836	1.23	GBP 12,060,068	UK sterling vs Swiss franc	(12,105)	(45)	(0.01)
672,993	iShares Overseas Corporate Bond Index Fund (UK)	1,050	0.34	GBP 257,183,189	UK sterling vs United States dollar	(254,377)	2,806	0.90
2,349,253	iShares Overseas Government Bond Index Fund (UK)	3,075	0.99	USD 52,027	United States dollar vs UK sterling^	39	-	0.00
2,572,417	iShares UK Gilts All Stocks Index Fund (UK)	3,432	1.10					
		13,102	4.21			(386,488)	3,202	1.03
Portfolio of investments							307,586	98.78
Net other assets							3,797	1.22
Total net assets							311,383	100.00
All underlying funds are managed by a related party.								
The counterparties for the forward currency contracts are disclosed in note 2(b)(i).								
^ Investments which are less than £500 are rounded to zero.								
DERIVATIVES - 1.03%; 31.12.18 (0.44)%								
Forward Currency Contracts - 1.03%; 31.12.18 (0.44)%								
KRW 2,847,558,395	Korean won vs UK sterling	1,861	(1)	0.00				
PLN 728,402	Polish zloty vs UK sterling^	145	-	0.00				

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		43,485	(19,789)
Revenue	4	5,971		2,820
Expenses	5	27		9
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		5,998		2,828
Taxation	7	–		–
Net revenue after taxation			5,998	2,828
Total return before distributions			49,483	(16,961)
Distributions	8		(5,998)	(2,828)
Change in net assets attributable to unitholders from investment activities			43,485	(19,789)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		192,645	–
Amounts receivable on issue of units	70,178		41,187
Amounts receivable on in-specie transactions	–		224,989
Amounts payable on cancellation of units	(1,730)		(2,294)
Amounts payable on in-specie transactions	–		(54,138)
		68,448	209,744
Change in net assets attributable to unitholders from investment activities		43,485	(19,789)
Retained distribution on accumulation units		6,805	2,690
Closing net assets attributable to unitholders		311,383	192,645

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		307,731	190,644
Current assets			
– Debtors	9	5,593	3,039
– Cash and bank balances		109	67
Total assets		313,433	193,750
Liabilities:			
Investment liabilities		(145)	(982)
Creditors			
– Other creditors	10	(1,905)	(123)
Total liabilities		(2,050)	(1,105)
Net assets attributable to unitholders		311,383	192,645

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	37,398	(14,343)
Forward currency contracts	3,536	(5,464)
Currency gains	2,625	45
Custodian transaction costs	(74)	(27)
Net capital gains/(losses)	43,485	(19,789)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	4	2
Equity distributions on CIS holdings	1,236	926
Interest distributions on CIS holdings	160	61
Overseas dividends	3,253	1,196
Rebate from underlying CIS holdings	81	33
Securities lending revenue	23	7
UK dividends	1,113	552
UK REIT dividends	25	7
US REIT dividends	76	36
Total revenue	5,971	2,820

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(82)	(39)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Safe custody fees	17	10
– Dividend charges [*]	25	9
Total expenses	(27)	(9)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	6,805	2,690
	6,805	2,690
Add: Amounts deducted on cancellation of units	21	17
Add: Amounts deducted on in-specie transactions	–	411
Deduct: Amounts received on issue of units	(828)	(290)
Distributions	5,998	2,828

Details of the final distribution per unit are set out in the table on page 153.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	122	39
Accrued rebate from underlying CIS holdings	114	33
Accrued revenue	4,973	1,745
Amount receivable on issue of units	384	364
Currency deals awaiting settlement	–	1
Sales awaiting settlement	–	857
Total debtors	5,593	3,039

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	8	5
Amount payable for cancellation of units	30	–
Currency deals awaiting settlement	6	–
Custodian transaction costs	31	15
Purchases awaiting settlement	1,820	94
Total other creditors	1,905	123

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £225 million and paid out total of £55 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)**13. Portfolio Transaction Costs (continued)**

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.08% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	210,439,835
Issued during the year	68,433,790
Cancelled during the year	(1,673,494)
Balance at the end of the year	277,200,131

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805828.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	91.32	100.00
Return before operating charges	21.31	(8.67)
Operating charges	(0.02)	(0.01)
Return after operating charges	21.29	(8.68)
Distributions	(2.49)	(1.30)
Retained distributions on accumulation units	2.49	1.30
Closing net asset value per unit	112.61	91.32
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	23.31%	(8.68)%
Other Information		
Closing net asset value (£000's)	318,992	177,000
Closing number of units	283,261,652	193,815,990
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	113.80	103.40
Lowest bid unit price	90.63	89.85

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

ACS LIFEPAATH 2049-2051

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.4900
Distribution payable 29.2.2020	2.4900
Distribution paid 28.2.2019	1.3032

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 97.73%; 31.12.18 98.85%								
Equity Funds - 96.35%; 31.12.18 97.41%								
6,649,174	BlackRock ACS Continental European Equity Tracker Fund	7,359	2.31	SEK 28,539,612	Swedish krona vs UK sterling	2,304	2	0.00
3,673,821	BlackRock ACS Japan Equity Tracker Fund	4,292	1.34	GBP 10,274,989	UK sterling vs Australian dollar	(10,347)	(73)	(0.02)
41,427,438	BlackRock ACS UK Equity Tracker Fund	44,813	14.05	GBP 11,459,021	UK sterling vs Canadian dollar	(11,462)	(3)	0.00
21,956,152	BlackRock ACS US Equity Tracker Fund	29,881	9.37	GBP 2,877,469	UK sterling vs Danish krone	(2,867)	10	0.00
61,088,966	BlackRock ACS World ESG Equity Tracker Fund	63,508	19.91	GBP 46,013,594	UK sterling vs Euro	(45,856)	158	0.05
64,363,131	BlackRock ACS World Ex UK Equity Tracker Fund	82,813	25.96	GBP 4,694,023	UK sterling vs Hong Kong dollar	(4,657)	37	0.01
207,101	iShares Diversified Commodity Swap UCITS ETF	797	0.25	GBP 893,365	UK sterling vs Israel shekel	(885)	8	0.00
9,786,536	iShares Emerging Markets Equity Index Fund (UK)	16,030	5.02	GBP 39,619,371	UK sterling vs Japanese yen	(39,300)	320	0.10
402,208	iShares Emerging Markets Index Fund (IE)	11,368	3.56	GBP 3,737,874	UK sterling vs Korean won	(3,732)	5	0.00
7,113,459	iShares Global Property Securities Equity Index Fund (UK)	15,372	4.82	GBP 456,681	UK sterling vs New Zealand dollar	(463)	(6)	0.00
6,774,244	iShares MSCI World Small Cap UCITS ETF	28,166	8.83	GBP 1,563,943	UK Sterling vs Norwegian krone	(1,584)	(20)	(0.01)
1,574,499	iShares Pacific ex Japan Equity Index Fund (UK)	2,962	0.93	GBP 263,961	UK sterling vs Polish zloty	(265)	(1)	0.00
		307,361	96.35					
Fixed Income Funds - 1.38%; 31.12.18 1.44%								
230,893	iShares Corporate Bond Index Fund (UK)	351	0.11	GBP 1,931,593	UK sterling vs Singapore dollar	(1,927)	5	0.00
1,134	iShares Emerging Markets Government Bond Index Fund (LU)	121	0.04	GBP 4,758,099	UK sterling vs Swedish krona	(4,754)	4	0.00
1,041,941	iShares Index Linked Gilt Index Fund (UK)	1,758	0.55	GBP 12,703,430	UK sterling vs Swiss franc	(12,751)	(47)	(0.01)
195,481	iShares Overseas Corporate Bond Index Fund (UK)	305	0.10	GBP 268,809,617	UK sterling vs United States dollar	(265,907)	2,903	0.91
656,019	iShares Overseas Government Bond Index Fund (UK)	859	0.27			(402,503)	3,301	1.03
742,847	iShares UK Gilts All Stocks Index Fund (UK)	991	0.31					
		4,385	1.38					
				Portfolio of investments				
				Net other assets				
				Total net assets				
				315,047				
				98.76				
				3,945				
				1.24				
				318,992				
				100.00				
Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets				
DERIVATIVES - 1.03%; 31.12.18 (0.43)%								
Forward Currency Contracts - 1.03%; 31.12.18 (0.43)%								
KRW 2,781,036,413	Korean won vs UK sterling	1,818	(1)	0.00				
PLN 665,764	Polish zloty vs UK sterling^	132	-	0.00				

All underlying funds are managed by a related party.
The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

^ Investments which are less than £500 are rounded to zero.

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		42,903	(18,648)
Revenue	4	5,842		2,535
Expenses	5	57		26
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		5,899		2,560
Taxation	7	–		–
Net revenue after taxation			5,899	2,560
Total return before distributions			48,802	(16,088)
Distributions	8		(5,899)	(2,560)
Change in net assets attributable to unitholders from investment activities			42,903	(18,648)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		177,000	–
Amounts receivable on issue of units	93,327		46,763
Amounts receivable on in-specie transactions	–		191,732
Amounts payable on cancellation of units	(1,291)		(1,755)
Amounts payable on in-specie transactions	–		(43,618)
		92,036	193,122
Change in net assets attributable to unitholders from investment activities		42,903	(18,648)
Retained distribution on accumulation units		7,053	2,526
Closing net assets attributable to unitholders		318,992	177,000

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		315,198	175,095
Current assets			
– Debtors	9	6,283	2,868
– Cash and bank balances		112	62
Total assets		321,593	178,025
Liabilities:			
Investment liabilities		(151)	(888)
Creditors			
– Other creditors	10	(2,450)	(137)
Total liabilities		(2,601)	(1,025)
Net assets attributable to unitholders		318,992	177,000

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	36,554	(13,815)
Forward currency contracts	4,077	3,293
Currency gains/(losses)	2,375	(8,093)
Custodian transaction costs	(103)	(33)
Net capital gains/(losses)	42,903	(18,648)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	4	2
Equity distributions on CIS holdings	1,127	849
Interest distributions on CIS holdings	156	17
Overseas dividends	3,239	1,088
Rebate from underlying CIS holdings	80	30
Securities lending revenue	22	6
UK dividends	1,113	503
UK REIT dividends	25	6
US REIT dividends	76	34
Total revenue	5,842	2,535

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(112)	(56)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	16	10
– Dividend charges [*]	25	9
Total expenses	(57)	(26)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	7,053	2,526
	7,053	2,526
Add: Amounts deducted on cancellation of units	14	14
Add: Amounts deducted on in-specie transactions	–	336
Deduct: Amounts received on issue of units	(1,168)	(316)
Distributions	5,899	2,560

Details of the final distribution per unit are set out in the table on page 164.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Manager's charge rebates	168	56
Accrued rebate from underlying CIS holdings	110	30
Accrued revenue	5,117	1,654
Amount receivable on issue of units	888	308
Currency deals awaiting settlement	–	1
Sales awaiting settlement	–	819
Total debtors	6,283	2,868

10. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	8	6
Currency deals awaiting settlement	8	–
Custodian transaction costs	47	18
Purchases awaiting settlement	2,377	104
Total other creditors	2,450	137

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
21%	1	79%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
12%	1	88%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period ended 31 December 2018, the Fund received total of £192 million and paid out total of £44 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)**13. Portfolio Transaction Costs (continued)**

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.08% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	193,815,990
Issued during the year	90,705,809
Cancelled during the year	(1,260,147)
Balance at the end of the year	283,261,652

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805829.

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 25.5.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	91.21	100.00
Return before operating charges	21.55	(8.78)
Operating charges	(0.02)	(0.01)
Return after operating charges	21.53	(8.79)
Distributions	(2.53)	(1.32)
Retained distributions on accumulation units	2.53	1.32
Closing net asset value per unit	112.74	91.21
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	23.60%	(8.79)%
Other Information		
Closing net asset value (£000's)	185,522	111,337
Closing number of units	164,553,511	122,065,056
Operating charges ²	0.02%	0.02%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	113.90	103.50
Lowest bid unit price	90.50	89.73

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 13 for further details.

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.5299
Distribution payable 29.2.2020	2.5299
Distribution paid 28.2.2019	1.3207

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 97.66%; 31.12.18 98.84%								
Equity Funds - 97.66%; 31.12.18 98.84%								
4,243,650	BlackRock ACS Continental European Equity Tracker Fund	4,697	2.53	GBP 23,183,414	UK sterling vs Japanese yen	(22,995)	188	0.10
2,289,983	BlackRock ACS Japan Equity Tracker Fund	2,677	1.44	GBP 2,292,712	UK sterling vs Korean won	(2,289)	3	0.00
24,626,651	BlackRock ACS UK Equity Tracker Fund	26,639	14.36	GBP 278,669	UK sterling vs New Zealand dollar	(282)	(3)	0.00
13,946,926	BlackRock ACS US Equity Tracker Fund	18,981	10.23	GBP 900,393	UK Sterling vs Norwegian krone	(912)	(11)	0.00
32,882,547	BlackRock ACS World ESG Equity Tracker Fund	34,185	18.43	GBP 172,137	UK sterling vs Polish zloty	(173)	(1)	0.00
39,006,619	BlackRock ACS World Ex UK Equity Tracker Fund	50,188	27.05	GBP 1,137,967	UK sterling vs Singapore dollar	(1,135)	3	0.00
5,269,039	iShares Emerging Markets Equity Index Fund (UK)	8,631	4.65	GBP 2,824,859	UK sterling vs Swedish krona	(2,822)	3	0.00
266,444	iShares Emerging Markets Index Fund (IE)	7,531	4.06	GBP 7,526,147	UK sterling vs Swiss franc	(7,554)	(28)	(0.01)
4,202,043	iShares Global Property Securities Equity Index Fund (UK)	9,081	4.90	GBP 158,266,884	UK sterling vs United States dollar	(156,553)	1,714	0.92
4,016,846	iShares MSCI World Small Cap UCITS ETF	16,701	9.00	USD 111,726	United States dollar vs UK sterling^	84	-	0.00
994,506	iShares Pacific ex Japan Equity Index Fund (UK)	1,871	1.01					
		181,182	97.66			(236,543)	1,948	1.05
				Portfolio of investments				
				183,130				
				98.71				
				Net other assets				
				2,392				
				1.29				
				Total net assets				
				185,522				
				100.00				
				All underlying funds are managed by a related party.				
				The counterparties for the forward currency contracts are disclosed in note 2(b)(i).				
				^ Investments which are less than £500 are rounded to zero.				
DERIVATIVES - 1.05%; 31.12.18 (0.43)%								
Forward Currency Contracts - 1.05%; 31.12.18 (0.43)%								
KRW 1,705,867,707	Korean won vs UK sterling	1,115	(1)	0.00				
PLN 434,166	Polish zloty vs UK sterling^	86	-	0.00				
SEK 17,018,364	Swedish krona vs UK sterling	1,374	1	0.00				
GBP 6,046,611	UK sterling vs Australian dollar	(6,089)	(43)	(0.02)				
GBP 6,601,230	UK sterling vs Canadian dollar	(6,603)	(2)	0.00				
GBP 1,690,744	UK sterling vs Danish krone	(1,685)	6	0.00				
GBP 26,940,819	UK sterling vs Euro	(26,849)	92	0.05				
GBP 2,766,668	UK sterling vs Hong Kong dollar	(2,745)	22	0.01				
GBP 520,391	UK sterling vs Israel shekel	(516)	5	0.00				

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		26,358	(11,937)
Revenue	4	3,574		1,679
Expenses	5	46		20
Interest payable and similar charges	6	–		(1)
Net revenue before taxation		3,620		1,698
Taxation	7	–		–
Net revenue after taxation			3,620	1,698
Total return before distributions			29,978	(10,239)
Distributions	8		(3,620)	(1,698)
Change in net assets attributable to unitholders from investment activities			26,358	(11,937)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		111,337		–
Amounts receivable on issue of units	44,958		24,874	
Amounts receivable on in-specie transactions	–		129,880	
Amounts payable on cancellation of units	(1,294)		(1,631)	
Amounts payable on in-specie transactions	–		(31,461)	
		43,664		121,662
Change in net assets attributable to unitholders from investment activities		26,358		(11,937)
Retained distribution on accumulation units		4,163		1,612
Closing net assets attributable to unitholders		185,522		111,337

Note: The Fund launched on 25 May 2018.

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		183,219	110,125
Current assets			
– Debtors	9	3,695	1,845
– Cash and bank balances		65	39
Total assets		186,979	112,009
Liabilities:			
Investment liabilities		(89)	(560)
Creditors			
– Other creditors	10	(1,368)	(112)
Total liabilities		(1,457)	(672)
Net assets attributable to unitholders		185,522	111,337

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	22,632	(8,777)
Forward currency contracts	2,313	(3,189)
Currency gains	1,485	54
Custodian transaction costs	(72)	(25)
Net capital gains/(losses)	26,358	(11,937)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest from UK bank deposits	2	1
Equity distributions on CIS holdings	708	576
Interest distributions on CIS holdings	73	–
Overseas dividends	1,984	719
Rebate from underlying CIS holdings	49	20
Securities lending revenue	14	4
UK dividends	682	333
UK REIT dividends	15	–
US REIT dividends	47	26
Total revenue	3,574	1,679

NOTES TO FINANCIAL STATEMENTS (continued)

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Receivable from the Manager or associates of the Manager:		
– Manager's charge and other expenses rebate [#]	(85)	(43)
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	6	4
Other expenses:		
– Audit fee	7	7
– Legal fee	1	–
– Safe custody fees	10	6
– Dividend charges [*]	15	6
Total expenses	(46)	(20)

[#] The Fund received rebates from the Manager to ensure that the operating charge does not exceed 0.02%.

^{*} This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	–	1

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 25.5.2018 to 31.12.2018 £000's
Final accumulation	4,163	1,612
	4,163	1,612
Add: Amounts deducted on cancellation of units	15	12
Add: Amounts deducted on in-specie transactions	–	241
Deduct: Amounts received on issue of units	(558)	(167)
Distributions	3,620	1,698

Details of the final distribution per unit are set out in the table on page 175.

NOTES TO FINANCIAL STATEMENTS (continued)

9. Debtors

	31.12.2019	31.12.2018
	£000's	£000's
Accrued Manager's charge rebates	129	43
Accrued rebate from underlying CIS holdings	68	20
Accrued revenue	3,063	1,050
Amount receivable on issue of units	435	275
Currency deals awaiting settlement	–	1
Sales awaiting settlement	–	456
Total debtors	3,695	1,845

10. Other Creditors

	31.12.2019	31.12.2018
	£000's	£000's
Accrued Audit fee	7	7
Accrued Depositary's fee	3	2
Accrued Safe custody fees	5	3
Currency deals awaiting settlement	5	–
Custodian transaction costs	31	14
Purchases awaiting settlement	1,317	86
Total other creditors	1,368	112

11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

12. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depositary in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 10. Securities lending revenue earned by the Fund is disclosed in note 4.

NOTES TO FINANCIAL STATEMENTS (continued)

12. Related Parties (continued)

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the period 31 December 2018, the Fund received total of £130 million and paid out total of £32 million in respect of in-specie transactions with its related parties.

13. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

NOTES TO FINANCIAL STATEMENTS (continued)

13. Portfolio Transaction Costs (continued)

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.07% (31 December 2018: 0.14%).

14. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	122,065,056
Issued during the year	43,750,228
Cancelled during the year	(1,261,773)
Balance at the end of the year	164,553,511

15. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

BLACKROCK PENSION GROWTH FUND

About the Fund

The Fund is a sub-fund of BlackRock Authorised Contractual Scheme 2, a Co-Ownership Scheme constituted as a non-UCITS retail scheme and, an AIF. The Fund was authorised by the FCA on 5 April 2018. The Fund's FCA product reference number is 805830.

BLACKROCK PENSION GROWTH FUND

Performance Record

Comparative Table

	X1 Accumulation Units	
	For the year to 31.12.2019	For the period from 27.4.2018 [^] to 31.12.2018
	Pence per unit	Pence per unit
Change in net assets per unit		
Opening net asset value per unit	96.46	100.00
Return before operating charges	18.23	(3.53)
Operating charges	(0.01)	(0.01)
Return after operating charges	18.22	(3.54)
Distributions	(2.56)	(1.47)
Retained distributions on accumulation units	2.56	1.47
Closing net asset value per unit	114.68	96.46
After direct transaction costs of:	0.00	0.00
Performance		
Return after charges ¹	18.89%	(3.54)%
Other Information		
Closing net asset value (£000's)	8,028,369	6,993,032
Closing number of units	7,000,874,199	7,249,955,049
Operating charges ²	0.01%	0.01%
Direct transaction costs ³	0.00%	0.00%
Prices	Pence per unit	Pence per unit
Highest offer unit price	115.80	105.70
Lowest bid unit price	96.11	95.04

[^] The date of commencement of operations.

¹ The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Summary and Investment Manager's Report which are based on bid-to-bid dealing prices (the price at which units are sold).

² Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

³ Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 14 for further details.

BLACKROCK PENSION GROWTH FUND

DISTRIBUTION TABLE

for the year ended 31 December 2019

Final Distribution in Pence per Unit

	X1 Accumulation Units
Net revenue	2.5566
Distribution payable 29.2.2020	2.5566
Distribution paid 28.2.2019	1.4663

BLACKROCK PENSION GROWTH FUND

PORTFOLIO STATEMENT

at 31 December 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
COLLECTIVE INVESTMENT SCHEMES - 97.14%; 31.12.18 98.99%			
Equity Funds - 68.29%; 31.12.18 67.33%			
339,331,380	BlackRock ACS Japan Equity Tracker Fund	355,132	4.42
1,665,385,357	BlackRock ACS US Equity Tracker Fund	2,125,944	26.48
480,075,683	iShares 100 UK Equity Index Fund (UK)	860,776	10.72
344,619,649	iShares Continental European Equity Index Fund (UK)	771,259	9.61
281,689,449	iShares Emerging Markets Equity Index Fund (UK)	461,407	5.75
109,426,369	iShares Mid Cap UK Equity Index Fund (UK)	263,937	3.29
144,346,664	iShares North American Equity Index Fund (UK)	462,342	5.76
96,497,062	iShares Pacific ex Japan Equity Index Fund (UK)	181,511	2.26
		5,482,308	68.29

Fixed Income Funds - 28.85%; 31.12.18 29.71%			
253,951,584	BlackRock Corporate Bond 1-10 Year Fund	376,102	4.68
152,534,205	iShares Corporate Bond Index Fund (UK)	254,885	3.17
2,202,752	iShares Emerging Markets Government Bond Index Fund (LU)	234,999	2.93
182,603,280	iShares Overseas Corporate Bond Index Fund (UK)	284,861	3.55
422,144,117	iShares Overseas Government Bond Index Fund (UK)	552,586	6.88
459,666,313	iShares UK Gilts All Stocks Index Fund (UK)	613,195	7.64
		2,316,628	28.85

Short-term Money Market Funds - 0.00%; 31.12.18 1.95%

Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
--------------------------	------------	-------------------------------	------------------------	-----------------------

DERIVATIVES - 1.30%; 31.12.18 (0.64)%

Forward Currency Contracts - 1.30%; 31.12.18 (0.64)%

EUR 72,507,926	Euro vs UK sterling	61,442	(223)	0.00
GBP 1,092,879,343	UK sterling vs Euro	(1,069,625)	23,254	0.29
GBP 123,352,911	UK sterling vs Japanese yen	(119,695)	3,659	0.04
GBP 2,984,132,610	UK sterling vs United States dollar	(2,895,936)	88,196	1.10

Holding or Nominal Value	Investment	Underlying Exposure £000's	Market Value £000's	% of Total Net Assets
USD 1,201,285,456	United States dollar vs UK sterling	906,740	(10,742)	(0.13)
		(3,117,074)	104,144	1.30
Portfolio of investments			7,903,080	98.44
CASH EQUIVALENTS				
Short-term Money Market Funds - 0.91%; 31.12.18 1.10%				
727,396	BlackRock ICS Sterling Liquid Environmentally Aware Fund		72,743	0.91
Net other assets			52,546	0.65
Total net assets			8,028,369	100.00

All underlying funds are managed by a related party.

The counterparties for the forward currency contracts are disclosed in note 2(b)(i).

BLACKROCK PENSION GROWTH FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 December 2019

	Notes	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 27.4.2018 to 31.12.2018 £000's
Income				
Net capital gains/(losses)	3		1,125,985	(366,149)
Revenue	4	183,374		108,344
Expenses	5	(252)		(172)
Interest payable and similar charges	6	–		(27)
Net revenue before taxation		183,122		108,145
Taxation	7	–		–
Net revenue after taxation			183,122	108,145
Total return before distributions			1,309,107	(258,004)
Distributions	8		(183,122)	(108,144)
Change in net assets attributable to unitholders from investment activities			1,125,985	(366,148)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 December 2019

	For the year to 31.12.2019 £000's	For the year to 31.12.2019 £000's	For the period from 27.4.2018 to 31.12.2018 £000's
Opening net assets attributable to unitholders		6,993,032	–
Amounts receivable on issue of units	199,340		497,605
Amounts receivable on in-specie transactions	–		7,049,519
Amounts payable on cancellation of units	(468,972)		(294,250)
		(269,632)	7,252,874
Change in net assets attributable to unitholders from investment activities		1,125,985	(366,148)
Retained distribution on accumulation units		178,984	106,306
Closing net assets attributable to unitholders		8,028,369	6,993,032

Note: The Fund launched on 27 April 2018.

BLACKROCK PENSION GROWTH FUND

BALANCE SHEET

at 31 December 2019

	Notes	31.12.2019 £000's	31.12.2018 £000's
Assets:			
Fixed assets			
– Investment assets		7,914,045	6,922,021
Current assets			
– Debtors	9	49,081	36,270
– Cash and bank balances		6,005	3,500
– Cash equivalents	10	72,743	76,793
Total assets		8,041,874	7,038,584
Liabilities:			
Investment liabilities		(10,965)	(44,453)
Creditors			
– Other creditors	11	(2,540)	(1,099)
Total liabilities		(13,505)	(45,552)
Net assets attributable to unitholders		8,028,369	6,993,032

G D Bamping (Director)
W I Cullen (Director)
BlackRock Fund Managers Limited
24 February 2020

BLACKROCK PENSION GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting and Distribution Policies

The accounting and distribution policies are set out on pages 14 and 15.

2. Financial Instruments and Risks

The financial instruments and risks are set out on pages 16 to 45.

3. Net Capital Gains/(Losses)

	For the year to 31.12.2019 £000's	For the period from 27.4.2018 to 31.12.2018 £000's
The net capital gains/(losses) comprise:		
Gains/(losses) on non-derivative securities	1,022,917	(203,872)
Forward currency contracts	101,041	(162,272)
Currency gains	2,060	11
Custodian transaction costs	(33)	(16)
Net capital gains/(losses)	1,125,985	(366,149)

4. Revenue

	For the year to 31.12.2019 £000's	For the period from 27.4.2018 to 31.12.2018 £000's
Interest from UK bank deposits	109	32
Equity distributions on CIS holdings	86,264	51,969
Interest distributions on CIS holdings	46,070	21,631
Overseas dividends	47,627	32,351
Rebate from underlying CIS holdings	497	315
Revenue from short-term money market funds	640	333
Securities lending revenue	171	55
UK dividends	196	83
US REIT dividends	1,800	1,575
Total revenue	183,374	108,344

5. Expenses

	For the year to 31.12.2019 £000's	For the period from 27.4.2018 to 31.12.2018 £000's
Payable to the Depositary or associates of the Depositary:		
– Depositary fee	12	8
Other expenses:		
– Audit fee	7	7
– Safe custody fees	18	9
– Dividend charges*	215	148
Total expenses	252	172

* This charge relates to the Fund's proportionate share in expenses from tax transparent underlying CIS holdings.

BLACKROCK PENSION GROWTH FUND

NOTES TO FINANCIAL STATEMENTS (continued)

6. Interest Payable and Similar Charges

	For the year to 31.12.2019 £000's	For the period from 27.4.2018 to 31.12.2018 £000's
Interest on bank overdrafts	–	27
Total interest payable and similar charges	–	27

7. Taxation

(a) Analysis of tax charge

As the Fund is an Authorised Contractual Scheme, it is exempt from United Kingdom (UK) tax on capital gains realised on the disposal of investments held within the Fund and any UK corporation tax.

8. Distributions

The distributions take account of revenue received on the issue of units and revenue deducted on the redemption of units and comprise:

	For the year to 31.12.2019 £000's	For the period from 27.4.2018 to 31.12.2018 £000's
Final accumulation	178,984	106,306
	178,984	106,306
Add: Amounts deducted on cancellation of units	6,618	2,551
Deduct: Amounts received on issue of units	(2,480)	(713)
Distributions	183,122	108,144
The distributable amount has been calculated as follows:		
Net revenue after taxation	183,122	108,145
Add: Revenue brought forward	1	–
Deduct: Revenue carried forward	(1)	(1)
Distributions	183,122	108,144

Details of the final distribution per unit are set out in the table on page 186.

9. Debtors

	31.12.2019 £000's	31.12.2018 £000's
Accrued rebate from underlying CIS holdings	811	315
Accrued revenue	47,113	33,941
Amount receivable on issue of units	1,157	2,014
Total debtors	49,081	36,270

10. Cash Equivalents

	31.12.2019 £000's	31.12.2018 £000's
Investment in short-term money market funds	72,743	76,793
Total cash equivalents	72,743	76,793

BLACKROCK PENSION GROWTH FUND

NOTES TO FINANCIAL STATEMENTS (continued)

11. Other Creditors

	31.12.2019 £000's	31.12.2018 £000's
Accrued Audit fee	7	7
Accrued Depository's fee	6	4
Accrued Safe custody fees	8	5
Amount payable for cancellation of units	–	809
Custodian transaction costs	14	8
Purchases awaiting settlement	2,505	266
Total other creditors	2,540	1,099

12. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (31 December 2018: £Nil).

13. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 31 December 2019:

Manager:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock lending agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the year ended 31 December 2019 and period ended 31 December 2018.

The Manager acts as either principal or agent for the Depository in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 11. Securities lending revenue earned by the Fund is disclosed in note 4.

The Investment Manager, in accordance with the Contractual Scheme Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

BLACKROCK PENSION GROWTH FUND

NOTES TO FINANCIAL STATEMENTS (continued)

13. Related Parties (continued)

The following investor(s)

- (i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- (ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

As at 31 December 2019:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

As at 31 December 2018:

Total % of units held by Affiliated Funds	Number of investors holding 51% or more of the voting units in issue who are not Affiliated Funds	Total % of units held by unitholders holding 51% or more of the voting units in issue who are not Affiliated Funds
Nil	1	100%

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit class.

For the year ended 31 December 2019, the Fund does not have any in-specie transactions with its related parties (31 December 2018: £Nil).

14. Portfolio Transaction Costs

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales.

However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable.

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date, the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.19% (31 December 2018: 0.21%).

BLACKROCK PENSION GROWTH FUND

NOTES TO FINANCIAL STATEMENTS (continued)

15. Units in Issue

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

The movement in units in issue for the year ended 31 December 2019 is as follows:

	X1 Accumulation Units
Balance at the beginning of the year	7,249,955,049
Issued during the year	187,353,793
Cancelled during the year	(436,434,643)
Balance at the end of the year	7,000,874,199

16. Subsequent Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 31 December 2019.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

STATEMENT OF MANAGER'S RESPONSIBILITIES

The Manager is required by the terms of the Contractual Scheme Deed to prepare the financial statements for each financial year. These financial statements must be prepared in accordance with generally accepted accounting standards in the United Kingdom to give a true and fair view of the state of affairs of the Trusts at the year end and of the net revenue and net gains for the year. In preparing these financial statements the Manager is required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the funds will continue in operation. For the reasons stated in the Manager's report and note 1(a), the financial statements have not been prepared on a going concern basis.

The financial statements should comply with the disclosure requirements of the Statement of Recommended Practice (the "SORP") for Authorised Funds issued by the Investment Management Association (subsequently The Investment Association) and must comply with any relevant provisions of the Contractual Scheme Deed.

The Manager is responsible for keeping such accounting records as are necessary to enable it to ensure that the financial statements comply with the Financial Conduct Authority's ("FCA") Collective Investment Schemes Sourcebook ("the Sourcebook"), Financial Conduct Authority's ("FCA") Investment Funds Sourcebook ("FUND"), the SORP and the Contractual Scheme Deed.

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES IN RESPECT OF THE SCHEME AND REPORT OF THE DEPOSITARY TO THE UNITHOLDERS OF THE BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2 ("THE SCHEME") FOR THE YEAR ENDED 31 DECEMBER 2019

The Depositary must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (together "the Regulations") and the Contractual Scheme Deed and Prospectus (together the "Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Depositary must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Scheme are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects, the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's income in accordance with the Regulations and Scheme documents of the Scheme; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme in accordance with the Regulations and Scheme documents of the Scheme.

Northern Trust Global Services SE UK Branch
UK Trustee and Depositary Services

London
24 February 2020

BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2



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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

Opinion

We have audited the financial statements of BlackRock Authorised Contractual Scheme II (“the Scheme”) for the year ended 31 December 2019 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders together with the Balance Sheet for each of the Scheme’s sub-funds, the accounting and distribution policies, the financial instruments & risks disclosures of the Scheme, the related notes for each sub-fund and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 ‘The Financial Reporting Standard applicable to the UK and Republic of Ireland’.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Scheme comprising each of its sub-funds as at 31 December 2019 and of the net revenue and the net capital gains on the scheme property of the Scheme comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 ‘The Financial Reporting standard applicable in the UK and Republic of Ireland’.

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 below. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Directors

As explained more fully in the Managers' responsibilities statement set out on page 195, 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.

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In preparing the financial statements, the Directors are responsible for assessing the Scheme'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 intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Scheme's Unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Scheme's Unitholders 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 Scheme and the Scheme's Unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor

London
24 February 2020

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BLACKROCK AUTHORISED CONTRACTUAL SCHEME 2

SUPPLEMENTARY INFORMATION

Additional disclosures are required when a Fund invests in Securities Financing Transactions (SFTs). However as none of the Funds invested in SFTs in the year ended 31 December 2019, no additional disclosures have been provided (31 December 2018: Nil).

About Us

BlackRock is a premier provider of asset management, risk management, and advisory services to institutional, intermediary, and individual clients worldwide. As of 31 December 2019, the firm manages £5.60 trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares® exchange-traded funds.

Through BlackRock Solutions®, the firm offers risk management and advisory services that combine capital markets expertise with proprietary-developed analytics, systems, and technology. Through BlackRock Solutions, the Firm provides risk management and enterprise investment services for over 200 clients.

BlackRock serves clients in North and South America, Europe, Asia, Australia, Africa, and the Middle East. Headquartered in New York, the firm maintains offices in over 30 countries around the world.

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