



# BlackRock North American Income Trust plc

Annual Report and  
Financial Statements  
31 October 2019

# Why BlackRock North American Income Trust plc?

## Reasons to invest...

## Investment Objective

The Company's objective is to provide an attractive and growing level of income return with capital appreciation over the long term, predominantly through investment in a diversified portfolio of primarily large-cap U.S. quoted equities.



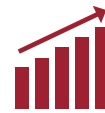
### Quality

A U.S. large-cap portfolio of high quality companies provides participation in upward trending markets alongside a keen focus on capital resiliency. Targeting companies with clean balance sheets and sustainable cash flows at reasonable valuations provides the scope to deliver attractive risk-adjusted returns over the long term.



### Income

The Company offers an attractive income stream of quarterly dividends. While the majority of income is sourced from dividends, the covered call option strategy and use of distributable reserves allows the Company to ensure consistent income generation. While capital appreciation is an important component of long-term total return, income can help to serve as a buffer when volatility occurs.



### Dividend growth

The Company has delivered a sound performance through diverse market environments by focusing on companies that not just pay an attractive dividend but grow their dividends over time. Growing dividend payments imposes a degree of capital discipline on company management teams and can help compound equity returns over the long term.



### Lower volatility

The portfolio seeks to provide investors with capital resilience. By aiming to lose less when broad equity returns falter, shareholders can be better prepared to meet long-term financial goals.



### Expertise

The Company is managed by BlackRock's US Income & Value team, which is responsible for the management of one of the longest tenured equity income franchises in the investment industry.



### Closed-end structure

Investment trusts have an independent board of directors elected to protect shareholders' interests and enhance shareholder value. The closed-end structure means the Company does not have to sell assets to meet redemptions and can also retain a proportion of its income to help smooth dividend payments. It can also invest for the long term in a more diverse portfolio of assets.

**aic**

The Association of  
Investment Companies

A member of the Association of Investment Companies

Further details about the Company, including the latest annual and half yearly financial reports, fact sheets and stock exchange announcements, are available on the website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna).

# Financial highlights

**8.00p**

Total dividends

**186.50<sup>1</sup>p**

Ordinary share price

▲ **15.0%**<sup>2,3</sup>

**182.13p**

NAV per ordinary share

▲ **8.5%**<sup>2,3</sup>

**4.3%<sup>3</sup>**

Yield

**£142.8m**

Net assets

**5.96p**

Revenue return per ordinary share

▲ **15.5%**

Percentage comparisons are year-on-year against 31 October 2018.

<sup>1</sup> Mid-market.

<sup>2</sup> Ordinary share price and Net Asset Value per share (NAV) performance figures are calculated in sterling terms with dividends reinvested.

<sup>3</sup> Alternative Performance Measure. See Glossary on page 96.

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# Performance record

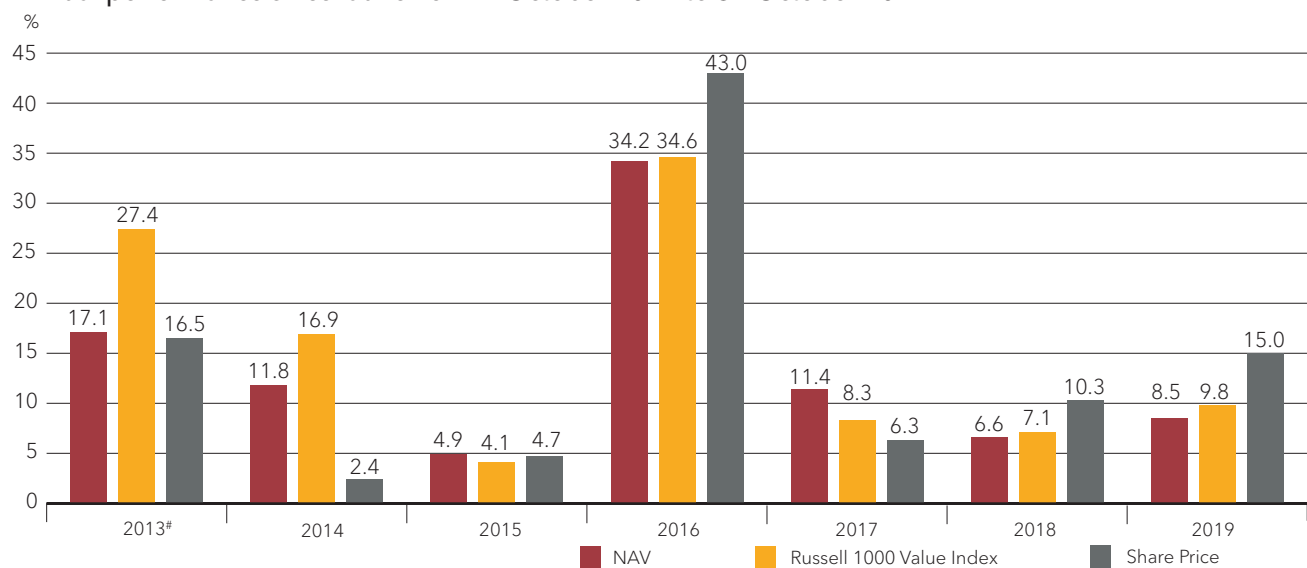
	31 October 2019	31 October 2018
Net assets (£'000) <sup>1</sup>	142,786	120,945
Net asset value per ordinary share (pence)	182.13	175.60
Ordinary share price (mid-market) (pence)	186.50	169.50
Premium/(discount) to cum income net asset value <sup>2</sup>	2.4%	(3.5)%
<b>Performance</b>		
Net asset value per share (with dividends reinvested) <sup>2</sup>	+8.5%	+6.6%
Russell 1000 Value Index (with dividends reinvested)	+9.8%	+7.1%
Ordinary share price (with dividends reinvested) <sup>2</sup>	+15.0%	+10.3%

<sup>1</sup> The change in net assets reflects market movements, share issues and dividends paid during the year.

<sup>2</sup> Alternative Performance Measures, see Glossary on pages 94 to 96.

	Year ended 31 October 2019	Year ended 31 October 2018	Change %
<b>Revenue</b>			
Net revenue profit after taxation (£'000)	4,338	3,556	+22.0
Revenue earnings per ordinary share (pence)	5.96	5.16	+15.5
<b>Interim dividends (pence)</b>			
1st interim	2.00	2.00	0.0
2nd interim	2.00	2.00	0.0
3rd interim	2.00	2.00	0.0
4th interim	2.00	2.00	0.0
Total dividends paid/payable	8.00	8.00	0.0

## Annual performance since launch on 24 October 2012 to 31 October 2019



<sup>#</sup>Since launch on 24 October 2012 to 31 October 2013.

Sources: BlackRock and Datastream.

Performance figures have been calculated in sterling terms with dividends reinvested.

Verizon is one of the largest wireline/wireless communications providers in the U.S., where 48 million access lines represent approximately  $\frac{1}{3}$  market share and a very sizeable (and growing) wireless customer base. The company stands with strong financial positioning and provides investors with a sustainable dividend yield in excess of 4%. Given continued expansion in wireless, long distance, and high-speed services, we see Verizon as well-positioned for inclusion in our portfolio.



# Chairman's statement



SIMON MILLER

## Overview

Over the year to 31 October 2019, the Company's net asset value per share (NAV) returned 8.5%\* and the share price 15.0%\*. This compares with a rise of 9.8%\* in the Russell 1000 Value Index. At the close of business on 10 February 2020, the Company's NAV had increased by 6.3% since the year end.

During the year under review the ongoing U.S./China trade tensions and geopolitical frictions became key drivers of the U.S. economy and markets. The trade war and associated uncertainty led to businesses becoming more cautious and holding back on capital expenditure. Similarly, earnings and jobs growth slowed. However, the record long U.S. economic expansion was supported by healthy household spending and monetary policy easing by central banks sustained the expansion.

## Revenue earnings and dividends

The Company's revenue earnings per share (EPS), based on the weighted average number of shares in issue for the year, amounted to 5.96p, which compares with 5.16p per share for the previous year, an increase of 15.5%. Based on the final number of shares in issue at the year end, the EPS was 5.53p, an increase of 7.2%.

In line with the statement set out in the Annual Report for the year ending 31 October 2018, quarterly interim dividends of 2.00p per share were paid on 12 April 2019, 28 June 2019, 1 October 2019 and 3 January 2020. This is in line with the payments made in the previous financial year. Your Board considers that it remains appropriate to continue with the current dividend policy for the new financial year. The dividend paid represents a yield of 4.3% on the share price at the year end. The Board continues to believe that this dividend policy provides an attractive option for current and prospective shareholders who wish to achieve exposure to the U.S. equity market whilst at the same time receiving a competitive dividend distribution, some of which has been met from reserves.

\* All percentages calculated in sterling terms with dividends reinvested.

## Discount control and share issues

The Company's shares have enjoyed a premium rating over the financial year and the uncertain market background has not prevented strong share issuance. In light of the continuing demand for shares, a general meeting was held on 28 August 2019 to renew the Directors' authority to allot additional shares and/or sell shares out of treasury on a non-pre-emptive basis.

During the year, the Company reissued 9,525,000 shares from treasury at a premium to NAV for a total gross consideration of £17,252,000. Since the year end, and up to the date of this report, the Company has reissued a further 2,805,000 shares at an average price of 189.86p per share and an average premium to the estimated NAV of 1.7%. The shares were trading at a premium of 0.9% to NAV as at close of business on 10 February 2020 and the market capitalisation of the Company was £156.9 million.

The Directors have authority from shareholders to reissue up to 10% of the Company's issued ordinary share capital and to buy back up to 14.99% of the Company's issued ordinary share capital (excluding any shares held in treasury). The authorities to reissue and buy back shares expire at the conclusion of the 2020 Annual General Meeting and resolutions will be put to shareholders seeking a renewal of these powers.

## Corporate governance

In February 2019, the Association of Investment Companies (AIC) published the 2019 Code of Corporate Governance (the AIC Code) which was endorsed by the Financial Reporting Council (FRC) as being appropriate for investment companies. The AIC Code applies to accounting periods beginning on or after 1 January 2019. The Board has determined that, effective from the Company's new financial year, it will comply with the recommendations of the 2019 AIC Code. This, in most material respects, is the same as the UK Code of Corporate Governance published in July 2018, save that there is greater flexibility regarding the tenure of office of the Chairman and membership of the Audit Committee.

## Outlook

The surge in protectionism and geopolitical tensions remain as ongoing risks. However, even as global uncertainties mount, including the disruption caused by the coronavirus, consumer spending and the housing market should continue to support U.S. economic growth during 2020, which, importantly, is also an election year for the U.S. President. Your Portfolio Managers remain positive on U.S. equities given reasonable valuations and the concentration of high-quality companies in the portfolio. Their views are set out in more detail on page 10.

# Chairman's statement continued

## **Annual general meeting**

The Annual General Meeting of the Company will be held at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL on Friday, 20 March 2020 at 12.00 noon. Details of the business of the meeting are set out in the Notice of Annual General Meeting on pages 98 to 101 of this Annual Report. At the meeting, the Portfolio Managers will make a presentation to shareholders on the Company's performance and the prospects for markets in the year ahead.

**SIMON MILLER**  
12 February 2020



# Investment manager's report



TONY DESPIRITO  
Co-manager



FRANCO TAPIA  
Co-manager



DAVID ZHAO  
Co-manager

## Market overview

For the year ended 31 October 2019, U.S. large cap stocks, as represented by the S&P 500® Index, advanced by 14.3% (in U.S. dollar terms). The S&P 500® Index concluded calendar year 2018 in a different manner than the previous nine calendar years, with negative returns. Throughout the majority of 2018, equity market optimism had been supported by broadly positive economic fundamentals and continued strength in corporate earnings. Equity market strength had persisted through the start of 2018, but a number of underlying factors contributed to a different experience through the final quarter of the year and the first two months of the Company's financial year. While U.S. economic fundamentals continued to confirm the narrative of a healthy and expanding domestic economy, investors

struggled to weigh a constructive economic environment against a growing list of headline risks. After broad-based sell-offs in October and December, stocks regained their footing at the start of 2019 before May and August presented a risk-off environment for U.S. equities. Although the U.S. equity market ended the calendar year having produced very strong returns, 2019 has not been the 'smooth ride' that investors experienced earlier in this cycle. Macro influences such as monetary, fiscal and trade policy have dominated recent financial news. We reject the short-termism embedded within the 24-hour news cycle and the resulting ebb and flow of investor sentiment. Disciplined fundamental research continues to be the driving force used to inform our world view and portfolio construction decisions. Our base case for 2020 remains unchanged and on track - positive, albeit slowing, U.S.

Despite high valuations at sector level, opportunities persist in utilities. We believe the combination of a well-regulated underlying franchise and some near-term uncertainties, makes electricity firm FirstEnergy Corp attractive to long term investors.



# Investment manager's report continued

growth with the trajectory of corporate earnings being a key litmus test for the durability of this business cycle. We remain risk-on but believe higher valuations and an economic cycle approaching late stage argue for a focus on quality and selectivity in pursuit of portfolio resilience. Trade tensions and a looming U.S. election cycle are two factors we anticipate contributing to bouts of higher volatility in the months ahead.

## Portfolio overview

The portfolio generated relative outperformance in six out of eleven GICS (Global Industry Classification Standard) sectors during the year, but narrowly underperformed the benchmark. At the sector level, the primary detractor from relative performance was a combination of stock selection and allocation decisions in utilities. Notably, selection decisions in the electric utilities industry proved to be costly, as was an underweight exposure to multi-utilities. Underweight exposure to the real estate sector also detracted from relative returns. We continue to avoid exposure to the real estate sector given our belief that valuations are unattractive at today's levels. In communication services, stock selection among diversified telecom services providers proved detrimental, and in materials, selection among chemicals firms hampered relative results.

The largest contributor to relative performance was a combination of stock selection and allocation decisions in the energy sector. Stock selection among companies in oil, gas and consumable fuels names drove relative performance within the sector, as did underweight exposure to the energy equipment and services industry. In consumer discretionary, stock selection among

multiline retail firms contributed to relative performance and our overweight exposure to the household durables industry proved beneficial. Stock selection decisions in the health care sector also boosted relative returns. Notably, selection in the pharmaceuticals industry contributed to relative results. Overweight exposure to information technology, specifically the software industry, proved a tailwind to relative performance, as did stock selection in both the financials and industrials sectors.

Writing covered call options in an equity environment that was at times volatile contributed modestly to performance during the year. As designed, the Company's option overwrite component enhanced the portfolio's income during the period.

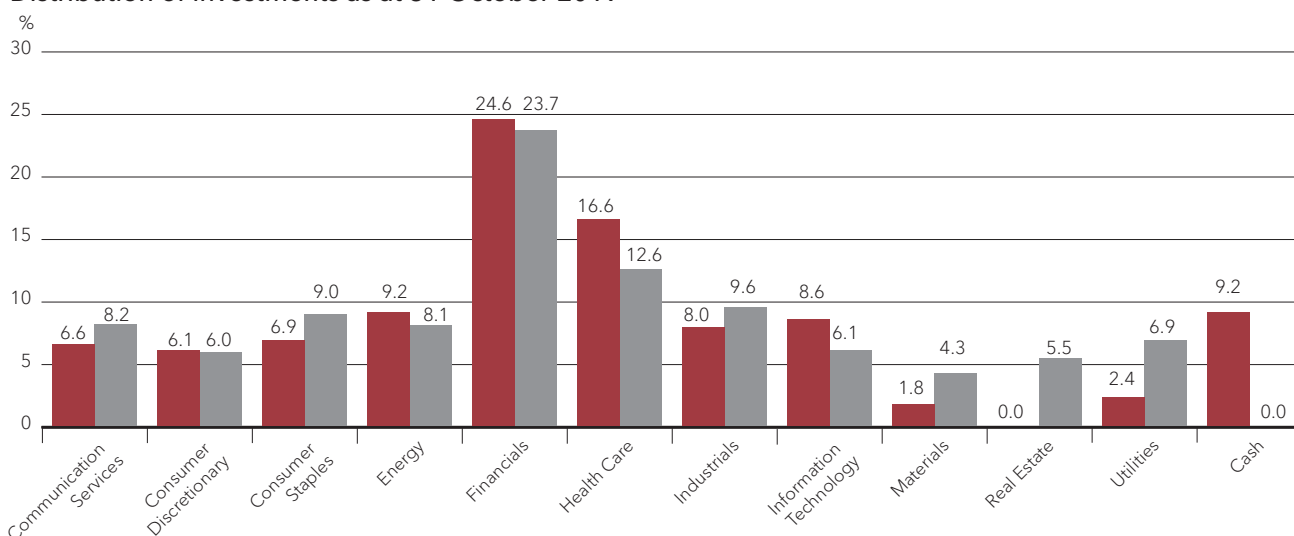
Below is a comprehensive overview of our allocations (in sterling) as at 31 October 2019. By the end of the year, the portfolio's cash position was 9.2% which would have dampened performance.

### Health Care: 4.0% overweight (16.6% of the portfolio)

Secular growth opportunities in health care are a by-product of demographic trends. Older populations spend more on health care than younger populations. In the United States, a combination of greater demand for health care services and rising costs drive a need for increased efficiency within the health care ecosystem. We believe innovation and strong cost control can work hand-in-hand to address this need and companies that can contribute in this regard may be poised to benefit.

On the innovation front, there is a need for newer and more effective medicines and therapies. The Food and Drug Administration has made this a priority by increasing

## Distribution of investments as at 31 October 2019



Sources: BlackRock and Datastream.

Total % ■ Benchmark % ■

the volume and speed of drug approvals, which bodes well for pharmaceutical manufacturers that can deliver new drugs to the market. From an investment standpoint, we prefer pharmaceutical companies with a proven ability to generate high research and development productivity versus those that focus on one or two key drugs and rely upon raising their prices to drive growth.

From a cost perspective, Health Maintenance Organisations (HMOs) have an economic incentive to drive down costs as they provide health insurance coverage to constituents. The HMOs have demonstrated a strong ability to manage costs by leveraging their scale and technology to drive efficiencies. Governments, in turn, are increasingly outsourcing to HMOs as a way to lower costs and balance their budgets. We prefer HMOs with diversified business units, exposure to faster growing areas of government including Medicare and Medicaid and opportunities to enhance their profitability through controlling costs.

#### **Information Technology (IT): 2.5% overweight (8.6% of the portfolio)**

In the technology sector, buzzwords such as 'artificial intelligence', 'big data' and 'disruption' are increasingly utilised to describe growth opportunities and the overall operating environment. Of course, a portion of IT still incubates companies similar to the nascent, high-flying and cash-poor innovators that ushered the U.S. equity market into the sharp rise and eventual tumble that is known as the Dot-Com Bubble. However, the fundamental identity of the typical technology company is also changing. An increasing number of constituents in the IT sector are what we refer to as 'industrial tech'. These firms are competitively insulated from disruptors, well-positioned to take advantage of long-term secular tailwinds and exhibit growth in earnings and free cash flow. A swelling number of companies in the sector have also adopted dividend payments to shareholders as a viable use of cash, rejecting the notion that IT firms can only add value to investors via their growth potential. We believe this trend is poised to continue, as many mature IT companies are flush with cash and shareholders are increasingly willing to reward management teams for return of capital.

#### **Energy: 1.1% overweight (9.2% of the portfolio)**

The portfolio maintains a modest overweight to the energy sector. Within the sector, we prefer exposure to large-cap integrated oil and independent oil & gas producers. From a quality standpoint we seek to own companies with experienced management teams, disciplined capex spending plans and exposure to lower cost resource assets. From a valuation standpoint we seek to own companies with free cash flow generation and margin capture stories that are underappreciated by the street. In summary, we believe companies with

strong balance sheets and cash flows, production growth visibility, operating specialisation and pricing power at the industry level remain most desirable from an investment perspective.

#### **Financials: 0.9% overweight (24.6% of the portfolio)**

Financials represent the Company's largest sector allocation and we remain particularly bullish on the U.S. banks, insurers and insurance brokers. We believe the U.S. banks are safer and sounder investments today than before the financial crisis. They have stronger balance sheets (i.e. higher capital levels), revamped company cost structures and disciplined loan underwriting has contributed to benign credit trends. Bank valuations are compelling relative to other cyclical sectors (i.e. industrials) and potential tailwinds from deregulation and investor-friendly capital return policies also bode well for investors, in our view. With regard to insurers and insurance brokers, we like these companies for their attractive valuations and relatively stable business models. Over the last year, insurers and brokers have benefited from strong pricing power. Pricing power is reflective of low U.S. interest rates, two straight years of larger than expected catastrophe losses and large institutions (i.e. American International) taking capacity out of the market.

#### **Consumer Discretionary: 0.1% overweight (6.1% of the portfolio)**

The balance sheet for U.S. consumers has improved in recent years, aided by a recovering domestic housing market, strong jobs growth and accelerating wages. These factors have also contributed to an increase in consumer confidence. We remain selective within the sector, however, as changing consumer preferences, technological innovation and new competitors threaten traditional business models. We believe these disruptive forces are best avoided through identifying stock-specific investment opportunities that, in our view, are (1) trading at discounted valuations or (2) somewhat insulated from these disruptive pressures. For example, we are positive on retailers Dollar General (dollar store) and Lowe's Companies (home improvement), as well as auto manufacturer General Motors.

#### **Industrials: 1.6% underweight (8.0% of the portfolio)**

We are underweight to the industrials sector. Our selection is driven by relative valuations, which we view as expensive, in many cases, versus other cyclical segments of the U.S. equity market. Notable portfolio positions in the sector include Lockheed Martin, FedEx and Northrop Grumman. We continue to maintain meaningful exposure to the aerospace & defence industry. From a fundamental and operating model standpoint, we continue to like the profiles of the large-cap aerospace & defence firms. Many of these companies have strong balance sheets, good visibility into sales and earnings and historically have demonstrated shareholder friendly capital return policies.

## Investment manager's report continued

Further, the three year outlook for defence spending looks strong, thanks to the recently passed 2018-2019 Department of Defense budget.

### **Communication Services: 1.6% underweight (6.6% of the portfolio)**

We are underweight to communication services. Within the sector, the portfolio is overweight to the diversified telecom services industry, with our allocation concentrated in bellwether Verizon Communications. The portfolio is underweight to the entertainment industry (0% exposure) and modestly overweight to the media industry. Within media, we hold positions in Comcast and Fox Corp. We view Comcast as a steady earnings compounder driven by a strong competitive position and structural growth in broadband internet, while Fox Corp boasts pricing power in its cable news segment that is in our view significantly underappreciated.

### **Consumer Staples: 2.1% underweight (6.9% of the portfolio)**

The consumer staples sector is a common destination for the conservative equity income investor. Historically, many of these companies have offered investors recognisable brands, diverse revenue streams, exposure to growing end markets and the ability to garner pricing power. These characteristics, in turn, have translated into strong and often stable free cash flow and growing dividends for shareholders. In recent years some of these secular advantages have become challenged, in our view, due to changing consumer preferences, greater end market competition from local brands and disruption from the rapid adoption of online shopping. These challenges, combined with higher than historical valuations, have facilitated our underweight positioning in the sector. Notably, we prefer ownership of companies with underappreciated growth profiles, sticky customer bases and the ability to cut costs and/or improve profit margins.

### **Materials: 2.5% underweight (1.8% of the portfolio)**

Our exposure to the materials sector consists of three chemicals stocks, one building materials company and one packaging firm – Corteva, Dow, DuPont De Nemours, CRH and International Paper. Longer-term secular trends in global population growth can potentially benefit well positioned companies in the agricultural chemical space. Further, we like CRH due to ageing European and U.S. infrastructure and the potential for acceleration in construction and infrastructure spending over time.

### **Utilities: 4.5% underweight (2.4% of the portfolio)**

Strong investor demand for equity income in recent years has resulted in elevated valuations for many high dividend yielding stocks, including utilities companies. Despite rich valuations at the sector level, we are finding pockets of opportunity in U.S. regulated utilities such as Public Service Enterprise Group (PEG), NextEra Energy (NEE),

and FirstEnergy (FE). PEG and NEE add a level of stability and defensiveness to the portfolio through their durable dividend profiles and healthy earnings growth potential. Alternatively, FE offers us exposure to a company with a good underlying regulated franchise with some near-term uncertainties (i.e. merchant business bankruptcy). This uncertainty, in our view, creates opportunity for patient long-term investors that are willing and capable of doing deep analysis on complex investment issues.

### **Real Estate: 5.5% underweight (0.0% of the portfolio)**

The real estate sector is our largest underweight position in the portfolio. We maintain a 0% weighting in the sector due to our view that valuations are unattractive at current levels.

## **Positioning and outlook**

Our read on market fundamentals is a story in two parts. The U.S. consumer remains a bright spot. We expect the positive tone to continue: the household savings rate is well above the pre-crisis level seen in 2007 and jobs and wages are growing but not at an untenable pace. The industrial side, meanwhile, is showing hints of recession. Purchasing managers' indices are slowing globally, partly as a result of the trade war. North American industrial demand figures are softening, with some categories recording negative growth for the first time since the last industrial recession in 2015 to 2016. In hindsight, 2016 was a classic mid-cycle slowdown. Today shows many parallels and we believe stocks can grind on, supported by a strong U.S. consumer. We concede this time could be riskier, however, as the cycle is older and the economy has less slack to offer a buffer.

Our largest exposures are in the financials, health care and energy sectors. In recent months, notable portfolio changes included increasing our allocation to the industrials and consumer discretionary sectors and reducing our exposure to the information technology and consumer staples sectors. As always, the strategy continues to emphasise investment in quality dividend paying companies with consideration toward balancing capital appreciation and current income over time.

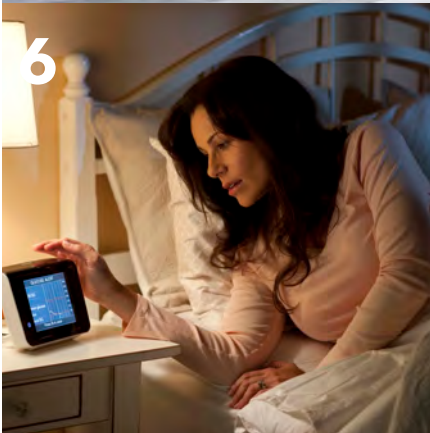
**TONY DESPIRITO, FRANCO TAPIA and DAVID ZHAO**  
**BlackRock Investment Management LLC**  
12 February 2020



# Portfolio

Financials represent our largest sector allocation. We believe bank valuations are attractive relative to other cyclical sectors such as industrials. Potential tailwinds from deregulation and capital return policies also bode well for investors.

Ten largest investments



**1** ▲ 2018 2nd 

**Verizon Communications**

**Communication Services**

**Market value** £ 5,844,000

**Share of investments** % 4.5% (2018: 4.2%)

is one of the largest providers of wireline and wireless communications in the U.S., where 48 million access lines represent approximately 1/3 of market share. Verizon's wireless customer base is very sizeable and continues to grow. Verizon remains in a strong financial position and exhibits a sustainable dividend. Going forward, we expect continued expansion in wireless, long distance and high-speed services to drive company growth.

**2** ▼ 2018 1st 


**JPMorgan Chase**

**Financials**

**Market value** £ 5,361,000

**Share of investments** % 4.1% (2018: 4.3%)

is a U.S. based diversified financial services company. JPMorgan's capital base is one of the strongest in the banks industry and it provides a measure of safety and financial flexibility. Overall, JPMorgan is a well-managed, quality global franchise with above average organic growth and returns relative to industry peers.

**3** ▲ 2018 4th 

**Wells Fargo**

**Financials**

**Market value** £ 5,131,000

**Share of investments** % 3.9% (2018: 3.6%)

is a U.S. bank which operates in three segments including community banking, wholesale banking and wealth & investment management. Wells Fargo has a strong deposit franchise and we are encouraged by the company's history of strong investment returns and prudent credit risk management. In our view, shares of the company are underappreciated today in an environment characterised by low credit losses and ample access to liquidity.

**4** ▲ 2018 5th 


**Citigroup**

**Financials**

**Market value** £ 4,716,000

**Share of investments** % 3.6% (2018: 3.5%)

is a U.S. based bank with a global footprint. We believe Citigroup is attractively valued on both a price-to-earnings and book value basis, has self-help opportunities within its consumer banking segment and offers the potential for dividend growth.

**5** ▲ 2018 6th 

**Bank of America**

**Financials**

**Market value** £ 3,938,000

**Share of investments** % 3.0% (2018: 3.1%)

is one of the largest financial institutions in the U.S. with lending operations in the consumer, small-business and corporate markets, in addition to asset management and investment banking divisions. Bank of America has delivered consistent results over the last year, with particular strength within their consumer bank division.

**6** ▲ 2018 20th 

**Medtronic**

**Health Care**

**Market value** £ 3,538,000

**Share of investments** % 2.7% (2018: 1.5%)

is one of the world's largest medical device companies. The firm generates the majority of its sales and profits from the United States, but is headquartered in the Republic of Ireland. The company offers an attractive innovation pipeline in its cardiovascular, diabetes and robotics businesses. We believe that Medtronic should be able to reliably grow revenue and earnings in a meaningful way going forward, leading to multiple expansion relative to peers.

**7** ▲ 2018 26th 

**Williams**

**Energy**

**Market value** £ 3,141,000

**Share of investments** % 2.4% (2018: 1.3%)

is an American energy company. Its core business is natural gas processing and transportation, but the company possesses additional petroleum and electricity generation assets. In our view, Williams remains a low-risk midstream company that is making steady progress from a highly-levered and commodity-sensitive past to a safe, cash-generative business.

**8** ▲ 2018 11th 

**BP**

**Energy**

**Market value** £ 2,890,000

**Share of investments** % 2.2% (2018: 2.2%)

is a UK-based integrated oil & gas company. The stock screens attractively on a valuation basis and we anticipate BP's cash flow inflecting higher from a combination of new project start-ups and a decline in payments related to the Deepwater Horizon oil spill. Paired together, these elements should help to fund BP's dividend organically.

**9** ▲ 2018 14th 

**Koninklijke Philips**

**Health Care**

**Market value** £ 2,776,000

**Share of investments** % 2.1% (2018: 2.0%)

trades at a deep discount to its medical technology peers despite offering better growth. The company is transforming into a pure-play health care company that, in our view, deserves a higher multiple. Philips is also meaningfully under-earning with current margins that are well below management's targets and those of peers, indicating upside to profitability.

**10** ▲ 2018 13th 

**Comcast**

**Communication Services**

**Market value** £ 2,615,000

**Share of investments** % 2.0% (2018: 2.0%)

is an American media conglomerate that provides video streaming, television programming, high-speed internet, cable television and communication services to its worldwide customer base. The company is a steady compounder, driven by a strong competitive position and structural growth in broadband internet. In our view, market fears around cord-cutting and capital allocation are overdone, providing an attractive opportunity.

Market value amounts include the liability for written covered call options.

All percentages reflect the value of the holding as a percentage of total investments.

Percentages in brackets represent the value of the holding as at 31 October 2018.

Together, the ten largest investments represent 30.5% of the Company's portfolio (31 October 2018: 33.5%).

# Investments

as at 31 October 2019

Company	Country	Sector	Securities	Market value	% of total portfolio
				£'000	
Verizon Communications	United States	Communication Services	Ordinary shares Options	5,865 (21)	} 4.5
JPMorgan Chase	United States	Financials	Ordinary shares Options	5,395 (34)	
Wells Fargo	United States	Financials	Ordinary shares	5,131	3.9
Citigroup	United States	Financials	Ordinary shares	4,716	3.6
Bank of America	United States	Financials	Ordinary shares Options	3,960 (22)	} 3.0
Medtronic	Ireland	Health Care	Ordinary shares Options	3,545 (7)	
Williams	United States	Energy	Ordinary shares Options	3,144 (3)	} 2.4
BP	United Kingdom	Energy	Ordinary shares Options	2,894 (4)	
Koninklijke Philips	Netherlands	Health Care	Ordinary shares Options	2,781 (5)	} 2.1
Comcast	United States	Communication Services	Ordinary shares Options	2,621 (6)	
Anthem	United States	Health Care	Ordinary shares	2,612	2.0
American International	United States	Financials	Ordinary shares Options	2,540 (6)	} 2.0
Marathon Petroleum	United States	Energy	Ordinary shares	2,486	
Cognizant Technology Solutions	United States	Information Technology	Ordinary shares Options	2,449 (7)	} 1.9
Pfizer	United States	Health Care	Ordinary shares Options	2,401 (16)	
Altria	United States	Consumer Staples	Ordinary shares Options	2,396 (20)	} 1.8
MetLife	United States	Financials	Ordinary shares Options	2,365 (3)	
Samsung Electronics	United States	Information Technology	Ordinary shares	2,311	1.8
Dollar General	United States	Consumer Discretionary	Ordinary shares Options	2,296 (1)	} 1.8
Sony	Japan	Consumer Discretionary	Ordinary shares Options	2,295 (16)	
FirstEnergy	United States	Utilities	Ordinary shares Options	2,223 (7)	} 1.7
Microsoft	United States	Information Technology	Ordinary shares Options	2,185 (9)	
AstraZeneca	United Kingdom	Health Care	Ordinary shares Options	2,171 (31)	} 1.7
Morgan Stanley	United States	Financials	Ordinary shares Options	2,070 (6)	
BAE Systems	United Kingdom	Industrials	Ordinary shares	2,039	1.6
Humana	United States	Health Care	Ordinary shares	1,937	1.5
CVS Health	United States	Health Care	Ordinary shares	1,881	1.4



Company	Country	Sector	Securities	Market value	% of total portfolio
				£'000	
Nestlé	Switzerland	Consumer Staples	Ordinary shares Options	1,772 (7) }	1.4
Bayer	Germany	Health Care	Ordinary shares	1,673	1.3
Unilever	Netherlands	Consumer Staples	Ordinary shares Options	1,666 (2) }	1.3
Willis Towers Watson	United States	Financials	Ordinary shares Options	1,621 (2) }	1.2
Arthur J.Gallagher & Co	United States	Financials	Ordinary shares Options	1,501 (8) }	1.2
General Motors	United States	Consumer Discretionary	Ordinary shares Options	1,497 (6) }	1.1
Siemens	Germany	Industrials	Ordinary shares Options	1,489 (9) }	1.1
Motorola Solutions	United States	Information Technology	Ordinary shares Options	1,398 (4) }	1.1
General Electric	United States	Industrials	Ordinary shares Options	1,360 (18) }	1.0
FedEx	United States	Industrials	Ordinary shares Options	1,346 (8) }	1.0
Travelers Companies	United States	Financials	Ordinary shares Options	1,296 * }	1.0
State Street	United States	Financials	Ordinary shares Options	1,300 (14) }	1.0
Lowe's Companies	United States	Consumer Discretionary	Ordinary shares Options	1,282 (5) }	1.0
Schwab (Charles)	United States	Financials	Ordinary shares Options	1,194 (9) }	0.9
Baker Hughes	United States	Energy	Ordinary shares Options	1,166 (2) }	0.9
Cisco Systems	United States	Information Technology	Ordinary shares Options	1,166 (4) }	0.9
Bristol-Myers Squibb	United States	Health Care	Ordinary shares Options	1,166 (20) }	0.9
AXA Equitable	United States	Financials	Ordinary shares	1,134	0.9
Newell Brands	United States	Consumer Discretionary	Ordinary shares Options	1,109 (7) }	0.8
Pentair	United Kingdom	Industrials	Ordinary shares Options	996 (15) }	0.8
Ferguson	United Kingdom	Industrials	Ordinary shares Options	961 (6) }	0.7
Lockheed Martin	United States	Industrials	Ordinary shares Options	926 (7) }	0.7
Kellogg	United States	Consumer Staples	Ordinary shares	898	0.7
Alcon	Switzerland	Health Care	Ordinary shares Options	878 (4) }	0.7
NextEra Energy	United States	Utilities	Ordinary shares Options	882 (10) }	0.7

## Investments continued

Company	Country	Sector	Securities	Market value	% of total portfolio
				£'000	
Fox Corp	United States	Communication Services	Ordinary shares Options	849 (3) }	0.7
DuPont De Nemours	United States	Materials	Ordinary shares Options	837 *_ }	0.6
Conagra Brands	United States	Consumer Staples	Ordinary shares Options	823 (2) }	0.6
Marathon Oil	United States	Energy	Ordinary shares Options	813 (4) }	0.6
Northrop Grumman	United States	Industrials	Ordinary shares Options	795 (4) }	0.6
Total	France	Energy	Ordinary shares Options	794 (4) }	0.6
Oneok	United States	Energy	Ordinary shares Options	765 (3) }	0.6
Sanofi	France	Health Care	Ordinary shares Options	715 *_ }	0.5
Constellation Brands	United States	Consumer Staples	Ordinary shares Options	712 *_ }	0.5
Oracle	United States	Information Technology	Ordinary shares Options	710 (2) }	0.5
Corteva	United States	Materials	Ordinary shares Options	704 (2) }	0.5
Raymond James	United States	Financials	Ordinary shares Options	701 (1) }	0.5
ConocoPhillips	United States	Energy	Ordinary shares Options	688 (1) }	0.5
Pepsico	United States	Consumer Staples	Ordinary shares Options	668 (4) }	0.5
Constellation Software	Canada	Information Technology	Ordinary shares Options	645 (1) }	0.5
UnitedHealth Group	United States	Health Care	Ordinary shares Options	645 (11) }	0.5
Johnson Controls	United States	Industrials	Ordinary shares Options	624 (4) }	0.5
Quest Diagnostics	United States	Health Care	Ordinary shares Options	618 *_ }	0.5
Union Pacific	United States	Industrials	Ordinary shares Options	610 (3) }	0.5
NXP Semiconductors	Netherlands	Information Technology	Ordinary shares Options	604 (2) }	0.5
Henkel	Germany	Consumer Staples	Ordinary shares Options	508 (2) }	0.4
Equinor ASA	Norway	Energy	Ordinary shares Options	498 (1) }	0.4
Qualcomm	United States	Information Technology	Ordinary shares Options	461 (3) }	0.4
Novo Nordisk	Denmark	Health Care	Ordinary shares Options	458 (5) }	0.4
Public Service Enterprise Group	United States	Utilities	Ordinary shares Options	448 (4) }	0.3

Company	Country	Sector	Securities	Market value	% of total portfolio
				£'000	
CRH	Ireland	Materials	Ordinary shares Options	439 (2) }	0.3
McKesson	United States	Health Care	Ordinary shares	406	0.3
Marvell Technologies	United States	Information Technology	Ordinary shares Options	388 (1) }	0.3
Raytheon	United States	Industrials	Ordinary shares Options	377 (3) }	0.3
Dow	United States	Materials	Ordinary shares Options	352 (3) }	0.3
Mattel	United States	Consumer Discretionary	Ordinary shares Options	268 (3) }	0.2
Philip Morris International	United States	Consumer Staples	Ordinary shares Options	260 (4) }	0.2
Goldman Sachs	United States	Financials	Ordinary shares Options	230 *_ }	0.2
International Paper	United States	Materials	Ordinary shares Options	220 (4) }	0.2
Marsh & McLennan	United States	Financials	Ordinary shares Options	207 (3) }	0.2
Masco	United States	Industrials	Ordinary shares Options	150 (1) }	0.1
BCE	Canada	Communication Services	Ordinary shares Options	149 (1) }	0.1
<b>Portfolio</b>				<b>130,043</b>	<b>100.0</b>
<b>Comprising</b>					
Equity investments				130,525	100.4
Derivative financial instruments - written options				(482)	(0.4)
				<b>130,043</b>	<b>100.0</b>

\* Market value less than £1,000.

All investments are in ordinary shares unless otherwise stated. The number of holdings as at 31 October 2019 was 89 (31 October 2018: 89). The total number of individual open options as at 31 October 2019 was 224 (31 October 2018: 195).

The negative valuation of £482,000 in respect of options held represents the notional cost of repurchasing the contracts at market prices as at 31 October 2019 (31 October 2018: £334,000).

At 31 October 2019, the Company did not hold any equity interests comprising more than 3% of any company's share capital.



## Governance

FedEx is a global package delivery company with a differentiated, scale dependent, business model. FedEx trades at a cheap valuation versus its own history and we believe free cash flow conversion can improve in the coming years as the company completes a long period of capital spending.

# Governance structure

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an investment company, the Company has no employees, the Directors are all non-executive and the investment management and administration functions are outsourced to the Manager and other external service providers.

## The Board

5 full scheduled meetings per annum

Five Non-Executive Directors (NEDs), all independent of the Manager

Chairman: Simon Miller

Objectives:

- To determine and review the investment policy, guidelines, strategy and parameters;
- To provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed and the Company's assets to be safeguarded;
- To challenge constructively and scrutinise performance of all outsourced activities; and
- To set the Company's remuneration policy and keep it under review.

## Audit and Management Engagement Committee

3 scheduled meetings per annum

Membership: Christopher Casey, Andrew Irvine, Alice Ryder and Melanie Roberts

Chairman: Christopher Casey

Key objectives:

- To oversee financial reporting;
- To consider the adequacy of the control environment and review the Company's risk register;
- To review and form an opinion on the effectiveness of the external audit process;
- To review the performance of the Manager; and
- To review other service providers.

## Nomination Committee

1 scheduled meeting per annum

Membership: Andrew Irvine, Christopher Casey, Alice Ryder and Melanie Roberts

Chairman: Andrew Irvine

Key objectives:

- To review regularly the Board's structure and composition;
- To be responsible for the Board's succession planning; and
- To make recommendations for any new appointments giving due consideration to balance of skills, knowledge, experience and diversity.

## Directors' biographies



**Simon Miller**

Chairman

*Appointed 7 September 2012*

Simon Miller is chairman of Brewin Dolphin Holdings PLC and a non-executive director of STV Group plc. He was previously chairman of JPMorgan Global Convertibles Income Fund Limited, Artemis Alpha Trust plc, JPMorgan Elect plc and Amati VCT PLC.

**Attendance record:**

Board: 5/5



**Christopher Casey (FCA)**

Audit and Management Engagement Committee Chairman

*Appointed 7 September 2012*

Christopher Casey was previously a partner of KPMG LLP and its predecessor firms from 1992, having joined Peat Marwick & Mitchell in 1977. He is also a director of TR European Growth Trust PLC, Eddie Stobart Logistics Plc, CQS Natural Resources Growth and Income plc, Mobius Investment Trust plc and Life Settlement Assets PLC.

**Attendance record:**

Board: 5/5

Audit and Management Engagement Committee: 3/3

Nomination Committee: 1/1



**Andrew Irvine**

Nomination Committee Chairman

*Appointed 7 September 2012*

Andrew Irvine is non-executive chairman of Jones Lang LaSalle Scotland and has over 30 years' experience in the field of property development and investment. He is also chairman of Fidelity Special Values PLC and was previously chairman of Montanaro European Smaller Companies PLC. He is past chairman of Celtic Rugby and the British and Irish Lions Limited and a past president of the Scottish Rugby Union.

**Attendance record:**

Board: 5/5

Audit and Management Engagement Committee: 3/3

Nomination Committee: 1/1



### Alice Ryder

*Appointed 12 June 2013*

Alice Ryder is a partner of Stanhope Capital LLP and has more than 25 years' investment experience, comprising the last thirteen years as an investment consultant in the charity sector and as a fund manager from 1985 to 2002. She is responsible for advising substantial charity and not for profit clients at Stanhope Consulting, a division of Stanhope Capital LLP. She is also a director of JPMorgan Smaller Companies Investment Trust plc.

**Attendance record:**

Board: 5/5  
Audit and Management  
Engagement Committee: 3/3  
Nomination Committee: 1/1



### Melanie Roberts

*Appointed 1 October 2019*

Melanie Roberts is a partner at Sarasin & Partners LLP. She has over 20 years of investment experience and joined Sarasin & Partners in 2011 where she is primarily responsible for the management of charity and pension fund portfolios. Prior to joining Sarasin & Partners, she spent 16 years at Newton Investment Management as a fund manager of charity, private client and pension fund portfolios.

**Attendance record:**

Board: 1/1  
Audit and Management  
Engagement Committee: 1/1  
Nomination Committee: 1/1

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

# Strategic report

The Directors present the Strategic Report of the Company for the year ended 31 October 2019. The aim of the Strategic Report is to provide shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company for the collective benefit of shareholders.

## Principal activity

The Company carries on business as an investment trust and its principal activity is portfolio investment. Investment trusts are pooled investment vehicles which allow exposure to a diversified range of assets through a single investment, thus spreading investment risk.

## Objective

The Company's objective is to provide an attractive and growing level of income return with capital appreciation over the long term, predominantly through investment in a diversified portfolio of primarily large-cap U.S. quoted equities with a focus on companies that pay and grow their dividends. The Company may invest through an active options overlay strategy utilising predominantly covered call options and may also hold other securities from time-to-time including, inter alia, convertible securities, fixed interest securities, preference shares, non-convertible preferred stock and depositary receipts. The Company may also invest in listed large-cap equities quoted on exchanges outside the U.S., subject to the restrictions set out below, and in securities denominated in U.S. dollars and non-U.S. dollar currencies.

## Strategy, business model and investment policy

To achieve the Company's investment objective, the Investment Manager adopts a stock specific approach in managing the Company's portfolio, selecting investments that it believes will both increase in value over the long term and provide income. The Company does not invest in companies which are not listed, quoted or traded at the time of investment, although it may have exposure to such companies where, following investment, the relevant securities cease to be listed, quoted or traded. Typically, it is expected that the investment portfolio will comprise of between 80 and 120 securities (excluding its active options overlay strategy). As at 31 October 2019, there were 89 holdings in the Company's portfolio.

The Company's business model follows that of an externally managed investment trust. Therefore, the Company does not have any employees and outsources its activities to third party service providers including BlackRock Fund Managers Limited (the Manager or BFM) who is the principal service provider. The management of the investment portfolio and the administration of the Company have been contractually delegated to the Manager who in turn (with the permission of the

Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited (the Investment Manager or BIM (UK)). The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

The Manager delegates fund accounting services to the Investment Manager, which in turn sub-delegates these services to The Bank of New York Mellon (International) Limited (the Fund Accountant or BNYM). The Company delegates registration services to the Registrar, Computershare Investor Services PLC. Other service providers include the Depositary, The Bank of New York Mellon (International) Limited. Details of the contractual terms with these service providers are set out in the Directors' Report on pages 32 and 33.

The Company may invest through derivatives for efficient portfolio management and may, for investment purposes, employ an active options overlay strategy utilising predominantly covered call options. Any use of derivatives for efficient portfolio management and options for investment purposes is based on the same principles of risk spreading and diversification that apply to the Company's direct investments. For the avoidance of doubt, the Company does not enter into physical or synthetic short positions or write any uncovered options.

Portfolio risk is mitigated by investing in a diversified spread of investments. In particular, the Company observes the following investment restrictions: no single investment (including for the avoidance of doubt, any single derivative instrument) will, at the time of investment, account for more than 10% of the gross assets; no more than 20% of the gross assets, at the time of investment, will be invested in securities issued outside of the U.S.\*; no more than 35% of the gross assets, at the time of investment, will be exposed to any one sector; and no more than 20% of the Company's portfolio will be under option at any given time. (\*Securities issued by certain companies organised outside the United States may not be deemed to be foreign securities (but rather deemed to be U.S. securities) if: (i) the company's principal operations are conducted from the U.S.; (ii) the company's equity securities trade principally on a U.S. stock exchange; (iii) the company does a substantial amount of business in the U.S.; or (iv) the issuer of securities is included in the Company's primary U.S. benchmark index.)

The Company's foreign currency investments are not hedged to sterling as a matter of general policy. However, the investment team may employ currency hedging, either back to sterling or between currencies (i.e. cross-hedging of portfolio investments).



In order to comply with the current Listing Rules, the Company also complies with the following investment restrictions (which do not form part of the Company's investment policy): the Company will not conduct any trading activity which is significant in the context of its group as a whole; and the Company will not invest more than 10% of its gross assets in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

The Company may borrow up to 20% of its net assets (calculated at the time of draw down), although the Board intends only to utilise borrowings representing up to 10% of net assets at the time of draw down. Borrowings may be used for investment purposes. The Company has entered into a multi-currency overdraft facility with its Custodian for this purpose. The Company may enter into interest rate hedging arrangements.

Information regarding the Company's investment exposures is contained within the schedule of investments on pages 14 to 17. Further information regarding investment risk and activity throughout the year can be found in the Investment Manager's Report.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

### Investment philosophy and process

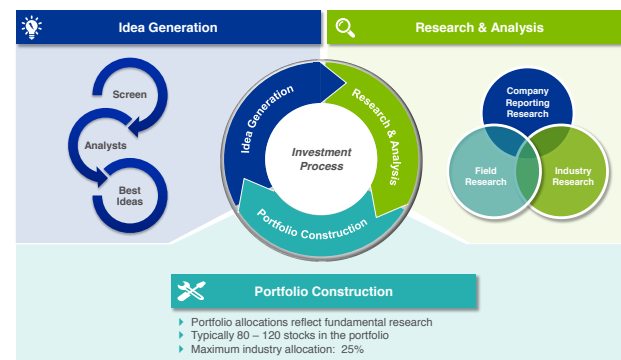
An overview of the Investment Manager's investment philosophy and process is set out below. The Investment Manager seeks to offer a stable foundation for investors to protect and grow their assets through disciplined application of value investment principles. The Investment Manager believes a portfolio of attractively valued, quality companies with histories of dividend growth can potentially deliver strong risk-adjusted returns over the long term.

#### Philosophy and Core Beliefs



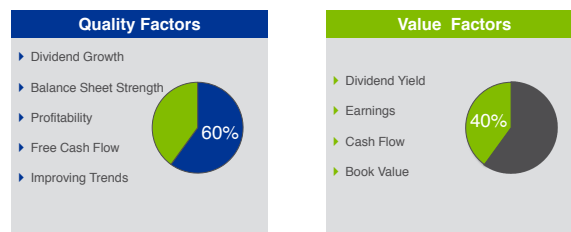
The Investment Manager's investment process has three main elements including idea generation, investment research and portfolio construction. The investment process is continuous and forms a virtuous circle that ensures the best investment ideas are reflected in the portfolio at all times.

#### Investment Process



The Investment Manager derives new investment ideas from the bottom-up fundamental research generated by its research analysts and from its quantitative screens. The Investment Manager's research analysts derive investment ideas from their existing knowledge of industry and company trends and developments. The Investment Manager's quantitative screens utilise both quality and value factors with the goal of highlighting potentially attractive opportunities that the analysts may have otherwise missed. The Investment Manager's Directors of Research collaborate with the research analysts to prioritise research ideas and ensure research best practices. Below is a summary of the research screen.

#### Investment Process: Research Screen

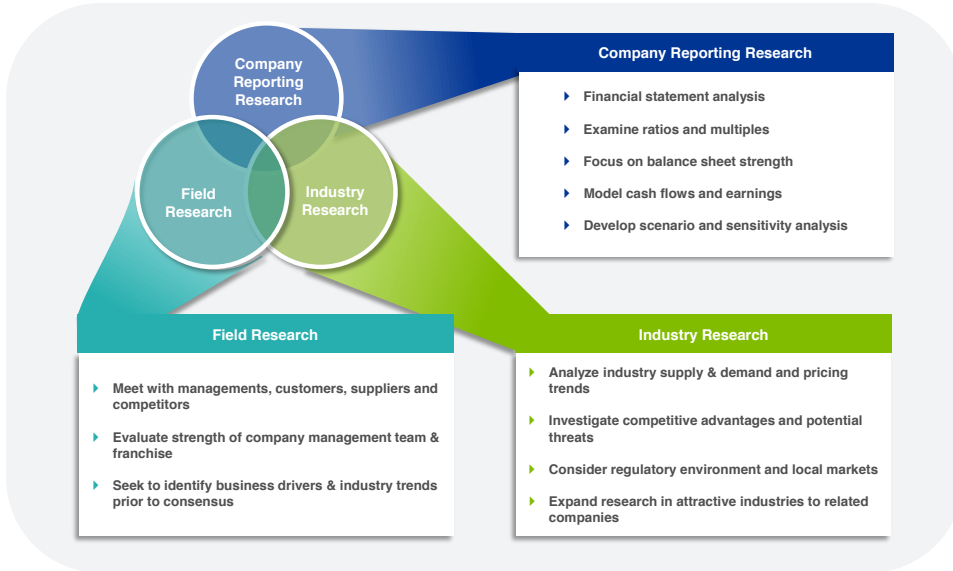


All buy and sell decisions are based on fundamental research

The Investment Manager's research analyst team conducts fundamental research. This research includes traditional financial statement analysis, meetings with company managements, discussions with industry experts and collaboration with investors across BlackRock. The Investment Manager's bottom-up fundamental research process is outlined in the following chart overleaf:

# Strategic report continued

## Investment Process: Research



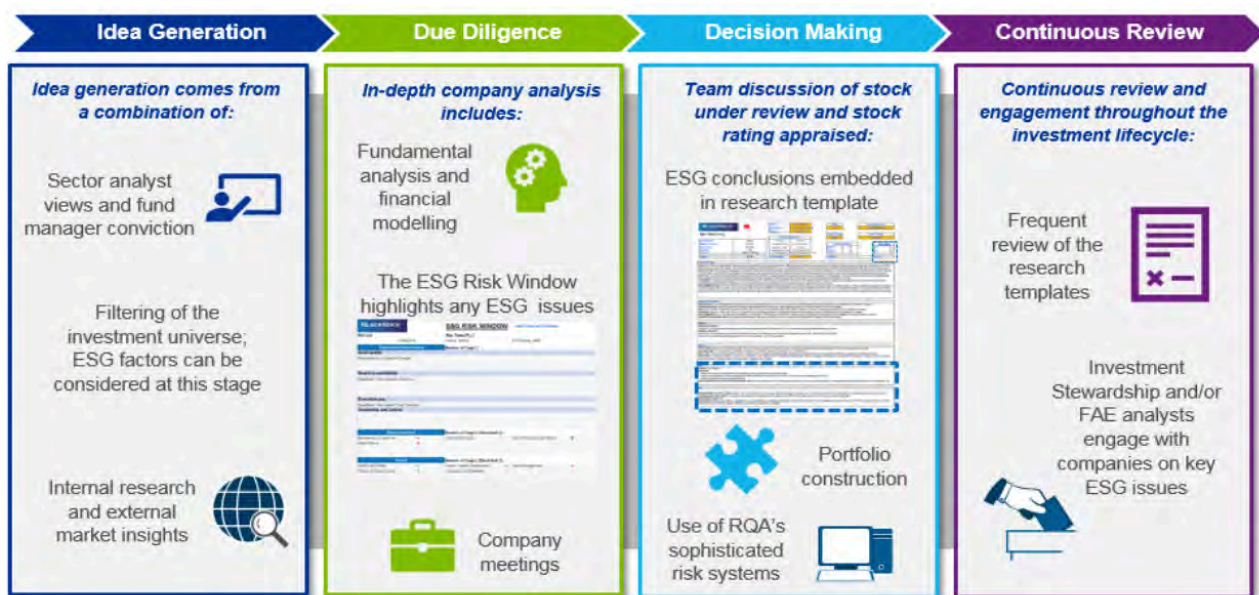
Final investment decisions result from the Investment Manager’s bottom-up, company specific research. Portfolio allocations are a reflection of the investment opportunities the Investment Manager is identifying in the current environment.

potentially negative events or corporate behaviour. The Portfolio Managers work closely with BlackRock’s Investment Stewardship team to assess the governance quality of companies and investigate any potential issues, risks or opportunities. The Portfolio Managers use ESG information when conducting research and due diligence on new investments and again when monitoring investments in the portfolio. Below is a summary of the Fundamental Active Equity Investment Process.

## Environmental, Social and Governance (ESG)

ESG factors can be useful and relevant indicators for investment purposes and can help the Portfolio Managers with their decision making through identifying

## BlackRock Fundamental Active Equity Investment Process



**ESG is a key component of our fundamental investment process**

ESG information is not the sole consideration for investment decisions; instead, the Portfolio Managers assess a variety of economic and financial indicators, including ESG issues, to make investment decisions that align with clients' objectives. To facilitate this analysis, they review information in their research templates using a tool (the Fundamental Active Equity Risk Window) which supplements investment decisions by identifying potential ESG risks associated with a given company. Further research and engagement with companies helps to assess each risk. Combining this additional insight with the Portfolio Managers' in-depth fundamental approach broadens the total set of information available for use in decision-making processes and positions the investment team to evaluate ESG issues and the impact they could potentially have on an investment.

Further information on BlackRock's approach to ESG and Socially Responsible Investing can be found in the Corporate Governance Report on pages 46 and 47.

### Performance

Over the year ended 31 October 2019, the Company's net asset value returned 8.5% compared with a return of 9.8% in the Russell 1000 Value Index. The ordinary share price returned 15.0% (all percentages are calculated in sterling terms with dividends reinvested). The Investment Manager's Report on pages 7 to 10 includes a review of the main developments during the year, together with information on investment activity within the Company's portfolio.

### Results and dividends

The results for the Company are set out in the Statement of Comprehensive Income on page 61. The total return for the year, after taxation, was £10,370,000 (2018: £7,612,000) of which the revenue return amounted to £4,338,000 (2018: £3,556,000) and the capital return amounted to £6,032,000 (2018: £4,056,000).

The Company pays dividends quarterly. Four quarterly interim dividends of 2.00p per share were paid on 12 April 2019, 28 June 2019, 1 October 2019 and 3 January 2020. Total dividends of 8.00p per share were paid or declared in the year ended 31 October 2019 (2018: 8.00p).

### Key performance indicators

A number of key performance indicators (KPIs) are used to monitor and assess the Company's success in achieving its objectives and to measure its progress and performance.

The principal KPIs are described below.

#### Performance

At each meeting, the Board reviews the performance of the portfolio against the Russell 1000 Value Index, as well as the net asset value and share price for the Company against various companies and indices. Information on the Company's performance is given in the Chairman's Statement and the Investment Manager's Report.

#### Share price premium/discount to NAV per share

The Company publishes a NAV per share figure on a daily basis through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the Association of Investment Companies (AIC) formula. At each Board meeting, the Board monitors the level of the Company's discount to NAV and reviews the average discount/premium for the Company's relevant sector.

The Directors recognise the importance to investors that shares should not trade at a significant premium/discount to their prevailing net asset value. Accordingly, the Board has concluded that the Company's share buy back and share issuance powers will, in normal market conditions, be used to ensure that the share price does not trade at a significant discount or premium to the underlying net asset value per share.

Further details setting out how the discount or premium at which the Company's shares trade is calculated is included in the Glossary on page 94.

#### Ongoing charges

The ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the Company's ongoing charges and monitors expenses to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds.

An analysis of the Company's costs, including the management fee, Directors' fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually. A definition setting out in detail how the ongoing charges ratio is calculated is included in the Glossary on page 95.

## Strategic report continued

The table that follows sets out the key KPIs for the Company.

**Alternative Performance Measures (see Glossary on pages 94 to 96).**

	31 October 2019	31 October 2018
Net asset value per ordinary share	182.13p	175.60p
Ordinary share price (mid-market)	186.50p	169.50p
Net asset value total return <sup>1</sup>	8.5%	6.6%
Benchmark index <sup>2</sup>	9.8%	7.1%
Share price total return <sup>1</sup>	15.0%	10.3%
Dividends per share	8.00p	8.00p
Premium/(discount) to cum income net asset value <sup>3</sup>	2.4%	(3.5%)
Revenue return per share	5.96p	5.16p
Ongoing charges <sup>4</sup>	1.09%	1.06%

<sup>1</sup> This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested.

<sup>2</sup> Russell 1000 Value Index.

<sup>3</sup> This is the difference between the share price and the NAV per share with debt at par. It is an indicator of the need for shares to be bought back or, in the event of a premium to NAV per share, issued.

<sup>4</sup> Ongoing charges represent the management fee and all other recurring operating expenses excluding finance costs, direct transaction costs, custody transaction charges and taxation, as a % of average net assets.

Performance is assessed on a total return basis for the NAV, share price and benchmark.

### Principal risks

The Company is exposed to a variety of risks and uncertainties. The Board has put in place a robust process to assess and monitor the principal risks. A core element of this process is the Company's risk register which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk and the quality of the controls established for mitigation.

The risk register is regularly reviewed and the risks reassessed. The risk environment in which the Company operates is also monitored and regularly appraised. New risks are added to the register as they are identified which ensures that the document continues to be an effective risk management tool.

The risk register, its method of preparation and the operation of key controls in the Manager's and other third party service providers' systems of internal control, are reviewed on a regular basis by the Audit and Management Engagement Committee. In order to gain a more comprehensive understanding of the Manager's and other third party service providers' risk management processes and how these apply to the Company's business, BlackRock's internal audit department provides an annual presentation to the Audit Committee chairmen of the BlackRock investment trusts setting out the results of testing performed in relation to BlackRock's internal control processes. The Audit and Management Engagement Committee periodically receives and reviews internal control reports from BlackRock and the Company's custodian (The Bank of New York Mellon (International) Limited). The custodian is appointed by the Company's Depositary and does not have a contractual relationship with the Company.

The Board has undertaken a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Those principal risks have been described in the table that follows, together with how they are managed and mitigated. The Board will continue to assess these risks on an ongoing basis. In relation to the 2016 UK Corporate Governance Code, the Board is confident that the procedures that the Company has put in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the reporting period.

Principal Risk	Mitigation/Control
<b>Counterparty</b> The potential loss that the Company could incur if a counterparty is unable (or unwilling) to perform on its commitments.	Due diligence is undertaken before contracts are entered into and exposures are diversified across a number of counterparties.  The Depositary is liable for restitution for the loss of financial instruments held in custody unless able to demonstrate the loss was a result of an event beyond its reasonable control.

Principal Risk	Mitigation/Control
<p><b>Investment performance</b></p> <p>Returns achieved are reliant primarily upon the performance of the portfolio.</p> <p>The Board is responsible for:</p> <ul style="list-style-type: none"> <li>• setting the investment strategy to fulfil the Company's objective; and</li> <li>• monitoring the performance of the Investment Manager and the implementation of the investment strategy.</li> </ul> <p>An inappropriate investment policy may lead to:</p> <ul style="list-style-type: none"> <li>• underperformance compared to the benchmark index;</li> <li>• a reduction or permanent loss of capital; and</li> <li>• dissatisfied shareholders and reputational damage.</li> </ul>	<p>To manage this risk the Board:</p> <ul style="list-style-type: none"> <li>• regularly reviews the Company's investment mandate and long-term strategy;</li> <li>• has set investment restrictions and guidelines which the Investment Manager monitors and regularly reports on;</li> <li>• receives from the Investment Manager a regular explanation of stock selection decisions, portfolio exposure, gearing and any changes in gearing and the rationale for the composition of the investment portfolio;</li> <li>• monitors and maintains an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the investment policy;</li> <li>• receives and reviews regular reports showing an analysis of the Company's performance against the Russell 1000 Value Index and other similar indices; and</li> <li>• has been assured that the Investment Manager has training and development programmes in place for its employees and its recruitment and remuneration packages are developed in order to retain key staff.</li> </ul>
<p><b>Legal &amp; Regulatory Compliance</b></p> <p>The Company has been approved by HM Revenue &amp; Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions, and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments. Any breach of the relevant eligibility conditions could lead to the Company losing investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio.</p> <p>Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings or the suspension of the Company's shares which would in turn lead to a breach of the Corporation Tax Act 2010.</p> <p>Amongst other relevant laws, the Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive, the UK Listing Rules, Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, the Bribery Act 2010, Criminal Finances Act 2017 and General Data Protection Regulation 2018.</p>	<p>The Investment Manager monitors investment movements, the level of forecast income and expenditure and the amount of proposed dividends to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached. The results are reported to the Board at each meeting. Compliance with the accounting rules affecting investment trusts is also carefully and regularly monitored.</p> <p>The Company Secretary, Manager and the Company's professional advisers provide regular reports to the Board in respect of compliance with all applicable rules and regulations. The Board and Manager also monitor changes in government policy and legislation which may have an impact on the Company.</p> <p>Following authorisation under the Alternative Investment Fund Managers' Directive (AIFMD), the Company and its Alternative Investment Fund Manager (AIFM) are subject to the risks that the requirements of the Directive are not correctly complied with. The Board and the AIFM monitor changes in government policy and legislation which may have an impact on the Company.</p> <p>The Market Abuse Regulation came into force across the European Union on 3 July 2016. The Board has taken steps to ensure that individual Directors (and their Persons Closely Associated) are aware of their obligations under the regulation and has updated internal processes, where necessary, to ensure the risk of non-compliance is effectively mitigated.</p>

## Strategic report continued

Principal Risk	Mitigation/Control
<p><b>Market</b></p> <p>Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through realising investments in the face of negative market movements.</p> <p>Changes in general economic and market conditions, such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws, political events and trends, including the impact of the UK leaving the European Union, can also substantially and adversely affect the securities and, as a consequence, the Company's prospects and share price.</p> <p>The Brexit risk is currently considered to be elevated due to continuing uncertainty to the political and regulatory outlook.</p>	<p>The Board considers the diversification of the portfolio, asset allocation, stock selection, and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager.</p> <p>The Board monitors the implementation and results of the investment process with the Investment Manager.</p> <p>While it is not possible to predict fully the impact Brexit will have on the Company and our markets, the Board and Manager continue to monitor external events to ensure that we are prepared for any short-term risks that could be faced in the immediate aftermath of Brexit and the implications of the withdrawal agreement between the UK and European Union.</p>
<p><b>Operational</b></p> <p>In common with most other investment trust companies, the Company has no employees. The Company therefore relies on the services provided by third parties and is dependent on the control systems of the Manager and The Bank of New York Mellon (International) Limited, who also maintain the Company's assets, dealing procedures and accounting records. The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these third-party service providers.</p> <p>Failure by any service provider to carry out its obligations could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records (including cyber security risk) could prevent the accurate reporting and monitoring of the Company's financial position.</p>	<p>Due diligence is undertaken before contracts are entered into with third party service providers. Thereafter, the performance of the provider is subject to regular review and reported to the Board.</p> <p>Third party service providers, BlackRock and The Bank of New York Mellon (International) Limited, produce internal control reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. These reports are provided to the Audit and Management Engagement Committee for review. The Committee would seek further representations from service providers if not satisfied with the effectiveness of the control environment.</p> <p>The Company's assets are subject to a strict liability regime and, in the event of a loss of assets, the Depositary must return assets of an identical type or the corresponding amount, unless able to demonstrate the loss was a result of an event beyond its reasonable control.</p> <p>The Board reviews the overall performance of the Manager, Investment Manager and all other third party service providers on a regular basis and compliance with the Investment Management Agreement annually.</p> <p>The Board also considers the business continuity arrangements of the Company's key service providers.</p>

Principal Risk	Mitigation/Control
<p><b>Financial</b></p> <p>The Company's investment activities expose it to a variety of financial risks which include market risk, counterparty credit risk, liquidity risk and the valuation of financial instruments.</p>	<p>Details of these risks are disclosed in note 14 on pages 75 to 84, together with a summary of the policies for managing these risks.</p>
<p><b>Marketing</b></p> <p>Marketing efforts are inadequate or do not comply with relevant regulatory requirements. There is a failure to communicate adequately with shareholders or reach out to potential new shareholders resulting in reduced demand for the Company's shares and a widening of the discount.</p>	<p>The Board reviews marketing strategy and initiatives and the Manager is required to provide regular updates on progress. BlackRock has a dedicated investment trust sales team visiting both existing and potential clients on a regular basis. Data on client meetings and issues raised are provided to the Board on a regular basis.</p> <p>All investment trust marketing documents are subject to appropriate review and authorisation.</p>

In the view of the Board, there have not been any changes to the fundamental nature of these risks and these principal risks and uncertainties are equally applicable for the current financial year.

### Viability statement

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months referred to by the 'Going Concern' guidelines. The Board conducted this review for a period of three years. In its assessment of the viability of the Company the Directors have noted that:

- the Company invests in highly liquid, large listed companies so its assets are readily realisable;
- the Company is not exposed to any one investment or sector because it sets parameters for its investments;
- the Company has limited gearing and no concerns around facilities, headroom or covenants; and
- the business model should remain attractive for much longer than three years, unless there is significant economic or regulatory change.

The Directors have also reviewed:

- the Company's principal risks and uncertainties as set out on the previous pages;
- the impact of a significant fall in U.S. equity markets on the value of the Company's investment portfolio;
- the ongoing relevance of the Company's investment objective, business model and investment policy in the current environment; and
- the level of demand for the Company's shares.

The Directors have also considered the Company's revenue and expense forecasts and the fact that expenses and liabilities are relatively stable. The Directors reviewed the assumptions and considerations underpinning the Company's existing going concern assertion which are based on:

- processes for monitoring costs;
- key financial ratios;
- evaluation of risk management and controls;
- compliance with the investment objective;
- portfolio risk profile;
- share price discount;
- gearing; and
- counterparty exposure and liquidity risk.

These were extended forward for three years and based on the results of this analysis the Directors have concluded that there is a reasonable expectation that the Company will continue in operation and be able to meet its liabilities as they fall due over the period of their assessment.

### Future prospects

The Board's main focus is to provide an attractive and growing level of income return with capital appreciation over the long term and the future of the Company is dependent upon the success of the investment strategy. The outlook for the Company in the next twelve months is discussed in both the Chairman's Statement and in the Investment Manager's Report.

### Employees, social, community and human rights issues

As an investment trust with no employees, the Company has no direct social or community responsibilities or impact on the environment. However, the Company believes that it is in shareholders' interests to consider human rights issues and environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on pages 46 and 47.

## Strategic report continued

### Modern Slavery Act

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

### Directors, gender representation and employees

The Directors of the Company on 31 October 2019 are set out in the Directors' Biographies on pages 20 and 21. The Board consists of three male Directors and two female Directors. The Company does not have any employees; therefore there are no disclosures to be made in that respect.

The Chairman's Statement together with the Investment Manager's Report form part of this Strategic Report. The Strategic Report was approved by the Board at its meeting on 12 February 2020.

### By order of the board

**CAROLINE DRISCOLL**  
**FOR AND ON BEHALF OF**  
**BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED**  
Company Secretary  
12 February 2020



# Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 October 2019.

## Status of the company

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs (HMRC) as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility requirements. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is domiciled in the UK as an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company and has no employees.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to the requirements of, the Alternative Investment Fund Managers' Directive (AIFMD). The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers) Regulations 2013 (the Regulations) and is required to be authorised by the Financial Conduct Authority (FCA) and must comply with a number of obligations, including the appointment of an Alternative Investment Fund Manager (AIFM) and a depositary to carry out certain functions. The AIFM must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the FCA. Further details are set out on the Company's website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna), the Regulatory Disclosures section on pages 92 and 93 and in the notes to the financial statements on pages 75 to 84.

The Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account (ISA).

## Facilitating retail investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream pooled investments because they are shares in an investment trust.

## The Common Reporting Standard

Tax legislation under the Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) was introduced on 1 January 2016. The legislation requires investment trust companies to provide personal information to HMRC about investors who purchase shares in investment trusts. As an affected company, BlackRock North American Income Trust plc has to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certification shareholders and corporate entities. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders, excluding those whose shares are held in CREST, entered on to the share register, will be sent a certification form for the purposes of collecting this information.

## GDPR

Data protection rights were harmonised across the European Union following the implementation of the General Data Protection Regulation (GDPR) on 25 May 2018. The Board has sought and received assurances from its third party service providers that they have taken appropriate steps to ensure compliance with the new regulation. The Company's 'Data Privacy Policy' can be found on the Company's website at [www.blackrock.co.uk/brna](http://www.blackrock.co.uk/brna).

## Shareholder Rights Directive II

The Shareholder Rights Directive II took effect from 10 June 2019 with some transitional provisions. It encourages long-term shareholder engagement and transparency between companies and shareholders. In substantive terms the changes are small for investment companies and the majority of requirements apply to the Company's remuneration policy and disclosure of processes, as well as related party transactions. There are also additional rules for AIFMs and proxy advisers.

## Dividends

Details of dividends paid and payable in respect of the year are set out in the Chairman's Statement on page 5 and in the Strategic Report on page 25.

## Directors' report continued

### Investment management and administration

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014, having been authorised as an AIFM by the FCA on 1 May 2014. The management contract is terminable by either party on six months' notice. Under the agreement, the Board continues to be independent from the AIFM. The agreement provides the appropriate balance between the Board's control over the Company, its investment policies and compliance with regulatory obligations.

BlackRock Investment Management (UK) Limited (BIM (UK)) continues to act as the Company's Investment Manager under a delegation agreement with BFM. BIM (UK) also acted as the Secretary of the Company throughout the year. The Manager receives an investment management fee which is calculated based on 0.75% of net assets per annum. Where the Company invests in other investment or cash funds managed by BlackRock, any underlying fee charged is rebated. Further details in relation to the management fee are given in note 4 to the Financial Statements on page 68.

The Manager has delegated certain of its responsibilities and functions, including its discretionary management of the Company's portfolio, to the U.S. based equity income investments' team who are employed by BlackRock Investment Management LLC (BIM LLC), a limited liability company incorporated in Delaware which is regulated by the U.S. Securities and Exchange Commission.

BFM, BIM (UK) and BIM LLC are subsidiaries of BlackRock, Inc. which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm. PNC Financial Services Group, Inc. has a significant economic interest in BlackRock, Inc. PNC Financial Services Group, Inc. is a U.S. public company.

The Company contributes to a focused investment trust sales and marketing initiative operated by BIM (UK) on behalf of the investment trusts under its management. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities, represents a budget of up to 0.025% per annum of its net assets (£111.8 million) as at 31 December 2018 and this contribution is matched by BIM (UK). Total fees paid or payable for the year ended 31 October 2019 amounted to £26,000 (excluding VAT) (2018: £25,000). The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

### Appointment of the manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually. As part of this review, the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

In line with the Company's objective, the Board places most importance on the Investment Manager's ability to deliver long-term performance. In the Board's view, this is best served by the Fundamental Active Equity division of BlackRock's Active Equity Group which is responsible for the discretionary management of the Company's portfolio and has successfully steered the U.S.\$38 billion Representative Account through bull and bear markets, outperforming its benchmark, the broad market and the Lipper peer group average to preserve and grow investors' capital over the longer term.

Additionally, the Board has noted that the Investment Manager continues the process of evolving and enhancing the Equity Dividend platform which commenced five years ago. During this time, the US Income & Value team has invested in both people and processes and is expected to do so moving forward. Over the last five years, the team supporting the Company has grown in size from five investment professionals to twenty, including the three portfolio managers and seventeen research analysts.

The US Income & Value team is well resourced and highly experienced in U.S. fundamental active equity and the Board has concluded that it is in shareholders' interests as a whole that BFM should continue as Manager of the Company. The continued appointment of BFM was approved on 3 October 2019.

The principal contents of the agreement with the Manager have been set out in the previous section. Having considered the terms of this agreement, and those of other investment trust companies, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of the Manager.

### Depository and custodian

The Company is required under the AIFMD to appoint an AIFMD compliant depository. The Company has appointed The Bank of New York Mellon (International) Limited (BNYM or the Depository).

The Depository's duties and responsibilities are outlined in the investment fund legislation (as defined in the FCA AIF Rulebook). The main role of the Depository under the AIFMD is to act as a central custodian with additional duties to monitor the operations of the

Company, including monitoring cash flows and ensuring the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Depositary received a fee payable at 0.0115% per annum of net assets which reduced to 0.0095% per annum with effect from 1 January 2019. The Company has appointed the Depositary in a tripartite agreement to which BFM as AIFM is also a signatory. The Depositary is liable for the loss of the financial instruments held in custody.

Under the depositary agreement, custody services in respect of the Company's assets have been delegated to The Bank of New York Mellon (International) Limited (BNYM). BNYM receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held. The depositary agreement is subject to 90 days' notice of termination by any party.

### Registrar

The Company has appointed Computershare Investor Services PLC as its Registrar (the Registrar). The principal duty of the Registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to any corporate actions, dividend administration, shareholder documentation, the Common Reporting Standard and the Foreign Account Tax Compliance Act.

The Registrar receives a fixed fee each year, plus disbursements and VAT for the maintenance of the register. The fixed fee applies for the three years commencing 1 July 2017. Fees in respect of corporate actions and other services are negotiated on an arising basis.

### Change of control

There are no agreements to which the Company is a party that might be affected by a change in control of the Company.

### Exercise of voting rights in investee companies

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager by BFM. BlackRock's approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. BlackRock believes that sound corporate governance practices by companies contribute to their long-term financial performance and thus to better risk-adjusted returns. BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, located in six offices around the world. In addition to its own professional staff, the BlackRock Investment Stewardship

team draws upon the expertise of BlackRock's portfolio managers, researchers and other internal and external resources globally.

BlackRock's global corporate governance and engagement principles are published on the website <https://www.blackrock.com/corporate/about-us/investment-stewardship#our-responsibility>. The principles set out BlackRock's views on the overarching features of corporate governance that apply in all markets. For each region, BlackRock also publishes market-specific policies, which are updated every year to ensure they remain relevant.

The voting guidelines are principles based and not prescriptive because BlackRock believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BlackRock believes (in its professional judgement) will best protect the economic interests of their clients.

During the year under review, the Investment Manager voted on 1,261 proposals at 84 general meetings on behalf of the Company. At these meetings the Investment Manager voted in favour of most resolutions, as should be expected when investing in well run companies, but voted against 85 (6.7%) resolutions, abstained on 4 (0.3%) and withheld 7 votes (0.6%). Most of the votes against were in respect of resolutions relating to Directors' remuneration arrangements, independence and time commitments, or to elect or remove directors, as well as environmental concerns, which were deemed by the Investment Manager as not being in the best interests of shareholders.

### Principal risks

The key risks faced by the Company are set out in the Strategic Report on pages 26 to 29.

### Going concern

The financial statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed by the Board on a regular basis throughout the year.

The Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective and the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements. The Company is able to meet all of its liabilities from its assets and income generated from these assets and the ongoing charges are 1.09% of net assets.

A statement on the longer-term viability of the Company is considered in the viability statement on page 29.

## Directors' report continued

### Directors

The Directors of the Company as at 31 October 2019 and their biographies are set out on pages 20 and 21. Details of their interests in the shares of the Company are set out in the Directors' Remuneration Report on page 39. All of the Directors held office throughout the year under review and up to the date of signing the financial statements, with the exception of Mrs Roberts who was appointed to the Board with effect from 1 October 2019.

All appointments to the Board and re-elections of Directors are carried out in accordance with the Companies Act and the Company's Articles of Association. The Company's Articles of Association provide that one third of Directors retire by rotation each year and that each Director shall retire and offer himself/herself for re-election at intervals of no more than three years. The Board may also appoint Directors to the Board but any Director so appointed must stand for election by shareholders at the next Annual General Meeting in accordance with the Articles of Association. In addition, any Director who is not considered by the Board to be independent of the Manager or who will have served more than nine years on the Board, will be subject to annual re-election. Subject to these requirements for re-election, Directors are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board.

Notwithstanding these requirements, the Board has resolved that all Directors should be subject to re-election on an annual basis. Accordingly, Mr Miller, Mr Casey, Mr Irvine and Ms Ryder will retire and offer themselves for re-election. Mrs Roberts, who was appointed during the year, will stand for election. The Board has considered the position of the Directors as part of the evaluation process and believes it would be in the Company's best interests for them to be proposed for re-election at the forthcoming Annual General Meeting, given their material level of contribution and commitment to the role. The Board accordingly recommends their re-election. Directors collectively bring to the Board extensive knowledge and commercial experience.

There were no contracts subsisting during the year under review or up to the date of this report in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company.

### Directors' indemnity

The Company has maintained appropriate Directors' and Officers' liability insurance cover throughout the year. In addition to Directors' and Officers' liability insurance cover, the Company's Articles of Association provide,

subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour. The Company has entered into Deeds of Indemnity with Directors individually which are available for inspection at the Company's registered office and will also be available for inspection at the Annual General Meeting. The indemnity has been in force during the financial year and up to the date of approval of the financial statements.

### Conflicts of interest

The Board has put in place a framework in order for Directors to report conflicts of interest or potential conflicts of interest which it believes has worked effectively during the year. All Directors are required to notify the Company Secretary of any situations or potential situations where they consider that they have or may have a direct or indirect interest or duty that conflicted or possibly conflicted with the interests of the Company. The Board has considered that the framework worked effectively throughout the year under review. All such situations are reviewed by the Board and duly authorised. Directors are also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on a regular basis.

### Directors' remuneration report

The Directors' Remuneration Report is set out on pages 38 and 39. Ordinary resolutions to approve this report, and also to approve the remuneration policy as set out in the Directors' Remuneration Policy on pages 40 to 42, will be put to shareholders at the Company's forthcoming Annual General Meeting.

### Notifiable interest in the Company's voting rights

As at 31 October 2019, the following investors had declared a notifiable interest in the Company's voting rights.

	Number of ordinary shares	% of issued share capital
Investec Wealth & Investment Ltd	10,192,368	13.0
Charles Stanley Group PLC	10,075,925	12.9
Brewin Dolphin Limited	9,132,494	11.6

As at 20 January 2020, the following had declared a notifiable interest in the Company's voting rights.

	Number of ordinary shares	% of issued share capital
Investec Wealth & Investment Ltd	10,466,507	12.9
Charles Stanley Group PLC	10,208,143	12.6
Brewin Dolphin Limited	8,946,160	11.1

### Share capital

Full details of the Company's issued share capital are given in note 12 to the Financial Statements on page 74. Details of the voting rights in the Company's shares as at the date of this report are also given in note 16 to the Notice of Annual General Meeting on page 101. The ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the ordinary shares. There are no shares which carry specific rights with regard to the control of the Company.

### Share repurchases and issuance

The Company has the authority to purchase ordinary shares in the market to be held in treasury or for cancellation and to issue new shares or sell shares from treasury for cash. During the year and up to the date of this report, the Company did not purchase any of its ordinary shares. The latest authority to repurchase shares was granted to Directors on 5 March 2019 and the Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting.

During the year, the Company reissued 9,525,000 shares from treasury at a premium to NAV for a total gross consideration of £17,252,000. Since the year end, 2,805,000 shares have been reissued from treasury at an average price of 189.86p per share and above a 1.7% premium to NAV.

The Directors are seeking to renew the authority to issue or sell shares out of treasury at the forthcoming Annual General Meeting. Any issuance will be at or above NAV.

### Treasury shares

At the 2019 Annual General Meeting, the Company was authorised to repurchase ordinary shares into treasury for reissue or cancellation at a future date. No ordinary shares were repurchased during the year. The Company now holds 19,157,261 ordinary shares in treasury (19.1% of the Company's issued share capital).

### Global greenhouse gas emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

### Articles of association

Any amendments to the Articles of Association must be made by special resolution.

### Annual general meeting

The following information to be discussed at the forthcoming Annual General Meeting is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser, authorised under the Financial Services and Markets Act 2000 (as amended).

**If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (but not the personalised Form of Proxy) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.**

The business of this year's Annual General Meeting consists of 14 resolutions. Resolutions 1 to 12 are proposed as ordinary resolutions and 13 and 14 are being proposed as special resolutions.

#### Resolution 1 - Approval of the Annual Report and Financial Statements

This resolution seeks shareholder approval of the Annual Report and Financial Statements for the year ended 31 October 2019 and the auditors' report thereon.

#### Resolution 2 - Approval of the Directors' Remuneration Report

This resolution is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the proposed future remuneration policy as set out in the Directors' Remuneration Policy on pages 40 to 42.

#### Resolution 3 - Approval of the Directors' Remuneration Policy

This resolution is a triennial binding vote on the Directors' Remuneration Policy, which is set out in full on pages 40 to 42. The remuneration policy will take effect immediately on approval by shareholders and will continue to apply for the next three years, unless amended by the Company in general meeting at an earlier date.

## Directors' report continued

### **Resolution 4 - Approval of dividends**

Resolution 4 seeks shareholder approval of the Company's dividend policy to continue to pay four quarterly dividends, which in the year under review have totalled 8.00p per share.

### **Resolutions 5 to 9 - Re-election of Directors**

Resolutions 5 to 9 relate to the re-election/election of all the Directors in accordance with the UK Corporate Governance Code. The Board has undertaken a formal performance evaluation during the year and confirms that the performance of the Directors standing for re-election continues to be effective and that each Director demonstrates commitment to their role. Resolution 9 relates to the election of Melanie Roberts, who was appointed as a Director on 1 October 2019.

### **Resolutions 10 and 11 - Re-appointment of the external auditors and auditors' remuneration**

These resolutions relate to the re-appointment and remuneration of the Company's auditors. The Company, through its Audit and Management Engagement Committee, has considered the independence and objectivity of the external auditors and is satisfied that the auditors remain independent. Further information in relation to the assessment of the auditors' independence can be found on pages 51 and 52.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

### **Resolution 12 - Authority to allot shares**

The Directors may only allot shares for cash if authorised to do so by shareholders in general meeting. This resolution seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of £81,204 which is equivalent to 8,120,404 ordinary shares of 1 pence each and represents 10% of the current issued ordinary share capital excluding treasury shares. The Directors will use this authority when it is in the best interests of the Company to issue shares for cash. This authority will expire at the conclusion of the Annual General Meeting to be held in 2021, unless renewed prior to that date at an earlier general meeting.

### **Resolution 13 - Authority to disapply pre-emption rights**

By law, Directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 13 empowers the Directors to allot new shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £81,204 which is equivalent to 8,120,404 ordinary shares of 1 pence each and represents 10% of the Company's issued ordinary share capital, excluding treasury shares, at the date of this notice. Unless renewed at a general meeting prior to such time, this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2021.

### **Resolution 14 - Authority to buy back ordinary shares**

The resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own shares. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares.

The Directors are seeking authority to purchase up to 12,172,486 shares (being 14.99% of the shares in issue, excluding treasury shares, at the date of this report or, if less, 14.99% of the ordinary shares in issue at 20 March 2020). This authority will expire at the conclusion of the next Annual General Meeting of the Company in 2021, unless renewed at an earlier general meeting.

## **Recommendation**

Your Board considers that the resolutions to be proposed at the Annual General Meeting are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each resolution, as they intend to do in respect of their own beneficial holdings.

## **Corporate governance**

Full details are given in the Corporate Governance Statement on pages 43 to 48. The Corporate Governance Statement forms part of this Directors' Report.

## **Audit information**

As required by section 418 of the Companies Act 2006, each of the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be submitted at the Annual General Meeting.

The Directors' Report was approved by the Board at its meeting on 12 February 2020.

## By order of the Board

**CAROLINE DRISCOLL**  
**FOR AND ON BEHALF OF**  
**BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED**  
Company Secretary  
12 February 2020

# Directors' remuneration report

The Board presents the Directors' Remuneration Report for the year ended 31 October 2019 which has been prepared in accordance with sections 420-422 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Company's Directors' remuneration policy (which was last approved by the Company's shareholders on 21 February 2017) is contained within the Annual Report which is available at [www.blackrock.co.uk/brna](http://www.blackrock.co.uk/brna).

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 55 to 60.

## Statement by the chairman

The key elements of the Board's policy on remuneration is set out in the Directors' Remuneration Policy on pages 40 to 42. A key driver of the remuneration policy is that fees payable to Directors should reflect the time spent by them on the Company's affairs and should be sufficient to attract and retain individuals with suitable knowledge and experience.

## Remuneration implementation report

A single figure for the total remuneration of each Director is set out in the table below for the year ended 31 October 2019:

Directors	2019 Fees £	2018 Fees £	2019 Taxable benefits* £	2018 Taxable benefits* £	2019 Total £	2018 Total £
Simon Miller (Chairman)	39,518	36,000	191	-	39,709	36,000
Christopher Casey (Chairman of the Audit and Management Engagement Committee)	32,932	30,000	1,645	7,812	34,577	37,812
Andrew Irvine	27,345	25,000	1,492	2,812	28,837	27,812
Alice Ryder	27,345	25,000	-	-	27,345	25,000
Melanie Roberts <sup>1</sup>	2,463	n/a	-	n/a	2,463	n/a
<b>Total</b>	<b>129,603</b>	<b>116,000</b>	<b>3,328</b>	<b>10,624</b>	<b>132,931</b>	<b>126,624</b>

<sup>1</sup> Appointed as a Director on 1 October 2019.

\* Taxable benefits relate to travel and subsistence costs.

The information in the above table has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors. As at 31 October 2019, fees of £14,000 (2018: £10,000) were outstanding to Directors in respect of their annual fees. The Directors received no variable remuneration. No discretionary fees have been paid to Directors during the year or previous year and the payment of such fees is expected to be a rare occurrence, only necessary in exceptional circumstances.

The basis for determining the level of any increase in the Directors' remuneration is set out in the Directors' Remuneration Policy on page 40. With effect from 1 April 2019, the remuneration of the Chairman was increased from £36,000 to £42,000, the Chairman of the Audit and Management Engagement Committee from £30,000 to £35,000 and for the other Directors from £25,000 to £29,000.

No discretionary fees have been paid to Directors during the year or previous year and the payment of such fees is expected to be a rare occurrence, only necessary in exceptional circumstances. Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken and why it was deemed necessary to pay such additional remuneration.

## Remuneration committee

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. It is not considered necessary to have a separate Committee as the Company's Directors are all non-executive and independent of the Manager. No advice or services were provided by any external agencies or third parties in respect of remuneration levels.

## Relative importance of spend on remuneration

As the Company has no employees, the table above comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table on page 39 compared with the Company's dividend distributions and share buy backs. As the Company has no employees, no consideration is required to be given to employment conditions elsewhere in setting Directors' pay.



	2019	2018	Change
	£'000	£'000	£'000
Directors' total remuneration	133	127	+6
Dividends paid and payable	6,000	5,516	+484
Shares issued from treasury	17,252	nil	+17,252

### Five year change comparison

Over the last five years, Directors' pay has increased as set out in the table below:

	2019	2014	Change
	£'000	£'000	%
Chairman	42,000	30,000	+40.0%
Audit and Management Engagement Committee Chairman	35,000	25,000	+40.0%
Directors	29,000	21,000	+38.1%

As previously noted, the Company does not have any employees and hence no comparisons are given in respect of the comparison between Directors' and employees' pay increases.

### Performance

The line graph that follows compares the Company's NAV and share price total returns with the total return on an equivalent investment in the Russell 1000 Value Index (the benchmark). This index was chosen for comparison purposes as it is the best proxy whereby the success of the Investment Manager's investment decisions may be judged.

#### Performance since launch to 31 October 2019



Sources: BlackRock and Datastream.

Performance figures have been calculated in sterling terms with dividends reinvested, rebased to 100 at 24 October 2012.

### Shareholdings

There is no requirement for Directors to hold shares in the Company. The interests of the Directors in the ordinary shares of the Company and those of their connected persons are set out in the table below. The Company does not have a share option scheme, therefore none of the Directors has an interest in share options.

	31 October 2019	31 October 2018
	Ordinary shares	Ordinary shares
Simon Miller	38,094	38,094
Christopher Casey	19,047	19,047
Andrew Irvine	38,094	38,094
Alice Ryder	9,047	9,047
Melanie Roberts	-	n/a

The information in the above table has been audited.

All of the holdings of the Directors are beneficial. No changes to these holdings had been notified up to the date of this report.

### Retirement of directors

Further details are given in the Directors' Report on page 34. No payments for loss of office were made.

### Implementation of the remuneration policy in 2019/2020 financial year

The Directors intend that the Directors' Remuneration Policy, which forms part of this report, will be implemented as set out on pages 40 to 42. The Directors do not receive any performance related remuneration or incentives. Discretionary payments are permitted under the policy; however, such discretionary payments would only be considered in exceptional circumstances.

There have been no changes to fees in the current financial year.

# Directors' remuneration policy

In setting the appropriate level of Directors' fees, a number of factors are considered, including the workload of the Directors, their responsibilities, any change in these responsibilities and additional legal duties (for example as a result of new legislation being implemented), the relationship with their suppliers and the size and complexity of the Company. The time commitment, the level of skills and appropriate experience required and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity are also taken into account. The Board also considers the average rate of inflation during the period since the last fee increase and reviews the level of remuneration in comparison with other investment trusts of a similar size and/or mandate, as well as taking account of any data published by the Association of Investment Companies to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary.

The review is performed on an annual basis. No Director will be present when his or her own pay is being determined. The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting this policy and there has been no employee consultation.

No element of the Directors' remuneration is performance related or subject to recovery or withholding (except for tax). Directors cannot be awarded any share options or long-term performance incentives. None of the Directors has a service contract with the Company or receives any non-cash benefits (except as described in the future policy table), pension entitlements or compensation for loss of office.

The remuneration policy will be applied when agreeing the remuneration package of any new Director. The terms of a Director's appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company.

Directors' appointments do not have a fixed duration, but they can be terminated by the Company in writing at any time without obligation to pay compensation. On termination of the appointment, Directors shall only be entitled to accrued fees as at the date of termination, together with reimbursement of any expenses properly incurred prior to that date. Directors are also subject to re-election on an annual basis and, if not elected, their appointment ceases immediately. No payments for loss of office are made.

## Consideration of shareholders' views

An ordinary resolution to approve the Remuneration Report is put to members at each Annual General Meeting and shareholders have the opportunity to express their views and raise any queries in respect of the remuneration policy at this meeting. To date, no shareholders have commented in respect of the remuneration policy. In the event that there was a substantial vote against any resolution proposed at the Company's Annual General Meeting, the reasons for any such vote would be sought and appropriate action taken. Should the vote be against resolutions in relation to the Directors' remuneration, further details will be provided in future Directors' Remuneration Reports.

In accordance with the Companies Act 2006, the Company is required to seek shareholder approval of its remuneration policy on a triennial basis. Consequently, an ordinary resolution for the approval of the remuneration policy as set out above and in the Directors' Remuneration Policy on pages 40 to 42 will be put to members at the forthcoming Annual General Meeting. It is the intention of the Board that the policy on remuneration will continue to apply for the next three years.

Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken.

## Shareholding voting

At the Company's previous Annual General Meeting held on 5 March 2019, 99.78% of votes cast (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the Directors' Remuneration Report in respect of the year ended 31 October 2018 and 0.22% were against. 7,382 votes were withheld.

At the Company's Annual General Meeting held on 21 February 2017, 99.99% (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the remuneration policy and 0.01% of votes cast were against. 4,112 votes were withheld.

## Future policy table

Purpose and link to strategy	Fees and benefits payable to Directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key Committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the level of complexity of responsibilities borne by the Directors.		
Description	Fees	Discretionary fees	Benefits
<p>Current levels of fixed annual fee (effective from 1 April 2019):</p> <p>Chairman - £42,000</p> <p>Audit and Management Engagement Committee Chairman - £35,000</p> <p>Directors - £29,000</p> <p>The Board reviews the quantum of Directors' pay each year to ensure that this is in line with the level of Directors' remuneration for other investment trusts of a similar size. When making recommendations for any changes in fees, the Board will consider wider factors such as the average rate of inflation over the period since the previous review and the level and any change in complexity of the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements).</p>		<p>The Company's Articles of Association authorise the payment of discretionary fees to Directors for any additional work undertaken on behalf of the Company which is outside of their normal duties.</p> <p>Any such work and the fees payable are subject to the prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to the prior approval of the Chairman of the Audit and Management Engagement Committee.</p> <p>Any discretionary fees paid will be disclosed in the Directors' remuneration implementation report within the Annual Report.</p>	<p>The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors, including any expenses incurred in attending meetings of the Board or Committees of the Board, Annual General Meetings or General Meetings.</p> <p>Some expenses incurred by Directors are required to be treated as taxable benefits. Taxable benefits include (but are not limited to) travel expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Company's registered office in London and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred, including the tax and national insurance costs incurred by the Director on such expenses.</p>

## Directors' remuneration policy continued

<b>Maximum levels</b>	<p>Fixed fees are set each year in accordance with the stated policies and as such there is no set maximum threshold; however, any increase granted must be in line with the stated policies. The Company's Articles of Association set an aggregate limit of £300,000 in respect of the remuneration that may be paid to Directors in any financial year.</p> <p>These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members and inflation.</p>	<p>The level of discretionary fees shall be determined by the Directors and will be subject to a maximum of £10,000 per annum per Director.</p>	<p>No more than £20,000 per annum may be paid in respect of taxable benefits.</p>
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### On behalf of the Board

**SIMON MILLER**  
Chairman  
12 February 2020

# Corporate governance statement

## Chairman's introduction

Corporate Governance is the process by which the Board seeks to look after shareholders' interests and protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run our Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company and we are committed to maintaining high standards of financial reporting, transparency and business integrity.

As a UK-listed investment trust company our principal reporting obligation is driven by the UK Corporate Governance Code (the UK Code) issued by the Financial Reporting Council in April 2016. However, as listed investment trust companies differ in many ways from other listed companies, the Association of Investment Companies has drawn up its own set of guidelines, the AIC Code of Corporate Governance (the AIC Code) issued in July 2016, which addresses the governance issues relevant to investment companies and meets the approval of the Financial Reporting Council.

The UK Corporate Governance Code published in July 2018 and the AIC Code of Corporate Governance published in February 2019 apply to accounting periods beginning on or after 1 January 2019 and will therefore be effective for the Company's new financial year.

This report, which forms part of the Directors' Report, explains how the Board deals with its responsibility, authority and accountability.

## Compliance

The Board has made the appropriate disclosures in this report to ensure the Company meets its continuing obligations. It should be noted that, as an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are non-executive. Thus, not all of the provisions of the UK Code are directly applicable to the Company.

The Board considers that the Company has complied with the recommendations of the AIC Code and the provisions contained within the UK Code that are relevant to the

Company throughout this accounting period, except the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- nomination of a senior independent director.

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive employees and, in relation to the internal audit function, in view of BlackRock having an internal audit function. Further explanation is provided below.

The UK Code is available from the Financial Reporting Council's website at [frc.org.uk](http://frc.org.uk). The AIC Code is available from the Association of Investment Companies at [theaic.co.uk](http://theaic.co.uk).

Information on how the Company has applied the principles of the AIC Code and UK Code is set out below.

## The Board

The Board currently consists of five non-executive Directors, all of whom are independent of the Company's Manager. The provision of the UK Code (A.2.1) which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors. The UK Code (A.4.1) recommends that the Board should appoint one of the independent non-executive directors to be the senior independent director. However, as the Board's structure is relatively simple, with no executive directors and just five non-executive directors, the Board does not consider it necessary to nominate a senior independent director.

The Board's primary purpose is to direct the Company to maximise shareholder value within a framework of proper controls and in accordance with the Company's investment objective.

## Board structure and management

Details of the Board's structure, roles and responsibilities and management are set out in the summary of Governance Structure on page 19. The Directors' biographies on pages 20 and 21 demonstrate a breadth of investment knowledge, business and financial skills which enables them to provide effective strategic leadership and proper governance of the Company. Details of the Chairman's other significant time commitments can also be found on page 20.

The Company does not have a chief executive as day-to-day management of the Company's affairs is delegated to the Manager as AIFM, with investment management and other ancillary services delegated to the Investment Manager. Representatives of the Manager, Investment

# Corporate governance statement continued

Manager and Company Secretary attend each Board meeting. The Board, the AIFM, the Investment Manager and the Company Secretary operate in a supportive and co-operative manner.

## **Board independence and tenure**

The Board regularly reviews the independence of its members and considers all Directors to be independent and there are no relationships or circumstances which are likely to affect the judgement of any Director.

The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. It is considered that there are no relationships or circumstances which are likely to affect the judgement of any Director.

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

## **Diversity**

The Board's policy on diversity, including gender, is to take this into account during the recruitment and appointment process. However, the Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity and therefore no targets have been set against which to report.

## **Directors' appointment, retirement and rotation**

The rules concerning the appointment, retirement and rotation of Directors are set out in more detail in the Directors' Report on page 34. The Board has considered the position of each of the Directors as part of the evaluation process and believes it would be in the best interests of the Company for the Directors retiring to be proposed for re-election at the forthcoming Annual General Meeting given their material level of contribution and commitment to the Company.

The Board recognises the value of progressive renewing of, and succession planning, for company boards. The refreshment of the Board will remain as an ongoing process to ensure that the Board is well-balanced through the appointment of new Directors with the skills and experience necessary. Directors must be able to demonstrate commitment to the Company, including in terms of time.

The Board did not employ the services of a search company in the appointment of Mrs Roberts. The existing Directors identified Mrs Roberts as a suitable candidate from their range of contacts and her appointment was fully debated by all of the Directors.

## **Directors' induction, training and development**

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with the Portfolio Managers, the Company Secretary and other key employees of the Investment Manager whereby he or she will become familiar with the workings and processes of the Company.

The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst others, the auditors and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect them or the Company. Directors' training and development needs are reviewed by the Chairman on an annual basis.

## **Directors' liability insurance**

The Company has maintained appropriate Directors' liability insurance cover throughout the year.

## **Board's responsibilities**

The Board is responsible to shareholders for the effective stewardship of the Company's affairs and a formal schedule of matters reserved for the decision of the Board has been adopted. Investment policy and strategy are determined by the Board. It is also responsible for the gearing policy, dividend policy, public documents such as the annual report and financial statements, buy back policy and corporate governance matters. In order to enable them to discharge their responsibilities, the Board has full and timely access to relevant information.

The Board currently meets at least five times a year to review investment performance, financial reports and other reports of a strategic nature. Board or Board committee meetings are also held on an ad hoc basis to consider particular issues as they arise. Key representatives of the Manager and/or Investment Manager attend each meeting and between these meetings there is regular contact with the Manager and Investment Manager.

The Board has direct access to company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Board has established a procedure whereby Directors wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense. The appointment and removal of the Company Secretary is a matter for the whole Board.

## Performance evaluation

A formal appraisal system has been agreed for the evaluation of the Board, its Committees and the individual Directors, including the Chairman. The annual evaluation for the year ended 31 October 2019 has been carried out. This took the form of written questionnaires followed by discussions to determine the effectiveness of the Board's activities. The Chairman also reviewed with each Director their individual performance, contribution and commitment. The performance of the Chairman was reviewed by the other Directors, led by Mr Casey.

As part of the Board evaluation discussions, each of the Directors also assessed the overall time commitment of their external appointments and it was concluded that all Directors have sufficient time to discharge their duties. This conclusion was reached on the basis that most external appointments, especially for Mr Casey, are non-executive roles which are far less time-consuming than full-time executive positions in a trading company would be.

In addition to being a non-executive director of BlackRock North American Income Trust plc and as set out on page 20, Mr Casey is a non-executive director of four other investment trusts as well as Eddie Stobart Logistics plc, which recently has become a cash shell under AIM Rule 15. Investment trusts generally only require time for quarterly board meetings, committee meetings which usually take place on the same day as board meetings and for reviewing documents such as Board papers, annual and half yearly reports. Mr Casey has made himself available for all meetings of the Company and, in his capacity of Audit and Management Engagement Committee Chairman, has also held meetings and conference calls with the Company's auditors. In between scheduled meetings and calls, he also makes himself available to the Managers and the Company Secretary as and when his expertise and opinion are required.

The appraisal process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and the contribution of individual Directors, as well as building on and developing individual and collective strengths. There were no significant actions arising from the evaluation process and it was agreed that the current composition of the Board and its Committees reflected a suitable mix of skills and experience and that the Board as a whole, the individual Directors and its Committees were functioning effectively.

## Delegation of responsibilities

The Board has delegated the following areas of responsibility:

## Management and administration

The management of the investment portfolio and the administration of the Company have been contractually delegated to BlackRock Fund Managers Limited (BFM), as the Company's AIFM, and BFM (with the permission of the Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK) or the Investment Manager). The contractual arrangements with the Manager are summarised on page 32.

The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting. In addition, a formal review is undertaken annually, details of which are set out on page 32 of the Directors' Report.

The Investment Manager has delegated the portfolio valuation and fund accounting services to The Bank of New York Mellon (International) Limited (BNYM). The assets of the Company have been entrusted to the Depositary for safekeeping. The Depositary is The Bank of New York Mellon (International) Limited. The address at which this business is conducted is given on page 91.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 33.

## Committees of the Board

### Nomination Committee

The Nomination Committee, which comprises four of the Directors, is chaired by Andrew Irvine. The role of the Committee is to review Board structure, size and composition, the balance of knowledge, experience and skills range and to consider succession planning and tenure policy. Appointments of new Directors will be made on a formalised basis, with the Committee agreeing the selection criteria and the method of selection, recruitment and appointment. The services of an external search consultant may be used to identify potential candidates.

### Audit and Management Engagement Committee

A separately chaired Audit and Management Engagement Committee has been established and currently consists of four of the Directors of the Company and is chaired by Christopher Casey. Further details are given in the Report of the Audit and Management Engagement Committee on pages 49 to 52.

# Corporate governance statement continued

## Remuneration Committee

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report and Director's Remuneration Policy on pages 38 to 42. As stated in the Directors' Remuneration Report, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

## Internal controls

The Board is responsible for the internal controls of the Company and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board, through the Audit and Management Engagement Committee, reviews the effectiveness of the internal control systems to identify, evaluate and manage the Company's significant risks. As part of that process, there are procedures designed to capture and evaluate any failings or weaknesses and should a case be categorised by the Board as significant, procedures exist to ensure that necessary action is taken to remedy the failings. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by the Manager's Risk and Quantitative Analysis Group. This accords with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The Company's risk register sets out the risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third party service providers to mitigate these risks. The Audit and Management Engagement Committee (the Committee) formally review this register on a semi-annual basis and BFM as the Company's AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock's internal audit department provides an annual presentation to the Audit Committee chairmen of the BlackRock investment trusts on the results of testing performed in relation to BlackRock's internal control processes. The Depositary also reviews the control processes in place at the Custodian, the Fund Accountant and the AIFM, and reports formally to the Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Committee outside of these meetings on an ad

hoc basis to the extent this is required. The Committee also receives annual and quarterly internal control reports respectively from BlackRock and BNYM on the internal controls of their respective operations, together with the opinion of their reporting accountant.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Manager and the Custodian. The Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance. The Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

The Company does not have its own internal audit function, as all the administration is delegated to the Manager and other third party service providers. The Board monitors the controls in place through the internal control reports and the Manager's internal audit department and feels that there is currently no need for the Company to have its own internal audit function although this matter is kept under review.

## Financial reporting

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 53, the Independent Auditors' Report on pages 55 to 60 and the statement of Going Concern on page 33.

## Socially responsible investment

Generally, investment trusts do not employ staff and accordingly have no direct impact on social matters but can be significant investors in the economies of the regions in which they invest. The Company invests predominantly in securities quoted in the U.S. The Board believes that it is important to invest in companies whose boards act responsibly in respect of environmental, ethical and social issues. The Investment Manager's evaluation procedures and financial analysis of the companies within the portfolio includes research and appraisal and also takes into account environmental policies, social, ethical and other business issues. In this regard, the U.S. team works closely with BlackRock's Investment Stewardship team.

BlackRock defines ESG integration as the practice of incorporating material environmental, social, and governance (ESG) information into investment decisions in order to enhance risk-adjusted returns. Some of BlackRock's clients call this responsible investing - to



BlackRock, integrating ESG information, or sustainability considerations, should be part of any robust investment process and means adapting research and core investment processes to account for additional sources of risk and return that are explained by ESG information. In alpha-seeking strategies, BlackRock can use ESG information when conducting research and due diligence on new investments and again when monitoring investments in a portfolio. Of course, ESG information is not the sole consideration for investment decisions; instead, the firm's investment professionals assess a variety of economic and financial indicators, which can include ESG issues, to make investment decisions appropriate for clients' objectives. BlackRock's approach to ESG integration is to broaden the total amount of information its investment professionals consider in order to improve investment analysis, seeking to meet or exceed economic return and financial risk targets.

BlackRock was a founding member of the Financial Accounting Standards Board (FASB) Task Force on Climate-related Financial Disclosures (TSFD) and a member of the Sustainability Accounting Standards Board (SASB). It is also a signatory to the United Nations Principles for Responsible Investment and signed the Vatican's 2019 statement advocating carbon pricing regimes which BlackRock believe are essential to combating climate change. It is BlackRock's belief that enhanced, meaningful disclosures are an important step towards building an understanding of the impact of climate risks on individual companies, sectors and investment strategies. Given climate risk is a systemic issue, disclosure standards should be developed and implemented at the market-level. BlackRock are therefore supportive of the need for greater transparency and disclosure on climate related issues.

BlackRock's investment conviction is that sustainability, and climate-integrated portfolios, can provide better risk-adjusted returns to investors. With the impact of sustainability on investment returns increasing, sustainable investing is the strongest foundation for BlackRock's client portfolios going forward. BlackRock has recently announced a number of initiatives to place sustainability at the centre of its investment approach, including: making sustainability integral to portfolio construction and risk management; exiting investments that present a high sustainability-related risk, such as thermal coal producers; launching new investment products that screen fossil fuels; and strengthening its commitment to sustainability and transparency in its investment stewardship activities. BlackRock's approach to sustainable investing is detailed on the website at <https://www.blackrock.com/corporate/sustainability>.

The Manager is a Tier 1 signatory to the UK Stewardship Code, which, among other things, sets out the responsibilities of institutional shareholders in respect

of investee companies. The Manager's compliance with the UK Stewardship Code is publicly available on the BlackRock website: <https://www.blackrock.com/corporate/en-us/literature/fact-sheet/blk-responsible-investment-statementoncompliance-uk-stewardshipcode.pdf>.

### Bribery prevention policy

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Manager on its behalf very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

### Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

### Communication with shareholders

All shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of Annual General Meeting which is sent out 20 working days in advance of the meeting sets out the business of the Meeting which is explained in the Directors' Report on pages 35 and 36. Separate resolutions are proposed for substantive issues.

In addition, regular updates are available to shareholders and the Portfolio Managers will review the Company's portfolio and performance at the Annual General Meeting, where the Chairman of the Board and the Chairman of the Audit and Management Engagement Committee and representatives of the Manager will be available to answer shareholders' queries. Proxy voting figures will be announced to shareholders at the Annual General Meeting and will be made available on the BlackRock website shortly after the meeting. In accordance with provision E.2.2 of the UK Code, when, in the opinion of the Board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board will explain, when announcing the results of voting, what actions it intends to take to understand the reasons behind the vote result.

The Company's willingness to enter into discussions with institutional shareholders is also demonstrated by the programme of institutional presentations made by the Investment Manager. The Board discusses with the Investment Manager at each Board meeting any feedback from meetings with shareholders and it also

## Corporate governance statement continued

receives reports from its corporate broker. The Chairman is available to meet directly with shareholders periodically without the Investment Manager being present. If any shareholder wishes to contact the Chairman directly they should contact the Secretary whose details are given on page 91.

There is a section within this report entitled 'Shareholder Information', on pages 86 to 88, which provides an overview of useful information available to shareholders. The Company's financial statements, regular factsheets and other information are also published on the BlackRock website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna). The work undertaken by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

### Packaged Retail and Insurance-Based Investment Products (PRIIPs) Regulation (the regulation)

Effective from 1 January 2018, the European Union's PRIIPs Regulation came into force and requires that anyone manufacturing, advising on, or selling a PRIIP to retail investors in the EEA must comply with the Regulation. Shares issued by investment trusts fall into the scope of the Regulation.

Investors should be aware that the PRIIPs Regulation requires the AIFM, as PRIIPs manufacturer, to prepare a key information document (KID) in respect of the Company. This KID must be made available, free of charge, to EEA retail investors prior to them making any investment decision and have been published on BlackRock's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

The PRIIPs KID in respect of the Company can be found at: [www.blackrock.co.uk/brna](http://www.blackrock.co.uk/brna).

### Disclosure Guidance and Transparency Rules

Other information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 31 to 37 because it is information which refers to events that have taken place during the course of the year.

### For and on behalf of the Board

**SIMON MILLER**

Chairman

12 February 2020

# Report of the audit and management engagement committee

As Chairman of the Audit and Management Engagement Committee (the Committee) I am pleased to present the Committee's report to shareholders for the year ended 31 October 2019.

## Composition

Christopher Casey, Andrew Irvine, Alice Ryder and Melanie Roberts are members of the Committee. The Chairman of the Board is not a member but may be invited to attend meetings. The Directors' biographies are given on pages 20 and 21 of the Annual Report and the Board considers that at least one member of the Committee has competence in accounting and/or auditing and the Committee as a whole has competence relevant to the sector in which the Company operates.

## Performance evaluation

Details of the evaluation of the Committee are set out in the Corporate Governance Statement on page 45.

## Role and responsibilities

The Committee meets three times a year. Two of the planned meetings are held prior to the Board meetings to approve the half yearly and annual results and the Committee receives information from the Manager's corporate audit and compliance departments.

The Committee operates within written terms of reference detailing its scope and duties and these are available on the Company's website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna). The Committee's principal duties, as set out in the terms of reference, are set out below. In accordance with these duties, the principal activities of the Committee during the year included:

### Internal controls, financial reporting and risk management system

- ensuring the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management systems;
- reasonably satisfying itself that such systems meet relevant legal and regulatory requirements;
- monitoring the integrity of the financial statements;
- reviewing the consistency of, and any changes to, accounting policies;
- reviewing the Half Yearly and Annual Report and Financial Statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders;
- evaluating the need for an internal audit function;
- reviewing semi-annual reports from the Manager on its activities as AIFM; and
- reviewing half yearly reports from the Depositary on its activities.

### Narrative reporting

- reviewing the content of the Annual Report and Financial Statements and advising the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

### External audit

- making recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting in relation to the appointment, re-appointment and removal of the Company's external auditors;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditors;
- reviewing and approving the audit and non-audit fees payable to the external auditors and the terms of their engagement;
- reviewing and approving the external auditors' plan for the financial year, with a focus on the identification of areas of audit risk and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the efficiency of the external audit process and the quality of the audit engagement partner and the audit team, and making a recommendation with respect to the reappointment of the auditors;
- considering the quality of the formal audit report to shareholders; and
- overseeing the relationship with the external auditors.

### Management engagement

- reviewing the management contract to ensure the terms remain competitive;
- satisfying itself that the continuing appointment of the Manager is in the interests of shareholders as a whole; and
- considering the remuneration of the Manager.

### Third party service providers

- considering the appointment of other third party service providers; and
- ensuring that third party service providers comply with the terms of their agreements and that the provisions of such agreements remain competitive.

### Reporting responsibilities

- reporting to the Board on its proceedings and how it has discharged its responsibilities, making whatever recommendations it deems appropriate on any area within its remit; and
- compiling a report on its activities to be included in the Annual Report and Financial Statements.

# Report of the audit and management engagement committee continued

## Internal audit

- considering the need for an internal audit function, as set out in the Corporate Governance Statement on page 46.

The fees paid to the external auditor are set out in note 5 on page 69. An explanation of how auditor objectivity and independence is safeguarded is reported under 'Assessment of the effectiveness of the external audit process' on pages 51 and 52.

## Whistleblowing policy

The Committee has also reviewed and accepted the 'whistleblowing' policy that has been put in place by BlackRock under which its staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, insofar as they affect the Company.

## Internal audit

The Company does not have its own internal audit function, as all administration is delegated to the Manager. The Board considers that it is sufficient to rely on the internal audit function of BlackRock. The requirement for an internal audit function is kept under review.

## Non-audit services

The Company's policy on non-audit services is set out in full in the Committee's terms of reference which are available on the Company's website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna). In the years to 31 October 2019 and 2018, the auditors did not provide any non-audit services to the Company.

## Significant issues considered regarding the Annual Report and Financial Statements

During the year the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table on page 51 sets out the key areas of risk identified by the Committee and also explains how these were addressed.

As the provision of portfolio valuation, fund accounting and administration services is delegated to the Manager, who sub-delegates certain administrative functions to BNYM, the Committee has also reviewed the internal control reports prepared by BlackRock and BNYM. This enables the Committee to ensure that the relevant control procedures are in place to cover these areas of risk as identified on page 51 and are adequate and appropriate and have been confirmed as operating effectively by their reporting auditors.

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	Listed investments are valued using stock exchange prices from third party vendors. The Board reviews detailed portfolio valuations at each of its Board meetings and receives confirmation from the Manager that the pricing basis is appropriate and in line with relevant accounting standards as adopted by the Company and that the carrying values are materially correct. The Board also relies on the Manager's and fund accountant's controls which are documented in their internal controls report which is reviewed by the Committee.
The risk of misappropriation of assets and unsecured ownership of investments	The Depositary is responsible for financial restitution for loss of financial investments held in custody. The Depositary reports to the Committee on a twice yearly basis.  The Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the Manager to the Committee. The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.
The accuracy of the calculation of management fees	The management fee is calculated in accordance with the contractual terms in the investment management agreement by the Fund Accountants and is reviewed in detail by the Manager.
The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income	The Committee reviews income forecasts, including special dividends, and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year figures.

### Auditors and audit tenure

The Committee reviews the performance of the auditors on an annual basis, taking into consideration the services and advice provided to the Company and the fees charged for these services. The Committee appointed the Company's current auditors, PricewaterhouseCoopers LLP, on 1 October 2014 following the result of a tender process. Mr Allan McGrath has been the Company's audit partner since 1 November 2018.

The Committee is committed to reviewing the auditors' appointment each year to ensure that the Company is receiving an optimal level of service. In addition, even if no change is made to the audit firm appointed, the audit partner changes at least every five years.

There are no contractual obligations that restrict the Company's choice of auditors. The Committee is mindful of the EU audit legislation which requires the rotation of long serving auditors. The Company will be required to put its audit contract out to tender again by no later than 2024.

### Assessment of the effectiveness of the external audit process

To assess the effectiveness of the external audit, members of the Committee work closely with the Manager to obtain a good understanding of the progress and efficiency of the audit. The Committee has adopted a formal framework to review the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- the quality of the audit engagement partner and the audit team;
- the expertise of the audit firm and the resources available to it;
- identification of areas of audit risk;
- planning, scope and execution of the audit;
- consideration of the appropriateness of the level of audit materiality adopted;
- the role of the Committee, the Manager and third party service providers in an effective audit process;
- communications by the auditors with the Committee;
- how the auditors support the work of the Committee and how the audit contributes added value;
- policies and procedures to pre-approve and monitor non-audit services including gifts and hospitality;

# Report of the audit and management engagement committee continued

- the independence and objectivity of the audit firm; and
- the quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit partner and team. The external auditors are invited to attend the Committee meetings at which the half yearly and annual financial statements are considered and at which they have the opportunity to meet with the Committee without representatives of the Manager or Investment Manager being present.

The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the auditors and the Committee.

To form a conclusion with regard to the independence of the external auditors, the Committee considers whether the skills and experience of the auditors make them a suitable supplier of non-audit services and whether there are safeguards in place to ensure that there is no threat to their objectivity and independence in the conduct of the audit resulting from the provision of such services. On an annual basis, PricewaterhouseCoopers LLP review the independence of their relationship with the Company and report to the Committee, providing details of any other relationship with the Manager. As part of this review, the Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's auditors, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm and the level of related fees, details of any relationships between the audit firm and its staff and the Company, as well as an overall confirmation from the auditors of their independence and objectivity.

As a result of their review, the Committee has concluded that PricewaterhouseCoopers LLP is independent of the Company and the Manager.

## Conclusions in respect of the Annual Report and Financial Statements

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different

contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Committee advise on whether these criteria are satisfied. In so doing, the Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process by the Manager, the Depositary and other third party service providers responsible for accounting services and the Committee;
- the controls that are in place at the Manager and third party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory internal control reports that have been reviewed and reported on by external auditors to verify the effectiveness of the internal controls of the Manager, the Depositary, Custodian and Fund Accountants.

In addition to the work outlined above, the Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry in general and of investment trusts in particular. The Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities on page 53 in respect of the Annual Report and Financial Statements.

### CHRISTOPHER CASEY

Chairman  
Audit & Management Engagement Committee  
12 February 2020

# Statement of directors' responsibilities in respect of the annual report and financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements under IFRS as adopted by the European Union.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are also responsible for preparing the Strategic Report, Directors' Report, the Directors' Remuneration Report, the Corporate Governance Statement and the Report of the Audit and Management Engagement Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and

the Disclosure Guidance and Transparency Rules. The Directors have delegated responsibility to the Manager for the maintenance and integrity of the Company's corporate and financial information included on the BlackRock website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on pages 20 and 21, confirm to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and net profit of the Company; and
- the Strategic Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2016 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit and Management Engagement Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit and Management Engagement Committee's report on pages 49 to 52. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 31 October 2019, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

## For and on behalf of the Board

**SIMON MILLER**

Chairman

12 February 2020



## Financial statements

Ageing European and U.S. infrastructure and the potential for accelerating remedial spending, make the case for building materials business CRH compelling. CRH subsidiary HALFEN supplied components for 432 Park Avenue, the tallest residential building in the Western hemisphere.



# Independent auditors' report to the members of BlackRock North American Income Trust plc

## Report on the audit of the Financial Statements

### Opinion

In our opinion, BlackRock North American Income Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Statement of Financial Position as at 31 October 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Management Engagement Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 November 2018 to 31 October 2019.

### Our audit approach

#### Overview

<b>Materiality</b>	<ul style="list-style-type: none"><li>• Overall materiality: £1.4 million (2018: £1.2 million), based on 1% of net assets.</li></ul>
<b>Audit scope</b>	<ul style="list-style-type: none"><li>• The Company is a standalone Investment Trust Company and engages BlackRock Fund Managers Limited (the 'Manager') to manage its assets.</li><li>• We conducted our audit of the financial statements using information from Bank of New York Mellon (International) Limited ('Fund Accountant') to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.</li><li>• We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.</li><li>• We obtained an understanding of the control environment in place at both the Manager and the Fund Accountant, and adopted a fully substantive testing approach using reports obtained from the Fund Accountant.</li></ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"><li>• Valuation and existence of investments.</li><li>• Accuracy, occurrence and completeness of investment income.</li></ul>

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

# Independent auditors' report to the members of BlackRock North American Income Trust plc continued

## Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Chapter 4 of Part 24 of the Corporation Tax Act 2010 (see page 27 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Chapter 15 of the UK Listing Rules applicable to Closed-Ended Investment Funds. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase income (investment revenue and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- Discussions with the Manager and the Audit and Management Engagement Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Audit and Management Engagement Committee;
- Evaluation of the controls implemented by the Company and the Fund Accountant designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of Chapter 4 of Part 24 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- Identifying and testing journal entries, in particular year end journal entries posted by the Fund Accountant during the preparation of the financial statements and any journals with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of investments</b></p> <p><i>Refer to the Report of the Audit and Management Engagement Committee (page 49), Accounting policies (page 65) and Notes to the financial statements (page 65).</i></p> <p>The investment portfolio at the year-end comprised listed equity investments valued at £130.5 million.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation.</p> <p>No material issues were identified by our testing.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Accuracy, completeness and occurrence of investment income</b></p> <p><i>Refer to the Report of the Audit and Management Engagement Committee (page 49), Accounting policies (page 65) and Notes to the financial statements (page 65).</i></p> <p>Income from investments comprised dividend income and option premium income. We focused on the accuracy, completeness and occurrence of investment income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.</p> <p>We also focused on the accounting policy for investment income recognition and the presentation of investment income in the Statement of Comprehensive Income for compliance with the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'), as incorrect application could result in a misstatement in income recognition.</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that dividend and option income has been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that dividend and option income has been accounted for in accordance with the stated accounting policy.</p> <p><b>Dividend income</b></p> <p>We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data.</p> <p>To test for completeness, we tested that for investment holdings in the portfolio, all dividends recorded in the year had been declared in the market, and that all dividends declared in the market by investment holdings had been recorded.</p> <p>We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions.</p> <p><b>Option premium income</b></p> <p>We tested option premium income by agreeing a sample of premium income recorded to broker margin cash account statements.</p> <p>To test for completeness, we selected a sample of the options held at year end and tested that the appropriate premiums had been accrued for at year end.</p> <p>No material issues were identified by our testing.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Fund Accountant who maintains the Company's accounting records and who has implemented controls over those accounting records.

We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Fund Accountant to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Fund Accountant in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

# Independent auditors' report to the members of BlackRock North American Income Trust plc continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£1.4 million (2018: £1.2 million).
<b>How we determined it</b>	1% of net assets.
<b>Rationale for benchmark applied</b>	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £71,000 (2018: £60,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to.  However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 October 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 26 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 29 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (*Listing Rules*)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 53, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 50 describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements set out on page 53, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# Independent auditors' report to the members of BlackRock North American Income Trust plc continued

## Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the Audit and Management Engagement Committee, we were appointed by the directors on 1 October 2014 to audit the financial statements for the year ended 31 October 2014 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 October 2014 to 31 October 2019.

**Allan McGrath (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Edinburgh  
12 February 2020

# Statement of comprehensive income

for the year ended 31 October 2019

	Notes	Revenue 2019	Revenue 2018	Capital 2019	Capital 2018	Total 2019	Total 2018
		£'000	£'000	£'000	£'000	£'000	£'000
Income from investments held at fair value through profit or loss	3	3,488	2,968	-	-	3,488	2,968
Other income	3	2,180	1,793	-	-	2,180	1,793
<b>Total revenue</b>		<b>5,668</b>	<b>4,761</b>	<b>-</b>	<b>-</b>	<b>5,668</b>	<b>4,761</b>
Net profit on investments and options held at fair value through profit or loss	9	-	-	6,772	4,458	6,772	4,458
Net (loss)/profit on foreign exchange		-	-	(110)	158	(110)	158
<b>Total</b>		<b>5,668</b>	<b>4,761</b>	<b>6,662</b>	<b>4,616</b>	<b>12,330</b>	<b>9,377</b>
<b>Expenses</b>							
Investment management fee	4	(250)	(224)	(752)	(671)	(1,002)	(895)
Other operating expenses	5	(403)	(374)	(21)	(16)	(424)	(390)
<b>Total operating expenses</b>		<b>(653)</b>	<b>(598)</b>	<b>(773)</b>	<b>(687)</b>	<b>(1,426)</b>	<b>(1,285)</b>
<b>Net profit on ordinary activities before taxation</b>		<b>5,015</b>	<b>4,163</b>	<b>5,889</b>	<b>3,929</b>	<b>10,904</b>	<b>8,092</b>
Taxation	6	(677)	(607)	143	127	(534)	(480)
<b>Profit for the year</b>		<b>4,338</b>	<b>3,556</b>	<b>6,032</b>	<b>4,056</b>	<b>10,370</b>	<b>7,612</b>
<b>Earnings per ordinary share (pence)</b>	8	<b>5.96</b>	<b>5.16</b>	<b>8.28</b>	<b>5.89</b>	<b>14.24</b>	<b>11.05</b>

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All income is attributable to the equity holders of the Company.

The Company does not have any other comprehensive income. The net profit for the year disclosed above represents the Company's total comprehensive income.

The notes on pages 65 to 84 form part of these financial statements.

# Statement of changes in equity

for the year ended 31 October 2019

	Notes	Called up share capital	Share premium account	Capital redemption reserve	Special reserve	Capital reserves	Revenue reserve	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>For the year ended 31 October 2019</b>								
At 31 October 2018		1,004	36,774	1,460	24,943	54,249	2,515	120,945
Total comprehensive income:								
Net profit for the year		-	-	-	-	6,032	4,338	10,370
Transactions with owners, recorded directly to equity:								
Ordinary shares issued from treasury	12, 13	-	5,822	-	11,507	-	-	17,329
Share issue costs	13	-	-	-	(77)	-	-	(77)
Dividends paid <sup>1</sup>	7	-	-	-	-	(2,168)	(3,613)	(5,781)
<b>At 31 October 2019</b>		<b>1,004</b>	<b>42,596</b>	<b>1,460</b>	<b>36,373</b>	<b>58,113</b>	<b>3,240</b>	<b>142,786</b>
<b>For the year ended 31 October 2018</b>								
At 31 October 2017		1,004	36,774	1,460	24,910	51,743	2,404	118,295
Total comprehensive income:								
Net profit for the year		-	-	-	-	4,056	3,556	7,612
Transactions with owners, recorded directly to equity:								
Share purchase costs written back		-	-	-	33	-	-	33
Dividends paid <sup>2</sup>	7	-	-	-	-	(1,550)	(3,445)	(4,995)
<b>At 31 October 2018</b>		<b>1,004</b>	<b>36,774</b>	<b>1,460</b>	<b>24,943</b>	<b>54,249</b>	<b>2,515</b>	<b>120,945</b>

<sup>1</sup> 4th interim dividend of 2.00p per share for the year ended 31 October 2018, declared on 1 November 2018 and paid on 4 January 2019; 1st interim dividend of 2.00p per share for the year ended 31 October 2019, declared on 5 March 2019 and paid on 12 April 2019; 2nd interim dividend of 2.00p per share for the year ended 31 October 2019, declared on 8 May 2019 and paid on 28 June 2019; and 3rd interim dividend of 2.00p per share for the year ended 31 October 2019, declared on 6 August 2019 and paid on 1 October 2019.

<sup>2</sup> 4th interim dividend of 1.25p per share for the year ended 31 October 2017, declared on 2 November 2017 and paid on 5 January 2018; 1st interim dividend of 2.00p per share for the year ended 31 October 2018, declared on 6 March 2018 and paid on 13 April 2018; 2nd interim dividend of 2.00p per share for the year ended 31 October 2018, declared on 2 May 2018 and paid on 29 June 2018; and 3rd interim dividend of 2.00p per share for the year ended 31 October 2018, declared on 7 August 2018 and paid on 1 October 2018.

The notes on pages 65 to 84 form part of these financial statements.



# Statement of financial position

as at 31 October 2019

	Notes	2019 £'000	2018 £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss	9	130,525	114,843
<b>Current assets</b>			
Other receivables	10	844	158
Cash and cash equivalents		13,207	7,017
		14,051	7,175
<b>Total assets</b>		144,576	122,018
<b>Current liabilities</b>			
Other payables	11	(1,308)	(739)
Derivative financial liabilities held at fair value through profit or loss	9	(482)	(334)
		(1,790)	(1,073)
<b>Net assets</b>		142,786	120,945
<b>Equity attributable to equity holders</b>			
Called up share capital	12	1,004	1,004
Share premium account	13	42,596	36,774
Capital redemption reserve	13	1,460	1,460
Special reserve	13	36,373	24,943
Capital reserves	13	58,113	54,249
Revenue reserve	13	3,240	2,515
<b>Total equity</b>		142,786	120,945
<b>Net asset value per ordinary share (pence)</b>	8	182.13	175.60

The financial statements on pages 61 to 84 were approved and authorised for issue by the Board of Directors on 12 February 2020 and signed on its behalf by Simon Miller, Chairman.

BlackRock North American Income Trust plc  
Registered in England and Wales, No. 8196493

The notes on pages 65 to 84 form part of these financial statements.

# Cash flow statement

for the year ended 31 October 2019

	2019	2018
	£'000	£'000
<b>Operating activities</b>		
Net profit on ordinary activities before taxation	10,904	8,092
Net profit on investments and options held at fair value through profit or loss (including transaction costs)	(6,772)	(4,458)
Net loss/(profit) on foreign exchange	110	(158)
Sales of investments held at fair value through profit or loss	95,699	88,952
Purchases of investments held at fair value through profit or loss	(104,461)	(85,301)
Increase in other receivables	(105)	(26)
Increase/(decrease) in other payables	183	(396)
Decrease in amounts due from brokers	1	347
Increase/(decrease) in amounts due to brokers	328	(2,195)
<b>Net cash (outflow)/inflow from operating activities before taxation</b>	<b>(4,113)</b>	<b>4,857</b>
Taxation paid	(503)	(512)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(4,616)</b>	<b>4,345</b>
<b>Financing activities</b>		
Net cash proceeds from ordinary shares reissued from treasury	16,697	-
Dividends paid	(5,781)	(4,995)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>10,916</b>	<b>(4,995)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>6,300</b>	<b>(650)</b>
Effect of foreign exchange rate changes	(110)	158
<b>Change in cash and cash equivalents</b>	<b>6,190</b>	<b>(492)</b>
Cash and cash equivalents at start of year	7,017	7,509
<b>Cash and cash equivalents at end of year</b>	<b>13,207</b>	<b>7,017</b>
<b>Comprised of:</b>		
Cash at bank	13,207	7,017
	13,207	7,017

The notes on pages 65 to 84 form part of these financial statements.

# Notes to the financial statements

for the year ended 31 October 2019

## 1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010. The Company was incorporated on 30 August 2012 and this is the seventh Annual Report.

## 2. Accounting policies

The principal accounting policies adopted by the Company have been applied consistently, other than where new policies have been adopted, and are set out below.

### (a) Basis of preparation

The financial statements have been prepared under the historic cost convention modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. All of the Company's operations are of a continuing nature.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the Association of Investment Companies (AIC) in November 2014 and updated in February 2018 is compatible with IFRS, the financial statements have been prepared in accordance with the guidance set out in the SORP.

Substantially all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, the Directors have determined that it is appropriate for the financial statements to be prepared on a going concern basis.

The Company's financial statements are presented in sterling, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning on or after 1 January 2019 and have not been applied in preparing these financial statements (major changes and new standards issued are detailed below), as these are not expected to have any effect on the measurement of the amounts recognised in the financial statements of the Company.

### IFRS standards that have yet to be adopted:

IFRS 16 – Leases (effective 1 January 2019) specifies accounting for leases and removes the distinction

between operating and finance leases. This standard is not applicable to the Company as it has no leases.

IFRIC 23 – Uncertainty over Income Tax Treatments seeks to provide clarity on how to account for uncertainty over income tax treatments and specifies that an entity must consider whether it is probable that the relevant tax authority will accept each tax treatment, or group of tax treatments, that it plans to use in its income tax filing. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation would require the Company to recognise uncertain tax positions which are more than probable within its financial statements. The interpretation is unlikely to have any impact on the financial statements of the Company.

### Adoption of new and amended standards and interpretations:

#### IFRS 9 Financial Instruments

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 November 2018; however, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 comparative figures are presented and measured under IAS 39. All financial assets previously held at fair value continue to be measured at fair value and accordingly there has been no impact as a result of the adoption of IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be so and there was no material impact of expected credit losses on financial assets and financial liabilities measured at amortised cost.

#### IFRS 15 Revenue from contracts with customers

The Company adopted IFRS 15 as of the date of initial application of 1 November 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

### (b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and a capital nature has been presented alongside the Statement of Comprehensive Income.

# Notes to the financial statements continued

## 2. Accounting policies continued

### (c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

### (d) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Special dividends, if any, are treated as a capital or a revenue receipt depending on the facts or circumstances of each dividend. The return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Options may be purchased or written over securities held in the portfolio for generating or protecting capital returns, or for generating or maintaining revenue returns. Where the purpose of the option is the generation of income, the premium is treated as a revenue item. Where the purpose of the option is the maintenance of capital, the premium is treated as a capital item.

Option premium income is recognised as revenue evenly over the life of the option contract and included in the revenue column of the Statement of Comprehensive Income unless the option has been written for the maintenance and enhancement of the Company's investment portfolio and represents an incidental part of a larger capital transaction, in which case any premia arising are allocated to the capital column of the Statement of Comprehensive Income.

Deposit interest receivable is accounted for on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the cash equivalent of the dividend is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

### (e) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been charged wholly to the revenue column of the Statement of Comprehensive Income, except as follows:

- expenses which are incidental to the acquisition or sale of an investment are charged to the capital column of the Statement of Comprehensive Income. Details of transaction costs on the purchases and sales of investments are disclosed within note 9 to the financial statements on page 73;
- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated;

- the investment management fee and finance costs have been allocated 75% to the capital column and 25% to the revenue column of the Statement of Comprehensive Income in line with the Board's expectations of the long-term split of returns, in the form of capital gains and income, respectively, from the investment portfolio.

### (f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

Where expenses are allocated between capital and revenue, any tax relief in respect of expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

### (g) Investments held at fair value through profit or loss

In accordance with IFRS 9, the Company classifies its investments at initial recognition as held at fair value through profit or loss and are managed and evaluated on a fair value basis in accordance with its investment strategy and business model.

All investments are measured initially and subsequently at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales of investments are recognised at the trade date of the disposal.

The fair value of the financial investments is based on their quoted bid price at the financial reporting date, without deduction for the estimated selling costs. This policy applies to all current and non current asset investments held by the Company.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as 'Profits or losses on investments held at fair value through profit or loss'. Also included within the heading are transaction costs in relation to the purchase or sale of investments.

For all financial instruments not traded in an active market, the fair value is determined by using various valuation techniques. Valuation techniques include market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (e.g., discounted cash flow analysis and option pricing models making use of available and supportable market data as possible).

#### **(h) Options**

Options are held at fair value through profit or loss based on the bid/offer prices of the options written to which the Company is exposed. The value of the option is subsequently marked-to-market to reflect the fair value through profit or loss of the option based on traded prices. Where the premium is taken to revenue, an appropriate amount is shown as capital return such that the total return reflects the overall change in the fair value of the option. When an option is exercised, the gain or loss is accounted for as a capital gain or loss. Any cost on closing out an option is transferred to revenue along with any remaining unamortised premium.

#### **(i) Other receivables and other payables**

Other receivables and other payables do not carry any interest and are short term in nature and are accordingly stated on an amortised cost basis.

#### **(j) Dividends payable**

Under IFRS, final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the financial reporting date. Interim dividends should not be accrued in the financial statements unless they have been paid.

Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity.

#### **(k) Foreign currency translation**

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities and non monetary assets held at fair value are translated into sterling at the rate ruling on the financial reporting date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income as a revenue or capital item depending on the income or expense to which they relate. For investment transactions and

investments held at the year end denominated in a foreign currency, the resulting gains or losses are included in the profit/(loss) on investments held at fair value through profit or loss in the Statement of Comprehensive Income.

#### **(l) Cash and cash equivalents**

Cash comprises cash in hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

#### **(m) Bank borrowings**

Bank overdrafts are recorded as the proceeds received. Finance charges are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

#### **(n) Share repurchases and reissues**

Shares repurchased and subsequently cancelled – share capital is reduced by the nominal value of the shares repurchased and the capital redemption reserve is correspondingly increased in accordance with section 733 of the Companies Act 2006. The full cost of the repurchase is charged to the special reserve.

Shares repurchased and held in treasury – the full cost of the repurchase is charged to the special reserve.

Where treasury shares are subsequently reissued –

- amounts received to the extent of the repurchase price are credited to the special reserve; and
- any surplus received in excess of the repurchase price is taken to the share premium account.

#### **(o) Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors do not believe that any accounting judgements or estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

## Notes to the financial statements continued

### 3. Income

	2019	2018
	£'000	£'000
<b>Investment income:</b>		
UK dividends	312	223
Overseas dividends	3,162	2,745
Overseas special dividends	14	-
	3,488	2,968
<b>Other income:</b>		
Deposit interest	212	79
Option premium income	1,968	1,714
	2,180	1,793
<b>Total income</b>	<b>5,668</b>	<b>4,761</b>

During the year the Company received premiums totalling £2,016,000 (2018: £1,778,000) for writing covered call options for the purposes of revenue generation. Option premiums of £1,968,000 (2018: £1,714,000) were amortised to revenue. All derivative transactions were based on constituent stocks in the Russell 1000 Value Index. At 31 October 2019 there were 224 (2018: 195) open positions with an associated liability of £482,000 (2018: £334,000).

Dividends and interest received during the year amounted to £2,944,000 and £212,000 (2018: £2,935,000 and £79,000).

No special dividends have been recognised in capital (2018: £459,000).

### 4. Investment management fee

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	250	752	1,002	224	671	895
<b>Total</b>	<b>250</b>	<b>752</b>	<b>1,002</b>	<b>224</b>	<b>671</b>	<b>895</b>

The investment management fee is payable in quarterly arrears, calculated at the rate of 0.75% of the Company's net assets (2018: 0.75%).

## 5. Other operating expenses

	2019	2018
	£'000	£'000
<b>Allocated to revenue:</b>		
Custody fee	5	5
Auditors' remuneration:		
- audit services	29	28
Registrar's fee	32	28
Directors' emoluments	133	127
Broker fees	40	40
Depository fees	13	14
Printing fees	22	20
Legal and professional fees	29	18
Marketing fees	26	25
Other administrative costs	74	69
	403	374
<b>Allocated to capital:</b>		
Custody transaction charges	21	16
	424	390
The Company's ongoing charges <sup>1</sup> , calculated as a percentage of average net assets and using recurring expenses excluding finance costs, direct transaction costs, custody transaction charges and taxation were:	1.09%	1.06%

<sup>1</sup> Alternative Performance Measure, see Glossary on page 95.

For the year ended 31 October 2019, expenses of £21,000 (2018: £16,000) were charged to the capital column of the Statement of Comprehensive Income. These relate to transaction costs charged by the custodian on sale and purchase trades.

## 6. Taxation

### (a) Analysis of charge/(credit) in year

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Current tax:</b>						
Corporation tax	290	(143)	147	227	(127)	100
Overseas tax	387	-	387	380	-	380
Total current tax (note 6(b))	677	(143)	534	607	(127)	480

## Notes to the financial statements continued

### 6. Taxation continued

#### (b) Factors affecting total tax charge/(credit) for the year

The taxation assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for a large company of 19.00% (2018: 19.00%). The differences are explained below:

	2019			2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit on ordinary activities before taxation	5,015	5,889	10,904	4,163	3,929	8,092
Net profit on ordinary activities before taxation multiplied by standard rate of corporation tax at 19.00% (2018: 19.00%)	953	1,119	2,072	791	746	1,537
<b>Effects of:</b>						
Non taxable UK dividend income	(59)	-	(59)	(42)	-	(42)
Non taxable overseas dividend income	(604)	-	(604)	(522)	-	(522)
Net profit on investments and options held at fair value through profit or loss	-	(1,287)	(1,287)	-	(846)	(846)
Foreign exchange loss/(profit)	-	21	21	-	(30)	(30)
Overseas tax	387	-	387	380	-	380
Disallowed expenses	-	4	4	-	3	3
	(276)	(1,262)	(1,538)	(184)	(873)	(1,057)
Current taxation charge/(credit) for the year (note 6(a))	677	(143)	534	607	(127)	480

The Company is exempt from corporation tax on capital gains provided it maintains its status as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. Due to the Company's intention to meet the conditions required to maintain its investment trust status, it has not provided for deferred tax on any capital gains or losses.



## 7. Dividends

			2019	2018
Dividends paid on equity shares:	Record date	Payment date	£'000	£'000
4th interim dividend of 2.00p per share paid for the year ended 31 October 2018 (2017: 1.25p)	30 November 2018	4 January 2019	1,382	861
1st interim dividend of 2.00p per share paid for the year ended 31 October 2019 (2018: 2.00p)	15 March 2019	12 April 2019	1,410	1,378
2nd interim dividend of 2.00p per share paid for the year ended 31 October 2019 (2018: 2.00p)	24 May 2019	28 June 2019	1,455	1,378
3rd interim dividend of 2.00p per share paid for the year ended 31 October 2019 (2018: 2.00p)	23 August 2019	1 October 2019	1,534	1,378
Accounted for in the financial statements			5,781	4,995

The total dividends payable in respect of the year ended 31 October 2019 which form the basis of section 1158 of the Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amounts declared, meet the relevant requirements as set out in this legislation.

	2019	2018
	Total	Total
Dividends paid or declared on equity shares:	£'000	£'000
1st interim dividend of 2.00p per share paid for the year ended 31 October 2019 (2018: 2.00p)	1,410	1,378
2nd interim dividend of 2.00p per share paid for the year ended 31 October 2019 (2018: 2.00p)	1,455	1,378
3rd interim dividend of 2.00p per share paid for the year ended 31 October 2019 (2018: 2.00p)	1,534	1,378
4th interim dividend of 2.00p per share payable on 3 January 2020 for the year ended 31 October 2019* (2018: 2.00p)	1,601	1,382
	6,000	5,516

\* Based on 80,054,044 ordinary shares in issue on 28 November 2019 (the ex-dividend date).

## Notes to the financial statements continued

### 8. Earnings and net asset value per ordinary share

Total revenue and capital return per share and net asset value per share are shown below and have been calculated using the following:

	2019	2018
Net revenue profit attributable to ordinary shareholders (£'000)	4,338	3,556
Net capital profit attributable to ordinary shareholders (£'000)	6,032	4,056
Total profit attributable to ordinary shareholders (£'000)	10,370	7,612
Equity shareholders' funds (£'000)	142,786	120,945
The weighted average number of ordinary shares in issue during the year, on which the earnings per ordinary share was calculated was:	72,835,622	68,874,044
The actual number of ordinary shares in issue at the year end, on which the net asset value per ordinary share was calculated was:	78,399,044	68,874,044
<b>Return per share</b>		
Revenue earnings per share (pence)	5.96	5.16
Capital earnings per share (pence)	8.28	5.89
Total earnings per share (pence)	14.24	11.05
	2019	2018
Net asset value per ordinary share (pence)	182.13	175.60
Ordinary share price (pence)	186.50	169.50

There were no dilutive securities at the year end.

## 9. Investments held at fair value through profit or loss

	2019	2018
	£'000	£'000
UK listed equity investments held at fair value through profit or loss	8,770	6,517
Overseas listed equity investments held at fair value through profit or loss	121,755	108,326
Total value of financial asset investments	130,525	114,843
Derivative financial instruments - written option contracts	(482)	(334)
Total value of financial asset investments and derivatives at 31 October	130,043	114,509
Valuation brought forward at 1 November	114,509	113,702
Investment and derivative holding profit at 1 November	(9,327)	(13,243)
Opening cost of equity investments and derivatives	105,182	100,459
Acquisitions at cost	104,461	85,301
Disposal proceeds	(95,699)	(88,952)
Realised profit on sales	7,588	8,374
Cost carried forward at 31 October	121,532	105,182
Investment and derivative holding profit at 31 October	8,511	9,327
Closing valuation of equity investments and derivatives	130,043	114,509

During the year transaction costs of £75,000 (2018: £66,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the year amounted to £26,000 (2018: £22,000). All transaction costs have been included within the capital reserves.

### Profit on investments held at fair value through profit or loss

	2019	2018
	£'000	£'000
Realised profit on sales	7,588	8,374
Changes in investment and derivative holdings profit	(816)	(3,916)
	6,772	4,458

## 10. Other receivables

	2019	2018
	£'000	£'000
Amounts due from brokers	11	12
Withholding tax recoverable	80	53
Receivable for share issuance	555	-
Prepayments and accrued income	198	93
	844	158

# Notes to the financial statements continued

## 11. Other payables

	2019	2018
	£'000	£'000
Amounts due to brokers	332	4
Accruals for expenses and interest payable	856	673
Taxation payable	120	62
	1,308	739

## 12. Called up share capital

	Number of shares in issue	Treasury shares	Total shares	Nominal value £'000
<b>Allotted, called up and fully paid share capital comprised:</b>				
<b>Ordinary shares of 1 pence each</b>				
At 31 October 2018	68,874,044	31,487,261	100,361,305	1,004
Ordinary shares issued from treasury	9,525,000	(9,525,000)	-	-
<b>At 31 October 2019</b>	<b>78,399,044</b>	<b>21,962,261</b>	<b>100,361,305</b>	<b>1,004</b>

During the year ended 31 October 2019 the Company issued 9,525,000 (2018: nil) shares from treasury for a total gross consideration of £17,252,000 (2018: nil).

Since 31 October 2019 2,805,000 shares have been reissued from treasury for a total gross consideration of £5,326,000.

## 13. Reserves

	Share premium account	Capital redemption reserve	Distributable reserves			
			Special reserve	Capital reserve arising on investments sold	Capital reserve arising on revaluation of investments held	Revenue reserve
Group	£'000	£'000	£'000	£'000	£'000	£'000
At 31 October 2018	36,774	1,460	24,943	44,788	9,461	2,515
Movement during the year:						
Total Comprehensive Income:						
Net capital profit/(loss) for the year	-	-	-	7,301	(1,269)	-
Net revenue profit for the year	-	-	-	-	-	4,338
Transactions with owners, recorded directly to equity:						
Ordinary shares issued from treasury	5,822	-	11,507	-	-	-
Share issue costs	-	-	(77)	-	-	-
Dividends paid	-	-	-	(2,168)	-	(3,613)
<b>At 31 October 2019</b>	<b>42,596</b>	<b>1,460</b>	<b>36,373</b>	<b>49,921</b>	<b>8,192</b>	<b>3,240</b>

Pursuant to a resolution of the Company passed on 7 September 2012 and following the Company application to the Court for cancellation of its share premium account, the Court approval was received on 12 December 2012, and £63,213,000 was transferred from the share premium account to a special reserve which is a distributable reserve.

The share premium account and capital redemption reserve are not distributable profits under the Companies Act 2006. The special reserve and capital reserve may be used as distributable profits for all purposes and, in particular, for the repurchase by the Company of its ordinary shares and for payment as dividends.

## 14. Risk management policies and procedures

The Company's investment activities expose it to various types of risks 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 shareholders should refer to the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at [blackrock.co.uk/brna](http://blackrock.co.uk/brna) for a more detailed discussion of the risks inherent in investing in the Company.

### Risk management framework

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFM). However, as disclosed in the Corporate Governance Statement on page 46 and in the Statement of Directors' Responsibilities on page 53, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for ensuring that the relevant parties are discharging their duties in accordance with the terms of the relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the AIFM review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM 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 Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at [blackrock.co.uk/brna](http://blackrock.co.uk/brna).

The AIFM is responsible for monitoring investment performance, product risk monitoring and oversight and has the responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have 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) which is a centralised group which performs an independent risk management function. RQA independently identifies, measures and monitors investment risk and tracks the actual risk management practices being deployed across the Company. By breaking down the components of the process, RQA have the ability to determine if the appropriate risk management processes are in place. 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 AIFM reports to the Audit and Management Engagement Committee twice yearly on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit and Management Engagement Committee. Any significant issues are reported to the Board as they arise.

The risk exposures of the Company 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 Company may suffer through holding market positions in financial instruments in the face of market movements.

Value at 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 a confidence level of 99% with a holding period of not greater than 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 Company will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and 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 Company 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.

# Notes to the financial statements continued

## 14. Risk management policies and procedures continued

The one day VaR as of 31 October 2019 and 31 October 2018 (based on a 99% confidence level) was 2.73% and 2.78% respectively.

### (i) Market risk arising from other price risk

#### Exposure to other price risk

Other price risk is the risk that the fair value of future cash flows of the 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 Company is exposed to market price risk arising from its equity investments. The movements in the price of these investments result in movements in the performance of the Company. Other price risk sensitivity has been covered by the VaR analysis under the market risk section above.

#### Use of derivatives

The Company may utilise both exchange traded and over-the-counter derivatives, including, but not limited to, options, as part of its investment policy. Options written by the Company provide the purchaser with the opportunity to purchase from or sell the Company the underlying asset at an agreed-upon value either on or before the expiration of the option. Options are generally settled on a net basis.

#### Management of other price risk

By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a price change of a particular investment will have a material impact on the NAV of the Company is minimised which is in line with the investment objectives of the Company.

The Company's exposure to other changes in market prices at 31 October 2019 on its equity investments was £130,525,000 (2018: £114,843,000).

#### Concentration of exposure to market risks

An analysis of the Company's investment portfolio is shown on pages 14 to 17. At 31 October 2019 this shows that the majority of the portfolio is invested in the United States. Accordingly, there is a concentration of exposure here, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

### (ii) 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. Foreign currency sensitivity risk has been covered by the VaR analysis under the market risk section.

The fair values of the Company's monetary items which have foreign currency exposure at 31 October 2019 and 31 October 2018 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2019 US dollar	2019 Other	2018 US dollar	2018 Other
	£'000	£'000	£'000	£'000
Receivables (due from brokers, dividends and other income receivable)	739	32	115	18
Cash and cash equivalents	13,107	-	6,920	-
Payables	(332)	-	-	(4)
Total foreign currency exposure on net monetary items	13,514	32	7,035	14
Investments and options at fair value through profit or loss	108,372	13,210	102,740	5,387
Total net foreign currency exposure	121,886	13,242	109,775	5,401

### Management of foreign currency risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board of the Company on a regular basis.

The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. Derivative contracts are not used to hedge against exposure to foreign currency risk.

Consequently, the Company is exposed to the risk that the exchange rate of its reporting currencies relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than their own currencies.

### (iii) Market risk arising from interest rate risk

#### Exposure to interest rate risk

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

The Company is exposed to interest rate risk specifically through its cash holdings and its borrowing facility for investment purposes. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

#### Interest rate exposure

The exposure at 31 October 2019 and 31 October 2018 of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be re-set; and
- fixed interest rates – when the financial instrument is due for repayment.

	2019 Within one year	2018 Within one year
	£'000	£'000
Exposure to floating interest rates:		
Cash and cash equivalents	13,207	7,017

The Company does not have any fixed rate exposure at 31 October 2019 or 31 October 2018.

Interest rates received on cash balances or paid on bank overdrafts, respectively, is set out in the table below.

2019	Interest received %	Interest paid %
US dollar	1.997	3.771
Sterling	0.400	1.634

# Notes to the financial statements continued

## 14. Risk management policies and procedures continued

2018	Interest received %	Interest paid %
US dollar	1.875	3.133
Sterling	0.400	1.651

### Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowings under the overdraft facility.

The Company finances part of its activities through borrowings at levels approved and monitored by the Board of the Company. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. Derivative contracts are not used to hedge against the exposure to interest rate risk.

### (b) Counterparty credit risk

Credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

There were no past due assets as of 31 October 2019 (31 October 2018: nil).

The major counterparties engaged with the Company are all widely recognised and regulated entities.

### Depository

The Company's Depository is The Bank of New York Mellon (International) Limited (the Depository) (S&P long-term credit rating as at 31 October 2019: AA- (2018: A)). All of the equity assets and cash of the Company are held within the custodial network of the Depository. Bankruptcy or insolvency of the Depository may cause the Company's rights with respect to its investments held by the Depository to be delayed or limited. The maximum exposure to this risk at 31 October 2019 is the total value of equity investments held with the Depository and cash and cash equivalents in the Statement of Financial Position.

In accordance with the requirements of the depository agreement, the Depository will ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depository, the Company's non-cash assets are segregated and this reduces counterparty credit risk. The Company will, however, be exposed to the counterparty credit risk of the Depository in relation to the Company's cash held by the Depository. In the event of the insolvency or bankruptcy of the Depository, the Company will be treated as a general creditor of the Depository in relation to cash holdings of the Company.

### Counterparties/brokers

The Company only invests directly in markets that operate on a 'delivery versus payment' basis and consequently most investment transactions in listed securities involve simultaneous delivery of securities against cash payment using an approved broker. The risk of default is considered minimal and the trade will fail if either party fails to meet its obligation.

For a few markets that the Company invests in from time to time, although they operate on a 'delivery versus payment' basis, there may be a very short time gap between stock delivery and payment, giving potential rise to counterparty credit risk with the broker in relation 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 for those markets. The Company monitors the credit rating and financial position of the broker used to further mitigate this risk.

Cash held as security by the counterparty to financial derivative contracts is subject to the credit risk of the counterparty. The following table details the total number of counterparties to which the Company is exposed, the maximum exposure to any one counterparty, the collateral held by the Company against this exposure, the total exposure to all other counterparties and the lowest long-term credit rating of any one counterparty (or its ultimate parent if unrated).



	Total number of counterparties	Maximum exposure to any one counterparty <sup>2</sup>	Collateral held <sup>2</sup>	Total exposure to all other counterparties <sup>2</sup>	Lowest credit rating of any one counterparty <sup>1</sup>
		£'000	£'000	£'000	
2019	2	13,207	-	566	A+
2018	4	7,017	-	12	BBB+

<sup>1</sup> S&P ratings.

<sup>2</sup> Calculated on a net basis.

The Company may also be exposed to counterparty risk should there be any rehypothecation of pledged collateral. Collateral is received/paid where the client service agreement states that there should be collateral movements agreed with the counterparty, where there is a requirement for a mark-to-market process or collateralisation to ensure that the Company is protected against any counterparty default.

#### Over-the-counter (OTC) financial derivative instruments

The Company may write both exchange traded and over-the-counter derivatives, including, but not limited to, option contracts as part of its investment policy. Options written by the Company provide the purchaser with the opportunity to purchase from or sell the underlying asset to the Company at an agreed-upon value either on or before the expiration of the option. Options are generally settled on a net basis.

During the year ended 31 October 2019 and 2018, the Company wrote covered call option contracts to generate revenue income for the Company. As the call options are covered by dedicated cash or stock resources and no call option contracts were written to manage price risk, there is no impact on the Company's exposure to gearing or leverage as a result of writing covered call options. The notional amount of call options written that were open at 31 October 2019 was £22,601,000 (2018: £20,608,000).

#### Management of OTC financial derivative instruments

Economic exposure through option writing is restricted such that no more than 20% of the Company's portfolio shall be under option at any given time. Exposures are monitored daily by the Investment Manager and its independent risk management team. The Company's Board also reviews the exposures regularly.

The option positions are diversified across sectors and geographies comprising 224 positions as at 31 October 2019 (2018: 195).

The economic exposures to options can be closed out at any time by the Company with immediate effect. Details of securities and exposures to market risk and credit risk implicit within the options portfolio are given above and on pages 80 and 81.

#### Collateral

The Company engages in activities which may require collateral to be provided to a counterparty (Pledged Collateral). Cash collateral pledged by the Company is separately identified as an asset in the Statement of Financial Position and is not included as a component of cash and cash equivalents. The Company has placed stock collateral with counterparties as at 31 October 2019 and 31 October 2018.

The fair value of securities collateral pledged is reflected in the table below:

	Pledged collateral	
	As at 31 October 2019	As at 31 October 2018
	£'000	£'000
Stock collateral	18,991	17,202

# Notes to the financial statements continued

## 14. Risk management policies and procedures continued

The Company is required to pledge collateral to its counterparties for written call options. If the counterparty defaults or enters an insolvency proceeding, return of the collateral may be delayed or limited. If the fair value of the collateral declines, the Company may be required to post additional collateral to the counterparty. The counterparty has the contractual right to liquidate the collateral in connection with such agreements. If the counterparty defaults or enters an insolvency proceeding, return of the collateral may be delayed or limited. For stock collateral pledged, the Company is exposed to counterparty risk of rehypothecation of pledged collateral. The collateral provided by these counterparties consists of shares admitted to dealing on a regulated market.

### Receivables

Amounts due from debtors are disclosed on the Statement of Financial Position as receivables. The counterparties included in receivables are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty and Concentration Risk Team (RQA CCR). The Company monitors the ageing of receivables to mitigate the risk of debtor balances becoming overdue.

In summary, the exposure to credit risk at 31 October 2019 and 2018 was as follows:

	2019 3 months or less	2018 3 months or less
	£'000	£'000
Cash and cash equivalents	13,207	7,017
Other receivables (amounts due from brokers, share issues, dividends and interest receivable)	844	158
	14,051	7,175

There were no past due assets as of 31 October 2019 (2018: nil).

### Management of counterparty credit risk

RQA CCR are responsible for the risk management of the Company, with duties comprising of identifying, monitoring and managing risk, including counterparty credit risk. RQA CCR are supported in this role by the Investment Manager.

The counterparty/credit risk is managed as follows:

- transactions are only entered into with those counterparties approved by RQA CCR, with a formal review carried out for each new counterparty and with counterparties selected by RQA CCR on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default;
- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by the Investment Manager; and
- the RQA CCR review the credit standard of the Company's brokers on a periodic basis and set limits on the amount that may be due from any one broker.

The Board monitors the Company's counterparty risk by reviewing:

- the semi-annual report from the Depositary, which includes the results of periodic site visits to the Company's Custodian where controls are reviewed and tested;
- the Custodian's Service Organisation Control (SOC 1) reports which include a report by the Custodian's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Custodian's processes;
- the Manager's internal control reports which include a report by the Manager's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Manager's control processes; and
- in addition, the Depositary and the Manager report any significant breaches or issues arising to the Board as soon as these are identified.

### Offsetting disclosures

In order to better define its contractual rights and to secure rights that will help the Company mitigate its counterparty risk, the Company may enter into an ISDA Master Agreement or similar agreement with its OTC derivative contract counterparties. An ISDA Master Agreement is an agreement between the Company and the counterparty that governs OTC derivative contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Company has a contractual right to offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment in the event of default including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

At 31 October 2019 and 2018, the Company's derivative assets and liabilities (by type) are as follows:

	At 31 October 2019		At 31 October 2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
<b>Derivatives</b>				
Written option contracts	-	(482)	-	(334)
Total derivative assets and liabilities in the Statement of Financial Position	-	(482)	-	(334)
Total assets and liabilities subject to a master netting agreement	-	(482)	-	(334)

The following table presents the Company's derivative liabilities by counterparty, net of amounts available for offset, under a master netting agreement and net of any related collateral paid by the Company at 31 October 2019:

Counterparty	Derivative liabilities subject to a master netting agreement by a counterparty £'000	Derivatives available for offset £'000	Non-cash collateral given £'000	Pledged cash collateral £'000	Net amount of derivative liabilities £'000
At 31 October 2019					
Morgan Stanley	(482)	-	482	-	-
Total as at 31 October 2019	(482)	-	482	-	-
At 31 October 2018					
Morgan Stanley	(334)	-	334	-	-
Total as at 31 October 2018	(334)	-	334	-	-

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company is exposed to the liquidity risk for margin calls on derivative instruments. At the year end, the Company had an overdraft facility of the lower of £10.0 million or 20% of the Company's net assets (2018: lower of £10.0 million or 20% of the Company's net assets). The facility was not utilised during the year.

# Notes to the financial statements continued

## 14. Risk management policies and procedures continued

### Liquidity risk exposure

The remaining undiscounted gross cash outflows of the financial liabilities as at 31 October 2019 and 31 October 2018, based on the earliest date on which payment can be required, were as follows:

	2019 3 months or less	2018 3 months or less
	£'000	£'000
Amounts due to brokers, accruals and provisions	1,308	739
Derivative financial liabilities held at fair value through profit or loss	482	334
	1,790	1,073

### Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. Asset disposals may also be required to meet liquidity needs. However, the timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company may experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is not significant as the Company's assets are investments in listed securities that are readily realisable.

The Company's 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 obligations.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

### (d) Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investment and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 2(g) to the Financial Statements on pages 66 and 67.

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows.

The fair value hierarchy has the following levels:

#### Level 1 - Quoted market price 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 from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

#### Level 2 - Valuation techniques using observable inputs

This category includes instruments valued using 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 options, currency swaps and other over-the-counter 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 specific inputs.

### Level 3 - Valuation techniques using significant unobservable inputs

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

This category 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 Investment Manager considers observable data 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 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. 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.

Over-the-counter derivative option contracts have been classified as Level 2 investments as their valuation has been based on market observable inputs represented by the underlying quoted securities to which these contracts expose the Company.

### Fair values of financial assets and financial liabilities

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

Financial assets at fair value through profit or loss at 31 October 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	130,525	-	-	130,525
Liabilities:				
Derivative financial instruments - written options	-	(482)	-	(482)
	130,525	(482)	-	130,043

Financial assets at fair value through profit or loss at 31 October 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	114,843	-	-	114,843
Liabilities:				
Derivative financial instruments - written options	-	(334)	-	(334)
	114,843	(334)	-	114,509

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 31 October 2019 and 31 October 2018. The Company did not hold any Level 3 securities throughout the financial year or as at 31 October 2019 (2018: nil).

# Notes to the financial statements continued

## 14. Risk management policies and procedures continued

### (e) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- to achieve an annual dividend target and, over the long term, capital growth by investing in a diversified portfolio of equity securities quoted in the U.S., with a focus on companies that pay and grow their dividends.

This is to be achieved through an appropriate balance of equity capital and gearing. The Company operates a flexible gearing policy which depends on prevailing conditions.

The Company's total capital at 31 October 2019 was £142,786,000 (2018: £120,945,000), comprising a bank overdraft of £nil (2018: £nil) and equity shares, capital and reserves of £142,786,000 (2018: £120,945,000).

Under the terms of the overdraft facility agreement, the Company's total indebtedness shall at no time exceed 20% of the Company's net asset value.

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view on the market; and
- the need to buy back equity shares, either for cancellation or to be held in treasury, or the reissue of shares held in treasury which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium).

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restrictions tests imposed on investment companies by law.

During the year, the Company complied with the externally imposed capital requirements to which it was subject.

## 15. Related party disclosure: Directors' emoluments

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report on pages 38 and 39. At 31 October 2019 £14,000 (2018: £10,000) was outstanding in respect of Directors' fees.

## 16. Transactions with the Investment Manager and AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on page 32.

The investment management fee due for the year ended 31 October 2019 amounted to £1,002,000 (2018: £895,000). At the year end, £546,000 was outstanding in respect of the management fee (2018: £462,000).

In addition to the above services, BlackRock has provided marketing services. The total fees paid or payable for these services for the year ended 31 October 2019 amounted to £26,000 excluding VAT (2018: £25,000). Marketing fees of £23,000 excluding VAT (2018: £25,000) were outstanding as at the year end.

## 17. Contingent liabilities

There were no contingent liabilities at 31 October 2019 (2018: nil).

# Additional information



Overweight exposure to the software industry proved a tailwind to relative performance. Oracle's bespoke cloud and AI technologies enable conservationists at the World Bee Project to 'listen' to honey bees - analysing intricate acoustic data captured inside smart hives around the world.

# Shareholder information

## Financial calendar

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

### February/March

Annual General Meeting.

### June

Half yearly figures announced and Half Yearly Financial Report published.

### January/February

Annual results and Annual Report and Financial Statements published.

## Quarterly dividends

Dividends are paid quarterly as follows:

Period ending	Ex-date	Payment date
31 January	March	April
30 April	May	July
31 July	August	October
31 October	November	January

## Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service - Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, through their secure website [investorcentre.co.uk](http://investorcentre.co.uk), or by telephone on 0370 873 5879, or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Dividend confirmations will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

## Dividend Reinvestment Scheme (DRIP)

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC, through their secure website [investorcentre.co.uk](http://investorcentre.co.uk), or by telephone on 0370 873 5879. Shareholders who have already opted to have their dividends reinvested do not need to reapply.

## Share prices

The Company's mid-market share prices are quoted daily in The Financial Times and The Times under 'Investment Companies' and in The Daily Telegraph under 'Investment Trusts'. The share price is also available on the BlackRock website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna).

## ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic codes for the Company's ordinary shares are:

	Ordinary shares
ISIN	GB00B7W0XJ61
SEDOL	B7W0XJ6
Reuters code	BRNA.L
Bloomberg code	BRNA LN

## Dividend tax allowance

From April 2018 the annual tax-free allowance on dividend income across an individual's entire share portfolio is £2,000. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances.

The Company continues to provide registered shareholders with a confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a Financial Advisor.

## Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. To purchase this investment through Computershare, investors can do so by applying for a Trading Account at [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk). You must have read the Key Information Document before the trade can be executed. Computershare can email or post this to you.

For existing shareholders not looking to purchase shares, the Company's registrar, Computershare, has an internet and telephone share dealing service. The telephone share dealing service is available on 0370 703 0084. To access the internet share dealing service, you will need to access [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk). You will require your shareholder reference number, which can be found on paper or electronic communications that you have previously received from Computershare.



**Internet dealing** – The fee for this service is 1% of the value of the transaction (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

**Telephone dealing** – The fee for this service will be 1% of the value of the transaction (plus £50). Stamp duty of 0.5% is payable on purchases.

## CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

## Risk factors

- Past performance is not necessarily a guide to future performance.
- The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuate.
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (NAV) (although they are related) and therefore you may realise returns which are lower or higher than NAV performance.

## Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at [eproxyappointment.com](http://eproxyappointment.com) using their shareholder reference number, control number and a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the Form of Proxy and the Notice of Annual General Meeting.

## Nominee code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

## Publication of net asset value/portfolio analysis

The net asset value per share (NAV) of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

The daily NAV and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna), through the Reuters News Service under the code 'BLRKINDEX', on page 8800 on Topic 3 (ICV terminals) and under 'BLRK' on Bloomberg (monthly information only).

## Stocks and shares Individual Savings Accounts (ISAs)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within stocks and shares Individual Savings Accounts. In the 2019/2020 tax year investors have an annual ISA allowance of £20,000 (2018/2019: £20,000) which can be invested in either cash or shares.

## Online access

Other details about the Company are available on the BlackRock website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna). The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at [investorcentre.co.uk](http://investorcentre.co.uk). To access Computershare's website you will need your shareholder reference number (SRN) which can be found on paper or electronic communications you have previously received from Computershare. Listed below are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.
- Payments enquiry – view your dividends and other payment types.
- Address change – change your registered address.
- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.
- e-Comms sign-up – choose to receive email notification when your shareholder communications become available instead of paper communications.

## Shareholder information continued

- Outstanding payments – reissue payments using the online replacement service.
- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

### Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from your share certificate, dividend confirmation statement or other electronic communications you have previously received from Computershare. The address of the Computershare website is [investorcentre.co.uk](http://investorcentre.co.uk). Alternatively, please contact the registrar on 0370 873 5879.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

### General enquiries

Enquiries about the Company should be directed to:

The Secretary  
BlackRock North American Income Trust plc  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000  
Email: [cosec@blackrock.com](mailto:cosec@blackrock.com)

# Analysis of ordinary shareholders

## By type of holder

	Number of holders	% of total 2019	% of total 2018	Number of shares	% of total 2019	% of total 2018
Individuals	56	7.3	9.6	1,397,138	1.8	2.0
Bank or Nominees	699	90.6	88.4	76,625,490	97.7	97.5
Investment Trust	2	0.3	0.0	2,227	0.0	0.0
Insurance Company	1	0.1	0.1	90,436	0.1	0.1
Other Company	9	1.2	1.4	250,727	0.3	0.3
Pension Trust	1	0.1	0.2	1	0.0	0.0
Other Corporate Body	3	0.4	0.3	33,025	0.1	0.1
	771	100.0	100.0	78,399,044	100.0	100.0

## By size of holding

Range	Number of holders	% of total 2019	% of total 2018	Number of shares	% of total 2019	% of total 2018
1-10,000	494	64.1	61.9	2,176,005	2.8	2.6
10,001-100,000	190	24.7	25.2	5,605,047	7.1	6.8
100,001-1,000,000	64	8.3	10.2	20,723,096	26.4	29.7
1,000,000-5,000,000	22	2.8	2.5	43,564,907	55.6	52.8
5,000,000 and above	1	0.1	0.2	6,329,989	8.1	8.1
	771	100.0	100.0	78,399,044	100.0	100.0

Excludes treasury shares.

## Historical record

Year ended 31 October	Ordinary shares in issue ex. Treasury	Treasury shares	Net assets attributable to ordinary shareholders £'000	Net asset value per ordinary share - undiluted p	Ordinary share price p	Revenue attributable to ordinary shareholders £'000	Revenue earnings per share p	Dividend per share p
2013	99,361,305	-	111,289	112.00	112.50	3,254	4.28	4.00
2014	100,361,305	-	121,199	120.76	112.00	4,256	4.25	4.00
2015	80,039,044	20,322,261	98,046	122.50	113.00	3,833	4.54	4.30
2016	68,949,044	31,412,261	109,479	158.78	155.75	3,730	5.17	4.70
2017	68,874,044	31,487,261	118,295	171.76	160.50	3,731	5.41	4.95
2018	68,874,044	31,487,261	120,945	175.60	169.50	3,556	5.16	8.00
<b>2019</b>	<b>78,399,044</b>	<b>21,962,261</b>	<b>142,786</b>	<b>182.13</b>	<b>186.50</b>	<b>4,338</b>	<b>5.96</b>	<b>8.00</b>

# Management and other service providers

## Registered Office

(Registered in England and Wales, No. 8196493)  
12 Throgmorton Avenue  
London EC2N 2DL

## Investment Manager and Secretary

BlackRock Investment Management (UK) Limited\*  
12 Throgmorton Avenue  
London EC2N 2DL  
Telephone: 020 7743 3000  
Email: cosec@blackrock.com

## Alternative Investment Fund Manager

BlackRock Fund Managers Limited\*  
12 Throgmorton Avenue  
London EC2N 2DL

## Depository, Custodian and Banker

The Bank of New York Mellon (International) Limited\*  
1 Canada Square  
Canary Wharf  
London E14 5AJ

## Registrar

Computershare Investor Services PLC\*  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZY  
Telephone: 0370 873 5879

## Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

## Stockbroker

Cenkos Securities plc\*  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

## Solicitor

Gowling WLG (UK) LLP  
4 More London Riverside  
London SE1 2AU

\* Authorised and regulated by the Financial Conduct Authority.

# AIFMD disclosures

## Report on remuneration

The Alternative Investment Fund Managers' Directive (the AIFMD), requires certain disclosures to be made with regard to the remuneration policy of the Company's Alternative Investment Fund Manager (AIFM).

Details of the most up to date version of the BlackRock AIFM Remuneration Policy (the Policy) are disclosed on the Company's website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna). The Policy is reviewed on an annual basis and updated as required; it has applied to the Manager since 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as the Company's AIFM.

## Quantitative remuneration disclosures

Disclosures in accordance with FUND 3.3.5, Article 22(2)e and 22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna).

## Leverage

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. The Company may also employ leverage in its investment programme through foreign exchange forward contracts. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject.

Consistent with its investment objectives and policy, the Company may utilise a variety of exchange traded and over-the-counter (OTC) derivative instruments such as covered call options as part of its investment policy. The use of derivatives may expose the Company to a higher degree of risk. No derivatives were used for leverage purposes during the year.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment leverage as at 31 October 2019	Gross leverage as at 31 October 2019
Leverage ratio	0.94	1.13

## Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 14 to the notes to the financial statements on pages 75 to 84.

## Pre investment disclosures

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the Annual Report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management fees, conflicts of interest and other shareholder information is available on the website at [blackrock.co.uk/brna](http://blackrock.co.uk/brna).

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

**CAROLINE DRISCOLL**  
**FOR AND ON BEHALF OF**  
**BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED**  
Company Secretary  
12 February 2020

# Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long-term incentive schemes in operation.

9.8.4 (5) and (6) No Director of the Company has waived or agreed to waive any current or future emoluments from the Company.

9.8.4 (7) In the year under review, the Company has reissued 9,525,000 shares from treasury at a premium to NAV at an average price of 181.93p per share and for a total consideration of £17,252,000 excluding costs. Since the year end, the Company has reissued 2,805,000 ordinary shares from treasury at an average price of 189.86p per share for a total consideration of £5,326,000 after the deduction of costs.

The Company is a stand-alone entity therefore Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

**CAROLINE DRISCOLL**  
**FOR AND ON BEHALF OF**  
**BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED**  
Company Secretary  
12 February 2020

# Glossary

## Alternative Performance Measures (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The Company's APMs are identified and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Annual Report.

## Benchmark

The Company's benchmark index, used for performance comparative purposes is the Russell 1000 Value Index on a total return basis.

## Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open ended funds and can therefore invest in less liquid investments.

## Discount and Premium\*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. As at 31 October 2019 the share price was 186.50p (2018: 169.50p) and the NAV 182.13p (2018: 175.60p), the premium/(discount) was 2.4% (2018: (3.5%)) (please see note 8 of the financial statements).

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 180p and the NAV 178p, the premium would be 1.1%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

## Gearing and borrowings

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment

companies to take advantage of a long-term view on a sector or to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments.

Gearing works by magnifying a company's performance. If a company 'gears up' and then markets rise and returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified.

## Leverage

Leverage is defined in the AIFM Directive as 'any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means'.

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The treatment of cash and cash equivalent balances in terms of calculating what constitutes an 'exposure' under AIFMD differs for these two methods. The definitions for calculating the Gross Method exposures require that 'the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond' should be excluded from exposure calculations.

## Net asset value per share (cum income NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue (excluding treasury shares). For example, as at 31 October 2019, equity shareholders' funds were worth £142,786,000 and there were 78,399,044 ordinary shares in issue (excluding treasury shares); the undiluted NAV was therefore 182.13p per ordinary share (please see note 8 of the financial statements for the audited inputs to the calculations).

Equity shareholders' funds are calculated by deducting from the Company's total assets, its current and long-term liabilities and any provision for liabilities and charges.

\* Alternative Performance Measures.



## Net asset value per share (capital only NAV)\*

The capital only NAV is a popular point of reference when comparing a range of investment trusts. This NAV focuses on the value of the Company's assets disregarding the current period revenue income, on the basis that most trusts will distribute substantially all of their income in any financial period. It is also the measure adopted by the Association of Investment Companies for preparation of statistical data. It is calculated by dividing 'equity shareholders' funds' (excluding current period revenue) by the total number of ordinary shares in issue.

As at 31 October 2019, equity shareholders' funds (excluding current year net revenue) amounted to £141,197,000 and there were 78,399,044 ordinary shares in issue (excluding treasury shares); therefore the capital only NAV was 180.10p.

Equity shareholders' funds (excluding current period revenue of £141,197,000) are calculated by deducting from the Company's net assets (£142,786,000) its current period revenue (£4,338,000) and adding back the interim dividends paid from revenue (£2,749,000).

## Ongoing charges ratio\*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

As recommended by the AIC in its guidance, ongoing charges are calculated using the Company's annualised recurring revenue and capital expenses (excluding finance costs, direct transaction costs, custody transaction charges and taxation) expressed as a percentage of the average daily net assets of the Company during the year.

The inputs that have been used to calculate the ongoing charges percentage are set out in the following table.

Ongoing charges calculation	Page	31 October 2019 £000	31 October 2018 £000
Management fee	68	1,002	895
Other operating expenses	69	403	374
Total management fee and other operating expenses		1,405	1,269 (a)
Average net assets in the year		128,817	119,225 (b)
Ongoing charges (c = a/b)		1.09%	1.06% (c)

## Options and options overwriting strategy

An option is a contract that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date) for a fee (the premium). The sale of call or put options on stocks that are believed to be overpriced or underpriced, based on the assumption that the options will not be exercised, is referred to as an 'options overwriting' strategy.

The seller of the option collects a premium but, if the option subsequently expires without being exercised, there will be no downside for the seller. However, if the stock rises above the exercise price the holder of the option is likely to exercise the option and this strategy can reduce returns in a rising market.

The Company employs an options overwriting strategy but seeks to mitigate risk by utilising predominantly covered call options (meaning that call options are only written in respect of stocks already owned within the Company's portfolio such that, if the options are exercised, the Company does not need to purchase stock externally at fluctuating market prices to meet its obligations under the options contract). Any use of derivatives for efficient portfolio management and options for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments.

## Quoted securities

Securities that trade on an exchange for which there is a publicly quoted price.

\* Alternative Performance Measures.

## Glossary continued

### Revenue profit and revenue reserves

Revenue profit is the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. Revenue reserves is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate after expenses. They may retain up to 15% of revenue generated which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

### Total return - NAV and share price\*

Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are reinvested in the Company at the prevailing NAV/Share price (please see note 8 of the financial statements for the audited inputs to the calculations).

NAV total return	Page	31 October 2019	31 October 2018
Closing NAV per share (pence)	72	182.13	175.60
Add back dividends paid (pence)	71	8.00	7.25
Effect of dividend reinvestment (pence)		0.47	0.24
Adjusted closing NAV (pence)		190.60	183.09 (a)
Opening NAV per share (pence)	72	175.60	171.76 (b)
<b>NAV total return (c = ((a - b)/b)) (%)</b>		<b>8.5</b>	<b>6.6 (c)</b>

Share price total return	Page	31 October 2019	31 October 2018
Closing share price (pence)	72	186.50	169.50
Add back dividends paid (pence)	71	8.00	7.25
Effect of dividend reinvestment (pence)		0.46	0.26
Adjusted closing share price (pence)		194.96	177.01 (a)
Opening share price (pence)	72	169.50	160.50 (b)
<b>Share price total return (c = ((a - b)/b)) (%)</b>		<b>15.0</b>	<b>10.3 (c)</b>

### Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury stock may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

### Unquoted investments

Financial securities that do not trade on an exchange for which there is not a publicly quoted price.

### Yield\*

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include price variations, distinguishing it from the total return.

	31 October 2019	31 October 2018
Dividends paid/payable (pence)	8.00	8.00 (a)
Ordinary share price (pence)	186.50	169.50 (b)
<b>Yield (c = a/b) (%)</b>	<b>4.3</b>	<b>4.7 (c)</b>

\* Alternative Performance Measures.

# Annual general meeting



We like the strong balance sheets and shareholder capital returns policies of large-cap aerospace and defence firms like Lockheed Martin. The recently passed 2018-2019 Department of Defense budget means the outlook for defence spending in the U.S. remains strong.

# Notice of annual general meeting

Notice is hereby given that the seventh Annual General Meeting of BlackRock North American Income Trust plc will be held at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on Friday, 20 March 2020 at 12.00 noon to consider and, if thought fit, pass Resolutions 1 to 12 inclusive as Ordinary Resolutions and Resolutions 13 and 14 as Special Resolutions.

## Ordinary business

1. To receive the report of the Directors of the Company and the financial statements for the year ended 31 October 2019, together with the report of the auditors thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 October 2019, excluding any content relating to the proposed remuneration policy of the Company.
3. To approve the Directors' Remuneration Policy as set out on pages 40 to 42.
4. That shareholders approve the Company's dividend policy to continue to pay four quarterly interim dividends, which in the year under review have totalled 8.00p per share.
5. To re-elect Simon Miller as a Director.
6. To re-elect Christopher Casey as a Director.
7. To re-elect Andrew Irvine as a Director.
8. To re-elect Alice Ryder as a Director.
9. To elect Melanie Roberts as a Director.
10. To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.
11. To authorise the Audit and Management Engagement Committee to determine the auditors' remuneration.

## Special business

### Ordinary resolution

12. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot relevant securities in the Company (as described in that section) up to an aggregate nominal amount of £81,204 (being 10% of the aggregate nominal amount of the issued ordinary share capital, excluding treasury shares, of the Company at the date of this

notice), provided this authority shall (unless previously revoked) expire at the conclusion of the Annual General Meeting to be held in 2021, but the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot such securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

### Special resolutions

13. That, in substitution for all existing authorities and subject to the passing of resolution numbered 12 above, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the Act) to allot equity securities (as defined in section 560 of the Act) and to sell equity securities held by the Company as treasury shares (as defined in section 724 of the Act) for cash pursuant to the authority granted by the resolution numbered 12 above, as if section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

- (a) shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2021, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offer or agreements;
- (b) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of £81,204 (representing 10% of the aggregate nominal amount of the issued share capital, excluding treasury shares, of the Company at the date of this notice); and
- (c) shall be limited to the allotment of equity securities at a price of not less than the net asset value per share as close as practicable to the allotment or sale.

14. That in substitution for the Company's existing authority to make market purchases of ordinary shares of 1p each in the Company (Ordinary Shares), the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the Act) to make market purchases of Ordinary Shares (within the meaning of section 693 of the Act) provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 12,172,486 or, if less, that number of Ordinary Shares which is equal to 14.99% of the Company's issued ordinary share capital (excluding treasury shares) at the date of the Annual General Meeting;
- (b) the minimum price (exclusive of expenses) which may be paid for any such Ordinary Share shall be 1p being the nominal value per share;
- (c) the maximum price (exclusive of expenses) which may be paid for any such Ordinary Share shall be the higher of (i) 105% of the average of the middle market quotations (as derived from the Official List) of the Ordinary Shares for the five dealing days prior to the date on which the market purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of and (b) the highest independent bid for, any number of Ordinary Shares on the trading venue where the purchase is carried out; and
- (d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2021 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under the authority hereby conferred and may make a purchase of Ordinary Shares pursuant to any such contract notwithstanding such expiry.

All Ordinary Shares purchased pursuant to the above authority shall be either:

- (i) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or
- (ii) cancelled immediately upon completion of the purchase.

### For and on behalf of the Board

**CAROLINE DRISCOLL**  
**BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED**  
 Company Secretary  
 12 February 2020

Registered Office:  
 12 Throgmorton Avenue  
 London EC2N 2DL

# Notice of annual general meeting continued

## Notes:

1. A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions thereon as soon as possible and in any event by not later than 12.00 noon on 18 March 2020. Amended instructions must also be received by the Company's registrar by the deadline for receipt of Forms of Proxy. Alternatively you can vote or appoint a proxy electronically by visiting [eproxyappointment.com](http://eproxyappointment.com). You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the Form of Proxy. The latest time for the submission of proxy votes electronically is 12.00 noon on 18 March 2020.
3. Completion and return of the Form of Proxy will not prevent you from attending the meeting and voting in person.
4. Proxymity Voting - if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 12.00 noon on 18 March 2020 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
5. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only ordinary shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
6. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only ordinary shareholders registered in the register of members of the Company by not later than 6.00 p.m. on 18 March 2020 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the time of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's Registrar not later than 12.00 noon on 18 March 2020. Instructions on how to vote through CREST can be found by accessing the following website: [euroclear.com/CREST](http://euroclear.com/CREST). Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 12.00 noon on 18 March 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under Section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
14. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
  - (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are laid before the meeting; or
  - (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006.

The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

15. Further information regarding the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at [blackrock.co.uk/brna](http://blackrock.co.uk/brna).
16. As at 12 February 2020 (being the last practicable date prior to the publication of this Notice of Annual General Meeting), the Company's issued share capital comprised 81,204,044 ordinary shares of 1p each, excluding shares in treasury. Each ordinary share carries the right to one vote and therefore the total number of voting rights in the Company as at 12 February 2020 is 81,204,044.
17. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

# Share fraud warning

## Be ScamSmart



### Investment scams are designed to look like genuine investments



#### Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

#### Avoid investment fraud

**1 Reject cold calls**

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

**2 Check the FCA Warning List**

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

**3 Get impartial advice**

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

#### Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

Find out more at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

**Remember: if it sounds too good to be true, it probably is!**

SGN001











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