

**BLACKROCK FUND MANAGERS LIMITED (FORMERLY MERRILL LYNCH
FUND MANAGERS LIMITED)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED
31 DECEMBER 2007**

WEDNESDAY



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BLACKROCK FUND MANAGERS LIMITED (FORMERLY MERRILL LYNCH FUND MANAGERS LIMITED)

CONTENTS

	Page
Directors' Report	1 - 3
Independent Auditors' Report to the Members	4 - 5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8 - 13

DIRECTORS' REPORT

For the period ended 31 December 2007

The directors present their report and the audited financial statements of BlackRock Fund Managers Limited (the "Company") for the period ended 31 December 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report, which comply with the requirements of the Companies Act 1985

Each of the persons who is a director at the date of approval of this report confirms that

(A) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(B) the director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

DIRECTORS' REPORT

For the period ended 31 December 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of BlackRock Investment Management (UK) Limited (formerly Merrill Lynch Investment Managers Limited)

On 29 September 2006, Merrill Lynch & Co transferred its investment management business to BlackRock, Inc. Merrill Lynch Fund Managers Limited was one of the subsidiaries sold to BlackRock, Inc and renamed on 2 October 2006 to BlackRock Fund Managers Limited

The Company's principal activity is the management of investment funds. There have not been any significant changes in the Company's principal activities in the period under review. The directors propose that the principal activity will continue during 2008.

As shown in the Company's profit and loss account on page 6, the Company's turnover for the period ended 31 December 2007 was £10,151,388,000 (29 September 2006 £5,437,979,000). On an annualised basis this has increased by 12%. This is in line with management's expectations.

The balance sheet on page 7 of the financial statements as at 31 December 2007 shows net assets of £23,477,000 (29 September 2006 £33,674,000), a decrease of 30%. This decrease is in line with management's expectations and is the result of the payment of dividends during the period.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties are managed by BlackRock, Inc ("BlackRock") at a global level.

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

The specific risks and uncertainties relevant to the Company include

- Change in securities markets could lead to a decline in revenues
- Poor investment performance could lead to the loss of clients and a decline in revenues
- Loss of key employees could lead to the loss of clients and a decline in revenues
- Loss of significant separate accounts could decrease revenues
- Performance fees may increase earnings volatility, which could decrease BlackRock's stock price
- Failure to maintain adequate infrastructure could impede BlackRock's ability to support business growth
- Failure to comply with government regulations could result in fines or temporary or permanent prohibitions on business activities, which could cause BlackRock's earnings or stock price to decline
- The occurrence of one or more of the above events could adversely affect the reputation of the company and hence its ability to generate revenues in the longer term

The Company has no material exposures to market risk, credit risk and liquidity risk in relation to financial instruments. The Company has some exposure to currency risk, in relation to the impacts of changes in the value of foreign currencies on amounts receivable and payable. The Company manages the exposure to foreign exchange by converting cash balances to functional currency where this is causing ongoing exposure.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £4,803,000 (29 September 2006 profit £20,310,000).

During the period the Company paid dividends of £15,000,000 (29 September 2006 £78,474,000).

DIRECTORS' REPORT
For the period ended 31 December 2007

DIRECTORS

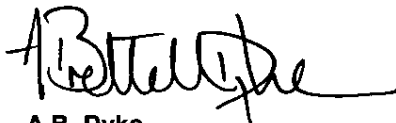
The directors who served during the period and up to the date of signing this report were as follows

G D Bamping
N C D Hall
A C Hootor-Duncan
C C Prideaux
R G Royds (resigned 01/07/2007)
A J Stenning
E E Tracey
S McLaughlin (appointed 10/09/07)

AUDITORS

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term

This report was approved by the Board on 28 April 2008 and signed on its behalf



A.B. Dyke
Company Secretary
London

BLACKROCK FUND MANAGERS LIMITED (FORMERLY MERRILL LYNCH FUND MANAGERS LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKROCK FUND MANAGERS LIMITED (FORMERLY MERRILL LYNCH FUND MANAGERS LIMITED)

We have audited the financial statements of BlackRock Fund Managers Limited (formerly Merrill Lynch Fund Managers Limited) (the "Company") for the period from 30 September 2006 to 31 December 2007 which comprises the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BLACKROCK FUND MANAGERS LIMITED (FORMERLY MERRILL LYNCH FUND MANAGERS LIMITED)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKROCK FUND MANAGERS LIMITED
(FORMERLY MERRILL LYNCH FUND MANAGERS LIMITED)**

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

28 April 2008

BLACKROCK FUND MANAGERS LIMITED (FORMERLY MERRILL LYNCH FUND MANAGERS LIMITED)**PROFIT AND LOSS ACCOUNT**

For the period ended 31 December 2007

	Note	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
TURNOVER	3	10,151,388	5,437,979
Cost of sales		<u>(9,970,143)</u>	<u>(5,347,511)</u>
GROSS PROFIT		181,245	90,468
Administrative expenses		<u>(177,592)</u>	<u>(74,061)</u>
OPERATING PROFIT	4	3,653	16,407
Other interest receivable and similar income	7	3,495	3,903
Interest payable and similar charges	8	<u>(287)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,861	20,310
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	<u>(2,058)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>4,803</u>	<u>20,310</u>

Turnover and operating profit derive wholly from continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

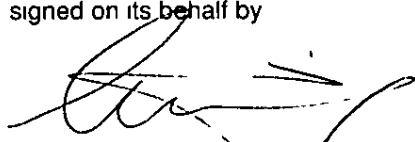
The notes on pages 8 to 13 form part of these financial statements

BLACKROCK FUND MANAGERS LIMITED (FORMERLY MERRILL LYNCH FUND MANAGERS LIMITED)

BALANCE SHEET
As at 31 December 2007

			31 December 2007 £000	29 September 2006 £000
	Note	£000	£000	£000
CURRENT ASSETS				
Debtors	11	101,119		173,492
Investments	12	1,008		844
Cash at bank		3,557		27,778
		<u>105,684</u>		<u>202,114</u>
CREDITORS Amounts falling due within one year	13	(82,207)		(168,440)
NET CURRENT ASSETS			<u>23,477</u>	<u>33,674</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>23,477</u>	<u>33,674</u>
CAPITAL AND RESERVES				
Called up share capital	14		13,100	13,100
Profit and Loss account	15		10,377	20,574
SHAREHOLDER'S FUNDS	16		<u>23,477</u>	<u>33,674</u>

The financial statements were approved by the Board and authorised for issue on 28 April 2008. They were signed on its behalf by



A. J. Stenning
Director

The notes on pages 8 to 13 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the periods.

1.1 Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards.

1.2 Accounting convention

The financial statements have been prepared under the historical cost convention.

1.3 Accounting period

The Company's financial period covered the period from 30 September 2006 to 31 December 2007 (2006: 31 December 2005 to 29 September 2006).

1.4 Turnover

Turnover represents investment management fees arising from investment management activity, proceeds on the sale and liquidation of units and management charges to affiliated companies.

1.5 Cash flow

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised 1996) - Cash Flow Statements, as a consolidated cash flow statement is included in the publicly available consolidated financial statements of the former ultimate parent company, Merrill Lynch & Co, Inc, for the prior period.

For the current period a consolidated cash flow statement is included in the publicly available consolidated financial statements of the ultimate parent company, BlackRock, Inc.

1.6 Translation of foreign currencies

Revenues and expenses arising from transactions to be settled in foreign currencies are translated into sterling at average monthly market rates of exchange. Monetary assets and liabilities are translated into sterling at the market rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of foreign currencies are reflected in the profit and loss account.

1.7 Pensions

Employee costs and related pension costs are paid by an affiliated group undertaking which recovers its costs through service charges to the Company. Details of the pension benefits and contributions and the most recent actuarial valuations are given in the financial statements of the ultimate holding company, BlackRock, Inc.

1.8 Investments

Unlisted investments and investments in unit trusts are shown at the lower of cost and directors' valuation. Listed investments are shown at the lower of cost and market value.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

2 PRINCIPAL ACTIVITY

The Company acts as a manager of investment funds

3. TURNOVER

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Investment management fees	118,198	61,889
Proceeds on sale of units	9,979,714	5,352,707
Management charges to affiliated companies	53,476	23,383
	<u>10,151,388</u>	<u>5,437,979</u>

All turnover arose within the United Kingdom

4. OPERATING PROFIT

Operating profit is stated after charging the following

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Service fee charge from affiliated companies	177,549	73,985
	<u>177,549</u>	<u>73,985</u>

Auditors' remuneration has been borne by an affiliated entity in the current and preceding year. Fees payable to the company's auditors, Deloitte & Touche LLP for the audit of the Company's annual accounts were £182,000 (2006: £130,000). Fees paid to the Company's auditors and its associates for services other than the statutory audit are not disclosed in BlackRock Fund Managers Limited accounts since the consolidated accounts of its ultimate parent, BlackRock, Inc. are required to disclose non-audit fees on a consolidated basis.

5. DIRECTORS AND EMPLOYEES

The average number of persons (including directors) employed by the Company during the period was

	30 September 2006 to 31 December 2007	31 December 2005 to 29 September 2006
	<u>7</u>	<u>7</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

6 DIRECTORS' REMUNERATION

Of the directors that served during the period, seven (2006 seven) were remunerated in relation to their services as directors for this Company and the amounts included below are based on an estimated time allocation basis

Emoluments in relation to services performed for other affiliated companies are not disclosed in this Company's financial statements

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Remuneration paid to directors of the Company comprised		
Emoluments	997	713
Company pension contributions to defined contribution pension schemes	58	36

During the period retirement benefits were accruing to six directors (2006 seven) in respect of defined contribution pension schemes

The highest paid director received emoluments of £286,000 (2006 £182,000)

The value of the Company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £9,000 (2006 £11,000)

The total accrued BlackRock (2006 Merrill Lynch) pension provision of the highest paid director at 31 December 2007 amounted to £nil (2006 £19,000)

During the period no directors exercised BlackRock, Inc (2006 Merrill Lynch & Co , Inc) share options (2006 three)

During the period the number of directors by whom BlackRock, Inc (2006 Merrill Lynch & Co , Inc) shares are receivable or have been received under long term incentive schemes was seven (2006 seven)

The highest paid director received BlackRock, Inc (2006 Merrill Lynch & Co , Inc) shares under a long term incentive scheme during 2007

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Other interest receivable and similar income		
- From affiliated companies	-	3,396
- From other sources	3,495	507
	3,495	3,903

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

8. INTEREST PAYABLE AND SIMILAR CHARGES

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Interest payable and similar charges		
- Interest expense to affiliated companies	287	-

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Payments for group relief	2,058	-

Factors affecting tax charge for period

The tax assessed for the period is the same as (2006 lower than) the standard rate of corporation tax in the UK applicable to the Company (30%) The differences are explained below

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Profit on ordinary activities before tax	6,861	20,310
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	2,058	6,093
Effects of:		
Tax losses claimed from affiliated companies for no payment	-	(6,093)
Current tax charge for period (see note above)	2,058	-

10. DIVIDENDS

	30 September 2006 to 31 December 2007 £000	31 December 2005 to 29 September 2006 £000
Total dividends paid	15,000	78,474

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007

11. DEBTORS

	31 December 2007 £000	29 September 2006 £000
Trade debtors	99,487	173,492
Amounts owed by affiliated companies	1,632	-
	<u>101,119</u>	<u>173,492</u>

12. CURRENT ASSET INVESTMENTS

	31 December 2007 £000	29 September 2006 £000
Listed investments	1,008	748
Unlisted investments	-	96
	<u>1,008</u>	<u>844</u>

Listed investments

The market value of the listed investments at 31 December 2007 was £1,008,000 (2006 £748,000)

13. CREDITORS:
Amounts falling due within one year

	31 December 2007 £000	29 September 2006 £000
Trade creditors	41,982	154,125
Amounts owed to affiliated companies	36,437	14,082
Other creditors	3,788	233
	<u>82,207</u>	<u>168,440</u>

14. SHARE CAPITAL

	31 December 2007 £	29 September 2006 £
Authorised		
150,100,000 ordinary shares of £1 each	<u>150,100,000</u>	<u>150,100,000</u>
Allotted, called up and fully paid		
13,100,000 ordinary shares of £1 each	<u>13,100,000</u>	<u>13,100,000</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2007**15 PROFIT AND LOSS ACCOUNT**

	£000
At 30 September 2006	20,574
Profit retained for the period	4,803
Dividends	(15,000)
	<hr/>
At 31 December 2007	10,377
	<hr/>

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	31 December 2007 £000	29 September 2006 £000
Profit for the period	4,803	20,310
Dividends	(15,000)	(78,474)
	<hr/>	<hr/>
	(10,197)	(58,164)
Opening shareholder's funds	33,674	91,838
	<hr/>	<hr/>
Closing shareholder's funds	23,477	33,674
	<hr/>	<hr/>

17 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption from related party disclosures available in Paragraph 3(c) of Financial Reporting Standard No 8 - Related Party Disclosures, as it is a wholly owned subsidiary and the consolidated financial statements of the ultimate parent company are publicly available as noted below

There were no related party transactions other than those with affiliated companies covered by the exemption noted above

18. PARENT UNDERTAKINGS

The Company's immediate parent company is BlackRock Investment Management (UK) Limited (formerly Merrill Lynch Investment Managers Limited) and the ultimate parent company is BlackRock Inc, a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the Company and for which group accounts are prepared is BlackRock Inc. Copies of the group financial statements of BlackRock Inc are available from the Investor Relations website at www.blackrock.com or requests may be addressed to Investor Relations at 40 East 52nd St, New York, NY 10022, USA or by e-mail at invrel@blackrock.com