

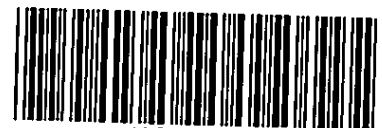
Registered number: 1102517

**BLACKROCK FUND MANAGERS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2008**

WEDNESDAY



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## **BLACKROCK FUND MANAGERS LIMITED**

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**DIRECTORS' REPORT**

**For the year ended 31 December 2008**

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The directors present their report and the audited financial statements of BlackRock Fund Managers Limited (the "Company") for the year ended 31 December 2008.

**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 year ended 31 December 2008**

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**BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company is a wholly owned subsidiary of BlackRock Investment Management (UK) 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 2009.

As shown in the Company's profit and loss account on page 6, the Company's turnover for the period ended 31 December 2008 was £11,630,122,000 (31 December 2007: £10,151,388,000). On an annualised basis this has increased by 43%. This is in line with management's expectations.

The balance sheet on page 7 of the financial statements as at 31 December 2008 shows net assets of £17,067,000 (31 December 2007: £23,477,000), a decrease of 27%. 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 institutional accounts could decrease revenues
- Operational risk events, such as error or fraud, may result in direct costs and/or subsequent litigation
- Failure to comply with government regulations could result in fines or temporary or permanent prohibitions on business activities
- 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 low 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.

The Company addresses solvency and liquidity risk by reference to the Internal Capital Adequacy Assessment Process (ICAAP) undertaken by its intermediate parent, BlackRock Group Limited, as required by the Financial Services Authority (FSA). The detailed analysis therein encompasses all the subsidiaries of BlackRock Group Limited. In particular, the ICAAP establishes the minimum capital requirement with reference to the amount of capital needed to effect an orderly wind-down of the business in a distressed situation. Then the firm's long-term capital plan is set to ensure that the amount of capital held remains above this level at all times.

Further details of BlackRock Group Limited's approach to capital adequacy are to be found in its 'Pillar 3' disclosure document, which is to be found at the following website address:

[www2.blackrock.com/global/home/InvestorRelations/CorporateGovernance/index.htm](http://www2.blackrock.com/global/home/InvestorRelations/CorporateGovernance/index.htm)

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**DIRECTORS' REPORT**

**For the year ended 31 December 2008**

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**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £3,590,000 (2007: £4,803,000).

During the period the Company paid dividends of £10,000,000 (2007: £15,000,000).

**DIRECTORS**

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

G.D. Bamping

N.C.D. Hall

A.C. Hoctor-Duncan

C.C. Prideaux

K.R. Ironmonger (appointed 5 December 2008)

A.J. Stenning

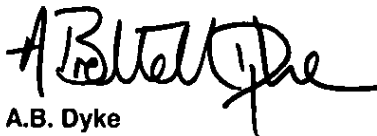
E.E. Tracey

S. McLaughlin

**AUDITORS**

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

This report was approved by the Board on 27 April 2009 and signed on its behalf.



**A.B. Dyke**  
Company Secretary  
London

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKROCK FUND MANAGERS LIMITED**

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We have audited the financial statements of BlackRock Fund Managers Limited (the "Company") for the year ended 31 December 2008 which comprises the profit and loss account, the balance sheet and the related notes 1 to 19. 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**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKROCK FUND MANAGERS LIMITED**

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**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 2008 and of its profit for the year 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 LLP**

Chartered Accountants and Registered Auditors  
London, United Kingdom

27 April 2009

**BLACKROCK FUND MANAGERS LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2008

		1 January 2008 to 31 December 2008 £000	30 September 2006 to 31 December 2007 £000
	Note		
<b>TURNOVER</b>	3	<b>11,630,122</b>	10,151,388
Cost of sales		<u>(11,477,377)</u>	<u>(9,970,143)</u>
<b>GROSS PROFIT</b>		<b>152,745</b>	181,245
Administrative expenses		<u>(151,245)</u>	<u>(177,592)</u>
<b>OPERATING PROFIT</b>	4	<b>1,500</b>	3,653
Other interest receivable and similar income	7	<b>3,521</b>	3,495
Interest payable and similar charges	8	<u>-</u>	<u>(287)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>5,021</b>	6,861
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	9	<u><b>(1,431)</b></u>	<u>(2,058)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><b>3,590</b></u>	<u>4,803</u>

Turnover and operating profit derive wholly from continuing operations.

There were no recognised gains and losses for 2008 other than those included in the profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

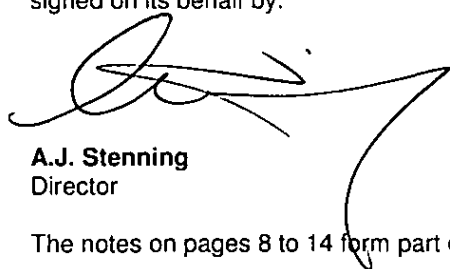


**BLACKROCK FUND MANAGERS LIMITED****BALANCE SHEET**

As at 31 December 2008

		31 December 2008		31 December 2007	
	Note	£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Investments	11		4,913		-
<b>CURRENT ASSETS</b>					
Debtors	12	117,903		101,119	
Investments	13	174		1,008	
Cash at bank		8,627		3,557	
		<u>126,704</u>		<u>105,684</u>	
<b>CREDITORS:</b> Amounts falling due within one year	14	(114,550)		(82,207)	
<b>NET CURRENT ASSETS</b>			<u>12,154</u>		<u>23,477</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><u>17,067</u></u>		<u><u>23,477</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		13,100		13,100
Profit and loss account	16		3,967		10,377
<b>SHAREHOLDER'S FUNDS</b>	17		<u><u>17,067</u></u>		<u><u>23,477</u></u>

The financial statements were approved by the Board and authorised for issue on 27 April 2009. They were signed on its behalf by:



**A.J. Stenning**  
Director

The notes on pages 8 to 14 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

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**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 1 January 2008 to 31 December 2008 (2007: 30 September 2006 to 31 December 2007).

**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 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 Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by or substantively enacted at the balance sheet date.

**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.

**1.9 Group accounts**

The Company has taken advantage of the exemption in Section 228A of the Companies Act 1985 from the obligation to prepare and deliver group accounts since the ultimate parent company BlackRock, Inc. prepared group accounts which include the Company. Accordingly, the Company's financial statements present information about it as an individual undertaking and not about its group.

## BLACKROCK FUND MANAGERS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008

#### 2. PRINCIPAL ACTIVITY

The Company acts as a manager of investment funds.

#### 3. TURNOVER

	1 January 2008 to 31 December 2008 £000	30 September 2006 to 31 December 2007 £000
Investment management fees	96,879	118,198
Proceeds on sale of units	11,487,560	9,979,714
Management charges to group companies	45,683	53,476
	<u>11,630,122</u>	<u>10,151,388</u>

All turnover arose within the United Kingdom.

#### 4. OPERATING PROFIT

Operating profit is stated after charging the following:

	1 January 2008 to 31 December 2008 £000	30 September 2006 to 31 December 2007 £000
Difference on foreign exchange	8,047	-
Service fee charge from a group company companies	143,198	177,549
	<u>151,245</u>	<u>177,549</u>

Auditors' remuneration has been borne by a group company in the current and preceding periods. Fees payable to the company's auditors, Deloitte LLP for the audit of the Company's annual accounts were £197,000 (2007: £182,000). 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 year was:

1 January 2008 to 31 December 2008	30 September 2006 to 31 December 2007
<u>7</u>	<u>7</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2008

**6. DIRECTORS' REMUNERATION**

Of the directors that served during the period, eight (2007: 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 group companies are not disclosed in this Company's financial statements.

	<b>1 January 2008 to 31 December 2008 £000</b>	<b>30 September 2006 to 31 December 2007 £000</b>
Remuneration paid to directors of the Company comprised:		
Emoluments	<b>926</b>	<b>997</b>
Company pension contributions to defined contribution pension schemes	<b>49</b>	<b>58</b>

The highest paid director received emoluments of £299,000 (2007: £286,000).

The value of the Company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £6,750 (2007: £9,000)

The total accrued BlackRock pension provision of the highest paid director at 31 December 2008 amounted to £nil (2007: £nil).

During the period no directors exercised BlackRock, Inc. share options (2007: nil).

During the period the number of directors by whom BlackRock, Inc. shares are receivable or have been received under long term incentive schemes was six (2007: seven).

The highest paid director received BlackRock, Inc. shares under a long term incentive scheme during 2008.

**7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>1 January 2008 to 31 December 2008 £000</b>	<b>30 September 2006 to 31 December 2007 £000</b>
Other interest receivable and similar income:		
- From other sources	<b>3,521</b>	<b>3,495</b>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>1 January 2008 to 31 December 2008 £000</b>	<b>30 September 2006 to 31 December 2007 £000</b>
Interest payable and similar charges:		
- Interest expense to affiliated companies	<b>-</b>	<b>287</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2008

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1 January 2008 to 31 December 2008 £000	30 September 2006 to 31 December 2007 £000
Amounts payable for group relief	<u>1,431</u>	<u>2,058</u>

**Factors affecting tax charge for year**

The tax assessed for the year is the same as (2007: same as) the standard rate of corporation tax in the UK applicable to the Company 28.5% (2007: 30%).

	1 January 2008 to 31 December 2008 £000	30 September 2006 to 31 December 2007 £000
Profit on ordinary activities before tax	<u>5,021</u>	<u>6,861</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	<u>1,431</u>	<u>2,058</u>
<b>Current tax charge for year (see note above)</b>	<u><u>1,431</u></u>	<u><u>2,058</u></u>

**10. DIVIDENDS**

	1 January 2008 to 31 December 2008 £000	30 September 2006 to 31 December 2007 £000
Total dividends paid	<u>10,000</u>	<u>15,000</u>

**BLACKROCK FUND MANAGERS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2008**11. FIXED ASSET INVESTMENTS**

	Shares in group under- takings £000
<b>Cost</b>	
Additions	4,913
At 31 December 2008	4,913

**Subsidiary undertaking**

The following is a subsidiary undertaking of the Company and is incorporated in the Republic of Korea:

BlackRock Investment Management (Korea) Limited                      100% holding

BlackRock Investment Management (Korea) Limited was incorporated on 13 May 2008. The Company provides fund management and agency services.

**12. DEBTORS**

	2008 £000	2007 £000
Trade debtors	90,737	99,487
Amounts owed by affiliated companies	26,639	1,632
Other debtors	527	-
	<u>117,903</u>	<u>101,119</u>

During 2008 cash management within the BlackRock group was improved by the introduction of a UK cash-pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by BlackRock Investment Management (UK) Limited ("BIM (UK)"). These balances are treated as intercompany loans between BIM (UK) and the corresponding group companies. This cash is then held as short term money market investments by BlackRock Group Limited ("BGL"). The receivable due from BIM (UK) of £22,234,615 (2007: £nil) in relation to this arrangement is included within 'Amounts owed by group companies'.

**13. CURRENT ASSET INVESTMENTS**

	2008 £000	2007 £000
Listed investments	174	1,008

**Listed investments**

The market value of the listed investments at 31 December 2008 was £174,000 (2007: £1,008,000).

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2008

**14. CREDITORS:**

Amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors	100,084	41,982
Amounts owed to group companies	8,092	36,437
Other creditors	6,374	3,788
	<u>114,550</u>	<u>82,207</u>

**15. SHARE CAPITAL**

	2008	2007
	£	£
<b>Authorised</b>		
150,100,000 ordinary shares of £1 each	<u>150,100,000</u>	<u>150,100,000</u>
<b>Allotted, called up and fully paid</b>		
13,100,000 ordinary shares of £1 each	<u>13,100,000</u>	<u>13,100,000</u>

**16. PROFIT AND LOSS ACCOUNT**

	£000	
At 1 January 2008	10,377	
Profit retained for the year	3,590	
Dividends	(10,000)	
	<u>3,967</u>	
At 31 December 2008		

**17. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	2008	2007
	£000	£000
Profit for the year	3,590	4,803
Dividends	(10,000)	(15,000)
	<u>(6,410)</u>	<u>(10,197)</u>
Opening shareholder's funds	23,477	33,674
Closing shareholder's funds	<u>17,067</u>	<u>23,477</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

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**18. 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 group companies covered by the exemption noted above.

**19. PARENT UNDERTAKINGS**

The Company's immediate parent company is BlackRock Investment Management (UK) 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](http://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](mailto:invrel@blackrock.com).