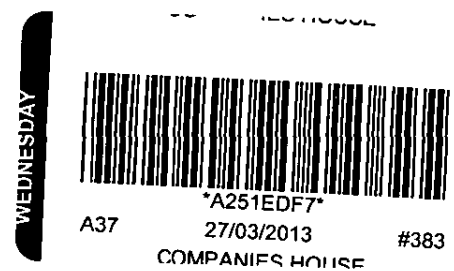


Registration number 1102517

BlackRock Fund Managers Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2012



BlackRock Fund Managers Limited
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BlackRock Fund Managers Limited
Directors' Report for the Year Ended 31 December 2012

The board of directors (the "Board") present their report together with the audited financial statements of BlackRock Fund Managers Limited (the "Company") (registered number 1102517) for the year ended 31 December 2012

Principal activities

The principal activities of the Company remain the provision of investment management, advisory and administrative services

The Company is authorised and regulated by the Financial Services Authority ("FSA")

Results and dividends

During the year the Company made a profit for the year of £1.9m (2011: £6.4m). Interim dividends of £5.0m were paid in 2012 (2011: £nil). The directors do not recommend the payment of a final dividend (2011: £nil).

Directors and Officers of the company

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

G Bamping

N Hall

A Higgins

A Hootor-Duncan (resigned 30 May 2012)

K Ironmonger (resigned 13 March 2012)

A Lawrence (appointed 21 May 2012)

A Stenning

E Tracey

G van Berkel - Chairman (appointed 13 March 2012)

Officers

G Craig - Company secretary

A Caban - Company secretary

BlackRock Fund Managers Limited
Directors' Report for the Year Ended 31 December 2012

..... continued

Business review and future outlook

The Company is part of BlackRock, Inc ("BlackRock"), a leading global asset management firm with USD3 792 trillion in assets under management as at 31 December 2012. BlackRock offers a range of products across the risk spectrum to meet clients' needs, including active, enhanced and index strategies across markets and asset classes. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors. The directors are confident that this diversity in BlackRock's business model will continue to capture asset flows and revenues in 2013.

There have not been any significant changes in the Company's principal activities in the year under review and the directors propose that the principal activities will continue during 2013.

The directors believe that the Company is well placed to manage its business risks successfully despite the current economic outlook. 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 Directors' Report and financial statements.

As shown in the Company's profit and loss account, the Company's turnover for the year ended 31 December 2012 was £21.6m (2011: £17.8m), an increase of 21.1%, driven by an increase in unit sales following increased tracker customer activity in the period.

Administrative expenses of £11.4m have increased from £7.3m following partial reimbursement in 2011 by fellow BlackRock subsidiaries of the prior year FSCS Interim Levy to more fairly mirror internal delegation arrangements. Excluding this item, administrative expenses have fallen by £2.5m to £11.4m.

The Company increased its investment within BlackRock Investment Management (Korea) Limited by £0.8m to £7.5m in 2012.

Assets under Management have increased by £5.8bn (17%) from £34.2bn at 31 December 2011 to £40.1bn at 31 December 2012. Average AUM has also increased over the period.

The performance of the Company is included in the results of BlackRock, Inc group which are disclosed in the BlackRock, Inc group Annual Report and on Form 10-K to the United States Securities and Exchange Commission. BlackRock, Inc manages its key performance indicators on a global basis but in consideration of individual legal entities. For this reason the Company's directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance, or position of the business of the Company.

BlackRock Fund Managers Limited
Directors' Report for the Year Ended 31 December 2012

..... continued

Principal risks and uncertainties

Principal risks and uncertainties are managed by BlackRock at a global and regional level

As a leading investment management firm, risk is an inherent part of BlackRock's business. BlackRock devotes significant resources across all of its operations to identifying, measuring, monitoring, managing and analysing risks, and invests in personnel and technology accordingly.

The specific risks and uncertainties relevant to the Company may be categorised under three broad categories:

- operational risk events, arising from inadequate or failed internal processes, people and systems, or from external events, may result in direct costs and/or subsequent litigation and reputational damage,
- balance sheet risk events, arising from a short-fall of readily realisable liquid assets which may cause the Company to default in respect of its payment obligations, and
- market risk events, whereby adverse economic conditions could lead to a decline in the value of customers' portfolios and hence associated revenues

Operational risk

- One of the major risks faced by the Company is operational risk, which is the risk of direct or indirect impacts resulting from inadequate or failed internal processes, people and systems, or from external events. This risk resides within all front to back investment and client processes and the pro-active identification, assessment and management of operational risk is critical to servicing clients and maintaining the Company's reputation in the market place, including meeting regulatory requirements and expectations.

Operational risks are measured using an internal model. The model calculates unexpected losses arising from operational risk under a number of different key risk scenarios, utilising inputs derived from internal and external loss, client and market data. The internal model and approach have been reviewed by the FSA.

The Company operates in a competitive and highly regulated environment and there are a number of factors which could increase the number and severity of operational risks faced by the Company. Operational risks are regularly monitored and reported to senior management, the Board and relevant internal oversight Committees.

- The Company also considers risk management when setting remuneration policies and practices to govern those staff whose professional activities could potentially have a material impact on the Company's risk profile. Whilst employees are compensated for strong performance in their management of client portfolios, they are required to manage risk within the risk profiles appropriate for their clients.

The list of Remuneration Code Staff is reviewed and agreed by the EMEA Compensation Committee, the Management Development and Compensation Committee, the BlackRock Executive Committee and BlackRock, Inc.'s board of directors to ensure a culture of excellence, monitor the business and financial performance and protect the brand and reputation of the firm.

- Additionally, the overall stability of the Euro could pose operational risks to the Company or the funds and accounts that it manages as a result of the adverse impacts that such issues may have on the Company's trading, clearing or counterparty relationships.

BlackRock Fund Managers Limited
Directors' Report for the Year Ended 31 December 2012

..... continued

Balance Sheet risk

- Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its payment obligations as they fall due. The Company monitors cash flow projections and has regard to forthcoming liquidity when determining the amounts available for distribution to shareholders.

- Credit risk arises in relation to accounts receivable, surplus cash held in bank accounts or held on account with other BlackRock group companies as part of normal treasury operations, and other asset investments. The risk of default in relation to accounts receivable arising from fee income debtors is considered low and the Company minimises exposure to credit risk with respect to accounts receivable by actively pursuing settlement of outstanding management fee invoices and performance fees within the terms and conditions of the underlying agreement and in some circumstances retains the right to offset unpaid invoices against any client assets. Intercompany balances are managed centrally and agreed upon and settled on a regular basis. The Company manages its cash through a UK cash-pooling arrangement between BlackRock group entities, with any cash not required for working capital invested in money market instruments or highly rated and liquid sovereign debt.

Market risk

- Foreign exchange risk arises where the Company's foreign currency assets are not matched by liabilities denominated in the same currency. In addition, foreign exchange exposures arise on a transactional basis largely in relation to fee income which is denominated in non-functional currencies. The Company derives revenues from management and performance fees in three main currencies being Sterling, Euro and US Dollar. Expenses are mainly denominated in Sterling and as a consequence the Company's revenues may fluctuate as a result of Euro and US Dollar exchange movements. Foreign currency exposures are monitored regularly and minimised. Foreign currency exposures that arise in relation to non-operational items are usually large in nature and are managed on a case by case basis.

- Price risk is the risk that market prices for the investments held within clients' portfolios may fall. The Company earns revenue from investment management services, generally as a percentage of the value of client portfolios. The portfolios are constructed to meet clients' specified strategies and the Company's diversification across the entire population of portfolios partly mitigates exposure to price risk. The Company, as part of BlackRock Group, undertakes stress-testing analysis by modelling adverse economic scenarios and uses the results to test the robustness of its business plan.

- Interest rate risk relates only to the possibility that income from the Company's interest-bearing financial assets will fluctuate as interest rates fluctuate. The Company does not have any borrowings and so does not have any interest payable commitments.

BlackRock Fund Managers Limited
Directors' Report for the Year Ended 31 December 2012

..... continued

Capital risk management

The Company's objectives when managing capital are

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

The Company is subject to a minimum regulatory capital requirement imposed by the FSA. In order to ensure compliance with this requirement throughout the year and to fund continued business expansion and development, a surplus was maintained throughout the year as deemed appropriate by the Board.

The Company takes into account the amount of its distributable reserves and its cash flow position when making any decision to pay a dividend, thus ensuring that the Company is able to continue as a going concern and has a sufficient capital surplus to meet the regulatory requirement at all times during the year.

Internal Capital Adequacy Assessment Process ("ICAAP")

The Company's regulatory capital requirement is established by reference to the Undertakings for Collective Investment in Transferable Securities ("UCITS") Directive. The UCITS Directive is implemented in the UK through the Financial Services and Markets Act 2000 and the FSA's Handbook. In addition, the Company is included in the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by its intermediate parent, BlackRock Group Limited ("BGL"), as required by the FSA.

The detailed analysis therein encompasses all the subsidiaries of BGL. In particular, the ICAAP establishes the minimum capital requirement with reference to a number of stress-tests and scenario analyses. The capital plan for BGL is then set to ensure that the amount of capital held remains above this level at all times and all individual regulated entities remain adequately capitalised.

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

www.blackrock.co.uk/AboutUs/InvestorRelations/index.htm

BlackRock Fund Managers Limited
Directors' Report for the Year Ended 31 December 2012

..... continued

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Directors' third-party indemnity provisions

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31 December 2012 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

Charitable and political contributions

During the financial year the Company made no donations (2011: £nil) to registered charities or political donations (2011: £nil).

Creditors' payment policy

The Company values its suppliers and acknowledges the importance of paying invoices promptly. It is the Company's practice to agree terms with suppliers when entering into contracts. We negotiate with suppliers on an individual basis and meet our obligations accordingly. The Company does not follow any specific published code or standard on payment practice.

The trade creditor days for the Company for 2012 were 45 days (2011: 45 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, or the experience of any individual creditor.

BlackRock Fund Managers Limited
Directors' Report for the Year Ended 31 December 2012

..... *continued*

Independent auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

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

Approved by the Board on 21 March 2013 and signed on its behalf by



G Craig
Company secretary

Independent Auditor's Report to the Members of BlackRock Fund Managers Limited

We have audited the financial statements of BlackRock Fund Managers Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, Balance Sheet and the related notes set out on pages 12 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
BlackRock Fund Managers Limited**

..... continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Calum Thomson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor

London
United Kingdom

22 March 2013

BlackRock Fund Managers Limited
Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 (*) £ 000
Turnover	3	21,589,625	17,821,099
Cost of sales		<u>(21,575,811)</u>	<u>(17,805,118)</u>
Gross profit		13,814	15,981
Administrative expenses		<u>(11,438)</u>	<u>(7,278)</u>
Operating profit	4	2,376	8,703
Interest receivable and similar income	6	<u>139</u>	<u>32</u>
Profit on ordinary activities before taxation		2,515	8,735
Tax on profit on ordinary activities	7	<u>(616)</u>	<u>(2,315)</u>
Profit on ordinary activities after taxation	14	<u>1,899</u>	<u>6,420</u>

Turnover and operating profit derive wholly from continuing operations

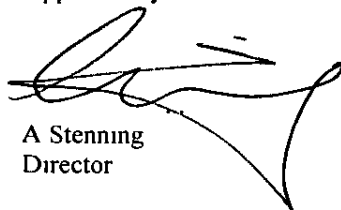
The Company has no recognised gains or losses for the year other than the results above

(*) Re-presented - See Note 2

BlackRock Fund Managers Limited
Balance Sheet at 31 December 2012
(Registered number: 1102517)

	Note	2012 £ 000	2011 £ 000
Fixed assets			
Investments	9	7,490	6,647
Current assets			
Debtors	10	194,947	166,026
Investments	11	-	258
Cash at bank		2,128	3,298
		<u>197,075</u>	<u>169,582</u>
Creditors Amounts falling due within one year	12	<u>(184,024)</u>	<u>(152,587)</u>
Net current assets		<u>13,051</u>	<u>16,995</u>
Net assets		<u>20,541</u>	<u>23,642</u>
Capital and reserves			
Called up share capital	13	18,100	18,100
Profit and loss account	14	<u>2,441</u>	<u>5,542</u>
Shareholders' funds	15	<u>20,541</u>	<u>23,642</u>

Approved by the Board on 21 March 2013 and signed on its behalf by


A Stenning
Director

BlackRock Fund Managers Limited
Notes to the Financial Statements for the Year Ended 31 December 2012

1 Reporting entity

These financial statements are prepared for BlackRock Fund Managers Limited, (the "Company"), the principal activities of which are the provision of investment management, advisory and administrative services. The Company is a wholly-owned subsidiary of BlackRock Investment Management (UK) Limited ("BIM (UK)") and its ultimate parent company is BlackRock, Inc, a listed company incorporated in the state of Delaware in the United States of America.

The Company is a private limited company, incorporated and domiciled in Great Britain. The Registered Office is 12 Throgmorton Avenue, London, EC2N 2DL.

2 Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Re-presentation

Following a review in 2012 of the components of Gross Profit, reimbursements in relation to direct fund expenses are now included within Cost of Sales. For the year ended 31 December 2011, direct fund expense reimbursements of £9,589,000 were reflected within Administrative expenses. Direct fund expense related reimbursements are directly related to the underlying activity of the business and accordingly these have been reallocated to Cost of Sales in the 2011 comparatives. There is no change in the 2011 profit after tax or the balance sheet net assets as at 31 December 2011 as a result of this re-presentation.

Group accounts

The Company has taken advantage of the exemption in section 401 of the Companies Act 2006 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 2012

..... continued

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2 in the Directors' Report, along with key risks facing the Company. The financial statements include the financial and cash position of the Company in the balance sheet.

In assessing the Company's going concern status, the directors have taken into account the above factors, including the financial position of the Company and in particular the cash position. The Company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next twelve months. This, together with its proven ability to generate cash from operations, provides the directors with the confidence that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

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.

Turnover

Turnover, net of VAT, represents investment management income and expenses from advisory and administrative services, as well as income derived from the sale and cancellation of units. These activities are performed in the normal course of business.

Investment management, investment advisory and administration services fees are recognised as the services are performed. Such fees are primarily based on predetermined percentages of the market value of the assets under management. Income derived from the sale and cancellation of units is recognised as the services are performed.

The Company also receives performance fees or an incentive allocation from alternative investment products and certain separate accounts. These performance fees are generally earned upon exceeding specific investment return thresholds. Such fees are recorded upon completion of the measurement period.

The Company contracts with third parties and related parties for various mutual fund distribution and shareholder servicing to be performed on behalf of certain funds managed by the Company. Such arrangements generally are priced as a portion of the management fee paid by the fund. In certain cases, the fund takes on the primary responsibility for payment for services such that the Company bears no credit risk to the third party. The Company accounts for such retrocession arrangements in accordance with FRS 5 - Reporting the Substance of Transactions, and has recorded its turnover net of retrocessions.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

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

Fixed asset investments

Investments held as fixed assets are carried at cost less provisions for impairment. Investments in subsidiaries are held at cost less impairment provisions. At each reporting date an assessment is undertaken to determine if there is any impairment.

Current asset investments

Unlisted investments held as current assets are shown at the lower of cost and net realisable value. Unlisted investments held as current assets are shown at the lower of cost and market value.

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

3 Turnover

	2012 £ 000	2011 £ 000
Management fees	2,556	2,872
Unit sales	<u>21,587,069</u>	<u>17,818,227</u>
	<u>21,589,625</u>	<u>17,821,099</u>

All turnover arose in the United Kingdom

Turnover is stated net of retrocessions of £95,935,000 (2011 £101,662,000) and net of management fee expenses to other group companies of £125,256,000 (2011 £140,717,000)

4 Operating profit

Operating profit is stated after (crediting)

	2012 £ 000	2011 £ 000
Foreign currency gains	<u>(175)</u>	<u>(503)</u>

Auditor's remuneration has been borne by another group company in the current and preceding periods. Fees payable to the Company's auditor, Deloitte LLP for the 2012 audit of the Company's annual accounts were £250,000 (2011 £250,000)

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

5 Employees and directors

The Company had no employees in the current or preceding year

Directors' emoluments

Of the 9 (2011 7) directors that served during the year, none were remunerated by the Company. The amounts included below relate to their services as directors, for all the directors of the Company based on an estimated time allocation basis, except for two non-executive directors, who were paid an agreed fee. Emoluments in relation to services performed for other group companies are not disclosed in the Company's financial statements.

The aggregate emoluments of the directors of the Company disclosed in accordance with Schedule 8 of the Companies Act 2006 were as follows:

	2012	2011
	£ 000	£ 000
Aggregate emoluments	456	806
Company pension contributions to defined contribution pension schemes	88	45
	<u>544</u>	<u>851</u>

During the year retirement benefits were accruing to 7 directors (2011 6) in respect of defined contribution pension schemes.

During the year the number of directors by whom BlackRock, Inc. shares are receivable or have been received under service condition based incentive schemes were 7 (2011 6 directors).

During the year the number of directors by whom BlackRock, Inc. shares are receivable or have been received under market performance based incentive schemes were nil (2011 nil directors).

During the year no director (2011 nil) exercised BlackRock, Inc. share options.

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

Highest paid director

Remuneration of the highest paid director

	2012	2011
	£ 000	£ 000
Remuneration	<u>209</u>	<u>342</u>

The value of the Company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £48,000 (2011 £15,000)

The highest paid director also received or was entitled to receive shares under a service condition based incentive scheme

The highest paid director did not receive or was not entitled to receive shares under a market performance based incentive scheme

During the year the highest paid director did not exercise BlackRock, Inc share options

6 Interest receivable and similar income

	2012	2011
	£ 000	£ 000
Interest receivable and similar income	<u>139</u>	<u>32</u>

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

7 Taxation

Tax on profit on ordinary activities

	2012	2011
	£ 000	£ 000
Current tax		
UK corporation tax charge on profit for the year	<u>616</u>	<u>2,315</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is equal to (2011 equal to) the standard rate of corporation tax in the UK of 24.5% (2011 26.5%) The differences are explained below

	2012	2011
	£ 000	£ 000
Profit on ordinary activities before taxation	<u>2,515</u>	<u>8,735</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	<u>616</u>	<u>2,315</u>
Total current tax	<u>616</u>	<u>2,315</u>

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

8 Dividends

	2012 £ 000	2011 £ 000
Dividends on ordinary shares		
Interim dividends paid £0.28 (2011: £0.00) per £1 share	<u>5,000</u>	<u>-</u>

9 Fixed asset investments

	Subsidiary undertakings £ 000
Cost	
At 1 January 2012	6,647
Additions	<u>843</u>
At 31 December 2012	<u>7,490</u>

Subsidiary undertakings

The following are subsidiary undertakings of the Company and are incorporated in the Republic of Korea. The Company holds 100% of the ordinary share capital of the subsidiary.

Name	Principal activities
BlackRock Investment Management (Korea) Limited	Provider of investment management, investment advisory services and discretionary investment business

On 29 February 2012, the Company made a capital injection of £843,000 to BlackRock Investment Management (Korea) Limited.

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

10 Debtors

	2012	2011
	£ 000	£ 000
Trade debtors	192,930	148,075
Amounts due from group companies	1,933	15,437
Other debtors	84	2,514
	<u>194,947</u>	<u>166,026</u>

Amounts due from group companies are unsecured, interest free and repayable on demand

11 Current asset investments

	2012	2011
	£ 000	£ 000
Listed investments	<u>-</u>	<u>258</u>

Listed investments

The market value of the listed investments at 31 December 2012 was £nil (2011 £258,000)

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

12 Creditors: Amounts falling due within one year

	2012 £ 000	2011 £ 000
Trade creditors	163,038	148,222
Amounts due to group companies	15,971	79
Corporation tax	616	1,073
Other taxes and social security	763	794
Other creditors	3,636	2,419
	<u>184,024</u>	<u>152,587</u>

Cash management within the BlackRock group is governed by a UK cash-pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by BIM (UK). Any amounts contributed by the Company are treated as an intercompany loan receivable from BIM (UK). The balance receivable from BIM (UK) of £23,442,000 (2011: £22,304,000) in relation to this arrangement is included within 'Amounts due to group companies'. This is netted against the creditor position with BIM (UK).

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

13 Share capital

Allotted, called up and fully paid shares

	2012		2011	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

14 Reserves

	Profit and loss account £ 000
At 1 January 2012	5,542
Profit for the year	1,899
Dividends	(5,000)
At 31 December 2012	<u>2,441</u>

15 Reconciliation of movement in shareholders' funds

	2012 £ 000	2011 £ 000
Profit attributable to the members of the Company	1,899	6,420
Dividends	(5,000)	-
New share capital subscribed	<u>-</u>	<u>5,000</u>
Net (reduction)/addition to shareholders' funds	(3,101)	11,420
Shareholders' funds at 1 January	<u>23,642</u>	<u>12,222</u>
Shareholders' funds at 31 December	<u>20,541</u>	<u>23,642</u>

BlackRock Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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16 Related party transactions

The Company is exempt from disclosing related party transactions, under paragraph 3c of Financial Reporting Standard 8 Related Party Disclosures, with members of the group, as it is a wholly-owned subsidiary and disclosures are therefore not required provided that any other subsidiary undertaking which is a party to the transactions is wholly-owned by a member of that group. The consolidated financial statements of the ultimate parent company are publicly available as detailed in Note 17.

17 Parent undertakings and ultimate controlling party

The Company's immediate parent company is BlackRock Investment Management (UK) Limited and the ultimate parent company and controlling party is BlackRock, Inc., a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the Company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements of BlackRock, Inc. are available from the Investor Relations website at www.blackrock.com or requests may be addressed to Investor Relations at 55 East 52nd Street, New York, NY 10055, USA or by e-mail at invrel@blackrock.com.