

Registered number: 951043

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH
INVESTMENT MANAGERS GROUP LIMITED)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the period ended 29 September 2006



**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

CONTENTS

	Page
Directors' Report	1 - 3
Independent Auditors' Report	4 - 5
Consolidated Profit and Loss Account	6
Consolidated Statement of Total Recognised Gains and Losses	7
Consolidated Balance Sheet	8 - 9
Company Balance Sheet	10
Notes to the Financial Statements	11 - 39

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

DIRECTORS' REPORT **For the period ended 29 September 2006**

The directors present their report and the audited consolidated financial statements of BlackRock Group Limited (formerly Merrill Lynch Investment Managers Group Limited) (the "Company" and together with its subsidiaries the "Group") and the audited Company balance sheet for the period ended 29 September 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

United Kingdom 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 and the Group as at the end of the financial year and of the profit or loss of the Group for that period. 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, 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 Group 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 and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 s234ZA of the Companies Act 1985.

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

At the period end the company was a wholly owned subsidiary of BlackRock Inc..

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

The Company acts as the United Kingdom holding company for the BlackRock group of companies (formerly the Merrill Lynch Investment Managers group of companies). The Group is engaged in the provision of investment management and advisory services. There have not been any significant changes in the group's principal activities in the period under review. The directors propose that the principal activities will continue during 2006 and 2007.

As shown in the Group's profit and loss account on page 6, the group's turnover for the period ended 29 September 2006 was £466,070,000 (30 December 2005 - £407,524,000). On an annualised basis this has increased by 52%. This is in line with management's expectations.

The Group's balance sheet on page 8 of the financial statements as at 29 September 2006 shows net assets of £233,911,000 (30 December 2005 - £907,966,000), a decrease of 74%. This is in line with management's expectations and is principally driven by the payment of dividends and disposal of subsidiary undertakings following a group reorganisation (see note 4).

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

DIRECTORS' REPORT **For the period ended 29 September 2006**

Principal Risks and Uncertainties

Principal risks and uncertainties are managed by "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
- Competitive fee pressures could reduce revenues and profit margins
- 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
- BlackRock has become subject to an increased risk of asset volatility from changes in the global financial and equity markets
- Failure to comply with government regulations could result in fines or temporary or permanent prohibitions on business activities

RESULTS AND DIVIDENDS

The Group's loss for the period, after taxation, amounted to £261,333,000 (2005 - profit £106,234,000) .

During the period the Company paid dividends of £411,759,000 (2005 - £nil) .

DIRECTORS

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

N.C.D. Hall

N.T. Jones

C.J. Rimmer (appointed 19 July 2006)

K.M. Shircliff (appointed 19 July 2006)

J.T. Stratford

The directors had no beneficial interests in the shares of the Company or any other United Kingdom affiliated company at 29 September 2006 or at anytime during the period then ended.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The total sum donated during the period by the Group to charitable organisations was £75,000 (2005: £280,000). The Group matches contributions made by all United Kingdom employees under a Give As You Earn scheme and donations made by employees to certain specified charities. There were no political donations made during the period (2005: £nil).

EMPLOYEE INVOLVEMENT

It is the Group's policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects.

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

DIRECTORS' REPORT
For the period ended 29 September 2006

DISABLED EMPLOYEES

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. The Group's policy is to enable any employees who become disabled during their employment to continue their careers within the Group. Training, career development and promotion of disabled persons is, to the extent possible, identical to that of other employees who are not disabled.

RISK MANAGEMENT

The Group is exposed to price, credit and liquidity risk in relation to certain investments included in note 16. These risks are not hedged.

AUDITORS

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP is deemed to be reappointed for a further term under the provisions of section 386(2) of the Companies Act 1985.

This report was approved by the board on 29 January 2007 and signed on its behalf.



N.C.D. Hall
Director

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

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

We have audited the group and parent company financial statements (the "financial statements") of BlackRock Group Limited (formerly Merrill Lynch Investment Managers Group Limited) for the 39 week period ended 29 September 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the Company balance sheet and the related notes 1 to 28. 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 Group 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 with the Company and other members of the Group is not disclosed.

We read the other information contained in 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 circumstances of the Company and the Group, 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.

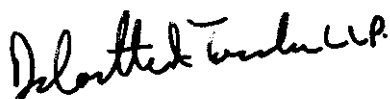
BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKROCK GROUP LIMITED
(FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP 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 affairs of the Company and the Group as at 29 September 2006 and of the loss of the Group for the 39 week 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 & Registered Auditors
London

29 January 2007

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period ended 29 September 2006

		39 weeks ended 29 September	52 weeks ended 30 December
	Note	2006 £000	2005 £000
TURNOVER	1	466,070	407,524
Administrative expenses		<u>(207,998)</u>	<u>(343,702)</u>
OPERATING PROFIT	3	258,072	63,822
Income from investments in related companies		(66)	45
Income from other fixed asset investments		-	1,219
Loss on disposal on subsidiary undertakings	4	(512,978)	-
Profit on disposal of investments		9,705	16,884
Interest receivable	7	36,544	38,330
Interest payable	8	<u>(2,686)</u>	<u>(2,094)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(211,409)	118,206
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	9	<u>(49,924)</u>	<u>(11,972)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	22	<u>(261,333)</u>	<u>106,234</u>

All amounts relate to continuing operations.

The notes on pages 11 to 39 form part of these financial statements.

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 29 September 2006

		39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
	Note		
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(261,333)	106,234
Actual return less expected return on pension scheme assets	24	-	340
Experience loss on liabilities	24	-	(353)
Loss on change of assumptions (financial and demographic)	24	-	(3,396)
Exchange adjustments		(963)	1,197
		<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD		(262,296)	104,022
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 39 form part of these financial statements.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

CONSOLIDATED BALANCE SHEET
As at 29 September 2006

		29 September 2006		30 December 2005	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Intangible fixed assets	11		-		41,582
Tangible fixed assets	12		13,404		2,218
Investments	13		1,087		1,087
Investments in associates	13		57		463
			<u>14,548</u>		<u>45,350</u>
CURRENT ASSETS					
Life assurance assets	14	2,254,622		2,495,226	
Debtors	15	306,413		1,113,156	
Investments	16	73,205		109,498	
Cash at bank		160,782		74,907	
			<u>2,795,022</u>		<u>3,792,787</u>
CREDITORS: Amounts falling due within one year					
Amounts due to policyholders	14	(2,254,622)		(2,495,226)	
Other creditors	17	(319,503)		(404,031)	
			<u>220,897</u>		<u>893,530</u>
NET CURRENT ASSETS					
			<u>235,445</u>		<u>938,880</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS: Amounts falling due after more than one year					
	18		-		(30,000)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	19	(1,534)		-	
Other provisions	20	-		(914)	
			<u>(1,534)</u>		<u>(914)</u>
NET ASSETS					
			<u>233,911</u>		<u>907,966</u>
CAPITAL AND RESERVES					
Called up share capital	21		112,166		112,166
Share premium account	22		47,073		47,073
Capital redemption reserve	22		7,029		7,029
Profit and loss account	22		67,643		741,698
	23		<u>233,911</u>		<u>907,966</u>
SHAREHOLDERS' FUNDS					

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

CONSOLIDATED BALANCE SHEET (continued)
As at 29 September 2006

The financial statements were approved by the board on 29 January 2007 and signed on its behalf.



K.M. Shircliff
Director

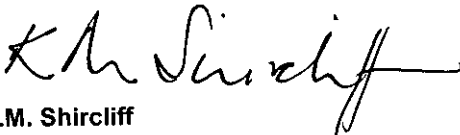
The notes on pages 11 to 39 form part of these financial statements.

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

**COMPANY BALANCE SHEET
As at 29 September 2006**

		29 September 2006	30 December 2005
	Note	£000	£000
FIXED ASSETS			
Investments	13	174,421	244,054
CURRENT ASSETS			
Debtors	15	-	53
Investments	16	64,768	51,584
Cash at bank		17,806	200
		<u>82,574</u>	<u>51,837</u>
CREDITORS: Amounts falling due within one year	17	<u>(86,200)</u>	<u>(91,308)</u>
NET CURRENT LIABILITIES		<u>(3,626)</u>	<u>(39,471)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>170,795</u></u>	<u><u>204,583</u></u>
 CAPITAL AND RESERVES			
Called up share capital	21	112,166	112,166
Share premium account	22	47,073	47,073
Capital redemption reserve	22	7,029	7,029
Profit and loss account	22	4,527	38,315
	23	<u><u>170,795</u></u>	<u><u>204,583</u></u>
SHAREHOLDERS' FUNDS			

The financial statements were approved by the board on 29 January 2007 and signed on its behalf.


K.M. Shircliff
Director

The notes on pages 11 to 39 form part of these financial statements.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS **For the period ended 29 September 2006**

1. ACCOUNTING POLICIES

1.1 Basis of accounting

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

1.2 Accounting period

The Company's financial period consisted of a thirty-nine (2005: fifty-two) week period ending on the last Friday in September (2005: 30 December).

1.3 Accounting convention

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

1.4 Basis of consolidation

All subsidiary undertakings have been accounted for under acquisition accounting principles. Goodwill arising on consolidation of subsidiary undertakings, being the excess of the cost of the investment over the fair value of the Group's share of identifiable net assets at the date of acquisition, is capitalised.

The results of subsidiaries acquired during the period are included from the effective date of acquisition.

The results of subsidiaries sold are included up to the effective date of disposal.

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

1.6 Investments

Associated undertakings

In the Group financial statements, investments in associates are accounted for using the equity method. Associated undertakings are those companies, not being subsidiary undertakings, whose directors include representatives of the Group who participate in the management and operations of those companies, and where the Group has an interest in the equity share capital of between 20% and 50%.

Listed investments

Securities held as fixed asset investments are valued at market price at the close of business on the balance sheet date. The difference between cost and market valuation on the securities, net of any gains or losses arising on any related hedges, is reflected as a movement in reserves.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for impairment.

Current asset investments

Investments held as current assets are shown at the lower of cost and market value.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS **For the period ended 29 September 2006**

1. ACCOUNTING POLICIES (continued)

1.7 Turnover

Turnover represents investment management fees arising from investment management and advisory services activity and net proceeds on the sale and liquidation of units in unit trusts.

1.8 Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings represents the excess of cost over fair value of the net tangible assets acquired. Goodwill is capitalised within intangible fixed assets and amortised on a straight line basis over its estimated useful life, which is 20 years.

1.9 Leased assets

All leases are operating leases and the annual rentals are charged to the profit and loss account in the accounting period to which they relate.

1.10 Depreciation

Tangible fixed assets are stated at cost and are written down to their estimated residual value on a straight line basis over their expected useful lives, as follows:

Leasehold improvements	-	Ten years or term of lease if shorter
Motor vehicles	-	Four years
Furniture and fittings	-	Three to five years
Office equipment	-	Three to five years

1.11 Deferred taxation

Deferred tax is recognised as a liability or an asset if, prior to the balance sheet date, the Company or Group has entered into transactions or events have occurred that give rise to timing differences giving the Company or Group an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements.

1.12 Life assurance

Investments held to cover linked long term insurance liabilities are stated at offer price, calculated on 2 January 2007, which is considered to be the current market value.

The technical provision for linked liabilities is established by reference to the market value of the underlying assets which are held to meet those liabilities.

1.13 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.

The financial statements of subsidiaries whose functional currency is not Sterling are translated into Sterling at the closing rate for the balance sheet and at the average rate of exchange for the period for the profit and loss account. Translation differences arising on the profit and loss for the current period and on opening net assets of the subsidiaries are reflected in the statement of total recognised gains and losses and as a movement in reserves.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS **For the period ended 29 September 2006**

1. ACCOUNTING POLICIES (continued)

1.14 Pensions

The Group participated in a number of defined benefit and defined contribution pension schemes throughout Europe. The schemes were funded with the assets held in separate trustee administered funds.

The major defined benefit scheme was the Merrill Lynch (UK) Pension Plan ("the Plan", formerly the Merrill Lynch (UK) Final Salary Plan), which was closed to new entrants with effect from 30 June 1997 and to contributions from existing members with effect from 30 June 2004. The funding cost relating to the Plan was assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The Group was one of a number of Merrill Lynch employers based in the United Kingdom which participated in the Plan. The Group had been unable to identify its share of the underlying assets and liabilities of the Plan and accordingly accounted for the Plan as if it were a defined contribution scheme.

The major defined contribution scheme was the Merrill Lynch (UK) Defined Contribution Plan. The costs of defined contribution schemes are a percentage of each employee's annual salary based on their age and length of service with the Group and are charged to the profit and loss account in the period in which they fall due.

During the period these schemes were disposed of as part of the group reorganisation (see note 4).

The Group now operates a defined contribution scheme called the BlackRock Group Personal Pension Scheme. The costs of defined contribution schemes are a percentage of each employee's annual salary based on their age and length of service with the Group and are charged to the profit and loss account in the period in which they fall due.

1.15 Other post retirement benefits

The cost of providing post retirement benefits other than pensions is charged to the profit and loss account so as to spread the cost over the estimated average remaining expected service life of employees, based on advice from external actuaries.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

2. SEGMENTAL ANALYSIS

The Group's principal activity is the provision of investment management and advisory services therefore analysis by business type has not been provided.

	39 weeks ended 29 September 2006			52 weeks ended 30 December 2005		
	Turnover	Net (loss)/profit before tax	Net assets/ (liabilities)	Turnover	Net profit before tax	Net assets
	£000	£000	£000	£000	£000	£000
By geographical location						
UK (including Channel Islands)	433,426	(223,661)	236,680	372,253	113,832	832,481
Other Europe	17,997	11,170	(2,769)	15,828	2,531	61,524
Rest of World	14,647	815	-	19,443	1,843	13,961
	<u>466,070</u>	<u>(211,676)</u>	<u>233,911</u>	<u>407,524</u>	<u>118,206</u>	<u>907,966</u>

Turnover by client location

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
UK (including Channel Islands)	274,454	268,042
Other Europe	135,818	86,364
Rest of World	55,798	53,118
	<u>466,070</u>	<u>407,524</u>

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
Amortisation - intangible fixed assets (see note 11)	3,449	1,667
Depreciation of tangible fixed assets (see note 12)	879	2,682
Fees payable to the company's auditor for the audit of the company's annual accounts	41	106
Fees payable to the company's auditor and its associates for other services:		
- the audit of the company's subsidiaries pursuant to legislation	426	574
- other services pursuant to legislation	55	-
- other services	111	160
Fees payable for the audit of BlackRock Group Limited's pension scheme	15	15
Operating lease rentals:		
- land and buildings	3,952	4,026
Equipment rental charges	1,499	1,997
Directors' and employee costs (see note 5)	118,634	187,747
Difference on foreign exchange	2,592	(2,178)
	<u>118,634</u>	<u>187,747</u>

Included within administrative expenses are charges and related recoveries pertaining to payments made to clients. The amounts have not been disclosed, as the directors believe it would be seriously prejudicial to the interest of the Group to do so.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

4. LOSS ON DISPOSAL OF SUBSIDIARY UNDERTAKINGS

During the period the Group was reorganised in preparation for the transfer of the MLIM investment management business to BlackRock, Inc.. As a result of this reorganisation the following disposals were made:

Company	Date of Disposal	Proceeds £
Merrill Lynch Investment Managers Group Services Limited	11 August 2006	100
Merrill Lynch Investment Managers Holdings Limited	11 August 2006	426,056
Merrill Lynch Investment Managers Insurance Company Limited	18 August 2006	351,164
Merrill Lynch Investment Managers Finance Limited	25 August 2006	69,499,400
		£000
Assets and liabilities sold		
Tangible fixed assets		1,329
Intangible fixed assets		37,388
Investments		31,555
Debtors		685,737
Cash at bank		81,122
Deferred tax		16,215
Other creditors and provisions		(270,092)
Net assets sold		<u>583,254</u>
 Proceeds - cash	 70,276	 70,276
		<u><u>(512,978)</u></u>

The summarised profit and loss account for the above companies for the period from 31 December 2005 to the date of disposals was as follows:

	£000
Turnover	370,838
Operating profit	<u>23,989</u>
Net interest	16,650
Loss on disposal of investments	(2,985)
Profit before tax	<u>37,653</u>
Taxation	(10,140)
Profit after tax	<u><u>27,513</u></u>

The above entities contributed £175,852,000 to the group profit for the year ended 30 December 2005.

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

5. DIRECTORS AND EMPLOYEES

Staff and director costs, including directors' remuneration, were as follows:

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
Salaries and benefits	104,053	151,448
Social security costs	10,173	14,874
Other pension costs	4,408	21,425
	<u>118,634</u>	<u>187,747</u>

The average number of employees employed by the Group during the period was as follows:

	39 weeks ended 29 September 2006 No.	52 weeks ended 30 December 2005 No.
Administration	32	30
Trading, sales and advisory	408	362
Support, operations and technology	645	686
	<u>1,085</u>	<u>1,078</u>

6. DIRECTORS' REMUNERATION

Of the directors that served during the period, five (2005: four) were remunerated in relation to their services as directors for the Company and its subsidiaries, and the amounts included below are those for the Group, based on an estimated time allocation basis.

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
Emoluments	797	899
Contributions to defined contribution pension schemes	48	50

During the period retirement benefits were accruing to four directors (2005 - five) in respect of defined contribution pension schemes.

During the period retirement benefits were accruing to one directors (2005 - nil) in respect of defined benefit pension schemes.

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006**

6. DIRECTORS' REMUNERATION (continued)

The highest paid director received emoluments of £254,000 (2005 - £326,000).

The value of the Group's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £9,000 (2005 - £10,000).

The total accrued pension provision of the highest paid director at 29 September 2006 amounted to £49,000 (2005 - £38,000).

During the period two director of the Company exercised Merrill Lynch & Co. share options (2005 - one).

During the period the number of directors by whom Merrill Lynch & Co. shares are receivable or have been received under long term incentive schemes was five (2005 - five). No directors received BlackRock, Inc. share options, shares or shares receivable under long term incentive schemes during the period ended 29 September 2006 (2005 - nil).

The highest paid director received Merrill Lynch & Co. shares under a long term incentive scheme during 2006 and 2005.

7. INTEREST RECEIVABLE

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
- From affiliated companies	30,848	33,324
- From other sources	5,696	5,006
	<u>36,544</u>	<u>38,330</u>

8. INTEREST PAYABLE

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
- Loans and overdrafts	12	372
- To affiliated companies	2,647	1,658
- To other sources	27	64
	<u>2,686</u>	<u>2,094</u>

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

9. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
The tax for the period is as follows:		
Current tax		
United Kingdom corporation tax on (losses)/profits for the period	1,119	3,531
Adjustments in respect of prior periods	505	(4,914)
Double taxation relief	-	(2,786)
Foreign tax on income for the period	9,634	9,322
	<hr/>	<hr/>
	11,258	5,153
Share of associates' current tax	(35)	3
	<hr/>	<hr/>
Total current tax (see note below)	11,223	5,156
Deferred tax		
Origination and reversal of timing differences - current period	40,325	8,799
Origination and reversal of timing differences - prior period	(1,624)	(1,983)
	<hr/>	<hr/>
Total deferred tax (see note 19)	38,701	6,816
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	49,924	11,972
	<hr/>	<hr/>

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006**

9. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting the tax charge for the period

The tax assessed for the period is higher (2005: lower) than the standard rate of corporation tax in the UK applicable to the Group of 30%. The differences are explained below:

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
(Loss)/profit on ordinary activities before tax	<u>(211,409)</u>	<u>118,206</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2005 - 30%)	<u>(63,423)</u>	<u>35,462</u>
Effects of:		
Expenses not deductible for tax purposes	1,806	2,160
Timing differences with respect to depreciation and capital allowances	-	(2,454)
Utilisation of tax losses	(18,844)	(16,617)
Timing differences relating to compensation and social security costs	204	6,711
Movement in other timing differences	(436)	2,099
Loss on disposal on subsidiary undertakings not taxable	151,978	-
Impact of foreign taxes	(4,554)	(4,670)
Deferred tax asset not recognised	4,897	(1,383)
Overseas tax credit	(5,144)	(7,037)
Group relief for nil payment	(64,046)	(12,738)
United Kingdom tax arising on profits relating to overseas subsidiaries	8,280	8,537
Adjustments to tax charge in respect of prior periods	505	(4,914)
Current tax for the period (see note above)	<u><u>11,223</u></u>	<u><u>5,156</u></u>

10. DIVIDENDS

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
Total dividends paid	<u><u>411,759</u></u>	<u><u>-</u></u>

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

11. INTANGIBLE FIXED ASSETS

	Goodwill £000
Group Cost	
At 31 December 2005	43,249
Disposals	(43,249)
At 29 September 2006	-
Amortisation	
At 31 December 2005	1,667
Charge for the period	3,449
On disposals	(5,116)
At 29 September 2006	-
Net book value	
At 29 September 2006	-
At 30 December 2005	41,582

12. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £000	Motor vehicles £000	Furniture, fittings and equipment £000	Total £000
Group Cost				
At 31 December 2005	10,570	476	26,279	37,325
Additions	9,802	-	3,516	13,318
Disposals	(240)	(269)	(3,388)	(3,897)
On disposal of subsidiary undertakings	(10,330)	(207)	(22,805)	(33,342)
At 29 September 2006	9,802	-	3,602	13,404
Depreciation				
At 31 December 2005	10,235	358	24,514	35,107
Charge for the period	321	14	544	879
On disposals	(240)	(269)	(3,388)	(3,897)
On disposal of subsidiary undertakings	(10,316)	(103)	(21,670)	(32,089)
At 29 September 2006	-	-	-	-
Net book value				
At 29 September 2006	9,802	-	3,602	13,404
At 30 December 2005	335	118	1,765	2,218

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

13. FIXED ASSET INVESTMENTS

Group	Associated under- takings £000	Unlisted invest- ments £000	Total £000
Cost or valuation			
At 31 December 2005	463	1,087	1,550
Dividends	(375)	-	(375)
Share of loss	(31)	-	(31)
	<u>57</u>	<u>1,087</u>	<u>1,144</u>
At 29 September 2006			

Company	Investments in subsidiary undertakings £000	Total £000
Cost or valuation		
At 31 December 2005	245,393	245,393
Additions	293	293
Disposals	(69,926)	(69,926)
	<u>175,760</u>	<u>175,760</u>
At 29 September 2006		
Impairment		
At 31 December 2005 and 29 September 2006	1,339	1,339
	<u>174,421</u>	<u>174,421</u>
Net book value		
At 29 September 2006	<u>174,421</u>	<u>174,421</u>
At 30 December 2005	<u>244,054</u>	<u>244,054</u>

Details of the principal subsidiaries and associates can be found in note 27.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

14. LIFE ASSURANCE ASSETS AND AMOUNTS DUE TO POLICYHOLDERS

The assets and liabilities of BlackRock Pensions Limited (formerly Merrill Lynch Pensions Limited), a wholly owned subsidiary of the Company engaged in the provision of pension products, are as follows:

	29 September 2006 £000	30 December 2005 £000
Investments - listed in the United Kingdom	1,265,091	1,233,860
Investments - listed overseas	495,643	696,985
Investments Unit Trusts	465,693	533,881
Investments current assets	51,930	40,331
Investments current liabilities	(23,735)	(9,831)
	<u>2,254,622</u>	<u>2,495,226</u>
Life assurance assets	<u>2,254,622</u>	<u>2,495,226</u>
Amounts due to policyholders	<u>2,254,622</u>	<u>2,495,226</u>

Movements in the value of life assurance assets are reflected in the amounts due to policyholders.

15. DEBTORS

	Group		Company	
	29 September 2006 £000	30 December 2005 £000	29 September 2006 £000	30 December 2005 £000
Due within one year				
Trade debtors	240,108	135,363	-	-
Amounts owed by affiliated companies	58,008	815,337	-	53
Other debtors	7,194	101,449	-	-
Prepayments and accrued income	1,061	2,350	-	-
Corporation tax recoverable	42	5,275	-	-
Deferred tax asset (see note 19)	-	53,382	-	-
	<u>306,413</u>	<u>1,113,156</u>	<u>-</u>	<u>53</u>

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

16. CURRENT ASSET INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	29 September	30 December	29 September	30 December
	2006	2005	2006	2005
	£000	£000	£000	£000
Listed investments	65,688	103,669	64,768	51,584
Unlisted investments	7,517	5,829	-	-
	<u>73,205</u>	<u>109,498</u>	<u>64,768</u>	<u>51,584</u>

Group listed investments

The market value of the listed investments at 29 September 2006 was £70,895,000 (2005 - £107,887,000).

Company listed investments

The market value of the listed investments at 29 September 2006 was £69,936,000 (2005 - £55,556,000).

Group unlisted investments

The directors are of the opinion that the fair value of the unlisted investments are not less than the amount recognised in the financial statements.

17. CREDITORS:
Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	29 September	30 December	29 September	30 December
	2006	2005	2006	2005
	£000	£000	£000	£000
Trade creditors	154,125	59,817	-	-
Amounts owed to affiliated companies	83,100	81,175	86,198	91,306
Corporation tax	2,196	3,417	-	-
Other creditors	80,082	259,622	2	2
	<u>319,503</u>	<u>404,031</u>	<u>86,200</u>	<u>91,308</u>

Included in other creditors is £2,347,000 (2005 - £25,259,000) in relation to the Group's defined benefit scheme deficits (see note 24).

18. CREDITORS:
Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	29 September	30 December	29 September	30 December
	2006	2005	2006	2005
	£000	£000	£000	£000
Amounts owed to affiliated companies	-	30,000	-	-

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

18. CREDITORS:

Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within five years as follows:

	<u>Group</u>		<u>Company</u>	
	29 September 2006 £000	30 December 2005 £000	29 September 2006 £000	30 December 2005 £000
Repayable other than by instalments	-	30,000	-	-

The above loans were subordinated bearing interest at six month LIBOR plus 1%. The loans were repaid in September 2006.

19. DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	29 September 2006 £000	30 December 2005 £000	29 September 2006 £000	30 December 2005 £000
At 31 December 2005	(53,382)	(60,195)	-	-
Deferred tax in the profit and loss account relating to the current period	40,325	8,799	-	-
Deferred tax in the profit and loss account relating to the previous period	(1,624)	(1,983)	-	-
Foreign exchange movement	-	(3)	-	-
On disposal on subsidiary undertakings	16,215	-	-	-
At 29 September 2006	1,534	(53,382)	-	-

The (deferred tax asset)/provision for deferred taxation is made up as follows:

	<u>Group</u>		<u>Company</u>	
	29 September 2006 £000	30 December 2005 £000	29 September 2006 £000	30 December 2005 £000
Accelerated capital allowances	435	(8,641)	-	-
Tax losses brought forward	-	(17,517)	-	-
Timing differences in relation to compensation and social security	-	(25,262)	-	-
Other timing differences	-	14	-	-
General provisions	1,099	(1,976)	-	-
	1,534	(53,382)	-	-

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

19. DEFERRED TAXATION (continued)

The Group has unrecognised deferred tax assets totalling £nil as at 29 September 2006 (2005: £4,175,000) in respect of trading and capital losses and allowable interest expenditure charged to the profit and loss account but not yet allowed for tax purposes.

The Company has no unrecognised deferred tax.

These amounts have not been recognised because their recoverability in the foreseeable future is considered unlikely.

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £000
Group	
At 31 December 2005	914
On disposal of subsidiary undertakings	(914)
	<hr/>
At 29 September 2006	-
	<hr/>

Restructuring provision

During 2001, Merrill Lynch & Co., Inc. resized selected businesses and made other structural changes to position itself for improved profitability and growth. Specific changes included: workforce reductions from both voluntary separation and targeted actions in selected businesses; property initiatives including providing for the costs of closing or subletting excess office space; technology initiatives including the write down of certain technology assets; and other business rationalisation costs. On reorganisation of the group this provision was disposed of.

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

21. SHARE CAPITAL

	29 September 2006 £000	30 December 2005 £000
Authorised		
1,625,799,343 Ordinary shares of 5p each	81,290	162,580
1,625,799,344 Participating Preference shares of 5p each	81,290	-
	<u>162,580</u>	<u>162,580</u>
Allotted, called up and fully paid		
1,121,663,969 Ordinary shares of 5p each	56,083	112,166
1,121,663,969 Participating Preference shares of 5p each	56,083	-
	<u>112,166</u>	<u>112,166</u>

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

21. SHARE CAPITAL (continued)

Rights of Shareholders Voting Rights

The Ordinary Shares and the Participating Preference Shares shall entitle the holders to attend and vote at the meetings of the Company.

At such meetings, on a resolution being considered on a show of hands each member present in person shall have one vote, and on a poll each member shall have 9 votes for each Ordinary Share held by it and one vote for each Participating Preference Share held or if a Participating Preference Share is held by a person other than (a) BlackRock Finco (UK) Limited, or (b) any company which is not itself both (i) incorporated and resident for tax purposes outside the European Economic Area ("EEA") and (ii) all of whose holding companies are incorporated and resident for tax purposes outside the EEA (residence for tax purposes being determined in accordance with the laws of England) or (c) any company which acquires such shares on or before 31 March 2007 9 votes for each Participating Preference Shares held by it.

Dividend Rights

Subject to the Company having profits available for distribution in accordance with the Companies Act 1985, on 30 June and 31 December each year but conditional upon the directors having resolved to pay such a dividend (without the need for declaration of a dividend by the Company in general meeting), the Company will pay to the holders of the Participating Preference Shares a fixed preferential dividend of 5.5p for each Participating Preference Share held on that date provided that a regulatory deficit would not thereby occur.

In the event that on a dividend payment date the Company has insufficient distributable profits to pay any fixed dividend or to the extent that to pay such dividend would cause a regulatory deficit to occur the Company shall, conditional upon the directors having resolved to pay such a dividend, pay by way of dividend the maximum amounts it may pay from such reserves and without causing a regulatory deficit to occur to the holders of the Participating Preference Shares pro rata to the number of such shares they may hold on that date.

Any amount of fixed preferential dividend not paid for any reason whatsoever shall accumulate and be paid as part of the fixed dividend on the next payment date.

Subject to (a) the Board recommending the payment of dividends (b) the Company having profits available for distribution within the meaning of the Companies Act 1985, any available profits which the Company may determine to distribute in respect of any financial year after the payment of all the fixed dividends and the additional dividends shall be distributed as to 10 per cent to the holders of the Ordinary Shares and as to 90 per cent to the holders of the Participating Preference Shares, in each case pro rata according to the number of such shares held by the holders.

Return of Capital Rights, Variation of Class Rights

On a return of capital on liquidation or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be distributed in the following order of priority (a) to the holders of the Participating Preference Shares until any arrears of the fixed dividends and the additional dividends have been discharged in full; (b) thereafter to the holders of the Ordinary Shares and the Participating Preference Shares pro rata to the number of shares held until they have received 5p for each share held; and (c) thereafter as to 10 per cent amongst the holders of the Ordinary Shares and as 90 per cent amongst the holders of the Participating Preference Shares, in all cases pro rata according to the number of the relevant class of shares held by the holders.

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

22. RESERVES

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
Group			
At 31 December 2005	47,073	7,029	741,698
Loss for the period	-	-	(261,333)
Dividends	-	-	(411,759)
Exchange adjustments	-	-	(963)
	<u>47,073</u>	<u>7,029</u>	<u>67,643</u>
At 29 September 2006			
	<u>47,073</u>	<u>7,029</u>	<u>67,643</u>
	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
Company			
At 31 December 2005	47,073	7,029	38,315
Profit for the period	-	-	377,971
Dividends	-	-	(411,759)
	<u>47,073</u>	<u>7,029</u>	<u>4,527</u>
At 29 September 2006			
	<u>47,073</u>	<u>7,029</u>	<u>4,527</u>

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006**

23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	29 September	30 December
	2006	2005
	£000	£000
Group		
(Loss)/profit for the period	(261,333)	106,234
Dividends	(411,759)	-
	<u>(673,092)</u>	<u>106,234</u>
Other recognised gains or losses arising in the period	-	(3,409)
Exchange adjustments	(963)	1,197
	<u>(674,055)</u>	<u>104,022</u>
Opening shareholders' funds	907,966	803,944
Closing shareholders' funds	<u>233,911</u>	<u>907,966</u>
	29 September	30 December
	2006	2005
	£000	£000
Company		
Profit for the period	377,971	1,294
Dividends	(411,759)	-
	<u>(33,788)</u>	<u>1,294</u>
Opening shareholders' funds	204,583	203,289
Closing shareholders' funds	<u>170,795</u>	<u>204,583</u>

The Company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The profit for the period dealt with in the accounts of the Company was £377,971,000 (2005 - £1,294,000).

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

24. PENSION COMMITMENTS

Defined contribution schemes

The pension cost for the period was £2,061,000 (2005 - £4,856,000) in respect of defined contribution schemes. All of these pension costs were in relation to schemes disposed during the period of as part of the group reorganisation (see note 4).

Defined benefit schemes

The latest actuarial assessment of the Merrill Lynch (UK) Pension Plan was as at 1 January 2004. This valuation highlights a pension deficit of £25.7 million. In addition to the contributions required to meet the cost of future benefits accruing, the employing companies decided, in 2004, based on actuarial advice and after discussion with the Trustee, to make additional contributions of £2.5 million p.a. (increasing in line with price inflation) over the next 13 years. There was also a one-off payment of £15.2 million in 2005. This scheme was disposed of during the period as part of the group reorganisation (see note 4).

The pension cost for the period was £2,347,000 (2005 - £1,418,000) in respect of defined benefit pension schemes. The combined deficits of £2,347,000 (2005 - £25,259,000) are included within other creditors (see note 17).

There were no formal actuarial valuations performed for each of the schemes that were disposed of during the period, as such these obligations have been disposed of based on the most recent full actuarial valuation on 31 December 2005.

Post Retirement Healthcare

The Group operates a post-retirement medical arrangement for certain former employees of Merrill Lynch Investment Managers Holdings Limited. No assets have been set aside to meet the cost of these post-retirement medical benefits. The benefits therefore represent an unfunded liability for the Group and is included within other creditors. The last full actuarial valuation was carried out as at 31 December 2005. During the period, part of the obligations of the scheme were assumed by Merrill Lynch as part of the group reorganisation (see note 4).

	29 September 2006 %	30 December 2005 %	31 December 2004 %
Actuarial assumptions adopted			
Discount rate	4.7	4.7	5.3
Medical cost inflation - initial rate	10.0	10.0	10.0
Medical cost inflation - ultimate rate	4.4	4.4	4.4
Year ultimate rate reached	2013	2012	2011

	29 September 2006 £000	30 December 2005 £000
Value of assets and liabilities:		
Present value of scheme liabilities	(2,347)	(17,733)
Deficit in the scheme	<u>(2,347)</u>	<u>(17,733)</u>

**BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT
MANAGERS GROUP LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

24. PENSION COMMITMENTS (continued)

	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
Operating profit		
Current service cost	-	265
	<u>-</u>	<u>265</u>
Total operating charge	<u>-</u>	<u>265</u>
Other financial income		
Expected return on pension scheme assets	-	(751)
	<u>-</u>	<u>(751)</u>
Net return	<u>-</u>	<u>(751)</u>
Statement of total recognised gains and losses (STRGL)		
Experience gains and losses arising on the scheme liabilities	-	(1,039)
As a percentage of liabilities	NIL%	5.9%
Changes in assumptions underlying the present value of the scheme liabilities	-	(1,789)
As a percentage of liabilities	NIL%	10.0%
	<u>-</u>	<u>(1,789)</u>
Actuarial loss recognised in STRGL	-	(2,828)
	<u>-</u>	<u>(2,828)</u>
As a percentage of liabilities	NIL%	15.9%
	<u>-</u>	<u>(2,828)</u>
	29 September 2006 £000	30 December 2005 £000
Movement in deficit during the period:		
Deficit in scheme at beginning of period	(17,733)	(14,209)
Current period service cost	-	(265)
Contributions	-	320
Other finance income	-	(751)
Actuarial gain	-	(2,828)
Other - disposal	15,386	-
	<u>(17,733)</u>	<u>(14,209)</u>
Deficit in scheme at end of period	<u>(2,347)</u>	<u>(17,733)</u>

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

24. PENSION COMMITMENTS (continued)

Special Pension Promises

Certain members of the Plan who joined after 31 May 1989 have a special promise that their benefits will be calculated as if the earnings cap did not apply. The Plan is funded on the basis that the earnings cap would apply as normal for these members so the benefits payable in respect of pay in excess of the earnings cap represents an unfunded unapproved liability for the Group and is included within other creditors. This liability was valued by qualified independent actuaries as at 31 December 2005. This scheme was disposed of during the period as part of the group reorganisation (see note 4).

	29 September 2006 %	30 December 2005 %	31 December 2004 %
Actuarial assumptions adopted			
Discount rate	NIL	4.7	5.3
Rate of general long-term increase in salaries (including allowance for promotional increases of 0.5% p.a.)	NIL	4.4	4.4
Rate of increase to pensions in payment	NIL	2.8	2.7
Rate of price inflation/increase in earnings cap	NIL	2.9	2.9
Rate of price inflation	NIL	2.9	2.9

	29 September 2006 £000	30 December 2005 £000
Value of assets and liabilities:		
Present value of scheme liabilities	-	(3,830)
Surplus/(deficit) in the scheme	-	(3,830)
	39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000
Other financial income		
Interest on pension scheme liabilities	-	(176)
Net return	-	(176)
Statement of total recognised gains and losses (STRGL)		
Experience gains and losses arising on the scheme liabilities	-	244
As a percentage of liabilities	NIL%	6.4%
Changes in assumptions underlying the present value of the scheme liabilities	-	(545)
As a percentage of liabilities	NIL%	14.2%
Actuarial loss recognised in STRGL	-	(301)
As a percentage of liabilities	NIL%	7.9%

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

24. PENSION COMMITMENTS (continued)

	29 September 2006 £000	30 December 2005 £000
Movement in deficit during the period:		
Deficit in scheme at beginning of period	(3,830)	(3,353)
Other finance income	-	(176)
Actuarial (loss)/gain	-	(301)
Other - disposal	3,830	-
	<hr/>	<hr/>
Surplus/(deficit) in scheme at end of period	-	(3,830)
	<hr/>	<hr/>

Defined benefit scheme operated by BlackRock (Channel Islands) Limited (formerly Merrill Lynch Investment Managers Channel Islands Limited)

The latest actuarial assessment of the Plan was as at 31 December 2005. This valuation highlights a pension deficit of £3,696,000. No assets have been set aside to address this deficit and it therefore forms an unfunded liability for the Group and is included within other creditors. The trustees of the scheme are currently liaising with an independent actuary and the Merrill Lynch group to determine the most practical method of addressing the deficit. This scheme was disposed of during the period as part of the group reorganisation (see note 4).

The pension cost for the period was £181,000 (2005 - £226,000) in respect of defined benefit pension schemes.

	29 September 2006 %	30 December 2005 %	31 December 2004 %
Actuarial assumptions adopted			
Discount rate	NIL	4.7	5.3
Rate of general long-term increase in salaries (including allowance for promotional increases of 0.5% p.a.)	NIL	4.9	4.9
Rate of increase to pensions in payment	NIL	2.8	2.7
Inflation	NIL	2.9	2.9

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

24. PENSION COMMITMENTS (continued)

	29 September 2006 £000	30 December 2005 £000
Value of assets and liabilities:		
Market value of assets	-	3,767
Present value of scheme liabilities	-	(7,463)
	<u>-</u>	<u>(3,696)</u>
Surplus/(deficit) in the scheme	<u>-</u>	<u>(3,696)</u>

The expected long term rate of return on pension assets and market value at 29 September 2006 and 30 December 2005 are as follows:

	2006 %	2006 £000	2005 %	2005 £000
Equities	NIL	-	7.5	2,513
Fixed interest securities	NIL	-	4.7	1,076
Other assets	NIL	-	4.5	178
		<u>-</u>		<u>3,767</u>
		<u>-</u>		<u>3,767</u>
		39 weeks ended 29 September 2006 £000	52 weeks ended 30 December 2005 £000	
Operating profit				
Current service cost		-		101
		<u>-</u>		<u>101</u>
Total operating charge		<u>-</u>		<u>101</u>
Other financial income				
Expected return on pension scheme assets		-		216
Interest on pension scheme liabilities		-		(341)
		<u>-</u>		<u>(125)</u>
Net return		<u>-</u>		<u>(125)</u>
Statement of total recognised gains and losses (STRGL)				
Actual return less expected return on pension scheme assets		-		340
As a percentage of assets	NIL%			9.0%
Experience gains and losses arising on the scheme liabilities		-		442
As a percentage of liabilities	NIL%			5.9%
Changes in assumptions underlying the present value of the scheme liabilities		-		(1,062)
As a percentage of liabilities	NIL%			14.2%
		<u>-</u>		<u>(280)</u>
Actuarial loss recognised in STRGL		<u>-</u>		<u>(280)</u>
As a percentage of liabilities		NIL%		7.6%

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 29 September 2006

24. PENSION COMMITMENTS (continued)

	29 September 2006 £000	30 December 2005 £000
Movement in deficit during the period:		
Deficit in scheme at beginning of period	(3,696)	(3,260)
Current period service cost	-	(101)
Contributions	-	70
Other finance income	-	(125)
Actuarial loss	-	(280)
Other - disposal	3,696	-
	<hr/>	<hr/>
Surplus/(deficit) in scheme at end of period	<hr/> <hr/> -	<hr/> <hr/> (3,696)

25. CAPITAL EXPENDITURE AND OPERATING LEASE COMMITMENTS

The commitments under the operating leases had been transferred from an affiliated entity to the Group. At 29 September 2006 the Group had annual commitments under non-cancellable operating leases as follows:

	29 September 2006 £000	Land and buildings 30 December 2005 £000
Group		
Expiry date:		
Within 1 year	-	281
After more than 5 years	6,775	318
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BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

26. 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.

The following amounts (owed to) / due from affiliated entities at 29 September 2006 are not included within the consolidated financial statements of the ultimate parent company;

Merrill Lynch & Co., Inc.	£ (68,866,906)
Merrill Lynch Investment Managers, L.P.	£ 16,958
Merrill Lynch International Incorporated	£ (1,341,540)
Merrill Lynch Holdings Inc.	£ (8,728)
Merrill Lynch Bank (Suisse) S.A.	£ 5,491
Merrill Lynch, Pierce, Fenner & Smith Limited	£ (182,129)
ML International	£ (227,421)
Merrill Lynch International	£ 23,489,861
Merrill Lynch Capital Markets Espana, S.A., S.V.	£ 117
Merrill Lynch Capital Markets AG	£ (129,537)
Merrill Lynch (Australia) Pty Ltd	£ (818)
Merrill Lynch International Bank Ltd	£ (75,106)
Merrill Lynch Capital Markets Bank Limited - Milan Branch	£ 12,109
Merrill Lynch Canada Inc.	£ (563,596)
ML Invest Holdings Limited	£ (114,744)
Mercury Life Limited	£ (33,281)

27. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

a Principal subsidiaries

The subsidiaries and associated undertakings as at 29 September 2006 are shown below. The financial period end for each of these subsidiaries is the same as that of the Company.

The class of each material entity and the proportion of ordinary shares (unless stated) held by the Group, and the place of incorporation of each material subsidiary is listed below:

Company name	Country of Incorporation	Percentage shareholding	Principal activities
BlackRock Fund Managers Limited (formerly Merrill Lynch Fund Managers Limited) *	United Kingdom	100	Unit trust management
BlackRock Investment Management International Limited (formerly Merrill Lynch Investment Managers International Limited) *	United Kingdom	100	Investment management
BlackRock Investment Management (UK) Limited (formerly Merrill Lynch Investment Managers Limited)	United Kingdom	100	Investment management and holding company
BlackRock Pensions Limited (formerly Merrill Lynch Pensions Limited)	United Kingdom	100	Provision of investment management policies for occupational pension schemes

* Indicates subsidiaries indirectly held.

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

27. PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

a. Principal subsidiaries (continued)

The material subsidiaries disposed of as a result of the group reorganisation included in note 4, the class and proportion of ordinary shares (unless stated otherwise) and the place of incorporation of each material subsidiary disposed are listed below:

Company name	Country of Incorporation	Percentage shareholding	Principal activities
Merrill Lynch Investment Managers (Asia Pacific) Limited	Singapore	100	Investment management
Merrill Lynch Investment Managers (Asia) Limited	Hong Kong	100	Investment management
Merrill Lynch Investment Managers Limited	Australia	100	Investment management
Merrill Lynch Investment Managers (Channel Islands) Limited	Jersey	100	Investment management and holding company
Merrill Lynch Investment Managers (Dublin) Limited	Ireland	100	Manager of offshore funds
Merrill Lynch Investment Managers (Finance) Limited	United Kingdom	100	Investment holding company
Merrill Lynch Investment Managers (Isle of Man) Limited	Isle of Man	100	Manager of retail funds
Merrill Lynch Investment Managers (Luxembourg) S.A.	Luxembourg	100	Service company for offshore funds
Merrill Lynch Investment Managers Deutschland GmbH	Germany	100	Investment advisory services
Merrill Lynch Investment Managers Group Services Limited	United Kingdom	100	Group services and holding company
Merrill Lynch Investment Managers Holdings BV	The Netherlands	100	Investment holding company
Merrill Lynch Investment Managers Holdings Limited	United Kingdom	100	Group services and holding company
Merrill Lynch Investment Managers Insurance Company Limited	Isle of Man	100	Captive insurance company
Merrill Lynch Investment Managers (Netherlands) BV	The Netherlands	100	Investment management

BLACKROCK GROUP LIMITED (FORMERLY MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS For the period ended 29 September 2006

27. PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

b Principal associates

Company name	Country of Incorporation	Percentage shareholding	Principal activities
Munich London Investment Management Limited	United Kingdom	50	Investment management
Tower General Partner Limited	United Kingdom	50	General partner of property limited partnership

One Group company acts as the general partner in a venture capital limited partnership. This limited partnership is deemed to be a subsidiary undertaking of the Group under the Companies Act 1985 by virtue of the role of the general partner in the partnership and under the Companies Act 1985 requirements should be consolidated in full. However, the directors consider that the accounts would not give a true and fair view if the assets and income of this limited partnership were to be consolidated since the Group company has no interest in these assets and its role is simply that of investment manager. Accordingly, the Group consolidates its nil share of the assets and income of the limited partnership. Had full consolidation been adopted, other net assets would have been reduced by £nil (2005 - £21,000). A minority interest of £nil (2005 - £86,000) would have been created and there would have been no effect on the results for the period or retained profits.

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent company is BlackRock International Holdings Inc. 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 40 East 52nd St, New York, NY 10022, USA or by email at invrel@blackrock.com.