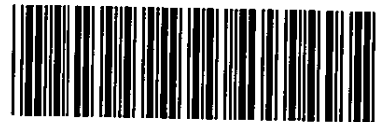


Registration number 1102517

BLACKROCK FUND MANAGERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010

TUESDAY



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BLACKROCK FUND MANAGERS LIMITED

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BLACKROCK FUND MANAGERS LIMITED

DIRECTORS' REPORT

For the Year Ended 31 December 2010

The directors present their report and the audited financial statements of BlackRock Fund Managers Limited (the "Company"), registered number 1102517, for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the Company remains the provision of investment management, advisory and administrative services

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

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £3,195,000 (2009 profit £4,350,000) Interim dividends of £6,000,000 (2009 £nil) were paid in 2010 The directors do not recommend the payment of a final dividend (2009 £nil)

DIRECTORS

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

A J Stenning

G D Bamping

E E Tracey

N C D Hall

A C Hootor-Duncan

K R Ironmonger

C C Prdeaux (resigned 6 May 2010)

A Higgins (appointed 10 February 2010)

BLACKROCK FUND MANAGERS LIMITED

DIRECTORS' REPORT

For the Year Ended 31 December 2010

BUSINESS REVIEW

As shown in the Company's profit and loss account, the Company's turnover for the Year Ended 31 December 2010 was £15,560,406,000 (2009 £11,263,483,000), an increase of 38%. This is due to favourable market conditions, and is in line with the increase in assets under management year on year.

Administrative expenses have increased to £8,520,000 (2009 £553,000). This is largely due to the FSCS Levy provision of £6,682,000 in 2010 and a foreign exchange loss for the year of £219,000 compared to a foreign exchange gain of £3,843,000 in 2009.

The Company increased its investment within BlackRock Investment Management (Korea) Limited by £1,183,000 to £6,096,000 in 2010.

The integration of the Barclays Global Investors business into BlackRock, Inc., ("BlackRock") has produced a global leader with USD3.35 trillion in assets under management at 31 March 2010. The enlarged firm has a wide range of top quartile investment strategies that will be able to satisfy investors' renewed risk appetite, which has been reflected in the strong market recovery and robust new business flows. The directors are confident that the range of strategies available to investors, together with increased market confidence, will be translated into continued growth and profitability in 2011.

The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain 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 annual report and accounts.

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,
- A short-fall of readily realisable liquid assets may cause the Company to default in respect of its payment obligations,
- Adverse economic conditions could lead to a decline in the value of customers' portfolios and hence associated revenues.

BLACKROCK FUND MANAGERS LIMITED

DIRECTORS' REPORT

For the Year Ended 31 December 2010

Operational risk

The main risk which the Company is subject to is operational risk, as the Company's business requires it to process a large number of transactions both efficiently and accurately. The Company has in place an integrated operational risk management framework, that is designed to ensure that systems and processes are in place to identify, manage, and mitigate key risks. The risks are measured using a sophisticated modelling technique, as part of the Company's internal capital assessment process. The model calculates unexpected losses on an annualised basis at a 99.5% confidence level utilising both internal and external loss data. This approach has been reviewed and approved by the FSA.

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 respect of accounts receivable and surplus cash held in bank accounts, or held on account with other BlackRock group companies as part of normal treasury operations. 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 retains the right to offset unpaid invoices against any client assets.

Market risk

- 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.

- Foreign exchange risk arises where the Company's foreign currency assets are not matched by liabilities denominated in the same currency. Furthermore, the Company derives revenues from management and performance fees in two main currencies being Sterling and US Dollar. Expenses are mainly denominated in Sterling and as a consequence the Company's revenues may fluctuate as a result of US Dollar exchange movements.

- Price risk is the risk that market prices for the investments held within customers' portfolios may fall. The Company's revenue comprises fees for investment management services, which are derived from the value of customers' portfolios. The portfolios are constructed to meet clients' specified strategies and diversification across the entire population of portfolios mitigates the Company's exposure to price risk. The Company undertakes stress-testing analysis by modelling adverse economic scenarios and uses the results to test the robustness of its business plan.

BLACKROCK FUND MANAGERS LIMITED

DIRECTORS' REPORT

For the Year Ended 31 December 2010

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 capital requirements imposed by the FSA. In order to ensure compliance with this requirement throughout the year and to fund continued business expansion / development, a surplus was maintained throughout the year which is 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 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. Then the firm's long-term capital plan is set to ensure that the amount of capital held remains above this level at all times.

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

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

BLACKROCK FUND MANAGERS LIMITED

DIRECTORS' REPORT

For the Year Ended 31 December 2010

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, 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 2010 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 (2009: £nil) to registered charities or political donations (2009: £nil).

BLACKROCK FUND MANAGERS LIMITED

DIRECTORS' REPORT

For the Year Ended 31 December 2010

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.

Paragraph 12(3) of Schedule 7 of the Companies Act 2006 requires disclosure of trade creditor payment days. The components for the trade creditor calculation are not easily identified. However, by identifying as closely as possible the components that would be required if Schedule 4 of the Companies Act applied, the trade creditors payment days for the Company for 2010 were zero days (2009 zero days) as these are paid by a fellow subsidiary in the group. This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, or the experience of any individual creditor.

Independent auditors

So far as the directors are aware there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves 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 s418 of the Companies Act 2006.

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

This report was approved by the Board on 29 March 2011 and signed on its behalf by



A.B. Dyke
Company secretary

INDEPENDENT AUDITORS' 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 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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 AUDITORS

As explained more fully in the Directors' Responsibilities Statement, 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.

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 2010 and of its loss 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 AUDITORS' REPORT TO THE MEMBERS OF BLACKROCK FUND MANAGERS LIMITED

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

Date 30 March 2011

BLACKROCK FUND MANAGERS LIMITED
PROFIT AND LOSS ACCOUNT
For the Year Ended 31 December 2010

	Note	2010 £ 000	2009 (*) £ 000
TURNOVER	3	15,560,406	11,263,483
Cost of sales		<u>(15,556,302)</u>	<u>(11,256,562)</u>
Gross profit		4,104	6,921
Administrative expenses		<u>(8,520)</u>	<u>(553)</u>
OPERATING (LOSS)/PROFIT	4	(4,416)	6,368
Interest receivable and similar income	6	3	8
Interest payable and similar charges	7	<u>(24)</u>	<u>(334)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,437)	6,042
Tax on Profit / (Loss) on ordinary activities	8	<u>1,242</u>	<u>(1,692)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(3,195)</u></u>	<u><u>4,350</u></u>

Turnover and operating profit derive wholly from continuing operations

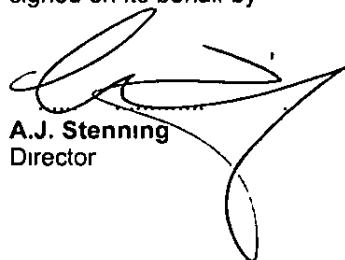
The company has no recognised gains or losses for the year other than the results above

(*) Represented - See Note 19

BLACKROCK FUND MANAGERS LIMITED**(Registration number: 1102517)****BALANCE SHEET****As at 31 December 2010**

	Note	2010 £ 000	2009 £ 000
FIXED ASSETS			
Investments	9	6,096	4,913
CURRENT ASSETS			
Debtors	10	178,421	174,533
Investments	11	214	199
Cash at bank		-	1,584
		178,635	176,316
CREDITORS			
Amounts falling due within one year	12	(165,827)	(159,812)
NET CURRENT ASSETS		12,808	16,504
TOTAL ASSETS LESS CURRENT LIABILITIES		18,904	21,417
Provisions for liabilities	13	(6,682)	-
NET ASSETS		12,222	21,417
CAPITAL AND RESERVES			
Called up share capital	14	13,100	13,100
Profit and loss account	16	(878)	8,317
SHAREHOLDER'S FUNDS	17	12,222	21,417

The financial statements were approved by the Board and authorised for issue on 29 March 2011 and signed on its behalf by



A.J. Stenning
Director

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

1 ACCOUNTING POLICIES

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

Basis of accounting

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

Accounting convention

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

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 and investment advisory and administration services are recognised as the services are performed. Such fees are primarily based on predetermined percentages of the market value of the assets under management.

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 specified 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.

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. Listed investments held as current assets are shown at the lower of cost and market value. Unlisted investments held as current assets are shown at the lower of cost and directors' valuation.

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

Translation of foreign currencies

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.

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.

Group accounts

The Company has taken advantage of the exemption in section 400 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.

2 PRINCIPAL ACTIVITIES

The company provides investment management, advisory and administrative services.

3 TURNOVER

	2010 £ 000	2009 (*) £ 000
Management fees	2,896	2,009
Unit sales	15,557,510	11,261,474
	<u>15,560,406</u>	<u>11,263,483</u>

All turnover arose within the United Kingdom.

Turnover is stated net of retrocessions of £85,894,000 (2009: £63,690,000) and net of management fee expenses to other group companies of £157,350,000 (2009: £105,085,000).

(*) Represented - See Note 19

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

4 OPERATING PROFIT/LOSS

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

	2010	2009
	£ 000	£ 000
Foreign exchange losses/(gains)	<u>219</u>	<u>(3,844)</u>

Auditors' remuneration has been borne by another group company in the current and preceding periods. Fees payable to the Company's auditors, Deloitte LLP for the 2010 audit of the Company's annual accounts were £240,000 (2009: £216,000). There were no non-audit fees payable by the Company to the auditor during 2010 (2009: £nil).

The Company had no employees in the current or preceding year.

5 DIRECTORS' REMUNERATION

Of the 7 (2009: 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. Emoluments in relation to services performed for other group companies are not disclosed in the Company's financial statements.

Remuneration paid to directors of the Company comprised

	2010	2009
	£ 000	£ 000
Emoluments	907	932
Company pension contributions to defined contribution pension schemes	<u>45</u>	<u>62</u>

During the year retirement benefits were accruing to 7 directors (2009: 7) in respect of defined contribution pension schemes.

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

DIRECTORS' REMUNERATION Continued

The highest paid director received emoluments of £290,000 (2009 £277,000)

The value of the Company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2009 £11,000)

The total accrued BlackRock pension provision of the highest paid director at 31 December 2010 amounted to £nil (2009 £nil)

During the year no director exercised BlackRock, Inc share options (2009 nil)

During the year the number of directors by whom BlackRock, Inc shares are receivable or have received under long-term incentive schemes was 7 (2009 7)

The highest paid director received BlackRock, Inc shares under long-term incentive scheme during 2010

6 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable and similar income

	2010 £ 000	2009 £ 000
From other sources	<u>3</u>	<u>8</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges

	2010 £ 000	2009 £ 000
Interest on bank borrowings	<u>24</u>	<u>334</u>

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

8 TAXATION

Tax on loss/profit on ordinary activities

	2010	2009
	£ 000	£ 000
Current tax		
UK corporation tax (credit)/charge on (loss)/profit for the year	<u>(1,242)</u>	<u>1,692</u>

FACTORS AFFECTING TAX CHARGE FOR YEAR

The current tax assessed for the year is equal to (2009 - equal to) the standard rate of corporation tax in the UK applicable to the Company 28% (2009 28%) The differences are explained below

	2010	2009
	£ 000	£ 000
(Loss)/profit on ordinary activities before tax	<u>(4,437)</u>	<u>6,042</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	<u>(1,242)</u>	<u>1,692</u>
Current tax (credit)/charge for year	<u><u>(1,242)</u></u>	<u><u>1,692</u></u>

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

9 FIXED ASSETS INVESTMENTS

	Investment in subsidiary companies £ 000	Total £ 000
Cost		
At 1 January 2010	4,913	4,913
Additions	1,183	1,183
At 31 December 2010	<u>6,096</u>	<u>6,096</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 activity
BlackRock Investment Management (Korea) Limited	Provider of investment management, investment advisory services and discretionary investment business

On 23 March 2010 the Company made a capital injection of £1,183,000 to BlackRock Investment Management (Korea) Limited.

10 DEBTORS

	2010 £ 000	2009 £ 000
Trade debtors	171,150	120,226
Amounts owed by group companies	7,210	54,232
Other debtors	61	75
	<u>178,421</u>	<u>174,533</u>

During 2008 cash management within the BlackRock group was improved by the introduction of a UK cash-pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by BlackRock Investment Management (UK) Limited ('BIM (UK)'). These balances are treated as intercompany loans between BIM (UK) and the corresponding group companies. This cash is then held as short-term money market investments by BlackRock Group Limited ('BGL'). The receivable due from BIM (UK) of £35,186,000 (2009: £52,746,000) in relation to this arrangement is included within 'Amounts owed by group companies'. This is netted against the creditor position with BIM (UK).

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

11 CURRENT ASSET INVESTMENTS

	2010 £ 000	2009 £ 000
Listed investments	<u>214</u>	<u>199</u>

Listed investments

The market value of the listed investments at 31 December 2010 was £214,000 (2009 £199,000)

12 CREDITORS

Amounts falling due within one year

	2010 £ 000	2009 £ 000
Trade creditors	154,261	124,313
Bank loans and overdrafts	3,114	-
Amounts owed to group companies	4,974	30,898
Corporation tax	517	1,759
Other taxes and social security	841	1,300
Other creditors	<u>2,120</u>	<u>1,542</u>
	<u>165,827</u>	<u>159,812</u>

The bank overdraft is unsecured and repayable on demand

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

13 PROVISIONS

	Other provision £ 000	Total £ 000
At 1 January 2010	-	-
Charged to the profit and loss account	<u>6,682</u>	<u>6,682</u>
At 31 December 2010	<u>6,682</u>	<u>6,682</u>

The Company is an authorised institution and operates in the UK or overseas within the regulatory framework established in the UK by the Financial Services Authority (FSA) or overseas by local regulatory bodies

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for customers of authorised financial services firms that are unable to pay claims made against them. The Company as an authorised firm, is obliged to pay levies to the FSCS as part of its funding arrangements.

The FSCS raises levies against firms authorised by the FSA in respect of its management expenses and compensation costs. Under the funding system of the FSCS, levies are split into five broad classes, one of which is Investments. Each firm falling into this class contributes an amount in respect of these costs which is proportionate to their share of funds under management.

As a result of being an authorised institution and also being subject to the FSCS levy, the Company may from time to time establish provisions in respect of regulatory matters when a legal or constructive obligation exists as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made.

As at 31 December 2010, a provision of £6,682,000 has been established in respect of anticipated further FSCS levies and other regulatory matters. The ultimate amount and timing of cash outflows for such provisions can be uncertain and depend on a number of variables outwith the control of the Company.

14 SHARE CAPITAL

	2010 £	2009 £
Authorised		
150,100,000 ordinary shares of £1 each	<u>150,100,100</u>	<u>150,100,000</u>
Allotted, called up and fully paid		
13,100,000 (2009: 13,100,000) ordinary shares of £1 each	<u>13,100,000</u>	<u>13,100,000</u>

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

15 DIVIDENDS

	2010 £ 000	2009 £ 000
Total dividends paid	<u>6,000</u>	<u>-</u>
Dividends on ordinary shares		
Interim dividends paid £0 458 per £1 share (2009 £Nil)		
Interim dividends are recognised when declared		

16 RESERVES

	Profit and loss account £ 000	Total £ 000
At 1 January 2010	8,317	8,317
Loss retained for the year	(3,195)	(3,195)
Dividends paid	<u>(6,000)</u>	<u>(6,000)</u>
At 31 December 2010	<u>(878)</u>	<u>(878)</u>

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £ 000	2009 £ 000
Profit for the year	(3,195)	4,350
Dividends	<u>(6,000)</u>	<u>-</u>
Net (reduction)/addition to shareholders' funds	(9,195)	4,350
Shareholders' funds at 1 January	<u>21,417</u>	<u>17,067</u>
Shareholders' funds at 31 December	<u>12,222</u>	<u>21,417</u>

18 RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions, under Paragraph 3c of Financial Reporting Standard No 8 - Related Party Disclosures, with members of the group, as it is a wholly-owned subsidiary and provided that any other subsidiary undertaking which is a party to the transaction is wholly-owned by a member of that group

BLACKROCK FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

19 REPRESENTATION

In accordance with its accounting policy, the Company recognises revenue based on the provision of investment advisory and administrative fees which are recognised as the service is provided. Fees are recognised net of retrocessions reflecting the economic substance of the transaction. The Company is part of a larger group and as such participates in the group's transfer pricing arrangements which reflect revenue on an economic basis.

For the year ended 31 December 2009, revenue related transfer pricing adjustments of £105,276,000 were reflected within Administrative costs. Accordingly the Company is representing these adjustments within Turnover for the year ended 31 December 2009. There is no change in the 2009 profit after tax or the balance sheet net assets as at 31 December 2009 as a result of this representation.

20 SUBSEQUENT EVENTS

As part of the group's regulatory capital planning, on 28 February the Company approved a capital injection of £551,000 into BlackRock Investment Management (Korea) Limited.

In addition on 23 March 2011 BlackRock Investment Management (UK) Limited approved a capital injection of £5m to the Company.

21 PARENT UNDERTAKINGS

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 40 East 52nd St, New York, NY 10022, USA or by e-mail at invrel@blackrock.com.