

# Annual Financial Report

30 JUNE 2009

BlackRock Investment Management (Australia) Limited ABN 13 006 165 975

Australian Financial Services Licence No 230523

## BlackRock Australian Core Plus Funds

BlackRock Australian Core Plus Bond Fund

ARSN 124 266 495

BlackRock Australian Core Plus Cash Fund

ARSN 128 612 546



**BLACKROCK**

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# Directors' Report

The directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of BlackRock Australian Core Plus Funds, present their report together with the financial reports of BlackRock Australian Core Plus Funds ("the Funds"), for the year ended 30 June 2009 and the auditor's report thereon. The BlackRock Australian Core Plus Funds comprise the BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund.

## Responsible Entity

The Responsible Entity of the Funds is BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975) ("the Responsible Entity").

The registered office and principal place of business of the Responsible Entity and the Funds is 120 Collins Street, Melbourne, Australia.

## Principal Activities

The Funds invested in accordance with the provisions of the Funds' Constitutions. The Funds did not have any employees during the year. There were no significant changes in the nature of the Funds' activities during the year.

## Directors

The following persons held office as directors of BlackRock Investment Management (Australia) Limited during the year or since the end of the year and up to the date of this report:

Director	Date appointed/resigned
M J O'Shannassy	Appointed 23 July 1997
R Fairbairn	Appointed 29 November 2004, resigned 2 March 2009
D Frawley	Appointed 18 March 2005
G A Boyle	Appointed 7 March 2007
C Tzatzakis	Appointed 11 September 2007
J R Kushel	Appointed 2 March 2009

## Review and Results of Operations

During the year, the Funds continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitutions.

### BlackRock Australian Core Plus Bond Fund

The primary aim of the Fund is to seek returns superior to those achieved by the UBSA Composite Bond Index (All Maturities) by accessing a broad array of value enhancing strategies within the context of a rigorous risk management framework. The Fund seeks the opportunities of a broad universe of debt securities (domestic and international), including those outside the benchmark. The Fund actively manages the duration, yield curve, credit, sector allocation, individual security, country and currency exposures.

### BlackRock Australian Core Plus Cash Fund

The primary aim of the Fund is to seek returns superior to those achieved by the UBS Australia Bank Bills Index by accessing a broad array of value enhancing strategies within the context of a rigorous risk management framework. The Fund seeks the opportunities of a broad universe of debt securities (domestic and international), including those outside the benchmark. The Fund actively manages the duration, yield curve, credit, sector allocation, individual security, country and currency exposures.

## Results

The returns of the Funds are summarised in the following table:

Fund	Return <sup>^</sup>		Inception Date
	2009 % p.a.	2008* % p.a.	
BlackRock Australian Core Plus Bond Fund – X Class Units	1.17	0.06*	24 May 2007
BlackRock Australian Core Plus Cash Fund – E Class Units	0.07	0.10**	21 December 2007

<sup>^</sup> Returns (after-fees) are calculated on the assumption that all distributions are reinvested in the Funds, and include the effect of compounding.

\* Results since inception, 24 May 2007.

\*\* Results since inception, 21 December 2007.

Detailed information on the Funds' distributions is provided in Note 6 of the Financial Statements.

## Reconciliation of Net Asset Value for Unit Pricing Purposes to Net Assets Attributable to Unitholders

It is the opinion of the directors that the application of AIFRS does not have unit pricing consequences, as the basis of determining the unit price is as outlined in the Funds' Constitutions and product disclosure statements. The key differences between net assets for unit pricing and AIFRS Financial Reporting have been outlined below:

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Net Assets for Unit Pricing purposes	103,507	185,735	154,748	153,538
Permanent Differences				
AIFRS adjustments for changes in valuation of Financial Instruments held at Fair Value through Profit or Loss	(490)	(264)	(457)	(84)
Timing Differences				
Distribution Payable	(773)	(8,274)	(5,039)	(3,440)
Other	-	12	-	1
Net Assets Attributable to Unitholders as at 30 June	102,244	177,209	149,252	150,015

## Significant Changes in State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Funds that occurred during the financial year under review.

## Matters Subsequent to the End of the Financial Year

Except as disclosed in the Financial Statements, no other matters or circumstances have arisen since 30 June 2009 that has significantly affected, or may significantly affect:

- (i) the operations of the Funds in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Funds in future financial years.

## Likely Developments and Expected Results of Operations

The Funds will continue to be managed in accordance with their investment objectives and guidelines and in accordance with the provisions of their Constitutions.

Future results will accordingly depend on the performance of the investment markets to which the Funds are exposed. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns. Therefore future results have not been included in this report because it would be likely to result in unreasonable prejudice to the Funds.

## Indemnification and Insurance of Officers and Auditors

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of BlackRock Investment Management (Australia) Limited or the auditors of the Funds. So long as the officers of BlackRock Investment Management (Australia) Limited act in accordance with the Funds' Constitutions and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditors of the Funds are in no way indemnified out of the assets of the Funds.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

## Environmental Regulations

The operations of the Funds are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

# Directors' Report (continued)

## **Rounding Of Amounts to the Nearest Thousand Dollars**

The Funds are registered schemes of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

## **Additional Disclosures**

The Funds have applied the relief available in Class Order 06/441 issued by the Australian Securities and Investments Commission in the preparation of this report. Accordingly, the additional information otherwise required to be included in the directors' report has been disclosed in notes 2, 4 and 6 to the financial statements.

## **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required by section 307C of the Corporations Act 2001 is set out on page 6.

The financial statements were authorised for issue by the directors on 28th September 2009.

This report is made in accordance with a resolution of directors.

M J O'Shannassy  
Director

G A Boyle  
Director

Melbourne, 28 September 2009

# Auditor's Independence Declaration

The Board of Directors  
BlackRock Investment Management (Australia) Limited  
120 Collins Street  
Melbourne VIC 3000

## INDEPENDENCE DECLARATION – BLACKROCK AUSTRALIAN CORE PLUS BOND FUND AND BLACKROCK AUSTRALIAN CORE PLUS CASH FUND

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of the BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund.

As lead audit partner for the audit of the financial statements of the BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

Neil A. Brown  
Partner  
Chartered Accountants  
Melbourne, 28 September 2009

Liability limited by a scheme approved under  
Professional Standards Legislation

# Balance Sheets as at 30 June 2009

	Notes	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
Cash and Cash Equivalents	5(a)	3,847	2,463	3,169	1,311
Margin Accounts		-	6,202	-	4,395
Income Receivable		6	214	2	175
Receivable from Related Schemes	2	23	437	146	909
Other Receivables		8	6	26	29
Financial Assets designated at Fair Value through Profit or Loss					
- Equity Securities		-	451	-	-
- Units in Related Schemes	2	14,669	80,407	42,212	139,584
- Interest Bearing Investments		85,126	159,188	110,828	25,389
Financial Assets held for Trading					
- Options		269	325	422	263
- Swaps		130	2,519	-	536
- Forward Foreign Exchange Contracts		72	165	63	130
<b>TOTAL ASSETS</b>		<b>104,150</b>	<b>252,377</b>	<b>156,868</b>	<b>172,721</b>
<b>LIABILITIES</b>					
Bank Overdraft	5(a)	-	5,018	40	3,053
Margin Accounts		-	-	-	49
Distribution Payable	6	773	8,274	5,039	3,440
Accounts Payable and Accrued Expenses		1	60,597	1,554	15,736
Financial Liabilities held for Trading					
- Swaps		1,046	1,050	863	288
- Forward Foreign Exchange Contracts		86	229	120	140
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>1,906</b>	<b>75,168</b>	<b>7,616</b>	<b>22,706</b>
<b>Net Assets Attributable to Unitholders (Liability)</b>	4	<b>102,244</b>	<b>177,209</b>	<b>149,252</b>	<b>150,015</b>
<b>NET ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The above Balance Sheets should be read in conjunction with the accompanying notes.

# Income Statements for the year ended 30 June 2009

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	16 March 2007		7 Dec 2007	
	30 June 2009	to 30 June 2008	30 June 2009	to 30 June 2008
Notes	\$'000	\$'000	\$'000	\$'000
<b>INVESTMENT INCOME</b>				
Net Gain/(Loss) on Financial Assets designated at Fair Value through Profit or Loss	(452)	(8,063)	(7,864)	(3,131)
Net Gain/(Loss) on Financial Instruments held for Trading	2,225	624	1,992	(1,031)
Dividend Income	19	37	-	-
Distributions from Related Schemes	2	1,233	6,113	4,512
Interest Income	351	118	120	46
Fee Rebates from Related Schemes	2	16	141	92
Other Operating Income	-	24	-	-
<b>TOTAL INVESTMENT INCOME/(LOSS)</b>	<b>3,392</b>	<b>(228)</b>	<b>502</b>	<b>488</b>
<b>EXPENSES</b>				
Responsible Entity's Fees	2(a)	-	762	306
Transaction Costs		2	3	4
Other Operating Expenses	2(b)	5	1	15
<b>TOTAL OPERATING EXPENSES</b>		<b>7</b>	<b>766</b>	<b>325</b>
<b>NET OPERATING PROFIT/(LOSS)</b>		<b>3,385</b>	<b>(264)</b>	<b>163</b>
<b>FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS</b>				
Distributions to Unitholders	6	5,239	10,228	5,641
Increase/(Decrease) in Net Assets Attributable to Unitholders	4	(1,854)	(10,492)	(5,478)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>	<b>-</b>

The above Income Statements should be read in conjunction with the accompanying notes.

# Cash Flow Statements for the year ended 30 June 2009

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund		
	16 March 2007		7 Dec 2007		
	30 June 2009	to 30 June 2008	30 June 2009	to 30 June 2008	
Notes	\$'000	\$'000	\$'000	\$'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Proceeds from Sale of Financial Instruments held at Fair Value through Profit or Loss	790,464	695,334	655,638	80,500	
Purchase of Financial Instruments held at Fair Value through Profit or Loss	(696,799)	(890,588)	(654,731)	(239,122)	
Transaction Costs on Purchase of Financial Instruments held at Fair Value through Profit or Loss	(2)	(21)	(3)	(3)	
Interest Received	349	114	122	42	
Distributions from Related Schemes	1,647	6,515	6,876	3,603	
Dividends Received	19	37	-	-	
Tax Paid	-	24	-	-	
Reduced Input Tax Credit Received	-	14	-	7	
Other Income Received	-	82	-	92	
Responsible Entity Fee Rebates Received	18	-	152	-	
Responsible Entity Fees Paid	-	-	(749)	(272)	
Operating Expenses Paid	(3)	(25)	(10)	(26)	
Interest Paid	(3)	(23)	-	-	
<b>NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES</b>	5(b)	95,690	(188,537)	7,295	(155,179)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from Applications by Unitholders	16,134	188,092	1,100	153,292	
Payments for Redemptions by Unitholders	(101,985)	(2,317)	-	-	
<b>NET CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES</b>		(85,851)	185,775	1,100	153,292
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
Cash and Cash Equivalents at the Beginning of the Financial Year		(2,555)	-	(1,742)	-
Effects of Foreign Currency Exchange Rate Changes on Cash & Cash Equivalents		(3,437)	207	(3,524)	145
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	5(a)	3,847	(2,555)	3,129	(1,742)
Non-cash Financing Activities	5(c)				

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

# Statements of Changes in Equity for the year ended 30 June 2009

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	16 March 2007		7 Dec 2007	
	30 June	to 30 June	30 June	to 30 June
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR</b>	-	-	-	-
Profit/(Loss) for the year	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	-	-
<b>TOTAL RECOGNISED INCOME AND EXPENSES FOR THE YEAR</b>	-	-	-	-
<b>Transactions with equity holders in their capacity as equity holders</b>	-	-	-	-
<b>TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR</b>	-	-	-	-

Under Australian equivalents to International Financial Reporting Standards, net assets attributable to unitholders is classified as a liability rather than equity. As a result there was no equity at the start or end of the financial year.

The above Statements of Changes in Equity should to be read in conjunction with the accompanying notes.

# Notes to the Financial Statements for the year ended 30 June 2009

## 1. Summary of Significant Accounting Policies

### (a) Statement of Compliance & Basis of Preparation

This financial report includes financial statements for BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund ("the Funds") as individual entities. The Funds were constituted on 2 March 2007 and 22 November 2007 respectively, were registered on 16 March 2007 and 7 December 2007 respectively, but commenced operations on 24 May 2007 and 21 December 2007 respectively.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Corporations Act 2001 in Australia.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial report of the Funds, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 28 September 2009. The directors of the Responsible Entity have the power to amend and reissue the financial report.

The principal accounting policies applied in the preparation of these financial statements are set out below.

### (b) Financial Instruments

This category has two sub-categories: financial instruments held for trading, and those designated at fair value through profit or loss at inception.

#### ■ Financial instruments held for trading

Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term. These include derivative financial instruments including futures, forward contracts, options and interest rate swaps. The Funds do not designate any derivatives as hedges in a hedging relationship.

#### ■ Financial instruments designated at fair value through profit or loss at inception

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

The Funds recognise financial assets and liabilities on the date they become party to the contractual agreement (trade date).

Investments are derecognised when the rights to receive cashflows from the investments have expired or the Funds have transferred substantially all risks and rewards of ownership.

The Funds have designated all of their financial instruments (except derivatives) as at fair value through profit or loss. These financial instruments are initially recognised at fair value, typically represented by cost excluding transaction costs, which are expensed as incurred. Subsequent to initial recognition all instruments are measured at fair value. Changes in fair value are taken to the Income Statements.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The basis used to value particular classes of investments is as follows:

## 1. Summary of Significant Accounting Policies (continued)

### (b) Financial Instruments (continued)

#### *Equity Securities*

- (i) Securities that are listed or traded on an exchange are fair valued based on quoted "bid" prices on long securities and quoted "ask" prices on securities sold short.
- (ii) Securities which are not listed on a securities exchange or are thinly traded are valued using independent quotes obtained from brokers.
- (iii) In the absence of quoted values or brokers' representative prices, securities are valued using appropriate valuation techniques as reasonably determined by the Responsible Entity.

#### *Interest Bearing Investments*

Investments in fixed interest securities are carried at values based on current market yields, or where such yields are not available, at yields for securities of comparable maturity, quality and type.

#### *Units in Related Managed Investment Schemes ("schemes")*

The fair value of units in related schemes is determined as the redemption price of the investment schemes as established by the underlying schemes' Responsible Entity at balance date.

### (c) Derivative Financial Instruments

Derivative financial instruments are classified as held for trading. Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

In the normal course of business the Funds enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Funds' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Funds against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or weighted average maturity of cash portfolios.

The following assumptions and methodologies have been applied in reporting the derivative financial instruments utilised by the Funds:

#### *Bond Futures, Share Price Index (SPI) Futures, and Bank Bill Futures*

Futures contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established on an organised market. The futures contracts are collateralised by cash and cash equivalents or by other assets ("initial margin"). Subsequent payments, known as "variation margin", are made or received by the Funds each day, depending on the daily fluctuations in the fair value of the underlying security. The Funds recognise a gain or loss equal to the daily variation margin.

#### *Forward Foreign Exchange Contracts*

Forward foreign exchange contracts are primarily used by the Funds to manage against foreign currency exchange rate risks on their non-Australian dollar denominated trading securities. The Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. The fair value for a forward foreign exchange contract fluctuates with changes in currency exchange rates. All forward foreign exchange transactions are initially recorded at the forward rate at the date of the transaction. Forward contract positions are valued at the prevailing forward price at the reporting date. The Funds recognise a gain or loss equal to the change in fair value at the reporting date in the Income Statements.

## 1. Summary of Significant Accounting Policies (continued)

### (c) Derivative Financial Instruments (continued)

#### *Exchange Traded Options*

Exchange traded options are recorded at fair value based on quoted "bid" prices on purchased options & quoted "ask" prices on sold options. If an option expires on its stipulated expiration date, or if the Funds enter into a closing sale transaction, a gain or loss is realised on disposal and included in the Income Statements.

#### *Over-the-Counter Contracts*

When the Funds write or purchase put or call options, an amount equal to the premium received or paid is recorded as a liability or an asset and is subsequently fair valued in the Balance Sheets. Premiums received or paid from writing or purchasing put or call options which expire or were unexercised are recognised on the expiration date as realised gains or losses in the Income Statements. If an option is exercised, the premium received or paid is included with the proceeds or the cost of the transaction to determine whether the Funds have realised a gain or loss on the related investment transaction in the Income Statements. When the Funds enter into a closing transaction, the Funds will realise a gain or loss in the Income Statements depending upon whether the amount from the closing transaction is greater or less than the premium received or paid.

#### *Equity Index Swap*

An equity swap is a contractual agreement between two parties to exchange periodic cash flows where one of the cash flows is linked to the equity index and the other cash flow an interest rate variable. The equity index is valued at current prices incorporating the fair value available on the exchange of the underlying equity. The interest is based on capital values and accrued interest on a straight line basis. Any gains or losses are recorded in the relevant period as a change in the fair value of investments in the Income Statements.

#### *Interest Rate Swaps*

The differential expected to be paid or received on the maturity of interest rate agreements has been consistently fair valued throughout the financial year with any gains or losses being recorded in the relevant period as a change in the fair value of investments in the Income Statements.

#### *Warrants*

Warrants are an option to purchase additional securities from the issuer at a specified price during a specified period. Warrants are valued at the prevailing market price at the reporting date. The Funds recognise a gain or loss equal to the change in fair value at the reporting date.

### (d) Cash and Cash Equivalents

For Cash Flow Statements presentation, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities on the Balance Sheets.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Funds' main income generating activities.

### (e) Foreign Currency Translations

#### *Functional and Presentation Currency*

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Funds compete for funds and are regulated. The Australian dollar is also the Funds' presentation currency.

#### *Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translations at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement.

The Funds do not isolate that portion of gains or losses on financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included in the net gains or losses on financial instruments at fair value through profit or loss.

## 1. Summary of Significant Accounting Policies (continued)

### (f) Investment Income and Expenses

Interest income and expenses are recognised in the Income Statements for all debt instruments using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 1(b) and 1(c).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Funds estimate cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses.

The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding taxes recorded as an expense. If a portion of the foreign withholding taxes is reclaimable, it is recorded as an asset.

Trust distributions are recognised on an entitlements basis as the Funds are presently entitled to the distributable income of their investee trusts.

### (g) Distributions

In accordance with the Funds' Constitutions and Amendments, the Funds fully distribute their distributable (taxable) income to unitholders by cash or reinvestment. Distributions are recognised in the Income Statements as finance costs attributable to unitholders.

### (h) Income Tax

Under current taxation legislation, the Funds are not subject to income tax provided the taxable income of the Funds is distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of Funds).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Funds are not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Funds to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Income Statements.

### (i) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Funds such as Responsible Entity fees, audit fees, custody fees and other expenses, have been passed on to the Funds.

The Funds qualify for Reduced Input Tax Credits ("RITC's") at a rate of 75% hence Responsible Entity fees, audit fees, custody fees and other expenses and assets have been recognised in the Income Statements net of the amount of GST recoverable from the Australian Tax Office ("ATO").

Accounts Payable and Accrued Expenses are stated inclusive of GST.

The net amount of GST recoverable from the ATO is included in Other Receivables in the Balance Sheets.

Cash flows relating to GST are included in the Cash Flow Statements on a gross basis.

### (j) Increase/Decrease in Net Assets Attributable to Unitholders

Non-distributable income is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Income Statements as financing costs.

## 1. Summary of Significant Accounting Policies (continued)

### (k) Receivables

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment using the effective interest rate method. Amounts due from brokers represent receivables for securities sold that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days.

### (l) Payables

Payables include amounts due to brokers, liabilities and accrued expenses owing by the Funds which are unpaid as at balance date. Trades are recorded on trade date, and normally settled within three business days. Purchases of securities and investments that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheets as unitholders are presently entitled to the distributable income as at 30 June 2009 under the Funds' Constitutions.

### (m) Applications and Redemptions

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded at redemption price. There are no exit fees charged on redemption.

### (n) Net Assets Attributable to Unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Funds at any time for cash equal to a proportionate share of Funds' net asset values. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Funds. Changes in the value of this financial liability are recognised in the Income Statements as they arise.

Because the Funds' redemption unit prices are based on different valuation principles to those applied in financial reporting, a valuation difference exists, which forms part of the movement in unitholders' funds.

### (o) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the Income Statements on an accruals basis.

### (p) New Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set below:

#### *(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.*

AASB 8 and AASB 2007 3 are effective for annual reporting periods beginning on or after 1 January 2009. In the current year, the Funds have elected to early adopt these standards. The early adoption of these standards has not impacted the reported financial position, financial performance and cash flows of the Funds.

The Funds have adopted AASB 8 'Operating Segments', with effect from 1 July 2008, in advance of its effective date of 1 January 2009. AASB 8 'Operating Segments' is not applicable to the Funds as it applies only to entities which have on issue debt or equity securities that are traded in a public market (or which are in the process of issuing any class of instruments in a public market). Accordingly no disclosures have been made for operating segments.

#### *(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

AASB 101 (Revised) is applicable to annual reporting periods beginning on or after 1 January 2009. The Funds have not adopted this standard early. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If the Funds make a prior period adjustment or re-classify items in the financial statements, they will need to disclose a third balance sheet (statement of financial position), this one being at the beginning of the comparative period.

## 1. Summary of Significant Accounting Policies (continued)

### (p) New Accounting Standards (continued)

#### *(iii) AASB 132 Financial Instruments: Presentation and AASB 2009-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation (Revised AASB 132)*

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Funds have not adopted this standard early. Application of this standard will not affect any of the amounts recognised in the financial statements as the Funds are obligated to distribute all of their taxable income in accordance with the Funds' Constitutions. Accordingly, there will be no change to classification of unitholders' funds as a liability and therefore no impact on profit or loss and equity.

#### *(iv) AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009)*

In April 2009, the Australian Accounting Standards Board published amendments to AASB7 Financial Instruments: Disclosure to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The Australian Accounting Standards Board also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Fund has not early adopted the amendments. The amendments will not affect any of the amounts recognized in the financial statements but may affect certain disclosures.

### (q) Rounding of Amounts

The Funds are entities of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, unless otherwise indicated.

### (r) Use of Estimates

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For certain other financial instruments, including amounts due from/to brokers and payables and the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (s) Margin Accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

## 2. Related Parties

### Responsible Entity

The Responsible Entity of the Funds is BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975) whose ultimate holding company is BlackRock, Inc.

BlackRock Investment Management (Australia) Limited is incorporated in Australia and BlackRock, Inc. is incorporated in the United States of America.

### Key Management Personnel

#### Directors

Key management personnel include persons who were directors of BlackRock Investment Management (Australia) Limited during the financial year and up to the date of this report:

Director	Date appointed/resigned
M J O'Shannassy	Appointed 23 July 1997
R Fairbairn	Appointed 29 November 2004, resigned 2 March 2009
D Frawley	Appointed 18 March 2005
G A Boyle	Appointed 7 March 2007
C Tzatzakis	Appointed 11 September 2007
J R Kushel	Appointed 2 March 2009

## 2. Related Parties (continued)

### Key Management Personnel (continued)

#### *Other Key Management Personnel*

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly, during the financial year.

Name	Position	Employer
R J Maddox	Managing Director and Co/Chief Investment Officer	BlackRock Investment Management (Australia) Limited
K Liow	Head of Quantitative Investors/Co-Chief Investment Officer	BlackRock Investment Management (Australia) Limited

### Key Management Personnel Unitholding

During or since the end of the financial year, none of the other key management personnel including directors or their personally related entities held units in the Funds either directly, indirectly or beneficially.

### Key Management Personnel Compensation

Key management personnel are paid by BlackRock Investment Management (Australia) Limited. Payments made from the Funds to BlackRock Investment Management (Australia) Limited do not include any amounts attributable to the compensation of key management personnel.

### Key Management Personnel Loan Disclosures

The Funds have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Other Transactions within the Funds

Apart from those details disclosed in this note, no key management personnel has entered into a material contract with the Funds since the end of the previous financial period and there were no material contracts involving key management personnel's interests subsisting at year end.

### Related Party Transactions and Balances

All related party transactions are conducted on normal commercial terms and conditions. Transactions with related parties include:

#### *(a) Responsible Entity's Fees and Other Transactions*

Responsible Entity fees are accrued daily at the rate specified by the Constitutions and Amendments based on the asset value of the Funds. Fees charged for the year are included in the Income Statements.

From time to time the Responsible Entity may waive fees in accordance with the terms of the Constitutions and Amendments. Where Responsible Entity fees charged are less than the maximum permitted under the Constitutions and Amendments, any amount forgone cannot be claimed in future years.

#### *(b) Expense Reimbursement*

Operating expenses include administration expenses incurred by the Responsible Entity and reimbursed by the Funds in accordance with the provisions of the Constitutions and Amendments. Total operating expenses incurred for the year are brought to account on an accruals basis and are included in the Income Statements.

#### *(c) Fee Rebates from Related Schemes*

The Funds receive a rebate of all fees charged on monies invested in other related schemes with the same Responsible Entity. These rebates, which reflect an increase in the return from those related schemes, are included as revenue in the Income Statements.

Transactions and balances with related parties are summarised in the schedule on the following pages.

## 2. Related Parties (continued)

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	16 March 2007		7 Dec 2007	
	30 June 2009	to 30 June 2008	30 June 2009	to 30 June 2008
	\$	\$	\$	\$
<b>(a) Responsible Entity's Fees and Other Transactions</b>				
<b>Total Responsible Entity's fees paid or due and payable by the Funds:</b>				
Class Responsible Entity Fees:				
- X Class Units	-	-	-	-
- E Class Units	-	-	761,937	306,539
Fund Responsible Entity Fees	-	-	-	-
<b>(b) Class Expense Reimbursement:</b>				
- X Class Units	-	-	-	-
- E Class Units	-	-	-	-
Fund Expense Reimbursement	-	-	-	-
<b>(c) Class Responsible Entity Fees and Expense Reimbursement Payable:</b>				
- X Class Units	-	-	-	-
- E Class Units	-	-	72,984	59,413
Fund Responsible Entity Fees and Expense Reimbursement Payable	-	-	-	-
<b>(d) Total Responsible Entity's fees received or due and receivable by the Funds:</b>				
Responsible Entity Fee Rebates	15,529	79,775	140,809	92,241
Class Other:				
- X Class Units	-	-	-	-
- E Class Units	-	-	-	-
Fund Other	(9,678)	23,838	(4,013)	136
<b>Balances and Transactions with Related Schemes</b>				
Distributions Receivable*	22,876	436,631	145,681	908,980
Responsible Entity Fee Rebates Receivable	-	-	-	-

\* The amounts of distributions received and total amounts invested in Related Schemes are disclosed under the heading "Investing Activities".

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 2. Related Parties (continued)

### Investing Activities

The Funds may purchase and sell units in other approved schemes managed by the Responsible Entity in the ordinary course of business.

Distributions from investments in subsidiaries, to which the Funds are presently entitled, are included in the Income Statements.

The portions of these amounts not received at balance date are included in the Balance Sheets.

Details of the Funds' investments are set out below:

	Number of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Value of Units Sold During the Year	Interest Held in Related Schemes at Year End	Distribution Received from the Related Schemes During the Year	Distribution Receivable from the Related Schemes at Year End
30 June 2009	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Australian Core Plus Bond Fund</b>							
BlackRock Institutional Liquidity Fund	12,594,488	12,557,964	175,599,504	207,759,343	2.97	359,840	10,678
BlackRock Monthly Income Fund	3,583,022	2,110,759	3,352,706	29,877,851	5.72	850,612	12,198
	Number of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Value of Units Sold During the Year	Interest Held in Related Schemes at Year End	Distribution Received from the Related Schemes During the Year	Distribution Receivable from the Related Schemes at Year End
30 June 2009	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Australian Core Plus Cash Fund</b>							
BlackRock Institutional Liquidity Fund	27,880,442	27,799,589	97,646,638	174,804,414	6.58	1,940,634	83,285
BlackRock Monthly Income Fund	24,464,632	14,412,115	11,823,489	15,280,000	39.04	4,026,227	62,396
	Number of Units Held at Period End	Fair Value of Units Held at Period End	Value of Units Purchased During the Period	Value of Units Sold During the Period	Interest Held in Related Schemes at Period End	Distribution Received from the Related Schemes During the Period	Distribution Receivable from the Related Schemes at Period End
16 March 2007 to 30 June 2008	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Australian Core Plus Bond Fund</b>							
BlackRock Diversified Credit Fund	-	-	57,015,754	54,531,927	-	1,958,640	-
BlackRock Institutional Liquidity Fund	44,875,218	44,722,642	186,353,024	141,498,399	9.54	2,532,534	124,538
BlackRock Monthly Income Fund	39,567,490	35,684,820	50,392,081	10,984,038	2.39	2,023,876	312,093
	Number of Units Held at Period End	Fair Value of Units Held at Period End	Value of Units Purchased During the Period	Value of Units Sold During the Period	Interest Held in Related Schemes at Period End	Distribution Received from the Related Schemes During the Period	Distribution Receivable from the Related Schemes at Period End
7 December 2007 to 30 June 2008	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Australian Core Plus Cash Fund</b>							
BlackRock Institutional Liquidity Fund	105,313,564	104,955,498	172,556,651	67,435,002	22.39	2,764,967	606,125
BlackRock Monthly Income Fund	38,396,201	34,628,467	36,616,155	-	2.32	838,155	302,855

## 2. Related Parties (continued)

### Related party schemes' unitholding

Parties related to the Funds held units in the Funds as follows:

	Number of Units Held Opening	Number of Units Held Closing	Interest Held	Number of Units Acquired	Number of Units Disposed	Distributions Paid by the Fund	Distributions Payable by the Fund
30 June 2009	Units	Units	%	Units	Units	\$	\$
<b>BlackRock Australian Core Plus Bond Fund – X Class</b>							
BlackRock Balanced Pooled Super Fund	72,572,872	7,584,275	6.44	3,746,786	68,735,383	327,282	49,766
BlackRock Wholesale Balanced Fund	123,381,045	110,146,717	93.56	27,960,497	41,194,825	4,139,019	722,752
16 March 2007 to 30 June 2008	Units	Units	%	Units	Units	\$	\$
<b>BlackRock Australian Core Plus Bond Fund – X Class</b>							
BlackRock Balanced Pooled Super Fund	–	72,572,872	37.04	75,009,185	2,436,313	3,878,359	3,064,291
BlackRock Wholesale Balanced Fund	–	123,381,045	62.96	123,381,045	–	5,507,933	5,209,598

## 3. Auditor's Remuneration

During the period the following fees were paid or payable for services provided by the auditor of the Funds.

	Audit Services <sup>^</sup>		Other Services <sup>^</sup>	
	\$	Tax Compliance Services	\$	Other
Amounts received, or due and receivable, by the auditors:				
<b>BlackRock Australian Core Plus Bond Fund</b>				
30 June 2009*	7,759	3,100	1,365	–
<b>BlackRock Australian Core Plus Cash Fund</b>				
30 June 2009*	7,759	–	1,365	–
	Audit Services <sup>^</sup>		Other Services <sup>^</sup>	
	\$	Tax Compliance Services	\$	Other
Amounts received, or due and receivable, by the auditors:				
<b>BlackRock Australian Core Plus Bond Fund</b>				
16 March 2007 to 30 June 2008*	15,805	4,656	2,376	–
<b>BlackRock Australian Core Plus Cash Fund</b>				
7 December 2007 to 30 June 2008*	15,805	4,656	2,376	–

<sup>^</sup> The fees for the above services were paid to PricewaterhouseCoopers Australia for the year ended 30 June 2008 and for the year ended 30 June 2009 fees were paid to Deloitte Touche Tohmatsu.

\* These amounts have been paid by the Responsible Entity. Amounts disclosed for Auditor's Remuneration include non-recoverable GST.

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 4. Net Assets Attributable to Unitholders

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds. Units are issued and redeemed at the holders' option at prices based on the value of the Funds' net assets at the time of issue/redemption less transaction costs.

The Funds considers their capital to be Unitholders' Funds. The Funds manage their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The objective of the Funds is to provide unitholders with returns in accordance with the Product Disclosure Statements ("PDS"). The Funds aim to deliver this objective mainly through investing in a portfolio in accordance with the limitations set by the PDS, while maintaining sufficient liquidity to meet unitholders' redemptions.

Movements in number of units and net assets attributable to unitholders during the year ended 30 June 2009:

<b>BlackRock</b>		
<b>Australian Core Plus Bond Fund</b>		
<b>30 June 2009</b>		
	No. of Units '000	\$'000
<b>X Class Units</b>		
Opening Unitholders' Funds	195,954	177,209
Applications		
– Cash	17,616	16,134
– Distribution Reinvestment Plan	14,091	12,740
Redemptions	(109,930)	(101,985)
Increase/(Decrease) in Net Assets Attributable to Unitholders	–	(1,854)
Closing Balance	117,731	102,244
<b>BlackRock</b>		
<b>Australian Core Plus Bond Fund</b>		
<b>16 March 2007 to 30 June 2008</b>		
	No. of Units '000	\$'000
<b>X Class Units</b>		
Opening Unitholders' Funds	–	–
Applications		
– Cash	188,153	188,092
– Distribution Reinvestment Plan	10,237	10,017
Redemptions	(2,436)	(2,317)
Increase/(Decrease) in Net Assets Attributable to Unitholders	–	(18,583)
Closing Balance	195,954	177,209
<b>BlackRock</b>		
<b>Australian Core Plus Cash Fund</b>		
<b>30 June 2009</b>		
	No. of Units '000	\$'000
<b>E Class Units</b>		
Opening Unitholders' Funds	156,267	150,015
Applications		
– Cash	1,155	1,100
– Distribution Reinvestment Plan	9,258	8,629
Increase/(Decrease) in Net Assets Attributable to Unitholders	–	(10,492)
Closing Balance	166,680	149,252

#### 4. Net Assets Attributable to Unitholders (continued)

BlackRock Australian Core Plus Cash Fund		
7 December 2007 to 30 June 2008		
	No. of Units '000	\$'000
<b>E Class Units</b>		
Opening Unitholders' Funds	-	-
Applications		
- Cash	154,017	153,292
- Distribution Reinvestment Plan	2,250	2,201
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(5,478)
Closing Balance	156,267	150,015

#### 5. Notes to the Cash Flow Statements

##### (a) Reconciliation of Cash

Cash and cash equivalents at the end of the financial year is reconciled to the Balance Sheet as follows:

BlackRock Australian Core Plus Bond Fund		
	30 June 2009	16 March 2007 to 30 June 2008
	\$'000	\$'000
Cash	1,388	1,278
Margin accounts < 90 days	2,459	1,185
Bank Overdraft	-	(5,018)
Total	3,847	(2,555)

##### (b) Reconciliation of Net Operating Profit/(Loss) to Net Cash from Operating Activities

BlackRock Australian Core Plus Bond Fund		
	30 June 2009	16 March 2007 to 30 June 2008
	\$'000	\$'000
Net Operating Profit/(Loss)	3,385	(292)
Change in Assets and Liabilities During the Year:		
(Increase)/Decrease in Financial Instruments held at Fair Value through Profit or Loss	146,078	(241,983)
(Increase)/Decrease in Margin Accounts	6,202	(6,202)
(Increase)/Decrease in Income Receivable	208	(214)
(Increase)/Decrease in Receivables from Related Schemes	413	(437)
(Increase)/Decrease in Other Receivables	1	(6)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	(60,597)	60,597
Net Cash Inflow/(Outflow) from Operating Activities	95,690	(188,537)

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 5. Notes to the Cash Flow Statements (continued)

### (a) Reconciliation of Cash

Cash and cash equivalents at the end of the financial year is reconciled to the Balance Sheet as follows:

	BlackRock Australian Core Plus Cash Fund	
	30 June 2009	7 December 2007 to 30 June 2008
	\$'000	\$'000
Cash	1,023	846
Margin accounts < 90 days	2,146	465
Bank Overdraft	(40)	(3,053)
<b>Total</b>	<b>3,129</b>	<b>(1,742)</b>

### (b) Reconciliation of Net Operating Profit/(Loss) to Net Cash from Operating Activities

	BlackRock Australian Core Plus Cash Fund	
	30 June 2009	7 December 2007 to 30 June 2008
	\$'000	\$'000
Net Operating Profit/(Loss)	(263)	163
Change in Assets and Liabilities During the Year:		
(Increase)/Decrease in Financial Instruments held at Fair Value through Profit or Loss	16,455	(165,619)
(Increase)/Decrease in Margin Accounts	4,346	(4,346)
(Increase)/Decrease in Income Receivable	173	(175)
(Increase)/Decrease in Receivables from Related Schemes	775	(909)
(Increase)/Decrease in Other Receivables	(8)	(29)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	(14,183)	15,736
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>7,295</b>	<b>(155,179)</b>

### (c) Non-cash Financing Activities

During the financial year the following units were created as a result of distributions reinvested in the Funds under the distribution reinvestment plan:

Fund	30 June 2009		16 March 2007 to 30 June 2008	
	Units ('000)	\$'000	Units ('000)	\$'000
BlackRock Australian Core Plus Bond Fund – X Class Units	14,091	12,740	10,237	10,017
Fund	30 June 2009		7 December 2007 to 30 June 2008	
	Units ('000)	\$'000	Units ('000)	\$'000
BlackRock Australian Core Plus Cash Fund – E Class Units	9,258	8,628	2,250	2,201

As described in note 1(j), non-distributable income is included in net assets attributable to unitholders. The change in this amount each period represents non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 6. Distributions

During the financial year, the following amounts of distributions were paid and payable for each class of units:

30 June 2009				
	Distributions Paid Cents/Unit	Distributions Paid \$'000	Distributions Payable Cents/Unit	Distributions Payable \$'000
BlackRock Australian Core Plus Bond Fund – X Class Units	3.78	4,466	0.66	773
BlackRock Australian Core Plus Cash Fund – E Class Units	3.20	5,188	3.02	5,039
30 June 2008				
	Distributions Paid Cents/Unit	Distributions Paid \$'000	Distributions Payable Cents/Unit	Distributions Payable \$'000
BlackRock Australian Core Plus Bond Fund – X Class Units	5.35	10,017	4.22	8,274
BlackRock Australian Core Plus Cash Fund – E Class Units	1.94	2,201	2.20	3,440

## 7. Financial Risk Management

The Funds' activities expose them to a variety of financial risks: including market risk (comprising currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Funds' overall risk management programmes focus on ensuring compliance with the Funds' Product Disclosure Statements and seek to maximise the returns derived for the level of risk to which the Funds are exposed. The Funds may use derivative financial instruments to alter certain risk exposures subject to the policies and procedures set out in BlackRock's Derivative Risk Statement. Financial risk management is carried out by the Investment Management teams and the Risk and Quantitative Analysis team under policies approved by the Responsible Entity.

The Board of the Responsible Entity ("the Board") has established a Risk Management Committee ("RMC") which is chaired by the Manager of the Risk and Quantitative Analysis team and is comprised of senior management, investment and compliance staff. The RMC meets at least quarterly, and as otherwise required, to review aspects of portfolio performance, independent monitoring reports, risk management compliance and derivative usage. The RMC reports to the Board and is subject at all times to the direction and supervision of the Board.

The Funds use different methods to measure different types of risks to which they are exposed. These methods include Value at Risk ("VaR") analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk. VaR Analysis is explained in section (c).

### (a) Strategy in using financial instruments

#### *BlackRock Australian Core Plus Bond & BlackRock Australian Core Plus Cash Funds*

The Funds aim to capture returns superior to those available from their assigned benchmark by assessing a broad array of value enhancing strategies as possible within the context of a rigorous risk management framework. In doing so the Funds seek the opportunities of a broad universe of debt securities, including those outside the benchmark.

By actively managing the duration, yield curve, credit, sector allocation, individual security, country and currency exposures of the Funds BlackRock seeks to outperform the UBSA Composite Bond Index (all maturities) for the BlackRock Australian Core Plus Bond Fund and the UBS Australian Bank Bills Index for the BlackRock Australian Core Plus Cash Fund by an average of 250 basis points p.a. over a rolling three year period (before fees).

The majority of Funds' investments are domestic and international debt securities and foreign currency exposures. Compliance with the Funds' Product Disclosure Statements and the Funds' tracking error with reference to the relevant index is monitored daily by the Risk and Quantitative Analysis team and reported to the RMC quarterly.

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 7. Financial Risk Management (continued)

### (a) Strategy in using financial instruments (continued)

As part of the risk management programme BlackRock have established risk limits (fund guidelines) within which the Funds are managed. The Funds' guidelines detail the following risk limits (expressed as tracking error in per annum terms):

- Total interest rate risk is limited to 500bps.
- Currency risk is limited to 500bps.
- Credit exposure risk is limited to 500bps.
- Other (mainly "credit") security specific risk of the Funds is restricted to 150bps to ensure adequate diversification between individual issuers.

Risk exposure calculations are prepared and reviewed by the Risk and Quantitative Analysis team.

### (b) Market risk

#### (i) Price risk

Price risk is the risk that the value of the Funds' investment portfolios will fluctuate as a result of changes in market prices. The Funds are exposed to Fixed Income securities, derivative securities and other price risk. This arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Section (ii) below sets out how this component of price risk is managed and measured. They are classified on the balance sheet as fair value through profit or loss. All securities investments present a risk of loss of capital.

The Investment Manager mitigates price risk through a careful selection of securities and other financial instruments and manages it through ensuring all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

Market price analysis is conducted regularly on a total portfolio basis which includes the effects of derivatives.

The capital structure of the Funds consists of cash and cash equivalents and the proceeds from the issue of the units of the Funds. The investment manager aims to ensure that there is sufficient liquidity for possible redemptions by unitholders.

Section (c) *Summarised VaR analysis* explains how the risk is measured and summarises the potential exposure of the Funds' net assets attributable to unitholders.

At the reporting date, the notional principal amounts of derivative financial instruments held by the Funds were as follows:

	2009				2008			
	Notional Principal Amount			Fair Value	Notional Principal Amount			Fair Value
	Asset \$'000	Liability \$'000	Net \$'000	\$'000	Asset \$'000	Liability \$'000	Net \$'000	\$'000
<b>BlackRock Australian Core Plus Bond Fund</b>								
Futures – Domestic	34,171	–	34,171	–	–	–	–	–
Futures – International	24,490	(41,217)	(16,727)	–	–	(39,612)	(39,612)	–
Options – Domestic	9	–	9	9	235,298	(195,141)	40,157	170
Options – International	260	–	260	260	55,125	(17,040)	38,085	155
Swaps – Domestic	53,862	(49,568)	4,294	4,294	80,400	(70,694)	9,706	9,706
Swaps – International	39,739	(44,949)	(5,210)	(5,210)	180,495	(188,732)	(8,237)	(8,237)
Forward Foreign Exchange Contracts	27,222	(27,236)	(14)	(14)	65,410	(65,474)	(64)	(64)
<b>BlackRock Australian Core Plus Cash Fund</b>								
Futures – Domestic	30,757	(41,081)	(10,324)	–	35,602	(28,445)	7,157	–
Futures – International	31,076	(54,572)	(23,496)	–	–	(26,861)	(26,861)	–
Options – Domestic	15	–	15	15	160,975	(160,820)	155	136
Options – International	408	–	408	408	36,958	(7,189)	29,769	127
Swaps – Domestic	65,309	(66,034)	(725)	(725)	20,846	(20,846)	–	–
Swaps – International	63,040	(63,178)	(138)	(138)	145,069	(144,821)	248	248
Forward Foreign Exchange Contracts	28,134	(28,191)	(57)	(57)	37,377	(37,387)	(10)	(10)

## 7. Financial Risk Management (continued)

### (b) Market risk (continued)

#### (iii) Foreign exchange risk

The Funds hold both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other countries will fluctuate due to changes in exchange rates. This risk is measured using VaR analysis.

Foreign exchange risk is managed using forward foreign exchange contracts and other derivatives in accordance with fund guidelines and restrictions. Daily monitoring is undertaken by Law and Compliance to ensure instruments used and exposures created are consistent with the investment strategy and objective of the Funds. For accounting purposes, the Funds do not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

Section (c) *Summarised VaR analysis* explains how the risk is measured and summarises the potential exposure of the Funds' net assets attributable to unitholders.

The table below summarises the Funds' assets and liabilities that are denominated in Australian dollar and a currency other than the Australian dollar.

	Australian Dollar A\$'000	Euro A\$'000	United States Dollar A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Canadian Dollar A\$'000	Other Currencies A\$'000	Total A\$'000
<b>BlackRock Australian Core Plus Bond Fund 2009</b>								
<b>Assets</b>								
Cash and Cash Equivalents	2,933	240	262	30	250	47	85	3,847
Financial Instruments designated at Fair Value through Profit or Loss*	85,858	7,101	6,836	-	-	-	-	99,795
Financial Instruments held for Trading at Fair Value through Profit or Loss**	212	-	260	-	-	-	-	472
Other Assets	(174)	-	210	-	-	-	-	36
<b>Total Assets</b>	<b>88,829</b>	<b>7,341</b>	<b>7,568</b>	<b>30</b>	<b>250</b>	<b>47</b>	<b>85</b>	<b>104,150</b>
<b>Liabilities</b>								
Accounts Payable and Accrued Expenses	1	-	-	-	-	-	-	1
Distributions payable	773	-	-	-	-	-	-	773
Financial Instruments held for Trading at Fair Value through Profit or Loss**	1,132	-	-	-	-	-	-	1,132
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<b>1,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,906</b>
Net Assets Attributable to Unitholders – Liability	86,923	7,341	7,568	30	250	47	85	102,244
Increases in exposure from currency contracts	(9,524)	4,433	3,837	-	-	-	1,254	-
Decreases in exposure from currency contracts	24,500	(6,683)	(9,796)	-	-	-	(8,021)	-
<b>Total Foreign Currency Exposure</b>	<b>101,899</b>	<b>5,091</b>	<b>1,609</b>	<b>30</b>	<b>250</b>	<b>47</b>	<b>(6,682)</b>	<b>102,244</b>

\* Includes equities, fixed interest, discount securities, unit trust holdings.

\*\* Includes derivatives, Forward Foreign Exchange Contracts have been classified as Australian dollar exposure in the above analysis.

The exposure of the Fund to foreign exchange movements in relation to forward foreign exchange contracts is reanalysed above.

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 7. Financial Risk Management (continued)

### (b) Market risk (continued)

#### (ii) Foreign exchange risk (continued)

	Australian Dollar A\$'000	Euro A\$'000	United States Dollar A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Canadian Dollar A\$'000	Other Currencies A\$'000	Total A\$'000
<b>BlackRock Australian Core Plus Cash Fund 2009</b>								
<b>Assets</b>								
Cash and Cash Equivalents	2,509	74	385	42	54	27	78	3,169
Financial Instruments designated at Fair Value through Profit or Loss*	149,844	1,875	1,321	-	-	-	-	153,040
Financial Instruments held for Trading at Fair Value through Profit or Loss**	77	-	408	-	-	-	-	485
Other Assets	-	-	174	-	-	-	-	174
<b>Total Assets</b>	<b>152,430</b>	<b>1,949</b>	<b>2,288</b>	<b>42</b>	<b>54</b>	<b>27</b>	<b>78</b>	<b>156,868</b>
<b>Liabilities</b>								
Bank Overdraft	-	-	-	-	40	-	-	40
Accounts Payable and Accrued Expenses	1,554	-	-	-	-	-	-	1,554
Distributions payable	5,039	-	-	-	-	-	-	5,039
Financial Instruments held for Trading at Fair Value through Profit or Loss**	983	-	-	-	-	-	-	983
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<b>7,576</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>7,616</b>
Net Assets Attributable to Unitholders – Liability	144,854	1,949	2,288	42	14	27	78	149,252
Increase in exposure from currency contracts	(14,959)	5,043	7,907	-	-	-	2,009	-
Decreases in exposure from currency contracts	23,861	(2,036)	(9,317)	-	-	-	(12,508)	-
<b>Total Foreign Currency Exposure</b>	<b>153,756</b>	<b>4,956</b>	<b>878</b>	<b>42</b>	<b>14</b>	<b>27</b>	<b>(10,421)</b>	<b>149,252</b>

\* Includes equities, fixed interest, discount securities, unit trust holdings.

\*\* Includes derivatives, Forward Foreign Exchange Contracts have been classified as Australian dollar exposure in the above analysis. The exposure of the Fund to foreign exchange movements in relation to forward foreign exchange contracts is reanalysed above.

## 7. Financial Risk Management (continued)

### (b) Market risk (continued)

#### (ii) Foreign exchange risk (continued)

	Australian Dollar A\$'000	Euro A\$'000	United States Dollar A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Canadian Dollar A\$'000	Other Currencies A\$'000	Total A\$'000
<b>BlackRock Australian Core Plus Bond Fund 2008</b>								
<b>Assets</b>								
Cash and Cash Equivalents	1,002	57	96	53	18	1,185	52	2,463
Margin Accounts	6,097	-	-	-	105	-	-	6,202
Financial Instruments designated at Fair Value through Profit or Loss*	184,505	10,236	45,305	-	-	-	-	240,046
Financial Instruments held for Trading at Fair Value through Profit or Loss**	2,854	126	29	-	-	-	-	3,009
Other Assets	419	-	238	-	-	-	-	657
<b>Total Assets</b>	<b>194,877</b>	<b>10,419</b>	<b>45,668</b>	<b>53</b>	<b>123</b>	<b>1,185</b>	<b>52</b>	<b>252,377</b>
<b>Liabilities</b>								
Bank Overdraft	-	1,273	3,741	-	-	-	4	5,018
Accounts Payable and Accrued Expenses	41,413	-	19,184	-	-	-	-	60,597
Distributions payable	8,274	-	-	-	-	-	-	8,274
Financial Instruments held for Trading at Fair Value through Profit or Loss**	1,279	-	-	-	-	-	-	1,279
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<b>50,966</b>	<b>1,273</b>	<b>22,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>75,168</b>
Net Assets Attributable to Unitholders - Liability	143,911	9,146	22,743	53	123	1,185	48	177,209
Increases in exposure from currency contracts	(23,527)	-	11,675	-	-	-	11,852	-
Decreases in exposure from currency contracts	60,674	(8,204)	(38,403)	-	(4,639)	-	(9,428)	-
Notional Exposure from Swaps and Options	8,671	(2,925)	(5,746)	-	-	-	-	-
<b>Total Foreign Currency Exposure</b>	<b>189,729</b>	<b>(1,983)</b>	<b>(9,731)</b>	<b>53</b>	<b>(4,516)</b>	<b>1,185</b>	<b>2,472</b>	<b>177,209</b>

\* Includes equities, fixed interest, discount securities, unit trust holdings.

\*\* Includes derivatives, Forward Foreign Exchange Contracts have been classified as Australian dollar exposure in the above analysis.

The exposure of the Fund to foreign exchange movements in relation to forward foreign exchange contracts is reanalysed above.

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 7. Financial Risk Management (continued)

### (b) Market risk (continued)

#### (iii) Foreign exchange risk (continued)

	Australian Dollar A\$'000	Euro A\$'000	United States Dollar A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Canadian Dollar A\$'000	Other Currencies A\$'000	Total A\$'000
<b>BlackRock Australian Core Plus</b>								
<b>Cash Fund</b>								
<b>2008</b>								
<b>Assets</b>								
Cash and Cash Equivalents	609	-	-	21	-	463	136	1,229
Margin Accounts	4,395	-	-	-	-	-	-	4,395
Financial Instruments designated at Fair Value through Profit or Loss*	139,584	-	25,389	-	-	-	-	164,973
Financial Instruments held for Trading at Fair Value through Profit or Loss**	802	104	23	-	-	-	-	929
Other Assets	936	-	177	-	-	-	-	1,113
<b>Total Assets</b>	<b>146,326</b>	<b>104</b>	<b>25,589</b>	<b>21</b>	<b>-</b>	<b>463</b>	<b>136</b>	<b>172,639</b>
<b>Liabilities</b>								
Bank Overdraft	-	839	2,132	-	-	-	-	2,971
Margin Accounts	-	-	-	-	49	-	-	49
Accounts Payable and Accrued Expenses	59	-	15,677	-	-	-	-	15,736
Distributions payable	3,440	-	-	-	-	-	-	3,440
Financial Instruments held for Trading at Fair Value through Profit or Loss**	428	-	-	-	-	-	-	428
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<b>3,927</b>	<b>839</b>	<b>17,809</b>	<b>-</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>22,624</b>
Net Assets Attributable to Unitholders – Liability	142,399	(735)	7,780	21	(49)	463	136	150,015
Increases in exposure from currency contracts	(18,599)	-	8,932	-	-	-	9,667	-
Decreases in exposure from currency contracts	33,987	-	(22,574)	-	(3,741)	-	(7,672)	-
<b>Total Foreign Currency Exposure</b>	<b>157,787</b>	<b>(735)</b>	<b>(5,862)</b>	<b>21</b>	<b>(3,790)</b>	<b>463</b>	<b>2,131</b>	<b>150,015</b>

\* Includes equities, fixed interest, discount securities, unit trust holdings.

\*\* Includes derivatives, Forward Foreign Exchange Contracts have been classified as Australian dollar exposure in the above analysis. The exposure of the Fund to foreign exchange movements in relation to forward foreign exchange contracts is reanalysed above.

#### (iii) Interest rate risk

The Funds' interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. The risk is measured using VaR analysis.

This risk is mitigated through ensuring activities are transacted in accordance with mandates, overall investment strategy and within approved limits. The effective duration of the BlackRock Australian Core Plus Bond Fund must be maintained between -5 years and +10 years. The modified duration of the BlackRock Australian Core Plus Cash Fund must be maintained between -7.5 years and +7.5 years.

Section (c) *Summarised VaR analysis* explains how the risk is measured and summarises the potential exposure of the Funds' net assets attributable to unitholders.

The table on the following page summarises the Funds' exposure to interest rate risks. It includes the Funds' assets and liabilities at fair value.

## 7. Financial Risk Management (continued)

### (b) Market Risk (continued)

#### (iii) Interest rate risk (continued)

	BlackRock Australian Core Plus Bond Fund				BlackRock Australian Core Plus Cash Fund			
	Floating	Fixed	Non	Total	Floating	Fixed	Non	Total
	Interest	Interest	Interest		Interest	Interest	Interest	
Rate	Rate	Bearing	\$'000	Rate	Rate	Bearing	\$'000	
<b>2009</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>								
Cash & Cash Equivalents	3,847	-	-	3,847	3,169	-	-	3,169
Income Receivable	-	-	6	6	-	-	2	2
Receivables from Related Schemes	-	-	24	24	-	-	150	150
Other Receivables	-	-	7	7	-	-	22	22
Financial Assets designated at Fair Value through Profit or Loss								
- Units in Related Schemes	-	-	14,669	14,669	-	-	42,212	42,212
- Interest Bearing Investments	30,667	54,459	-	85,126	82,947	27,881	-	110,828
Financial Assets held for Trading								
- Options	-	-	269	269	-	-	422	422
- Swaps	-	-	130	130	-	-	-	-
- Forward Foreign Exchange Contracts	-	-	72	72	-	-	63	63
<b>Total Assets</b>	<b>34,514</b>	<b>54,459</b>	<b>15,177</b>	<b>104,150</b>	<b>86,116</b>	<b>27,881</b>	<b>42,871</b>	<b>156,868</b>
<b>Financial Liabilities</b>								
Bank Overdraft	-	-	-	-	40	-	-	40
Distribution Payable	-	-	773	773	-	-	5,039	5,039
Accounts Payable and Accrued Expenses	-	-	1	1	-	-	1,554	1,554
Financial Liabilities held for Trading								
- Swaps	-	-	1,046	1,046	-	-	863	863
- Forward Foreign Exchange Contracts	-	-	86	86	-	-	120	120
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<b>-</b>	<b>-</b>	<b>1,906</b>	<b>1,906</b>	<b>40</b>	<b>-</b>	<b>7,576</b>	<b>7,616</b>
<b>Net Assets Attributable to Unitholders - Liability</b>	<b>34,514</b>	<b>54,459</b>	<b>13,271</b>	<b>102,244</b>	<b>86,076</b>	<b>27,881</b>	<b>35,295</b>	<b>149,252</b>

An analysis of financial liabilities by maturities is provided in paragraph (e) below.

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 7. Financial Risk Management (continued)

### (b) Market Risk (continued)

#### (iii) Interest rate risk (continued)

	BlackRock Australian Core Plus Bond Fund				BlackRock Australian Core Plus Cash Fund			
	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2008</b>								
<b>Financial Assets</b>								
Cash & Cash Equivalents	2,463	-	-	2,463	1,311	-	-	1,311
Margin Accounts	6,202	-	-	6,202	4,395	-	-	4,395
Income Receivable	-	-	214	214	-	-	175	175
Receivables from Related Schemes	-	-	437	437	-	-	925	925
Other Receivables	-	-	6	6	-	-	13	13
Financial Assets designated at Fair Value through Profit or Loss								
- Equity Securities	-	-	451	451	-	-	-	-
- Units in Related Schemes	-	-	80,407	80,407	-	-	139,584	139,584
- Interest Bearing Investments	37,049	122,139	-	159,188	9,728	15,661	-	25,389
Financial Assets held for Trading								
- Options	-	-	325	325	-	-	263	263
- Swaps	-	-	2,519	2,519	-	-	536	536
- Forward Foreign Exchange Contracts	-	-	165	165	-	-	130	130
<b>Total Assets</b>	<b>45,714</b>	<b>122,139</b>	<b>84,524</b>	<b>252,377</b>	<b>15,434</b>	<b>15,661</b>	<b>141,626</b>	<b>172,721</b>
<b>Financial Liabilities</b>								
Bank Overdraft	5,018	-	-	5,018	3,053	-	-	3,053
Margin Accounts	-	-	-	-	49	-	-	49
Distribution Payable	-	-	8,274	8,274	-	-	3,440	3,440
Accounts Payable and Accrued Expenses	-	-	60,597	60,597	-	-	15,736	15,736
Financial Liabilities held for Trading								
- Swaps	-	-	1,050	1,050	-	-	288	288
- Forward Foreign Exchange Contracts	-	-	229	229	-	-	140	140
<b>Total Liabilities (Excluding Net Assets Attributable to Unitholders)</b>	<b>5,018</b>	<b>-</b>	<b>70,150</b>	<b>75,168</b>	<b>3,102</b>	<b>-</b>	<b>19,604</b>	<b>22,706</b>
<b>Net Assets Attributable to Unitholders - Liability</b>	<b>40,696</b>	<b>122,139</b>	<b>14,374</b>	<b>177,209</b>	<b>12,332</b>	<b>15,661</b>	<b>122,022</b>	<b>150,015</b>

The Funds hold a variety of swaps including interest rate swaps.

The Manager uses interest rate swaps as part of the overall investment strategy and to manage the Funds within their limits. The gross notional value of these swaps at 30 June 2009 for BlackRock Australian Core Plus Bond Fund was \$96,371,986 (2008: \$211,457,280) resulting in a liability at fair value on the balance sheet of \$916,311 (2008: \$264,819). The gross notional value of these swaps as at 30 June 2009 for BlackRock Australian Core Plus Cash Fund was \$132,723,846 (2008: \$135,217,704) resulting in a liability at fair value on the balance sheet of \$863,009 (2008: asset at fair value on the balance sheet of \$195,632).

The exposure figures above do not reflect the impact of these.

## 7. Financial Risk Management (continued)

### (c) Summarised VaR analysis

Value at Risk ("VaR") is a risk model used to estimate the potential losses that could occur on the Funds' net asset value position due to movements in interest rates, currency and market prices over a given period and for a specified degree of confidence.

BlackRock uses VaR analysis and/or tracking error estimates to measure and manage risk as these are commonly used and understood models, are easily interpreted and are consistent across different risk types, asset classes and types of funds. For the purpose of these accounts VaR analysis has been presented, in some cases derived from tracking error estimates. The objective in all cases is to estimate potential losses and manage the downside risk.

The table below summarises the outputs of the VaR model in relation to interest rate, currency and price risk exposures. The total VaR figures are not the sum of individual risk components as this does not include correlations between the different risk factors.

BlackRock calculate VaR relative to the Funds' benchmarks. The analysis implies that the Manager can be 95% confident that the value of the portfolio will not decrease by any more than the figures in the table below relative to a portfolio of the same value as the Funds' portfolios which replicates the composition of the benchmark over the 5 day period from 30 June.

	30 June 2009	
	\$'000	%
<b>Value at Risk for BlackRock Australian Core Plus Bond Fund</b>		
Interest Rate	201	0.20
Credit	650	0.64
FX Currency	182	0.18
Idiosyncratic (Specific)	299	0.29
Total Portfolio Risk	739	0.72
<b>Value at Risk for BlackRock Australian Core Plus Cash Fund</b>		
Interest Rate	293	0.20
Credit	679	0.45
FX Currency	188	0.13
Idiosyncratic (Specific)	106	0.07
Total Portfolio Risk	679	0.45
	30 June 2008	
	\$'000	%
<b>Value at Risk for BlackRock Australian Core Plus Bond Fund</b>		
Interest Rate	492	0.28
Credit	979	0.55
FX Currency	254	0.14
Idiosyncratic (Specific)	465	0.26
Total Portfolio Risk	930	0.52
<b>Value at Risk for BlackRock Australian Core Plus Cash Fund</b>		
Interest Rate	375	0.25
Credit	626	0.42
FX Currency	180	0.12
Idiosyncratic (Specific)	307	0.20
Total Portfolio Risk	600	0.40

## 7. Financial Risk Management (continued)

### (c) Summarised VaR analysis (continued)

#### *Detailed Information about the Models*

There are a number of different VaR models used within the Funds Management industry. BlackRock uses one or more of ex-ante and ex-post estimates of portfolio risk relative to benchmark and the Monte Carlo simulation model depending on the fund type. Models are calculated using historical data and a covariance matrix where applicable.

The VaR numbers shown in these accounts have following features:

- VaR is calculated to a 95 per cent confidence level. VaR at a confidence level identifies the maximum expected loss under that confidence level.
- VaR is calculated for a 5 day holding. The time horizon of five days is selected to coincide with the period used to analyse the portfolio positions. The risk data is examined in various daily, weekly and monthly forums.
- The portfolio VaR is not the simple sum of the individual asset stand alone VaRs; the correlations among assets in the portfolio are considered.

Although VaR is a valuable risk management tool it should be interpreted, as with all predictive models, with consideration to its assumptions and limitations. The main assumptions and limitations are listed below:

- Models assume certain financial variables are normally distributed: The normality assumption allows BlackRock to scale the portfolio risk estimates to the appropriate confidence levels. The normality assumption is derived from statistical analysis for examining sample populations of observations and the implications of not assuming normality would preclude the use of most statistical tools, including mainstream commercial models for risk measurement.
- The use of historical returns and correlations between assets would not take into account future potential events: It is a commonly stated and well-recognised limitation that past performance is not a reliable indicator of future performance.
- Model risk, in general terms, is a known limitation that includes: the quality or accuracy of the underlying data, where significant events occur within the data, the changing sensitivity of the Funds' assets to external market factors over time, and appreciating that using only one model may be limiting in itself to obtaining the best understanding of a fund's risk position.

BlackRock acknowledges these limitations and thus compares ex-ante to ex-post risk estimates to review expectations versus actual outcomes. Should ex-post values differ significantly from ex-ante returns, an assessment of the reasons for this will be made.

The Funds' risk is managed with constant review of both performance and risk numbers by the investment professionals within the business. These reviews consist of:

- Weekly meetings between the global members of Risk & Quantitative Analysis ("RQA"). These meetings include RQA Australia.
- Monthly meetings between RQA and the Fund Managers.
- Monthly meetings between RQA and the Chief Investment Officer.
- Ad hoc presentations to the Risk Management Committee ("RMC") to keep RMC abreast of RQA processes and latest updates.
- Daily report of performance figures along with a comparison of ex-ante versus ex-post returns sent to RQA London.
- RQA professionals sitting and working closely with the Fund Managers every day.

### (d) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under contract. Credit risk primarily arises from investments in debt instruments and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. At 30 June 2009 the total carrying amount of financial assets exposed to credit risk amounted to \$89,481,000 (2008: \$171,519,000) for BlackRock Australian Core Plus Bond Fund and \$114,656,000 (2008: \$33,137,000) for BlackRock Australian Core Plus Cash Fund, which best represent the maximum credit risk exposure at the balance sheet date. None of these assets are impaired nor past due and impaired.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market.

## 7. Financial Risk Management (continued)

### (d) Credit risk (continued)

#### (i) Fixed interest securities

The Funds are not permitted to have a total exposure of more than 15% to securities rated below the investment grade. Where the exposure to such securities exceeds 15% as a consequence of a ratings agency action, the limit will be reinstated as soon as practicable through an orderly disposal of securities.

An analysis of debt securities by rating is set out in the table below.

Rating	BlackRock Australian Core Plus Bond Fund	BlackRock Australian Core Plus Cash Fund
	30 June 2009 %	30 June 2009 %
AAA	26.92	18.47
AA	44.24	55.19
AA-	8.88	15.44
A+	2.72	1.98
A	3.91	1.95
A-	7.21	6.55
BBB+	2.88	-
BBB	1.14	-
BBB-	1.12	-
BB	-	-
CC	0.11	-
Cash & Other	0.87	0.42
Total	100.00	100.00

  

Rating	BlackRock Australian Core Plus Bond Fund	BlackRock Australian Core Plus Cash Fund
	30 June 2008 %	30 June 2008 %
AAA	37.76	15.40
AA	5.46	-
AA-	21.65	63.37
A+	4.13	-
A	5.90	-
A-	20.20	21.15
BBB+	2.78	0.04
BBB	0.63	-
BBB-	0.86	-
BB	0.22	-
CC	0.21	-
Cash & Other	0.20	0.04
Total	100.00	100.00

#### (ii) Derivatives

All exchange traded derivatives are executed through brokers, and cleared through a clearing broker and approved by the RMC. Over the counter derivative transactions are conducted only with approved counterparties, who meet the applicable specific fund requirements and where trading documentation is in place.

To minimise credit risk, the Funds only transact with counterparties of investment grade quality (BBB- or above as rated by Standard & Poor's). BlackRock has a process in place to assess the creditworthiness of counterparties and assess that the risk is evenly distributed. Matters arising in relation to counterparties are reviewed regularly by the RMC.

# Notes to the Financial Statements for the year ended 30 June 2009 (continued)

## 7. Financial Risk Management (continued)

### (d) Credit risk (continued)

#### (iii) Other credit risk

Exposure to credit risk on cash and cash equivalents, margin accounts and amounts due from brokers (receivables) is considered to be minimal due to the high credit rating of the relevant financial institutions and the short time to settlement, in the case of brokers.

VaR analysis is also used to manage and measure the credit risk of the Funds. Note (c) Summarised VaR analysis summarises the potential exposure of the Funds' net assets attributable to unitholders.

### (e) Liquidity risk

Liquidity risk is the risk that the Funds will not be able to meet their financial obligations as they fall due.

The Funds are exposed to daily cash redemptions of redeemable units. The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining adequate liquidity to satisfy usual redemption volumes and restricting the investment activities of the Funds to securities that are actively traded and highly liquid. The Funds also maintain continuous monitoring of forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities.

The Funds are restricted by their investment guidelines and the Funds' investment philosophy from entering into derivative contractual arrangements that create a market exposure which exceeds the total fair value of the relevant asset class within the Funds' portfolios. Furthermore, any derivative contract held by the Funds is required to be backed by cash or securities which in the reasonable opinion of the Manager represent a reasonable proxy for cash.

BlackRock investment management staff considers and maintain the liquidity of the Funds, in the context of the investment objectives and liquidity requirements of the Funds. Operational procedures are in place to review margin requirements on futures contracts. RMC reviews liquidity reports to ensure the Funds have sufficient liquidity to pay client redemptions and meet margin calls as required.

The tables in the following page analyses the Funds' financial liabilities and certain derivative asset balances into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the period end date. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 12 month	1-3 years	3-5 years	> 5 years	On Call
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BlackRock Australian Core Plus Bond Fund</b>					
<b>As at 30 June 2009</b>					
Distribution payable	(773)	-	-	-	-
Accounts payable & Accrued expenses	(1)	-	-	-	-
Derivatives*					
- Outflows	(28,506)	(87,370)	(2,424)	(15,342)	-
- Inflows	28,776	87,190	2,121	15,691	-
Net assets attributable to unitholders	-	-	-	-	(102,244)
<b>Total</b>	<b>(504)</b>	<b>(180)</b>	<b>(303)</b>	<b>349</b>	<b>(102,244)</b>
<b>BlackRock Australian Core Plus Cash Fund</b>					
<b>As at 30 June 2009</b>					
Bank Overdraft	-	-	-	-	(40)
Distribution payable	(5,039)	-	-	-	-
Accounts payable & Accrued expenses	(1,554)	-	-	-	-
Derivatives*					
- Outflows	(28,314)	(131,955)	(977)	(9,848)	-
- Inflows	28,323	131,563	746	9,287	-
Net assets attributable to unitholders	-	-	-	-	(149,252)
<b>Total</b>	<b>(6,584)</b>	<b>(392)</b>	<b>(231)</b>	<b>(561)</b>	<b>(149,292)</b>

## 7. Financial Risk Management (continued)

### (e) Liquidity risk (continued)

	Less than 12 month	1–3 years	3–5 years	> 5 years	On Call
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BlackRock Australian Core Plus Bond Fund</b>					
<b>As at 30 June 2008</b>					
Bank Overdraft	-	-	-	-	(5,018)
Distribution payable	(8,274)	-	-	-	-
Accounts payable & Accrued expenses	(60,597)	-	-	-	-
Derivatives*					
- Outflows	(68,608)	(37,964)	(56,793)	(2,637)	-
- Inflows	68,681	38,574	57,551	2,919	-
Net assets attributable to unitholders	-	-	-	-	(177,209)
<b>Total</b>	<b>(68,798)</b>	<b>610</b>	<b>758</b>	<b>282</b>	<b>(182,227)</b>
<b>BlackRock Australian Core Plus Cash Fund</b>					
<b>As at 30 June 2008</b>					
Bank Overdraft	-	-	-	-	(3,053)
Margin Accounts	(49)	-	-	-	-
Distribution payable	(3,440)	-	-	-	-
Accounts payable & Accrued expenses	(15,736)	-	-	-	-
Derivatives*					
- Outflows	(38,765)	(31,048)	(11,411)	-	-
- Inflows	38,712	31,157	11,489	-	-
Net assets attributable to unitholders	-	-	-	-	(150,015)
<b>Total</b>	<b>(19,278)</b>	<b>109</b>	<b>78</b>	<b>-</b>	<b>(153,068)</b>

\* The analysis above includes gross cash flows from forward foreign exchange contracts and interest rate swaps (irrespective of whether they are gross or net settled) in both an asset or liability position at the Balance Sheet date. As cash inflows are generally realised simultaneously to cash outflows, this information has been included for clarity.

# As at 30 June 2009, BlackRock Australian Core Plus Bond Fund's financial liabilities included credit default swaps with a notional value of nil (2008: \$21,883,000) (fair value liability: nil (2008: \$225,000)). Cash flows in relation to these swaps are dependent on future events and therefore the amount and timing cannot be reliably estimated at period end. Cash flows in relation to these swaps have not been included in the above analysis.

As at 30 June 2009, BlackRock Australian Core Plus Cash Fund's financial liabilities included credit default swaps with a notional value of nil (2008: \$2,605,000) (fair value liability: nil (2008: \$81,000)). Cash flows in relation to these swaps are dependent on future events and therefore the amount and timing cannot be reliably estimated at period end. Cash flows in relation to these swaps have not been included in the above analysis.

### (f) Fair value estimation

The financial assets and liabilities which are included in the Balance Sheets of the Funds are carried at fair value.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their value recognised in the income statement.

#### ■ Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

## 7. Financial Risk Management (continued)

### (f) Fair value estimation (continued)

#### ■ *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds may from time to time hold financial instruments that are not quoted in active markets, such as over-the-counter ("OTC") derivatives. Fair values of such instruments are determined by using internal valuation models. Where valuation models are used to determine fair values, they are periodically reviewed and validated by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practical. However, areas such as credit risk (both the Funds and counterparty), volatilities and correlations require management to make reasonable estimates. Changes in assumptions about these factors will affect the reported fair value of financial instruments.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such Funds.

## 8. Contingent Assets and Liabilities and Commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2009 (30 June 2008: Nil).

## 9. Events Occurring After the Balance Sheet Date

With the exception of the current market volatility, which is reflected in the daily unit prices, there have been no other significant events which have occurred since balance date which would impact on the financial position of the Funds disclosed in the balance sheet as at 30 June 2009 or on the results and cash flows of the Funds for the year ended on that date.

# Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes attached are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards; the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Funds' financial position as at 30 June 2009 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the period ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

M J O'Shannassy  
Director

G A Boyle  
Director

Melbourne, 28 September 2009

# Independent Auditor's Report

Independent Auditor's Report to the Unitholders of BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund

We have audited the accompanying financial report of BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund (the "Funds"), which comprises the balance sheets as at 30 June 2009, and the income statements, cash flow statements and statements of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

## Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, BlackRock Investment Management (Australia) Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors of the Responsible Entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Funds' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## Auditor's Opinion

In our opinion:

- (a) the financial report of BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

Neil A. Brown  
Partner  
Chartered Accountants  
Melbourne, 28 September 2009

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