

## Annual Financial Report

**30 JUNE 2010**

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

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# Directors' Report

The directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of the BlackRock Australian Core Plus Funds, present their report together with the financial statements of BlackRock Australian Core Plus Funds ("the Funds"), for the financial year ended 30 June 2010 and the auditor's report thereon. The BlackRock Australian Core Plus Funds comprise 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	Date resigned
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	Resigned 24 November 2009
W T Britten	Appointed 2 December 2009	Resigned 24 February 2010
R J Cochrane	Appointed 2 December 2009	Resigned 22 April 2010
R Bhagat	Appointed 2 December 2009	
M S McCorry	Appointed 2 December 2009	
M J O'Shannassy	Appointed 23 July 1997	Resigned 7 October 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' Constitution.

### 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 various Funds are summarised in the following table:

Fund	Return <sup>^</sup>			Inception Date
	2010 % p.a.	2009 % p.a.	2008 % p.a.	
BlackRock Australia Core Plus Bond Fund – X Class Units	11.31	1.17	0.06*	24 May 2007
BlackRock Australian Core Plus Cash Fund – E Class Units	7.42	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.

\* Return from inception date, 24 May 2007. Return has not been annualised.

\*\* Return from inception date, 21 December 2007. Return has not been annualised.

Detailed information on the Funds' distributions is provided in note 7 of the financial statements.

## Reconciliation of Net Asset Value for Unit Pricing Purposes to Financial Reporting Purposes

The key differences between net assets for unit pricing and net assets attributable to Unitholders as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	Year ended		Year ended	
	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2010 \$'000	30 June 2009 \$'000
Net Assets for Unit Pricing purposes	101,540	103,507	166,598	154,748
<i>Permanent Differences</i>				
Difference between net market value (for unit pricing) and fair value (for financial statements) of financial assets held at fair value through profit or loss	(193)	(490)	(221)	(457)
<i>Timing Differences</i>				
Distribution Payable	(3,628)	(773)	(4,911)	(5,039)
Other	4	-	3	-
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AS AT 30 JUNE</b>	<b>97,723</b>	<b>102,244</b>	<b>161,469</b>	<b>149,252</b>

## 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 matters or circumstances have arisen since 30 June 2010 that have 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 auditor 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.

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

The auditor of the Funds is in no way indemnified out of the assets of the Funds.

## 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 statements. Amounts in the directors' report and financial statements 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. This class order allows registered Schemes with a common responsible entity to include multiple financial statements in adjacent columns in a financial report.

The Funds have applied the relief available in Class Order 98/2395 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 5, 7 and 10 to the financial statements.

## Auditor's Independence Declaration

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

The financial statements were authorised for issue by the director on 28 September 2010.

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

D Frawley  
Director

G A Boyle  
Director

Melbourne, dated this 28th day of September 2010

# 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 2010, 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 2010

Liability limited by a scheme approved under  
Professional Standards Legislation

# Balance Sheets as at 30 June 2010

	Note	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>ASSETS</b>					
Cash and Cash Equivalents	6(a)	2,273	3,847	2,253	3,169
Margin Accounts		814	-	580	-
Income Receivable		7	6	4	2
Receivables from Related Schemes	10	449	23	563	146
Other Receivables		7	8	22	26
Financial Assets Designated at Fair Value Through Profit or Loss					
- Units in Related Schemes	10	22,474	14,669	44,657	42,212
- Interest Bearing Investments		78,990	85,126	119,300	110,828
Financial Assets held for Trading					
- Options		126	269	199	422
- Swaps		482	130	352	-
- Forward Foreign Exchange Contracts		342	72	480	63
<b>TOTAL ASSETS</b>		<b>105,964</b>	<b>104,150</b>	<b>168,410</b>	<b>156,868</b>
<b>LIABILITIES</b>					
Bank Overdraft	6(a)	331	-	488	40
Distribution Payable	7	3,628	773	4,911	5,039
Payables		3,059	1	71	1,554
Financial Liabilities Held for Trading					
- Swaps		728	1,046	856	863
- Forward Foreign Exchange Contracts		495	86	615	120
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>8,241</b>	<b>1,906</b>	<b>6,941</b>	<b>7,616</b>
Net Assets Attributable to Unitholders (Liability)	5	97,723	102,244	161,469	149,252
<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.

# Statements of Comprehensive Income for the year ended 30 June 2010

	Note	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>INVESTMENT INCOME</b>					
Net Gain/(Loss) on Financial Assets designated at Fair Value through Profit or Loss		9,727	(452)	11,922	(7,864)
Net Gain/(Loss) on Financial Instruments held for Trading		1,098	2,225	(1,732)	1,992
Distributions from Related Schemes	10	1,358	1,233	2,259	6,113
Interest Income		74	351	56	120
Dividend Income		-	19	-	-
Fee Rebates from Related Schemes	10(c)	30	16	32	141
<b>TOTAL INVESTMENT INCOME/(LOSS)</b>		<b>12,287</b>	<b>3,392</b>	<b>12,537</b>	<b>502</b>
<b>EXPENSES</b>					
Responsible Entity's Fees	10(a)	-	-	816	762
Transaction Costs		2	2	3	3
Other Operating Expenses		4	5	(9)	1
<b>TOTAL OPERATING EXPENSES</b>		<b>6</b>	<b>7</b>	<b>810</b>	<b>766</b>
<b>NET OPERATING PROFIT/(LOSS)</b>		<b>12,281</b>	<b>3,385</b>	<b>11,727</b>	<b>(264)</b>
<b>FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS</b>					
Distributions to Unitholders	7	3,628	5,239	9,052	10,228
Increase/(Decrease) in Net Assets Attributable to Unitholders	5	8,653	(1,854)	2,675	(10,492)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Comprehensive Income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO UNITHOLDERS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

# Cash Flow Statements for the year ended 30 June 2010

	Note	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Proceeds from Sale of Financial Instruments designated at Fair Value through Profit or Loss		251,166	790,464	198,714	655,638
Purchase of Financial Instruments designated at Fair Value through Profit or Loss		(243,149)	(696,799)	(201,549)	(654,731)
Transaction Costs on Purchase of Financial Instruments designated at Fair Value through Profit or Loss		(2)	(2)	(3)	(3)
Dividends Received		-	19	-	-
Interest Received		73	349	54	122
Distributions from Related Schemes		932	1,647	1,842	6,876
Responsible Entity Fee Rebates Received		30	18	32	152
Responsible Entity Fees Paid		(1)	-	(808)	(749)
Operating Expenses Paid		-	(3)	7	(10)
Interest Paid		(4)	(3)	(1)	-
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	6(b)	9,045	95,690	(1,712)	7,295
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from Applications by Unitholders		11,422	16,134	360	1,100
Payments for Redemptions by Unitholders		(22,307)	(101,985)	-	-
Distributions Paid		-	-	-	-
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		(10,885)	(85,851)	360	1,100
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
Cash and Cash Equivalents at the beginning of the Financial Year		3,847	(2,555)	3,129	(1,742)
Effects of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents		(65)	(3,437)	(12)	(3,524)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	6(a)	1,942	3,847	1,765	3,129
Non-cash Financing Activities	6(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 2010

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR</b>	-	-	-	-
Profit/(Loss) for the year	-	-	-	-
Other Comprehensive Income for the year	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-
<b>TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR</b>	-	-	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

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

# Notes to the Financial Statements

## NOTE 1: GENERAL INFORMATION

This financial report includes the 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.

The financial statements were authorised for issue by the directors on 28 September 2010. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## NOTE 2: ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

### (a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2(b).

#### *Standards affecting presentation and disclosure*

AASB 101 *Presentation of Financial Statements* (as revised in September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*

AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*

The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Funds have elected not to provide comparative information of these expanded disclosures in the current year in accordance with the transitional relief’s offered in these amendments.

### (b) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoptions have not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*

The revision to AASB 132 *Financial Instruments: Presentation* amends the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on a fund an obligation to deliver to another party and a pro rata share of the net assets of the fund only on liquidation, to be classified as equity, subject to specified criteria being met.

### (c) Standards and Interpretations in issue not yet adopted

At the date of preparation of the financial statements, the standards and interpretations listed below were in issue but not yet effective:

The directors’ assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

- (i) AASB9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Funds have not yet decided when to adopt AASB 9. However, management does not expect this will have a significant impact on the Fund’s financial statements as the Fund does not hold any available-for-sale investments.

- (ii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]*

In May 2009 the AASB issued a number of improvements to AASB 5 *Non current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 101 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments, Recognition and Measurement*. The Funds will apply the revised Standards from 1 July 2010. The Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

- (iii) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Funds will apply the amended standard from 1 July 2011. When the amendments are applied, the Funds would need to disclose any transactions between its subsidiaries and its associates. However, as the Fund does not have any subsidiaries and associates, the amendment will not have any effect on the Fund’s financial statements.

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These general purpose financial statements have 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 statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Balance Sheets are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to Unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

### Compliance with International Financial Reporting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements of the Funds, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### Financial statement presentation

The Funds have applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity. All non-owner changes in equity must now be presented in the Statement of Comprehensive Income. As a consequence, the Funds have changed the presentation of their financial statements. Comparative information has been reclassified so that it is also in conformity with the revised standard.

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies adopted are consistent with those of the previous year unless otherwise stated. Comparative information is reclassified where appropriate to enhance comparability.

### (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.

#### (i) 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.

#### (ii) 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 Statements of Comprehensive Income.

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:

#### 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.

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.
- 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.

While derivatives are used or trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

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 Statements of Comprehensive Income.

### *Exchange Traded Options*

Exchange traded options are recorded at fair value based on quoted “bid” prices on purchased options and 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 Statements of Comprehensive Income.

### *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 Statements of Comprehensive Income. 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 Statements of Comprehensive Income. When the Funds enter into a closing transaction, the Funds will realise a gain or loss in the Statements of Comprehensive Income depending upon whether the amount from the closing transaction is greater or less than the premium received or paid.

### NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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 Statements of Comprehensive Income.

#### **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 Statements of Comprehensive Income.

#### **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.

While derivatives are used or trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

#### **Credit Default Swaps**

A credit default swap is an agreement between two parties whereby one party pays the other a fixed periodic coupon for the specified term of the agreement. The other party makes no payments unless a specified credit event occurs. These are valued at current prices incorporating the fair value available of the underlying reference asset and accrued interest to date. Any gains or losses are recorded in the relevant period as a change in the fair value of investments in the Statements of Comprehensive Income.

#### **(d) Net Assets Attributable to Unitholders**

In accordance with AASB 132 unitholders funds are classified as a financial liability and disclosed as such in the Balance Sheet, being referred to as "Net assets attributable to unitholders". The units can be put back to the Funds at any time for cash equal to a proportionate share of the Funds' net asset values. The 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 Statements of Comprehensive Income as they arise.

#### **(e) 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 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 activity.

#### **(f) 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.

#### **(g) Investment Income and Expenses**

Interest income and expenses are recognised in the Statements of Comprehensive Income 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 3(c) and 3(d).

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.

#### **(h) Expenses**

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

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) 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 (ie. unitholders are presently entitled to the income of the 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 Statements of Comprehensive Income.

### (j) 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 Statements of Comprehensive Income as finance costs attributable to unitholders.

### (k) 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 Statements of Comprehensive Income as financing costs.

### (l) Foreign Currency Translation

#### *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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statements of Comprehensive Income.

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.

### (m) 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.

### (n) 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 2010 under the Funds' Constitutions.

### (o) 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.

### (p) 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 onto 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 have been recognised in the Statements of Comprehensive Income 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 Statements of Cash Flow on a gross basis.

### NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) 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, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

#### (r) 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 statements. Amounts in the financial statements have been rounded off in accordance with that Class Order, unless otherwise indicated.

### NOTE 4: FINANCIAL RISK MANAGEMENT

The Funds’ activities expose them to a variety of financial risks: market risk (comprising price risk, currency risk and interest rate 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 an Investment Risk Management Committee (“IRMC”) which is chaired by the Manager of the Risk and Quantitative Analysis team and is comprised of senior management, investment and compliance staff. The IRMC meets at least quarterly, and as otherwise required, to review aspects of portfolio performance, independent monitoring reports, risk management compliance and derivative usage. The IRMC 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 risk 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 and 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 exposure 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 IRMC quarterly.

As part of the risk management programme BlackRock has 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):

Fund	Risk limits
BlackRock Australian Core Plus Bond Fund	<ul style="list-style-type: none"> <li>■ Total interest risk is limited to 500 bps</li> <li>■ Currency risk is limited to 500 bps</li> <li>■ Credit exposure risk is limited to 500bps.</li> <li>■ Other (mainly ‘credit’) security specific risk of the Funds is restricted to 150 bps to ensure adequate diversification between individual users.</li> </ul>
BlackRock Australian Core Plus Cash Fund	<ul style="list-style-type: none"> <li>■ Total interest risk is limited to 500 bps</li> <li>■ Currency risk is limited to 500 bps</li> <li>■ Credit exposure risk is limited to 500bps.</li> <li>■ Other (mainly ‘credit’) security specific risk of the Funds is restricted to 150 bps to ensure adequate diversification between individual users.</li> </ul>

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

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

### (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 Funds are exposed to market price risks influencing investment valuations in addition to the effects of movements in interest rates and foreign exchange values. Market risks are minimised through ongoing review of issuance quality. The Funds have a policy that when measured on a full effective exposure basis, derivatives must not be valued to reduce the total exposure to listed securities below the minimum stated asset allocation.

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:

	2010				2009			
	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>								
Options – Domestic	-	-	-	-	9	-	9	9
Options – International	126	-	126	126	260	-	260	260
Futures – Domestic	17,898	(189,495)	(171,597)	-	34,171	-	34,171	-
Futures – International	14,892	(877)	14,015	-	24,490	(41,217)	(16,727)	-
Swaps – Domestic	81,366	(78,978)	2,388	30	53,862	(49,568)	4,294	4,294
Swaps – International	37,476	(40,110)	(2,634)	(276)	39,739	(44,949)	(5,210)	(5,210)
Forward Foreign Exchange Contracts	35,980	(36,133)	(153)	(153)	27,222	(27,236)	(14)	(14)
<b>BlackRock Australian Core Plus Cash Fund</b>								
Options – Domestic	-	-	-	-	15	-	15	15
Options – International	199	-	199	199	407	-	407	407
Futures – Domestic	-	(262,572)	(262,572)	-	30,757	(41,081)	(10,324)	-
Futures – International	22,012	-	22,012	-	31,076	(54,572)	(23,496)	-
Swaps – Domestic	115,377	(115,510)	(133)	(133)	65,309	(66,034)	(725)	(725)
Swaps – International	57,068	(57,439)	(371)	(371)	63,040	(63,178)	(138)	(138)
Forward Foreign Exchange Contracts	47,721	(47,857)	(135)	(135)	28,134	(28,191)	(57)	(57)

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

### (ii) Foreign Exchange Risk

#### *BlackRock Australian Core Plus Bond Fund and BlackRock Australian Core Plus Cash Fund*

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 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 Australian dollar and in 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</b>								
<b>30 June 2010</b>								
<b>ASSETS</b>								
Cash and Cash Equivalents	1,735	44	270	-	82	1	141	2,273
Margin Accounts	814	-	-	-	-	-	-	814
Financial Instruments designated at Fair Value through Profit or Loss*	95,516	2,238	3,710	-	-	-	-	101,464
Financial Instruments held for Trading**	824	-	126	-	-	-	-	950
Other Assets	463	-	-	-	-	-	-	463
<b>TOTAL ASSETS</b>	<b>99,352</b>	<b>2,282</b>	<b>4,106</b>	<b>-</b>	<b>82</b>	<b>1</b>	<b>141</b>	<b>105,964</b>
<b>FINANCIAL LIABILITIES</b>								
Bank Overdraft	-	14	-	-	317	-	-	331
Accounts Payable and Accrued Expenses	3,059	-	-	-	-	-	-	3,059
Distributions Payable	3,628	-	-	-	-	-	-	3,628
Financial Instruments held for Trading**	1,223	-	-	-	-	-	-	1,223
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>7,910</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>317</b>	<b>-</b>	<b>-</b>	<b>8,241</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>91,442</b>	<b>2,268</b>	<b>4,106</b>	<b>-</b>	<b>(235)</b>	<b>1</b>	<b>141</b>	<b>97,723</b>
Increase in exposure from currency derivatives	(31,952)	12,794	14,771	3,247	-	-	1,140	-
Decrease in exposure from currency derivatives	35,596	(14,899)	(19,559)	-	-	-	(1,138)	-
<b>TOTAL FOREIGN CURRENCY EXPOSURE</b>	<b>95,086</b>	<b>163</b>	<b>(682)</b>	<b>3,247</b>	<b>(235)</b>	<b>1</b>	<b>143</b>	<b>97,723</b>

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

\*\* Includes derivatives which have been classified as Australian dollar exposure in the above analysis.

The exposure of the Fund to foreign exchange movements in relation to currency derivatives is reanalysed above.

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 4: FINANCIAL RISK MANAGEMENT (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>Bond Fund</b>								
<b>30 JUNE 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**	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>FINANCIAL LIABILITIES</b>								
Bank Overdraft	-	-	-	-	-	-	-	-
Accounts Payable and Accrued Expenses	1	-	-	-	-	-	-	1
Distributions Payable	773	-	-	-	-	-	-	773
Financial Instruments held for Trading**	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>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>86,923</b>	<b>7,341</b>	<b>7,568</b>	<b>30</b>	<b>250</b>	<b>47</b>	<b>85</b>	<b>102,244</b>
Increase in exposure from currency derivatives	(9,524)	4,433	3,837	-	-	-	1,254	-
Decrease in exposure from currency derivatives	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 which have been classified as Australian dollar exposure in the above analysis.

The exposure of the Fund to foreign exchange movements in relation to currency derivatives is reanalysed above.

#### NOTE 4: FINANCIAL RISK MANAGEMENT (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>30 JUNE 2010</b>								
<b>ASSETS</b>								
Cash and Cash Equivalents	1,601	48	355	-	82	-	167	2,253
Margin Accounts	580	-	-	-	-	-	-	580
Financial Instruments designated at Fair Value through Profit or Loss*	161,991	1,966	-	-	-	-	-	163,957
Financial Instruments held for Trading**	832	-	199	-	-	-	-	1,031
Other Assets	589	-	-	-	-	-	-	589
<b>TOTAL ASSETS</b>	<b>165,593</b>	<b>2,014</b>	<b>554</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>167</b>	<b>168,410</b>
<b>FINANCIAL LIABILITIES</b>								
Bank Overdraft	2	11	-	-	475	-	-	488
Accounts Payable and Accrued Expenses	71	-	-	-	-	-	-	71
Distributions Payable	4,911	-	-	-	-	-	-	4,911
Financial Instruments held for Trading**	1,471	-	-	-	-	-	-	1,471
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>6,455</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>475</b>	<b>-</b>	<b>-</b>	<b>6,941</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>159,138</b>	<b>2,003</b>	<b>554</b>	<b>-</b>	<b>(393)</b>	<b>-</b>	<b>167</b>	<b>161,469</b>
Increase in exposure from currency derivatives	(45,846)	18,312	20,515	5,231	-	-	1,788	-
Decrease in exposure from currency derivatives	47,856	(20,225)	(25,845)	-	-	-	(1,786)	-
<b>TOTAL FOREIGN CURRENCY EXPOSURE</b>	<b>161,148</b>	<b>90</b>	<b>(4,776)</b>	<b>5,231</b>	<b>(393)</b>	<b>-</b>	<b>169</b>	<b>161,469</b>

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

\*\* Includes derivatives which have been classified as Australian dollar exposure in the above analysis.

The exposure of the Fund to foreign exchange movements in relation to currency derivatives is reanalysed above.

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 4: FINANCIAL RISK MANAGEMENT (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>30 JUNE 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**	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>156,790</b>
<b>FINANCIAL 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**	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>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>144,854</b>	<b>1,949</b>	<b>2,288</b>	<b>42</b>	<b>14</b>	<b>27</b>	<b>78</b>	<b>149,252</b>
Increase in exposure from currency derivatives	(14,959)	5,043	7,907	-	-	-	2,009	-
Decrease in exposure from currency derivatives	23,861	(2,036)	(9,317)	-	-	-	(12,508)	-
<b>TOTAL FOREIGN CURRENCY EXPOSURE</b>	<b>168,715</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 which have been classified as Australian dollar exposure in the above analysis.

The exposure of the Fund to foreign exchange movements in relation to currency derivatives is reanalysed above.

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

### (iii) Interest Rate Risk

The Funds' interest bearing financial assets and liabilities expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The 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 of the benchmark index.

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' exposure to interest rate risks. It includes the Funds' assets and liabilities at fair value.

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>BlackRock Australian Core Plus Bond Fund</b>				
<b>30 JUNE 2010</b>				
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents	2,273	-	-	2,273
Margin Accounts	814	-	-	814
Income Receivable	-	-	7	7
Receivables from Related Schemes	-	-	449	449
Other Receivables	-	-	7	7
Financial Instruments designated at Fair Value through Profit or Loss				
- Units in Related Schemes	-	-	22,474	22,474
- Interest Bearing Investments	20,741	58,249	-	78,990
Financial Instruments held for Trading				
- Options	-	-	126	126
- Swaps	-	-	482	482
- Forward Foreign Exchange Contracts	-	-	342	342
<b>TOTAL ASSETS</b>	<b>23,828</b>	<b>58,249</b>	<b>23,887</b>	<b>105,964</b>
<b>FINANCIAL LIABILITIES</b>				
Bank Overdraft	331	-	-	331
Distributions Payables	-	-	3,628	3,628
Accounts Payable and Accrued Expenses	-	-	3,059	3,059
Financial Instruments held for Trading				
- Swaps	-	-	728	728
- Forward Foreign Exchange Contracts	-	-	495	495
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>331</b>	<b>-</b>	<b>7,910</b>	<b>8,241</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>23,497</b>	<b>58,249</b>	<b>15,977</b>	<b>97,723</b>

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>BlackRock Australian Core Plus Bond Fund</b>				
<b>30 JUNE 2009</b>				
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents	3,847	-	-	3,847
Margin Accounts	-	-	6	6
Income Receivable	-	-	6	6
Receivables from Related Schemes	-	-	24	24
Other Receivables	-	-	7	7
Financial Instruments designated at Fair Value through Profit or Loss				
- Units in Related Schemes	-	-	14,669	14,669
- Interest Bearing Investments	30,667	54,459	-	85,126
Financial Instruments held for Trading				
- Options	-	-	269	269
- Swaps	-	-	130	130
- Forward Foreign Exchange Contracts	-	-	72	72
<b>TOTAL ASSETS</b>	<b>34,514</b>	<b>54,459</b>	<b>15,183</b>	<b>104,156</b>
<b>FINANCIAL LIABILITIES</b>				
Bank Overdraft	-	-	-	-
Distribution Payable	-	-	773	773
Accounts Payable and Accrued Expenses	-	-	1	1
Financial Instruments held for Trading				
- Swaps	-	-	1,046	1,046
- Forward Foreign Exchange Contracts	-	-	86	86
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>-</b>	<b>-</b>	<b>1,906</b>	<b>1,906</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>34,514</b>	<b>54,459</b>	<b>13,277</b>	<b>102,250</b>

**NOTE 4: FINANCIAL RISK MANAGEMENT (continued)**

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>BlackRock Australian Core Plus Cash Fund</b>				
<b>30 JUNE 2010</b>				
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents	2,253	-	-	2,253
Margin Accounts	580	-	-	580
Income Receivable	-	-	4	4
Receivables from Related Schemes	-	-	563	563
Other Receivables	-	-	22	22
Financial Instruments designated at Fair Value through Profit or Loss				
- Units in Related Schemes	-	-	44,657	44,657
- Interest Bearing Investments	64,397	54,850	53	119,300
Financial Instruments held for Trading				
- Options	-	-	199	199
- Swaps	-	-	352	352
- Forward Foreign Exchange Contracts	-	-	480	480
<b>TOTAL ASSETS</b>	<b>67,230</b>	<b>54,850</b>	<b>46,330</b>	<b>168,410</b>
<b>FINANCIAL LIABILITIES</b>				
Bank Overdraft	488	-	-	488
Distribution Payable	-	-	4,911	4,911
Accounts Payable and Accrued Expenses	-	-	71	71
Financial Instruments held for Trading				
- Swaps	-	-	856	856
- Forward Foreign Exchange Contracts	-	-	615	615
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>488</b>	<b>-</b>	<b>6,453</b>	<b>6,941</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>66,742</b>	<b>54,850</b>	<b>39,877</b>	<b>161,469</b>

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>BlackRock Australian Core Plus Cash Fund</b>				
<b>30 JUNE 2009</b>				
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents	3,169	-	-	3,169
Income Receivable	-	-	2	2
Receivables from Related Schemes	-	-	150	150
Other Receivables	-	-	22	22
Financial Instruments designated at Fair Value through Profit or Loss				
- Units in Related Schemes	-	-	42,212	42,212
- Interest Bearing Investments	82,947	27,881	-	110,828
Financial Instruments held for Trading				
- Options	-	-	422	422
- Swaps	-	-	-	-
- Forward Foreign Exchange Contracts	-	-	63	63
<b>TOTAL ASSETS</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	-	-	5,039	5,039
Accounts Payable and Accrued Expenses	-	-	1,554	1,554
Financial Instruments held for Trading				
- Swaps	-	-	863	863
- Forward Foreign Exchange Contracts	-	-	120	120
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>40</b>	<b>-</b>	<b>7,576</b>	<b>7,616</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>86,076</b>	<b>27,881</b>	<b>35,295</b>	<b>149,252</b>

The Funds holds 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 2010 for BlackRock Australian Core Plus Bond Fund was \$118,964,297 resulting in a liability at fair value on the balance sheet of \$246,478 (30 June 2009 \$96,371,896, fair value liability \$916,311). The gross notional value of these swaps at 30 June 2010 for BlackRock Australian Core Plus Cash Fund was \$172,696,708 resulting in a liability at fair value on the balance sheet of \$504,531 (30 June 2009 \$132,723,846, fair value liability \$863,009). The Funds can hold a variety of swaps including interest rate swaps. The exposure figures above do not reflect the impact of these.

## NOTE 4: 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 types, asset classes and types of Funds. For the purpose of these accounts VaR analysis has been presented, in some classes derived from tracking estimates. The objective in all cases is to estimate potential losses and manage the downside risk.

The tables below summarise 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.

	2010		2009	
	\$'000 ^	%	\$'000 ^	%
<b>Value at Risk for BlackRock Australian Core Plus Bond Fund</b>				
Interest Rates	150	0.15	201	0.20
Credit	237	0.24	650	0.64
FX Currency	(14)	(0.01)	182	0.18
Idiosyncratic (Specific)	34	0.03	299	0.29
Total Portfolio Risk	407	0.42	739	0.72
	2010		2009	
	\$'000 ^	%	\$'000 ^	%
<b>Value at Risk for BlackRock Australian Core Plus Cash Fund</b>				
Interest Rates	229	0.14	293	0.20
Credit	465	0.29	679	0.45
FX Currency	7	-	188	0.13
Idiosyncratic (Specific)	26	0.02	106	0.07
Total Portfolio Risk	723	0.45	679	0.45

^ VaR has been calculated on Net Assets Attributable to Unitholders before rounding.

## NOTE 4: FINANCIAL RISK MANAGEMENT (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 models used by BlackRock have the 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 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 Funds' 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 Investment Risk Management Committee (IRMC) to keep IRMC 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 Exposure

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 2010 the total carrying amount of financial assets exposed to credit risk is set out in the table below. These amounts best represent the maximum credit risk exposure at the balance sheet date. None of these assets are impaired nor past due and impaired.

	2010 \$'000	2009 \$'000
BlackRock Australian Core Plus Bond Fund	83,041	89,458
BlackRock Australian Core Plus Cash Fund	123,190	114,510

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.

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

### (i) Interest Bearing Securities

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

Rating	2010 % Portfolio	2009 % Portfolio
<b>BlackRock Australian Core Plus Bond Fund</b>		
AAA	40.79	26.92
AA	1.33	44.24
AA+	8.89	-
AA-	5.16	8.88
A+	5.43	2.72
A	1.53	3.91
A-	1.29	7.21
BBB+	3.61	2.88
BBB	0.20	1.14
BBB-	0.63	1.12
CC	0.20	0.11
CCC-	0.16	-
Cash and Other	25.21	0.87
P1/A1+	5.57	-
Total	100.00	100.00
<b>BlackRock Australian Core Plus Cash Fund</b>		
AAA	37.78	18.47
AA	0.91	55.19
AA-	3.12	15.44
A+	6.06	1.98
A	2.44	1.95
A-	-	6.55
BBB+	1.59	-
BBB	0.38	-
Cash & Other	28.11	0.42
P1/A1	19.61	-
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 IRMC. 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 Fund only transacts 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 IRMC.

### (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.

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

### (e) Liquidity and Cash Flow 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. Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

BlackRock Investment Management (Australia) Limited staff consider 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. IRMC reviews liquidity reports to ensure the Funds have sufficient liquidity to pay client redemptions and meet margin calls as required.

The table below analyses the Funds' financial liabilities and derivative asset balances (as appropriate) into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year 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 months	1-3 years	3-5 years	> 5 years	On Call
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BlackRock Australian Core Plus Bond Fund</b>					
<b>AT 30 JUNE 2010</b>					
Bank Overdraft	(331)	-	-	-	-
Distribution Payable	(3,628)	-	-	-	-
Accounts Payable and Accrued Expenses	(3,059)	-	-	-	-
Derivatives*#					
- Outflows	(6,287)	(90,171)	(4,396)	(24,417)	-
- Inflows	7,148	90,369	5,106	24,352	-
Net Assets Attributable to Unitholders	-	-	-	-	(97,723)
<b>Total</b>	<b>(6,157)</b>	<b>198</b>	<b>710</b>	<b>(65)</b>	<b>(97,723)</b>
<b>BlackRock Australian Core Plus Bond Fund</b>					
<b>AT 30 JUNE 2009</b>					
Bank Overdraft	-	-	-	-	-
Distribution Payable	(773)	-	-	-	-
Accounts Payable and Accrued Expenses	(1)	-	-	-	-
Derivatives*#					
- Outflows	(28,506)	(87,370)	(2,424)	(15,342)	-
- Inflow	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>

\* 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 2010, the BlackRock Australian Core Plus Bond Fund's financial liabilities included credit default swaps with a notional value of \$Nil (fair value liability: \$Nil). As at 30 June 2009, the BlackRock Australian Core Plus Bond Fund's financial liabilities included credit default swaps with a notional value of \$Nil (fair value liability: \$Nil).

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

	Less than 12 months	1–3 years	3–5 years	> 5 years	On Call
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BlackRock Australian Core Plus Cash Fund</b>					
<b>AT 30 JUNE 2010</b>					
Bank Overdraft	(488)	-	-	-	-
Distribution Payable	(4,911)	-	-	-	-
Accounts Payable and Accrued Expenses	(71)	-	-	-	-
Derivatives**					
- Outflows	(34,979)	(128,064)	(765)	(17,737)	-
- Inflows	34,025	125,082	-	15,454	-
Net Assets Attributable to Unitholders	-	-	-	-	(161,469)
<b>Total</b>	<b>(6,424)</b>	<b>(2,982)</b>	<b>(765)</b>	<b>(2,283)</b>	<b>(161,469)</b>
<b>BlackRock Australian Core Plus Cash Fund</b>					
<b>AT 30 JUNE 2009</b>					
Bank Overdraft	-	-	-	-	(40)
Distribution Payable	(5,039)	-	-	-	-
Accounts Payable and Accrued Expenses	(1,554)	-	-	-	-
Derivatives**					
- Outflows	(28,314)	(131,955)	(977)	(9,848)	-
- Inflow	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>

\* 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.

### (f) Fair Values of Financial Assets and Liabilities

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 Statement of Comprehensive Income.

#### ■ 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.

#### ■ 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.

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

### (g) Fair Value Hierarchy

The Funds have adopted the amendments to AASB 7, effective 1 July 2009. This requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value

measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>BlackRock Australian Core Plus Bond Fund</b>				
<b>30 JUNE 2010</b>				
<b>FINANCIAL ASSETS</b>				
Financial Instruments designated at Fair Value through Profit or Loss				
- Interest Bearing Investments	563	72,430	5,998	78,991
- Units in Related Schemes	-	22,474	-	22,474
Financial Instruments held for Trading				
- Options	-	126	-	126
- Swaps	-	464	17	481
- Forward Foreign Exchange Contracts	-	342	-	342
<b>TOTAL</b>	<b>563</b>	<b>95,836</b>	<b>6,015</b>	<b>102,414</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments held for Trading				
- Swaps	-	(695)	(33)	(728)
- Forward Foreign Exchange Contracts	-	(495)	-	(495)
<b>TOTAL</b>	<b>-</b>	<b>(1,190)</b>	<b>(33)</b>	<b>(1,223)</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>BlackRock Australian Core Plus Cash Fund</b>				
<b>30 JUNE 2010</b>				
<b>FINANCIAL ASSETS</b>				
Financial Instruments designated at Fair Value through Profit or Loss				
- Interest Bearing Investments	-	111,133	8,167	119,300
- Units in Related Schemes	-	44,657	-	44,657
Financial Instruments held for Trading				
- Options	-	199	-	199
- Swaps	-	352	-	352
- Forward Foreign Exchange Contracts	-	480	-	480
<b>TOTAL</b>	<b>-</b>	<b>156,821</b>	<b>8,167</b>	<b>164,988</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments held for Trading				
- Swaps	-	(856)	-	(856)
- Forward Foreign Exchange Contracts	-	(615)	-	(615)
<b>Total</b>	<b>-</b>	<b>(1,471)</b>	<b>-</b>	<b>(1,471)</b>

#### NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

No transfers between levels occurred during the year for the following Funds:

- BlackRock Australian Core Plus Bond Fund
- BlackRock Australian Core Plus Cash Fund

The following table presents the movement in level 3 instruments for the year ended 30 June 2010 by class of financial instrument.

	Interest Bearing Investments \$'000	Derivative \$'000
<b>BlackRock Australian Core Plus Bond Fund</b>		
Opening Balance	5,724	-
Purchases	2,138	18,700
Sales	(599)	-
Gains and losses recognised in profit or loss	(1,266)	(18,716)
<b>CLOSING BALANCE</b>	<b>5,997</b>	<b>(16)</b>
	<b>Interest Bearing Investments \$'000</b>	
<b>BlackRock Australian Core Plus Cash Fund</b>		
Opening Balance		8,805
Purchases		1,540
Sales		-
Gains and losses recognised in profit or loss		(2,178)
Closing Balance		8,167

The majority of assets classified as level 3 are debt instruments priced using an external pricing source but that are infrequently traded and hence there is a degree of subjectivity associated with the accuracy of the price. Given the number of such investments it is not practical to provide reasonable alternative prices on each investment.

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 5: 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 the right to the underlying assets 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 consider 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 Statement ("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 were as follows:

Unitholders' Funds	2010		2009	
	No. of Units '000	\$'000	No. of Units '000	\$'000
<b>BlackRock Australian Core Plus Bond Fund</b>				
<b>X CLASS UNITS</b>				
Opening Unitholders' Funds	117,731	102,244	195,954	177,209
Application				
– Cash	12,416	11,422	17,616	16,134
– Distribution Reinvestment Plan	885	773	14,091	12,740
Redemptions	(26,543)	(25,369)	(109,930)	(101,985)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	8,653	-	(1,854)
Closing Balance	104,489	97,723	117,731	102,244
Unitholders' Funds	2010		2009	
	No. of Units '000	\$'000	No. of Units '000	\$'000
<b>BlackRock Australian Core Plus Cash Fund</b>				
<b>E CLASS UNITS</b>				
Opening Unitholders' Funds	166,680	149,252	156,267	150,015
Application				
– Cash	386	360	1,155	1,100
– Distribution Reinvestment Plan	10,011	9,182	9,258	8,629
Redemptions	-	-	-	-
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	2,675	-	(10,492)
Closing Balance	177,077	161,469	166,680	149,252

## NOTE 6: 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		BlackRock Australian Core Plus Cash Fund	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash	1,431	1,388	1,032	1,023
Margin Accounts < 90 days	842	2,459	1,221	2,146
Overdraft	(331)	-	(488)	(40)
	1,942	3,847	1,765	3,129

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

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net Operating Profit/(Loss)	12,281	3,385	11,727	(263)
(Increase)/Decrease in Financial Instruments held at Fair Value through Profit or Loss	(1,992)	146,078	(10,963)	16,455
(Increase)/Decrease in Margin Accounts	(814)	6,202	(580)	4,346
(Increase)/Decrease in Income Receivable	(1)	208	(2)	173
(Increase)/Decrease in Receivables from Related Schemes	(426)	413	(413)	775
(Increase)/Decrease in Other Receivables	1	1	-	(8)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	(4)	(60,597)	(1,481)	(14,183)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>9,045</b>	<b>95,690</b>	<b>(1,712)</b>	<b>7,295</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.

	2010		2009	
	Units	\$'000	Units	\$'000
BlackRock Australian Core Plus Bond Fund				
- X Class Units	885	773	14,091	12,740
BlackRock Australian Core Plus Cash Fund				
- E Class Units	10,011	9,182	9,258	8,628

As described in note 3(k), non-distributable income is included in net assets attributable to unitholders. The change in this amount each year represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 7: DISTRIBUTIONS

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

	2010		2009	
	Distributions Paid Cents/Unit	Distributions Payable Cents/Unit	Distributions Paid Cents/Unit	Distributions Payable Cents/Unit
BlackRock Australian Core Plus Bond Fund – X Class Units	–	3.47	3.78	0.66
BlackRock Australian Core Plus Cash Fund – E Class Units	2.39	2.77	3.20	3.02

  

	2010		2009	
	Distributions Paid \$'000	Distributions Payable \$'000	Distributions Paid \$'000	Distributions Payable \$'000
BlackRock Australian Core Plus Bond Fund – X Class Units	–	3,628	4,466	773
BlackRock Australian Core Plus Cash Fund – E Class Units	4,141	4,911	5,188	5,039

## NOTE 8: CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2010 (30 June 2009: Nil).

## NOTE 9: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events which have occurred since balance date which would impact on the financial position of the Funds disclosed in the Balance Sheets as at 30 June 2010 or on the results and cash flows of the Funds for the year ended on that date.

## NOTE 10: 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 includes persons who were directors of BlackRock Investment Management (Australia) Limited during the financial period and up to the date of this report.

Director	Date appointed	Date resigned
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	Resigned 24 November 2009
W T Britten	Appointed 2 December 2009	Resigned 24 February 2010
R J Cochrane	Appointed 2 December 2009	Resigned 22 April 2010
R Bhagat	Appointed 2 December 2009	
M S McCorry	Appointed 2 December 2009	
M J O'Shannassy	Appointed 23 July 1997	Resigned 7 October 2009

## NOTE 10: RELATED PARTIES (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 and 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 directly 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 Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Funds during the financial year 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 the following:

#### *(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 net asset value of the Funds. Fees charged for the year are included in the Statements of Comprehensive Income.

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 Statements of Comprehensive Income.

#### *(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 Statements of Comprehensive Income.

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

# Notes to the Financial Statements for the year ended 30 June 2010 (continued)

## NOTE 10: RELATED PARTIES (continued)

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>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:				
- E Class Units	-	-	815,795	761,937
Class Responsible Entity Fees and Expense Reimbursement Payable:				
- E Class Units	-	-	73,628	72,984
<b>Total Responsible Entity's Fees received or due and receivable by the Funds:</b>				
- E Class Units	-	-	-	-
Responsible Entity Fee Rebates	30,269	15,529	31,909	140,809
Other	-	(9,678)	-	(4,013)
<b>Balances and Transactions with Related Schemes</b>				
Distributions Receivable*	448,724	22,876	563,221	145,681
Trade Receivables	-	-	-	-
Responsible Entity Fee Rebates Receivable	-	-	2,754	-
	448,724	22,876	565,975	145,681

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

### 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 to which the Funds are presently entitled, are included in the Statements of Comprehensive Income. The portions of these amounts not received at balance date are included in the Balance Sheets.

Details of the Funds' investments are set out in the following pages.

	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 Funds at Year End	Distribution Received from the Related Scheme During the Year	Distribution Receivable from the Related Scheme at Year End
2010	Units	\$	\$	\$	%	\$	\$
<b>BlackRock Australian Core Plus Bond Fund</b>							
BlackRock Institutional Liquidity Fund	14,024,112	14,021,307	71,590,130	70,173,191	2.90	534,480	32,640
BlackRock Monthly Income Fund	7,246,331	5,086,200	6,636,576	4,500,000	9.73	324,378	23,943
BlackRock Global Investment Grade Credit Fund	3,450,774	3,366,575	3,820,374	280,000	9.73	50,373	392,523
<b>BlackRock Australian Core Plus Cash Fund</b>							
BlackRock Institutional Liquidity Fund	21,836,514	21,832,147	76,718,880	82,719,325	4.52	562,486	59,440
BlackRock Monthly Income Fund	27,446,267	19,278,573	8,672,233	7,200,000	2.34	1,088,948	90,752
BlackRock Global Investment Grade Credit Fund	3,634,585	3,545,901	3,754,752	-	10.25	44,752	413,431

## NOTE 10: RELATED PARTIES (continued)

	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 Funds at Year End	Distribution Received from the Related Scheme During the Year	Distribution Receivable from the Related Scheme at Year End
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
<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

### Related Party Schemes' Unitholdings

Parties related to the Funds, including BlackRock Investment Management (Australia) Limited, its related parties and other schemes managed by BlackRock Investment Management (Australia) Limited 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
2010	Units	Units	%	Units	Units	\$	\$
<b>BlackRock Australian Core Plus Bond Fund</b>							
BlackRock Balanced Pooled Super Fund	7,584,275	7,641,305	7.31	57,030	-	-	265,304
BlackRock Wholesale Balanced Fund	110,146,717	96,848,372	92.69	13,244,216	26,542,561	-	3,362,559
	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
2009	Units	Units	%	Units	Units	\$	\$
<b>BlackRock Australian Core Plus Bond Fund</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

## NOTE 11: AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Funds:

	BlackRock Australian Core Plus Bond Fund		BlackRock Australian Core Plus Cash Fund	
	2010	2009	2010	2009
	\$	\$	\$	\$
Audit Services	8,649	7,759	8,649	7,759
Other Services				
- Tax Compliance Services	3,272	3,100	3,272	-
- Compliance	1,421	1,365	1,421	1,365
Total remuneration of Deloitte Touche Tohmatsu	13,342	12,224	13,342	9,124

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

# Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 38 are in accordance with the *Corporations Act 2001*, including:
  - (i) comply with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Funds financial positions as at 30 June 2010 and of their performance, as represented by the results of their operations, changes in equity and their cash flow for the financial year ended on that date; and
  - (iii) complying with International Financial Reporting Standards and Australian equivalents to International Financial Reporting Standards.
- (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 of the Responsible Entity made pursuant to S.295 (5) of the *Corporations Act 2001*.

D Frawley  
Director

G A Boyle  
Director

Melbourne, dated this 28th day of September 2010

# 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 2010, and the statements of comprehensive income, 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 3, 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 2010 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 3.

DELOITTE TOUCHE TOHMATSU

Neil A. Brown  
Partner  
Chartered Accountants  
Melbourne, 28 September 2010

Liability limited by a scheme approved under Professional Standard Legislation