

## Annual Financial Report

**30 JUNE 2010**

BlackRock Investment Management (Australia) Limited

ABN 13 006 165 975

Australian Financial Services Licence No 230523

### **BlackRock Global Diversified Bond Fund**

ARSN 101 267 172

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# Directors' Report

The directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of the BlackRock Global Diversified Bond Fund (the "Fund"), present their report together with the financial statements of the Fund, for the year ended 30 June 2010.

## Responsible Entity

The Responsible Entity of the Fund 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 Fund is 120 Collins Street, Melbourne, Australia.

## Principal Activities

The Fund invests in accordance with the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's 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 Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The Fund aims to generate returns in excess of those available from its assigned benchmark the Barclays Capital Global Aggregate 500 Index (AUD Hedged).

The Fund seeks to achieve its performance objective by taking active risk versus its benchmark index in strategies based on areas including, but not limited to duration, yield curve selection, sector selection, issuer and country selection, security selection and currency selection.

## Results

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

Fund	Returns*				
	2010 % p.a.	2009 % p.a.	2008 % p.a.	2007 % p.a.	2006 % p.a.
BlackRock Global Diversified Bond Fund	12.42	6.87	6.72	5.20	0.33
BlackRock Global Diversified Bond Fund - E Class	11.83	5.85	5.75 <sup>^</sup>	-	-
BlackRock Global Diversified Bond Fund - X Class	7.06 <sup>#</sup>	-	-	-	-

\* Returns (after-fees) are calculated on the assumption that all distributions are reinvested in the Fund, and include the effect of compounding.

<sup>^</sup> Performance for the period 30 July 2007 to 11 February 2008. Returns disclosed for this year has not been annualised.

<sup>#</sup> Performance for the period 01 July 2009 to 04 May 2010. Returns disclosed for this year has not been annualised.

Detailed information on the Fund's 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:

	Year ended	
	30 June 2010 \$'000	30 June 2009 \$'000
Net Assets for Unit Pricing purposes	200,120	84,089
<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	(224)	(99)
Consolidation entry	(66,177)	(6,979)
<i>Timing Differences</i>		
Distribution Payable	(6,869)	(3,908)
Other	(75)	4
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AS AT 30 JUNE</b>	<b>126,775</b>	<b>73,107</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 Fund 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 circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

### Likely Developments and Expected Results of Operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines and in accordance with the provisions of its Constitution.

Future results will accordingly depend on the performance of the investment markets to which the Fund is 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 Fund.

### Indemnification and Insurance of Officers and Auditors

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

No fees were paid out of Fund property to the directors of the Responsible Entity during the year (2009: Nil).

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

# Directors' Report (continued)

## Environmental Regulations

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

## Rounding of Amounts to the Nearest Thousand Dollars

The Fund is a registered scheme of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial statements have been rounded to the nearest Thousand Dollars in accordance with that Class Order, unless otherwise indicated.

## Additional Disclosures

The Fund has 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 directors 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 GLOBAL DIVERSIFIED BOND 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 Global Diversified Bond Fund.

As lead audit partner for the audit of the financial statements of BlackRock Global Diversified Bond 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

**BlackRock**

# Balance Sheet as at 30 June 2010

<b>BlackRock</b>		<b>Global Diversified Bond Fund</b>	
	<b>Note</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	6(a)	6,971	7,739
Other Receivables		10,466	4,629
Financial Assets Designated at Fair Value Through Profit or Loss			
– Interest Bearing Investments		130,581	67,112
Financial Assets held for Trading			
– Swaps		86	118
– Forward Foreign Exchange Contracts		2,514	227
<b>TOTAL ASSETS</b>		<b>150,618</b>	<b>79,825</b>
<b>LIABILITIES</b>			
Bank Overdraft	6(a)	857	231
Distribution Payable		6,869	3,908
Payables		12,543	1,542
Financial Liabilities Held for Trading			
– Options		157	294
– Swaps		343	213
– Forward Foreign Exchange Contracts		3,074	530
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>23,843</b>	<b>6,718</b>
Net Assets Attributable to Unitholders (Liability)	5	126,775	73,107
<b>NET ASSETS</b>		<b>–</b>	<b>–</b>

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

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

		<b>BlackRock</b>	
		<b>Global Diversified Bond Fund</b>	
	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>INVESTMENT INCOME</b>			
Net Gain/(Loss) on Financial Assets designated at Fair Value through Profit or Loss		4,057	12,340
Net Gain/(Loss) on Financial Assets held for Trading		10,607	(7,615)
Interest Income		87	285
Dividend Income		(2)	-
<b>TOTAL INVESTMENT INCOME/(LOSS)</b>		<b>14,749</b>	<b>5,010</b>
<b>EXPENSES</b>			
Responsible Entity's Fees	10(a)	368	29
Transaction Costs		1	-
Other Operating Expenses		1	-
<b>TOTAL OPERATING EXPENSES</b>		<b>370</b>	<b>29</b>
<b>NET OPERATING PROFIT/(LOSS)</b>		<b>14,379</b>	<b>4,981</b>
<b>FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS</b>			
Distributions to Unitholders	7	7,373	5,499
Increase/(Decrease) in Net Assets Attributable to Unitholders	5	7,006	(518)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>
Other Comprehensive Income		-	-
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO UNITHOLDERS</b>		<b>-</b>	<b>-</b>

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

# Cash Flow Statement for the year ended 30 June 2010

		<b>BlackRock</b>	
		<b>Global Diversified Bond Fund</b>	
	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from Sale of Financial Instruments designated at Fair Value through Profit or Loss		342,594	199,857
Purchase of Financial Instruments designated at Fair Value through Profit or Loss		(384,406)	(195,604)
Transaction Costs on Purchase of Financial Instruments designated at Fair Value through Profit or Loss		(1)	-
Dividends Received		(2)	-
Interest Received		87	285
Distributions from Related Schemes		6	-
Responsible Entity Fees Paid		(340)	(25)
Operating Expenses Paid		(4)	-
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	6(b)	(42,066)	4,513
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Applications by Unitholders		109,735	9,833
Payments for Redemptions by Unitholders		(67,492)	(11,281)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		42,243	(1,448)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and Cash Equivalents at the beginning of the financial year		7,508	6,066
Effects of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents		(1,570)	(1,623)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	6(a)	6,115	7,508
Non-cash Financing Activities	6(c)		

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

# Statement of Changes in Equity for the year ended 30 June 2010

	BlackRock Global Diversified Bond Fund	
	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 Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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

## NOTE 1: GENERAL INFORMATION

This financial report includes the financial statements for BlackRock Global Diversified Bond Fund (the "Fund") as an individual entity. The Fund was constituted on 3 July 2002.

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 AASB101*

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 Fund has elected not to provide comparative information of these expanded disclosures in the current year in accordance with the transitional reliefs 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 Fund) 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 Fund has 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 Fund 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 Fund will apply the amended standard from 1 July 2011. When the amendments are applied, the Fund 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 Sheet is 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 Fund, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### *Financial statement presentation*

The Fund has 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 Fund has changed the presentation of its 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 Fund does 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 Fund's documented investment strategy. The Fund's 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 Fund recognises financial assets and liabilities on the date they become party to the contractual agreement (trade date).

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The Fund has designated all of its 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 Statement of Comprehensive Income.

Financial Assets and liabilities are offset and the net amount reported in the Balance Sheet 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:

#### *Interest Bearing Investment/Fixed Interest Securities*

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.

### (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.

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

In the normal course of business the Fund enters 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 Fund's 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 Fund 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.

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

### ***Bond 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 Fund each day, depending on the daily fluctuations in the fair value of the underlying security. The Fund recognises a gain or loss equal to the daily variation margin.

### ***Exchange Traded Options***

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

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

When the Fund writes or purchases 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 Sheet. 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 Statement 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 Fund has realised a gain or loss on the related investment transaction in the Statement of Comprehensive Income. When the Fund enters into a closing transaction, the Fund will realise a gain or loss in the Statement of Comprehensive Income depending upon whether the amount from the closing transaction is greater or less than the premium received or paid.

### ***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 Statement of Comprehensive Income.

### ***Foreign Exchange Contracts***

Forward foreign exchange contracts are primarily used by the Fund to manage against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees 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 Fund recognises a gain or loss equal to the change in fair value at the reporting date in the Statement of Comprehensive Income.

### ***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 Statement of Comprehensive Income.

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

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

In accordance with AASB132 unitholders funds are classified as financial liability and disclosed as such in the statement of financial position, being referred to as "Net assets attributable to unitholders". The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. 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 Fund. Changes in the value of this financial liability are recognised in the Statement of Comprehensive Income as they arise.

#### (e) Cash and Cash Equivalents

For Cash Flow Statement 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 Sheet.

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 Fund's 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 Statement 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(b) and 3(c).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options), but does 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 Fund is 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 Statement of Comprehensive Income on an accruals basis.

#### (i) Income Tax

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

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 Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund 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 Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income.

#### (j) Distributions

In accordance with the Fund's Constitution and Amendments, the Fund fully distributes its distributable (taxable) income to unitholders by cash or reinvestment. Distributions are recognised in the Statement 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 Statement of Comprehensive Income as financing costs.

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

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

### (l) Foreign Currency Translation

#### *Functional and Presentation Currency*

Items included in the Fund's 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 Fund competes for funds and is regulated. The Australian dollar is also the Fund's 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 Statement of Comprehensive Income.

The Fund does 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) Payables

Payables include liabilities and accrued expenses owing by the Fund 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 Sheet as unitholders are presently entitled to the distributable income as at 30 June 2010 under the Fund's Constitution.

### (n) Applications and Redemptions

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

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

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

The Fund qualifies 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 Statement 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 Sheet.

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

### (p) Use of Estimates

The Fund makes 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.

### (q) Rounding of Amounts

The Fund is an entity 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.

### (r) 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.

## NOTE 4: FINANCIAL RISK MANAGEMENT

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

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

The Board of the Responsible Entity ("the Board") has established a 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 Fund uses different methods to measure different types of risks to which it is 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

The Fund aims to outperform the Barclays Capital Global Aggregate 500 Index (AUD hedged) by 100 basis points pa before fees over rolling three year periods. The Fund seeks to achieve this performance objective through the taking of active risk versus the benchmark in strategies based on areas including but not limited to the following: duration, yield curve selection, sector selection, issuer and country selection security selection and currency selection.

The Fund's benchmark is hedged back to Australian dollars.

The majority of Fund's investments are international debt securities and foreign currency exposures denominated in the following currencies:

- Australian Dollar (AUD)
- Danish Kroner (DKK)
- Norwegian Kroner (NKK)
- New Zealand Dollar (NZD)
- Canadian Dollar (CAD)
- Swedish Kroner (SEK)
- UK Sterling (GBP)
- United States Dollar (USD)
- Swiss Franc (CHF)
- Euro (EUR)
- Japanese Yen (JPY)

Compliance with the Fund's Product Disclosure Statement and the Fund's tracking error with reference to the Barclays Capital Global Aggregate 500 Index (AUD hedged) is monitored daily by the Risk and Quantitative Analysis team and reported to the IRMC quarterly.

As part of the risk management programme BlackRock have established risk limits (fund guidelines) within which the fund is managed. The Fund's guidelines detail the following risk limits:

- The use of forward foreign currency, foreign currency futures and options is permitted.
- Overall exposure to AUD shall not fall below 80% nor exceed 120% of the market value of the Fund.
- The sum of the positive/(negative) foreign exchange deviations from Benchmark shall not exceed 20%/(20%).
- The Manager is authorised to hold short term instruments, BlackRock consents to any such deposits being made with those approved banks which meet the Managers criteria for such deposit takers from time to time. No more than 5% of the market value of the Fund may be deposited with any one such institution. Minimum credit rating for short term instruments is A1 by Standard & Poor's or P1 by Moody's.

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

### (b) Market Risk

#### (i) Price risk

Price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices. The Fund is exposed to fixed income securities and derivative securities risk. This arises from investments held by the Fund 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 and 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.

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

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

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

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

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

	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
Futures – Australia	535	(5,512)	(4,977)	-	3,830	-	3,830	-
Futures – International	5,479	(40,077)	(34,598)	-	13,954	(7,727)	6,227	-
Options – International	55	(212)	(157)	(157)	16	(310)	(294)	(294)
Swaps – International	10,093	(10,351)	(258)	(257)	8,996	(8,794)	(95)	(95)
Forward Foreign Exchange Contract	204,886	(205,446)	(560)	(560)	77,109	(77,412)	(303)	(303)

### (ii) Foreign exchange risk

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

Foreign exchange risk is managed using forward foreign exchange contracts and other derivatives in accordance with fund guidelines and restrictions. Daily monitoring is undertaken by Law and Compliance to ensure instruments used and exposures created are consistent with the investment strategy and objective of the Fund. For accounting purposes, the Fund does 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 Fund's net assets attributable to unitholders.

The table on the following pages summarise the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

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

	Euro A\$'000	United States Dollar A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Australian Dollar A\$'000	Canadian Dollar A\$'000	Other Currencies A\$'000	Total A\$'000
<b>2010</b>								
<b>FINANCIAL ASSETS</b>								
Cash and Cash Equivalents	17	3,074	193	131	3,491	51	14	6,971
Financial Instruments designated at Fair Value through Profit or Loss*	29,060	68,126	13,392	8,063	5,246	6,694	-	130,581
Financial Instruments held for Trading**	-	(157)	-	-	2,757	-	-	2,600
Other Assets	1,485	8,524	452	-	5	-	-	10,466
<b>TOTAL ASSETS</b>	<b>30,562</b>	<b>79,567</b>	<b>14,037</b>	<b>8,194</b>	<b>11,499</b>	<b>6,745</b>	<b>14</b>	<b>150,618</b>
<b>FINANCIAL LIABILITIES</b>								
Bank Overdraft	243	391	-	223	-	-	-	857
Accounts Payable and Accrued Expenses	-	11,584	-	888	71	-	-	12,543
Distribution	-	-	-	-	6,869	-	-	6,869
Financial Instruments held for Trading**	-	-	-	-	3,574	-	-	3,574
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>243</b>	<b>11,975</b>	<b>-</b>	<b>1,111</b>	<b>10,514</b>	<b>-</b>	<b>-</b>	<b>23,843</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>30,319</b>	<b>67,592</b>	<b>14,037</b>	<b>7,083</b>	<b>985</b>	<b>6,745</b>	<b>14</b>	<b>126,775</b>
Increase in exposure from currency contracts	21,921	5,683	3,676	1,533	(42,735)	4,234	5,688	-
Decrease in exposure from currency contracts	(50,661)	(74,351)	(17,308)	(8,546)	167,418	(10,831)	(5,721)	-
<b>TOTAL FOREIGN CURRENCY EXPOSURE</b>	<b>1,579</b>	<b>(1,076)</b>	<b>405</b>	<b>70</b>	<b>125,668</b>	<b>148</b>	<b>(19)</b>	<b>126,775</b>

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

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

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

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

	Euro A\$'000	United States Dollar A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Australian Dollar A\$'000	Canadian Dollar A\$'000	Other Currencies A\$'000	Total A\$'000
<b>2009</b>								
<b>FINANCIAL ASSETS</b>								
Cash and Cash Equivalents	172	5,052	-	-	2,427	85	3	7,739
Financial Instruments designated at Fair Value through Profit or Loss*	21,689	29,194	7,675	5,564	879	1,625	486	67,112
Financial Instruments held for Trading**	-	(293)	-	-	638	-	-	345
Other Assets	291	4,338	-	-	-	-	-	4,629
<b>TOTAL ASSETS</b>	<b>22,152</b>	<b>38,291</b>	<b>7,675</b>	<b>5,564</b>	<b>3,944</b>	<b>1,710</b>	<b>489</b>	<b>79,825</b>
<b>FINANCIAL LIABILITIES</b>								
Bank Overdraft	-	216	7	7	-	-	1	231
Accounts Payable and Accrued Expenses	537	702	-	-	303	-	-	1,542
Distribution	-	-	-	-	3,908	-	-	3,908
Financial Instruments held for Trading**	-	-	-	-	1,037	-	-	1,037
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>537</b>	<b>918</b>	<b>7</b>	<b>7</b>	<b>5,248</b>	<b>-</b>	<b>1</b>	<b>6,718</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>21,615</b>	<b>37,373</b>	<b>7,668</b>	<b>5,557</b>	<b>(1,304)</b>	<b>1,710</b>	<b>488</b>	<b>73,107</b>
Increase in exposure from currency contracts	723	369	894	-	(2,109)	-	123	-
Decrease in exposure from currency contracts	(21,860)	(36,216)	(9,305)	(6,350)	76,002	(1,698)	(573)	-
<b>TOTAL FOREIGN CURRENCY EXPOSURE</b>	<b>478</b>	<b>1,526</b>	<b>(743)</b>	<b>(793)</b>	<b>72,589</b>	<b>12</b>	<b>38</b>	<b>73,107</b>

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

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

### (iii) Interest rate risk

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

This risk is mitigated through ensuring activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The Fund may also enter into derivative financial arrangements to mitigate the risk of future interest rate changes including utilising bond and bill futures to hedge fixed interest security returns as well as to amend the Fund's interest rate risk profile in the short term without requiring transactions of physical securities.

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

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

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

	Floating Interest Rate A\$'000	Fixed Interest Rate A\$'000	Non Interest Bearing A\$'000	Total A\$'000
<b>30 JUNE 2010</b>				
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents	6,971	-	-	6,971
Other Receivables	-	-	10,466	10,466
Financial Instruments held at Fair Value through Profit or Loss:				
- Interest Bearing Investments	23,083	107,498	-	130,581
- Swaps	-	-	86	86
- Forward Foreign Exchange Contracts	-	-	2,514	2,514
<b>TOTAL ASSETS</b>	<b>30,054</b>	<b>107,498</b>	<b>13,066</b>	<b>150,618</b>
<b>FINANCIAL LIABILITIES</b>				
Bank Overdraft	857	-	-	857
Distribution Payable	-	-	6,869	6,869
Income Receivable	-	-	39	39
Accounts Payable and Accrued Expenses	-	-	12,504	12,504
Financial Instruments held at Fair Value through Profit or Loss				
- Options	-	-	157	157
- Swaps	-	-	343	343
- Forward foreign Exchange Contracts	-	-	3,074	3,074
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>857</b>	<b>-</b>	<b>22,986</b>	<b>23,843</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>29,197</b>	<b>107,498</b>	<b>(9,920)</b>	<b>126,775</b>
<b>30 JUNE 2009</b>				
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents	7,739	-	-	7,739
Other Receivables	-	-	4,629	4,629
Financial Instruments held at Fair Value through Profit or Loss:				
- Interest Bearing Investments	15,650	51,462	-	67,112
Financial Instruments held for Trading				
- Swaps	-	-	118	118
- Forward Foreign Exchange Contracts	-	-	227	227
<b>TOTAL ASSETS</b>	<b>23,389</b>	<b>51,462</b>	<b>4,974</b>	<b>79,825</b>
<b>FINANCIAL LIABILITIES</b>				
Bank Overdraft	231	-	-	231
Distribution Payable	-	-	3,908	3,908
Accounts Payable and Accrued Expenses	-	-	1,542	1,542
Financial Instruments held at Fair Value through Profit or Loss				
- Option/Futures	-	-	294	294
- Swaps	-	-	213	213
- Options	-	-	530	530
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<b>231</b>	<b>-</b>	<b>6,487</b>	<b>6,718</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY</b>	<b>23,158</b>	<b>51,462</b>	<b>(1,513)</b>	<b>73,107</b>

The Fund holds various swaps including interest rate swaps. The Manager uses interest rate swaps as part of the overall investment strategy and to manage the Fund within its limits. The gross notional value of these swaps at 30 June 2010 for the BlackRock Global Diversified Bond Fund was \$12,467,205 (30 June 2009: \$3,816,794) resulting in a liability at fair value on the balance sheet of \$257,213 (2009: liability of \$16,227). The exposure figures above do not reflect the impact of these.

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

## 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 Fund's net asset value position due to movements in interest rates, currency and market prices over a given period and for a specified degree of confidence.

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

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

BlackRock calculate VaR relative to the Fund's benchmark. 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 Fund's portfolio 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 Global Diversified Bond Fund</b>				
Interest Risk	101	0.08	197	0.27
Credit Risk	119	0.09	53	0.07
FX Currency Risk	32	0.03	149	0.20
Idiosyncratic (Specific)	90	0.07	87	0.12
<b>TOTAL PORTFOLIO RISK</b>	<b>191</b>	<b>0.15</b>	<b>227</b>	<b>0.31</b>

### Detailed information about the models

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

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

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

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

The Fund's 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 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 amounted to \$ 150,617,000 (2009: \$79,825,000), which best represents the maximum credit risk exposure at the balance sheet date. None of these assets are impaired nor past due and impaired.

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

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.

### (j) Fixed Interest Securities

A maximum of 10% of the Fund may be held in below investment grade securities (ie securities with a minimum long term credit rating of less than BBB - by Standard & Poor's or Baa3 by Moody's) provided the maximum exposure to any one security rated below investment grade is 1%.

The Fund has the following issuer restrictions:

- No more than 20% of the market value of the Fund will be invested with any one AAA category rated issuer.
- No more than 10% of the market value of the Fund will be invested with any one AA category rated issuer.
- No more than 5% of the market value of the Fund will be invested with any one A category rated issuer.
- No more than 2% of the market value of the Fund will be invested with any one BBB category rated issuer.

The following are excluded from the above issuer restrictions: AAA rated G7 Governments, AAA rated institutions guaranteed by G7 Governments and AAA rated supra nationals.

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

Rating	2010	2009
	% Portfolio	% Portfolio
AAA	58.38	63.75
AA+	2.66	5.45
AA	11.47	11.26
AA-	1.64	1.49
A+	4.21	5.40
A	6.77	5.23
A-	2.81	0.69
BBB+	3.09	2.80
BBB	0.68	2.38
BBB-	1.87	0.21
BB+	0.22	-
BB	1.10	-
BB-	0.66	-
B+	0.01	-
Cash	5.14	-
Others	(0.71)	1.34
Total	100.00	100.00

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

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

### (i) 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.

### (ii) 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 Fund. Note (c) Summarised VaR analysis summarises the potential exposure of the Fund's net assets attributable to unitholders.

### (e) Liquidity and Cash Flow risk

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

The Fund is 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 Fund to securities that are actively traded and highly liquid. The Fund also maintains continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

BlackRock Investment Management (Australia) Limited staff consider and maintain the liquidity of the Fund, in the context of the investment objectives and liquidity requirements of the Fund. Operational procedures are in place to review margin requirements on futures contracts. IRMC reviews liquidity reports to ensure the Fund has sufficient liquidity to pay client redemptions and meet margin calls as required.

The table below analyses the Fund's financial liabilities into and derivative asset balances (as appropriate) 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 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>AT 30 JUNE 2010</b>					
Bank Overdraft	(857)	-	-	-	-
Distribution Payable	(6,869)	-	-	-	-
Accounts Payable and Accrued Expenses	(12,504)	-	-	-	-
Derivatives*					
- Outflows	(3,476)	(4,030)	(2,119)	(5,737)	-
- Inflows	2,573	3,852	1,723	4,620	-
Net Assets Attributable to Unitholders	-	-	-	-	(126,775)
<b>TOTAL</b>	<b>(21,133)</b>	<b>(178)</b>	<b>(396)</b>	<b>(1,117)</b>	<b>(126,775)</b>
	Less than 12 months	1-3 years	3-5 years	> 5 years	On Call
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>AT 30 JUNE 2009</b>					
Bank Overdraft	-	-	-	-	(231)
Distribution Payable	(3,908)	-	-	-	-
Accounts Payable and Accrued Expenses	(1,542)	-	-	-	-
Derivatives*					
- Outflows	(82,629)	(354)	(4,186)	-	-
- Inflow	82,181	225	4,033	-	-
Net Assets Attributable to Unitholders	-	-	-	-	(73,107)
<b>TOTAL</b>	<b>(5,898)</b>	<b>(129)</b>	<b>(153)</b>	<b>-</b>	<b>(73,338)</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.

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

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

The financial assets and liabilities which are included in the Balance Sheet of the Fund 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 Fund 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 Fund 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.

### (g) Fair Value Hierarchy

The Fund has adopted the amendments to AASB 7, effective 1 July 2009. This requires the Fund 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 on the following page sets out the Fund's 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.

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

## NOTE 4: FINANCIAL RISK MANAGEMENT (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 JUNE 2010</b>				
<b>FINANCIAL ASSETS</b>				
Financial Instruments designated at Fair Value through Profit or Loss				
- Fixed Interest Securities	-	126,467	4,114	130,581
Financial Instruments held for Trading				
- Options	-	-	-	-
- Swaps	-	85	1	86
- Forward Foreign Exchange Contracts	-	2,514	-	2,514
<b>TOTAL</b>	-	129,066	4,115	133,181
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments held for Trading				
- Options	-	157	-	157
- Swaps	-	215	94	343
- Forward Foreign Exchange Contracts	-	3,074	-	3,074
<b>TOTAL</b>	-	3,480	94	3,574

No transfers between levels occurred during the year for the Fund.

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

	Fixed Interest Securities \$'000	Derivative \$'000
Opening Balance	1,526	3
Purchases	3,308	3,112
Sales	(374)	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Gains and losses recognised in profit or loss	(346)	(3,208)
<b>CLOSING BALANCE</b>	4,114	(93)

The majority of assets classified as level 3 assets 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 to each investment.

## NOTE 5: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. Units are issued and redeemed at the holder's option at prices based on the Fund's net assets at the time of issue/redemption less transaction costs.

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

The objective of the Fund is to provide unitholders with returns in accordance with the Product Disclosure Statement ("PDS"). The Fund aims 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:

	As at			
	30 June 2010 No. '000	30 June 2009 No. '000	30 June 2010 \$'000	30 June 2009 \$'000
<b>Unitholders' Funds</b>				
Opening Unitholders' Funds	98,403	89,003	66,464	66,601
Applications				
– Cash	7,045	12,974	5,565	2,203
– Distribution Reinvestment Plan	5,407	11,344	4,037	8,396
Redemptions	(20,453)	(14,918)	(15,759)	(10,276)
Increase/(decrease) in net assets attributable to unitholders	-	-	4,205	(460)
<b>CLOSING BALANCE</b>	<b>90,402</b>	<b>98,403</b>	<b>64,512</b>	<b>66,464</b>
	As at			
	30 June 2010 No. '000	30 June 2009 No. '000	30 June 2010 \$'000	30 June 2009 \$'000
<b>Unitholders' Funds</b>				
<b>E CLASS UNITS</b>				
Opening Unitholders' Funds	6,726	-	6,643	-
Applications				
– Cash	101,571	7,646	104,168	7,630
– Distribution Reinvestment Plan	378	83	375	83
Redemptions	(48,442)	(1,003)	(51,724)	(1,012)
Increase/(decrease) in net assets attributable to unitholders	-	-	2,801	(58)
<b>CLOSING BALANCE</b>	<b>60,233</b>	<b>6,726</b>	<b>62,263</b>	<b>6,643</b>
	As at			
	30 June 2010 No. '000	30 June 2009 No. '000	30 June 2010 \$'000	30 June 2009 \$'000
<b>Unitholders' Funds</b>				
<b>X CLASS UNITS</b>				
Opening Unitholders' Funds	-	-	-	-
Applications				
– Cash	2	-	2	-
– Distribution Reinvestment Plan	-	-	-	-
Redemptions	(2)	-	(2)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-
Units issued upon reinvestment of fee rebates	-	-	-	-
<b>CLOSING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## NOTE 6: NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of Cash

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

	30 June 2010	30 June 2009
	\$'000	\$'000
Cash	6,163	7,739
Margin Accounts < 90 days	808	-
Bank Overdraft	(857)	(231)
	6,114	7,508

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

	30 June 2010	30 June 2009
	\$'000	\$'000
Net Operating Profit/(Loss)	14,379	4,981
(Increase)/Decrease in Financial Instruments held at Fair Value through Profit or Loss	(61,899)	3,739
(Increase)/Decrease in Margin Accounts	-	22
(Increase)/Decrease in Financial Instruments held for Trading	283	4,494
(Increase)/Decrease in Income Receivable	-	169
(Increase)/Decrease in Other Receivables	(5,837)	(4,628)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	11,008	(4,264)
Net cash inflow/(outflow) from operating activities	(42,066)	4,513

### (c) Non-cash Financing Activities

During the financial year, the following units were created as a result of distributions reinvested in the Fund under the distribution reinvestment plan.

	30 June 2010		30 June 2009	
	Units '000	\$'000	Units '000	\$'000
BlackRock Global Diversified Bond Fund	5,407	4,037	11,344	8,396
BlackRock Global Diversified Bond Fund - E Class Units	378	375	83	83
BlackRock Global Diversified Bond Fund - X Class Units	-	-	-	-

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

## NOTE 7: DISTRIBUTIONS

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

	2010		2009	
	Distribution Paid Cents/Unit	Distribution Payable Cents/Unit	Distribution Paid Cents/Unit	Distribution Payable Cents/Unit
BlackRock Global Diversified Bond Fund	0.54	4.48	1.59	3.99
BlackRock Global Diversified Bond Fund – E Class Units	0.59	5.35	1.91	4.97
BlackRock Global Diversified Bond Fund – X Class Units	0.71	-	-	-

  

	2010		2009	
	Distribution Paid \$'000	Distribution Payable \$'000	Distribution Paid \$'000	Distribution Payable \$'000
BlackRock Global Diversified Bond Fund	463	3,648	1,509	3,574
BlackRock Global Diversified Bond Fund – E Class Units	41	3,221	82	334
BlackRock Global Diversified Bond Fund – X Class Units	-	-	-	-

## NOTE 8: CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

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

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

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

## NOTE 10: RELATED PARTY TRANSACTIONS

### Responsible Entity

The Responsible Entity of the Fund is BlackRock Investment Management (Australia) Limited 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.

### Parent Entity

The ultimate parent and controlling party of BlackRock Global Diversified Bond Fund is BlackRock Wholesale International Bond Fund which at 30 June 2010 owns 50.52% of the units of the BlackRock Global Diversified Bond Fund (30 June 2009: 90.94%).

### 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

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

## NOTE 10: RELATED PARTY TRANSACTIONS (continued)

### Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing, and controlling the activities of the Fund, 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 key management personnel including directors or their personally related entities held units in the Fund, either directly, indirectly or beneficially.

### Key Management Personnel Compensation

Key management personnel are paid by BlackRock Investment Management (Australia) Limited. Payments made from the Fund to BlackRock Investment Management (Australia) Limited do not include any amounts attributable to the compensation of key management personnel. No amounts were paid by the Fund to Key Management Personnel.

### Key Management Personnel Loan Disclosures

The Fund has 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 Fund 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 Constitution and Amendments based on the net asset value of the Fund. Fees charged for the year are included in the Statement of Comprehensive Income.

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

	BlackRock Global Diversified Bond Fund	
	30 June 2010	30 June 2009
	\$	\$
<b>RESPONSIBLE ENTITY'S FEES AND OTHER TRANSACTIONS</b>		
<b>Total Responsible Entity's fees paid or due and payable by the Fund:</b>		
Responsible Entity Fees	(368,439)	(28,805)
Class Responsible Entity Fees and Expense Reimbursement Payable	31,835	3,597
Fund Other	-	35
<b>Balances and Transactions with Related Schemes</b>		
Distributions Receivable	-	-

## NOTE 10: RELATED PARTY TRANSACTIONS (continued)

### Investing Activities

The Fund does not have any investment in other schemes managed by the Responsible Entity.

During the year, the Responsible Entity used a number of brokers to provide broking services to the Fund, including associated companies of the Responsible Entity. All transactions were undertaken under normal commercial conditions and at an arm's length basis.

### Related Party Schemes' Unitholding

Parties related to the Fund (including the Responsible Entity and other schemes managed by the Responsible Entity), held units in the Fund 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
	Units	Units	%	Units	Units	\$	\$
<b>2010</b>							
<b>BlackRock Global Diversified Bond Fund</b>							
BlackRock Wholesale International Bond Fund	89,484,983	81,484,257	50.52	12,452,291	20,453,017	463,325	3,647,996
	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
	Units	Units	%	Units	Units	\$	\$
<b>2009</b>							
<b>BlackRock Global Diversified Bond Fund</b>							
BlackRock Wholesale International Bond Fund	89,002,933	89,484,983	90.94	14,156,966	13,674,916	1,509,420	3,573,679

## NOTE 11: AUDITOR'S REMUNERATION

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

	Year ended	
	30 June 2010 \$	30 June 2009 \$
Audit Services	12,206	7,814
Other Services		
- Tax Compliance Services	4,434	4,200
- Compliance	1,421	1,365
<b>TOTAL REMUNERATION OF DELOITTE TOUCHE TOHMATSU AUSTRALIA</b>	<b>18,061</b>	<b>13,379</b>

The above fees were paid or payable by the Responsible Entity. Amounts disclosed for Auditor's Remuneration includes 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 30 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date.
  - (iii) complying with International Financial Reporting Standards and Australian equivalents to International Financial Reporting Standards.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its 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 s295(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 Global Diversified Bond Fund

We have audited the accompanying financial report of BlackRock Global Diversified Bond Fund (the "Fund"), which comprises the balance sheet as at 30 June 2010, and the statements of comprehensive income, cash flow statement and statement 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 Fund's 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 Fund's 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 Global Diversified Bond Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of BlackRock Global Diversified Bond Fund as at 30 June 2010 and of its 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 Standards Legislation