

Annual Financial Report

30 JUNE 2011

BlackRock Investment Management (Australia) Limited

ABN 13 006 165 975

Australian Financial Services Licence No 230523

BlackRock Property Funds

BlackRock Combined Property Income Fund (Aust)

ARSN 105 670 362

BlackRock Direct Property Fund (Aust)

ARSN 108 305 979

BlackRock Direct Real Estate Fund (Aust)

ARSN 124 992 767

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Directors' Report

The directors of BlackRock Investment Management (Australia) Limited, the Responsible Entity of the BlackRock Property Funds ("the Funds"), present their report together with the financial statements of BlackRock Property Funds for the financial year ended 30 June 2011 and the auditor's report thereon. The BlackRock Property Funds comprise the BlackRock Combined Property Income Fund (Aust), BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust).

Funds' Objectives

BlackRock Combined Property Income Fund (Aust)

The primary aim of the Fund is to deliver a combination of income and capital growth over the medium to long-term by investing in funds managed by the Responsible Entity that hold a portfolio of direct property, listed and unlisted property securities. We aim to achieve this objective by outperforming the benchmark asset allocation returns [50% Mercer Unlisted Property Funds Index (before fees and taxes)] and 50% S&P/ASX 200 Property Trust Accumulation Index] over rolling five year periods.

BlackRock Direct Property Fund (Aust)

The primary aim of the Fund is to provide investors with exposure to a diversified portfolio of direct and unlisted property investments. The direct properties held are quality investment properties which are selectively acquired to provide a blend of income and capital growth. We aim to achieve this objective and outperform the Mercer Unlisted Property Funds Index (before fees and taxes) over rolling five year periods.

BlackRock Direct Real Estate Fund (Aust)

The primary aim of the Fund is to provide investors with exposure to a diversified portfolio of direct and unlisted property investments. The direct properties held are quality investment properties which are selectively acquired to provide a blend of income and capital growth. We aim to achieve this objective and outperform the Mercer Unlisted Property Funds Index (before fees and taxes) over rolling five year periods.

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	Resigned 12 May 2011
C Tzatzakis	Appointed 11 September 2007	
R Bhagat	Appointed 2 December 2009	Resigned 9 September 2011
M S McCorry	Appointed 2 December 2009	
H Capra	Appointed 23 May 2011	

Review and Results of Operations

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

BlackRock Combined Property Income Fund (Aust)

On 25 August 2008, the Board of BlackRock Investment Management (Australia) Limited declared the Fund to be "non-liquid" in accordance with the requirements under the Corporations Act. As a result of this declaration and for as long as the Fund continues to be non-liquid, it is a breach of the Corporations Act to redeem units except via a formal withdrawal offer to all unitholders as set out in the Act.

A withdrawal offer was made to all unitholders of the Fund when sufficient proceeds were accumulated from asset sales. This withdrawal offer closed on 15 March 2011. The withdrawal was over-subscribed and unitholders' withdrawals were reduced proportionately.

BlackRock Direct Property Fund (Aust) & BlackRock Direct Real Estate Fund (Aust)

On 16 July 2009, the Board of BlackRock Investment Management (Australia) Limited declared the BlackRock Direct Property Funds (Aust), BlackRock Direct Real Estate Fund (Aust)) to be "non-liquid" in accordance with the requirements under the Corporations Act. As a result of this declaration and for as long as these continue to be non-liquid, it is a breach of the Corporations Act to redeem any units except via a formal withdrawal offer to all unit holders as set out in the Act. The "non-liquid" status has not changed during the year.

A withdrawal offer was made to all unitholders of the Funds when sufficient proceeds were accumulated from asset sales. This withdrawal offer closed on 15 March 2011. The withdrawal offer was over-subscribed and unitholders' withdrawals were reduced proportionately.

Results

The performance of the Funds, as represented by the results of operations were as follows:

	30 June 2011	30 June 2010
	\$'000	\$'000
BlackRock Combined Property Income Fund (Aust)		
- Operating profit /(loss) before financing costs attributable to unitholders	23,300	24,667
- Distributions paid and payable	26,475	25,692
BlackRock Direct Property Fund (Aust)		
- Operating profit /(loss) before financing costs attributable to unitholders	5,385	258
- Distributions paid and payable	5,919	7,228
BlackRock Direct Real Estate Fund (Aust)		
- Operating profit /(loss) before financing costs attributable to unitholders	953	(85)
- Distributions paid and payable	1,064	995

Returns

The table below demonstrates the performance of the Funds as represented by the total return:

Fund	Returns*		
	1 Year	3 year	5 Year
	% p.a.	% p.a.	% p.a.
BlackRock Combined Property Income Fund (Aust)			
- C Class Units	4.70	(7.28)	(4.14)
- D Class Units	5.66	(6.44)	(3.27)
BlackRock Direct Property Fund (Aust)			
- E Class Units	5.74	(4.90)	1.62
- W Class Units	5.53	(5.11)	1.44
- X Class Units	7.03	(3.71)	2.78
- C Class Units	4.94	(5.63)	0.80
- L Class Units	7.04	-	-
BlackRock Direct Real Estate Fund (Aust)			
- A Class Units	3.93	(6.53)	-
- W Class Units	5.08	(5.49)	-
- X Class Units	6.93	(3.78)	-
- K Class Units	6.67	(4.03)	-

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

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 Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)	
	<i>As at</i>		<i>As at</i>	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$ '000	\$ '000	\$ '000	\$ '000
Net Assets for Unit Pricing purposes	425,072	436,064	89,814	93,979
<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	(355)	(6)	-	-
<i>Timing Differences</i>				
Distribution Payable	(8,198)	(6,000)	(2,190)	(2,848)
Other	-	19	-	(4)
Net Assets Attributable to Unitholders as at 30 June	<u>416,519</u>	<u>430,077</u>	<u>87,624</u>	<u>91,127</u>

	BlackRock Direct Real Estate Fund (Aust)	
	<i>As at</i>	
	30 June 2011	30 June 2010
	\$ '000	\$ '000
Net Assets for Unit Pricing purposes	18,586	18,988
<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	-	-
<i>Timing Differences</i>		
Distribution Payable	(416)	(223)
Other	-	-
Net Assets Attributable to Unitholders as at 30 June	<u>18,170</u>	<u>18,765</u>

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 2011 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 as set out in the governing documents of the Funds and in accordance with the provisions of their Constitutions.

The results of the Funds' operations will be affected by a number of factors including the performance of investment markets in which the Funds invest. 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.

Further information on likely developments in the operations of the Funds and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Funds.

Indemnification & Insurance of Officers & Auditor

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.

Fees paid and Interest held in the Funds by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associated out of Funds' property during the year are disclosed in Note 7 of the financial statements.

No fees were paid out of Funds' property to the directors of the Responsible Entity during the year (2010: nil). Pursuant to ASIC Class Order relief, the Responsible Entity may individually negotiate fees with certain sophisticated or professional investors.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 7 of the financial statements.

Interests in the Funds

The movement in units on issue in the Funds during the year are disclosed in Note 4 of the financial statements.

Value of Assets

The value of the Funds' assets and liabilities is disclosed on the Balance Sheets and derived using the basis set out in Note 2 of the financial statements.

Environmental Regulations

The operations of the Funds 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 Funds are registered schemes 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 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 & 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 & 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 4, 6 and 7 to the financial statements.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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 27 September 2011.

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

Director
H Capra

Director
D Frawley

Sydney
27 September 2011

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

**Independence Declaration - BlackRock Combined Property Income Fund (Aust),
BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust)**

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 Combined Property Income Fund (Aust), BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust).

As lead audit partner for the audit of the financial statements of BlackRock Combined Property Income Fund (Aust), BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust) for the financial year ended 30 June 2011, 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 Brown
Partner
Chartered Accountants
Melbourne, 27 September 2011

Balance Sheets

	Note	BlackRock Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)	
		2011 \$ '000	2010 \$ '000	2011 \$ '000	2010 \$ '000
Assets					
Receivables from Related Schemes	7	10,004	13,684	2,494	3,863
Other Receivables		149	83	29	11
Financial Assets held at Fair Value Through Profit or Loss					
Units in Related Schemes	7	343,481	347,632	87,395	90,184
Financial Assets held for Trading					
Low Exercise Price Option		62,542	65,640	-	-
Other Investments		8,923	9,438	-	-
Total Assets		425,099	436,477	89,918	94,058
Liabilities					
Distribution Payable	6	8,198	6,000	2,190	2,848
Accounts Payable and Accrued Expenses		382	400	104	83
Total Liabilities (Excluding Net Assets Attributable To Unitholders)		8,580	6,400	2,294	2,931
Net Assets Attributable to Unitholders (Liability)	4	416,519	430,077	87,624	91,127
Net Assets		-	-	-	-

	Note	BlackRock Direct Real Estate Fund (Aust)	
		2011 \$ '000	2010 \$ '000
Assets			
Receivables from Related Schemes	7	517	780
Other Receivables		10	4
Financial Assets held at Fair Value Through Profit or Loss			
Units in Related Schemes	7	18,112	18,233
Financial Assets held for Trading			
Low Exercise Price Option		-	-
Other Investments		-	-
Total Assets		18,639	19,017
Liabilities			
Distribution Payable	6	416	223
Accounts Payable and Accrued Expenses		53	29
Total Liabilities (Excluding Net Assets Attributable To Unitholders)		469	252
Net Assets Attributable to Unitholders (Liability)	4	18,170	18,765
Net Assets		-	-

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

Statements of Comprehensive Income

	Note	BlackRock Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)	
		2011 \$ '000	2010 \$ '000	2011 \$ '000	2010 \$ '000
Investment Income					
Net Gain/(Loss) on Financial Assets held at Fair Value through Profit or Loss		(1,045)	(7,131)	(595)	(7,746)
Net Gain/(Loss) on Financial Assets held for Trading		171	(75)	-	-
Distributions from Related Schemes	7	23,871	29,655	6,957	8,989
Distributions from Low Exercise Price Option		4,989	7,321	-	-
Interest Income		2	1	-	-
Dividend Income		-	-	-	-
Fee Rebates from Related Schemes	7	55	-	-	-
Other Operating Income		<u>6</u>	<u>47</u>	<u>-</u>	<u>1</u>
Total Investment Income/(Loss)		<u>28,049</u>	<u>29,818</u>	<u>6,362</u>	<u>1,244</u>
Expenses					
Responsible Entity's Fees	7	4,418	4,916	952	986
Other Operating Expenses		<u>331</u>	<u>235</u>	<u>25</u>	<u>-</u>
Total Operating Expenses		<u>4,749</u>	<u>5,151</u>	<u>977</u>	<u>986</u>
Net Operating Profit/(Loss)		<u>23,300</u>	<u>24,667</u>	<u>5,385</u>	<u>258</u>
Financing Costs Attributable to Unitholders					
Distributions to Unitholders	6	26,475	25,692	5,919	7,228
Increase/(Decrease) in Net Assets Attributable to Unitholders	4	<u>(3,175)</u>	<u>(1,025)</u>	<u>(534)</u>	<u>(6,970)</u>
Net Profit/(Loss) for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income Attributable to Unitholders		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

BlackRock Property Funds
Statements of Comprehensive Income
For the year ended 30 June 2011

BlackRock Direct Real Estate Fund (Aust)		
	2011	2010
Note	\$ '000	\$ '000
Investment Income		
Net Gain/(Loss) on Financial Assets held at Fair Value through Profit or Loss	(125)	(1,555)
Net Gain/(Loss) on Financial Assets held for Trading	-	-
Distributions from Related Schemes	7 1,439	1,810
Distributions from Low Exercise Price Option	-	-
Interest Income	-	-
Dividend Income	-	-
Fee Rebates from Related Schemes	7 -	-
Other Operating Income	<u>-</u>	<u>1</u>
Total Investment Income/(Loss)	<u>1,314</u>	<u>256</u>
Expenses		
Responsible Entity's Fees	7 338	341
Other Operating Expenses	<u>23</u>	<u>-</u>
Total Operating Expenses	<u>361</u>	<u>341</u>
Net Operating Profit/(Loss)	<u>953</u>	<u>(85)</u>
Financing Costs Attributable to Unitholders		
Distributions to Unitholders	6 1,064	995
Increase/(Decrease) in Net Assets Attributable to Unitholders	4 <u>(111)</u>	<u>(1,080)</u>
Net Profit/(Loss) for the year	<u>-</u>	<u>-</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>
Total Comprehensive Income Attributable to Unitholders	<u><u>-</u></u>	<u><u>-</u></u>

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

Statements of Cash Flows

	Note	BlackRock Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)	
		2011 \$ '000	2010 \$ '000	2011 \$ '000	2010 \$ '000
Cash Flows from Operating Activities					
Proceeds from Sale of Financial Instruments held at Fair Value through Profit or Loss		51,473	213,098	1,833	8,622
Purchase of Financial Instruments held at Fair Value through Profit or Loss		(44,995)	(197,841)	362	(4,748)
Dividends Received		-	-	-	-
Interest Received		411	1	-	-
Distributions from Related Schemes		27,327	24,468	8,326	7,275
Distributions from International Trusts		5,218	6,068	-	-
Other Income Received		(15)	5	(17)	1
Responsible Entity Fees Paid		(4,448)	(4,995)	(957)	(1,001)
Operating Expenses Paid		<u>(310)</u>	<u>(439)</u>	<u>(1)</u>	<u>17</u>
Net Cash Inflow/(Outflow) from Operating Activities	5(b)	<u>34,661</u>	<u>40,365</u>	<u>9,546</u>	<u>10,166</u>
Cash Flows from Financing Activities					
Proceeds from Applications by Unitholders		531	255	50	19
Payments for Redemptions by Unitholders		(12,256)	(16,385)	(3,725)	(4,922)
Distributions Paid		<u>(22,936)</u>	<u>(24,235)</u>	<u>(5,871)</u>	<u>(5,263)</u>
Net Cash Inflow/(Outflow) from Financing Activities		<u>(34,661)</u>	<u>(40,365)</u>	<u>(9,546)</u>	<u>(10,166)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		-	-	-	-
Cash and Cash Equivalents at the beginning of the financial year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at the end of the financial year	5(a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-cash Financing Activities	5(c)	1,341	2,215	706	529

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

BlackRock Property Funds
Statements of Cash Flows
For the year ended 30 June 2011

		BlackRock Direct Real Estate Fund (Aust)	
	Note	2011 \$ '000	2010 \$ '000
Cash Flows from Operating Activities			
Proceeds from Sale of Financial Instruments held at Fair Value through Profit or Loss		4,857	1,811
Purchase of Financial Instruments held at Fair Value through Profit or Loss		(4,861)	(1,158)
Dividends Received		-	-
Interest Received		-	-
Distributions from Related Schemes		1,702	1,458
Distributions from International Trusts		-	-
Other Income Received		-	1
Responsible Entity Fees Paid		(339)	(346)
Operating Expenses Paid		(4)	6
Net Cash Inflow/(Outflow) from Operating Activities	5(b)	<u>1,355</u>	<u>1,772</u>
Cash Flows from Financing Activities			
Proceeds from Applications by Unitholders		33	34
Payments for Redemptions by Unitholders		(770)	(994)
Distributions Paid		(618)	(812)
Net Cash Inflow/(Outflow) from Financing Activities		<u>(1,355)</u>	<u>(1,772)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		-	-
Cash and Cash Equivalents at the beginning of the financial year		-	-
Cash and Cash Equivalents at the end of the financial year	5(a)	<u>-</u>	<u>-</u>
Non-cash Financing Activities	5(c)	253	329

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

Statements of Changes in Equity

	BlackRock Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)	
	2011 \$ '000	2010 \$ '000	2011 \$ '000	2010 \$ '000
Total Equity at the Beginning of the Financial Year				
Profit/(Loss) for the year	-	-	-	-
Other Comprehensive Income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-
Transactions with Owners in their Capacity as Owners	-	-	-	-
Total Equity at the End of the Financial Year	-	-	-	-

	BlackRock Direct Real Estate Fund (Aust)	
	2011 \$ '000	2010 \$ '000
Total Equity at the Beginning of the Financial Year		
Profit/(Loss) for the year	-	-
Other Comprehensive Income for the year	-	-
Total Comprehensive Income for the year	-	-
Transactions with Owners in their Capacity as Owners	-	-
Total Equity at the End of the Financial Year	-	-

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

NOTE 1: GENERAL INFORMATION

These financial statements cover the BlackRock Combined Property Income Fund (Aust), BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust) (“the Funds”) as individual entities. The Funds were constituted on 22 July 2003, 3 March 2004, and 18 April 2007 respectively.

The Responsible Entity of the Funds is BlackRock Investment Management (Australia) Limited (the “Responsible Entity”). The Responsible Entity’s registered office is 120 Collins Street, Melbourne, VIC, 3000.

The financial statements were authorised for issue by the directors on 27 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated in the following text.

(a) Statement of Compliance and Basis of Preparation

These 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

The financial statements of the Funds also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Financial Instruments

(i) Classification

The Funds’ investments are classified as held at fair value through the profit or loss. They comprise:

- Financial Instruments held for Trading

Derivative financial instruments such as futures, options, swaps and forward contracts are included under this classification. The Funds do not designate any derivatives as hedging instruments in a hedging relationship.

- Financial Instruments held at Fair Value through Profit or Loss

These include financial assets that are not held for trading purposes and which may be sold. These are investments in listed equity, listed unit trusts, unlisted unit trusts and fixed interest securities.

Financial assets and financial liabilities held 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.

(ii) Recognition/Derecognition

The Funds recognise financial assets and liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or liabilities from this date.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

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 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 fair value recognised in the Statements of Comprehensive Income.

Fair value in an active market

The fair value of financial assets and liabilities traded in an active market 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 exchange traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such differences exist, the Funds recognise the difference in the Statements of Comprehensive Income to reflect a change in factors, including time, that market participants would consider in setting a price.

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

Investments in low exercise price options are carried at their intrinsic value which is the value of the units in the underlying scheme less the cost of exercising the options. BlackRock Combined Property Income Fund (Aust) holds options over units in BlackRock Property Trust (Aust).

(c) Net Assets Attributable to Unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Funds at any time for cash equal to a proportionate share of the Funds' net asset value. The fair value of redeemable units is measured at the redemption amount that is payable at the balance sheet date if unitholders exercised their right to put the units back to the Funds. Because the Funds' redemption unit prices are based on different valuation principles to that applied in financial reporting, a valuation difference may exist. Changes in the value of this financial liability are recognised in the Statements of Comprehensive Income.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly 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 as 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.

(e) 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment Income and Expenses

Interest income and expenses are recognised in the Statements of Comprehensive Income for all fixed interest securities 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 Notes 2(b).

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. The Funds may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax on the Statements of Comprehensive Income. If a portion of the foreign withholding taxes is reclaimable, it is recorded as an asset.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

(g) Expenses

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

(h) Income tax

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

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 net of withholding tax in the Statements of Comprehensive Income.

(i) Distributions

In accordance with the Funds' Constitutions, the Funds distribute their distributable (taxable) income and any other amounts determined by the Responsible Entity, to the unitholders by cash or reinvestment. Distributions are recognised in the Statements of Comprehensive Income as finance costs attributable to unitholders.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 any 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 with the net gains or losses on financial instruments at fair value through profit or loss.

(l) 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 balance sheet date from the time of the last payment using the effective interest rate method. Amounts due from brokers represent receivables for securities that have been contracted for but not yet delivered by balance sheet date.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Funds will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency on payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statements of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statements of Comprehensive Income.

(m) 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 2011 under the Funds' Constitutions.

(n) 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 gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets for unit pricing purposes of the Funds divided by the number of units on issue at or immediately prior to close of business each day. Issue and redemptions of units are processed simultaneously.

(o) 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 Flows on a gross basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed 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 practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010 *Amendment to Australian Accounting Standards arising from AASB 9* (December 2010) (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Funds have not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Funds' financial statements as the Funds do not hold any available-for-sale investments.

- (ii) 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 clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The Funds will apply the amended standard from 1 July 2011. The amendments will not have any effect of the Funds' financial statements.

- (iii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-Time Adoption of Australian Accounting* and AASB7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Funds' disclosures. The Funds intend to apply the amendment from 1 July 2011.

- (iv) Amendments to AASB2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Funds do not expect that any adjustments will be necessary as the result of applying the revised rules.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) IFRS 13 *Fair Value Measurement* (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Funds have yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Funds do not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(r) Rounding of Amounts

The Funds are entities of the 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 statements. Amounts in the director's report and the financial statements have been rounded off in accordance with that Class Order, unless otherwise indicated.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Funds' activities expose them to a variety of financial risks: credit risk, liquidity risk and market risk (including price risk, currency risk and interest rate 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 moderate and create certain risk exposures. Financial risk management is carried out by the Investment Risk Management Committee (IRMC) under policies approved by the Board of Directors of the Responsible Entity (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 Note 3(b).

(a) Market Risk

(i) Price Risk

The Funds are exposed to price risk. This arises from investments held by the Funds for which prices in the future are uncertain. They are classified on the Balance Sheets as fair value through profit or loss. 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. Note 3(a)(ii) below sets out how this component of price and risk is managed and measured. Investments are classified in the Balance Sheets as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

Market risk is managed and monitored by the Responsible Entity on a portfolio basis, with risks managed through ensuring that investment activities are undertaken in accordance with the Funds' investment model which is reviewed and updated regularly.

In addition, the IRMC regularly reviews the Funds to ensure the Funds are following the appropriate investment models, its portfolio is in accordance with its stated guidelines and restrictions, and the performance of the Funds remain in expected bounds.

The BlackRock Direct Property Fund (Aust) and the BlackRock Direct Real Estate Fund (Aust) are wholly invested in the BlackRock Property Trust (Aust). BlackRock Combined Property Income Fund (Aust) invests in a number of BlackRock Property Funds either directly or indirectly via the LEPO and Other Investments.

Section (b) 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:

	2011			2010				
	Notional Principal Amount		Fair Value	Notional Principal Amount			Fair Value	
	Asset	Liability		Net	Asset	Liability		Net
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
BlackRock Combined Property Income Fund (Aust)								
Low Exercise Price Option	68,030	-	68,030	62,542	65,640	-	65,640	65,640
Other Investments	9,065	-	9,065	8,923	9,438	-	9,438	9,438

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign Exchange Risk

The Funds do not have any direct exposure to foreign exchange risk based on the Funds direct investments. This disclosure has not been made on a look through basis for investments held indirectly through the underlying Funds. The disclosure of foreign exchange risk may not present the true foreign exchange risk profile of the Funds where the underlying fund has significant exposure to foreign exchange risk.

(iii) Interest Rate Risk

The Funds do not have any direct exposure to interest rate risk based on direct investments. The Funds do not hold any cash balances (2010: nil). The disclosure has not been made on a look through basis for investments held indirectly through the underlying funds. The disclosure of interest rate risk may not present the true interest rate risk profile of the Funds where the underlying funds have significant exposure to interest rate risk.

(b) 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.

Value at Risk for BlackRock Combined Property Income Fund (Aust)

	2011		2010	
	\$'000 [^]	%	\$'000 [^]	%
Total Portfolio Risk	2,791	0.67	5,934	1.38

Value at Risk for BlackRock Direct Property Fund (Aust)

	2011		2010	
	\$'000 [^]	%	\$'000 [^]	%
Total Portfolio Risk	745	0.85	984	1.08

Value at Risk for BlackRock Direct Real Estate Fund (Aust)

	2011		2010	
	\$'000 [^]	%	\$'000 [^]	%
Total Portfolio Risk	184	1.01	203	1.08

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

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.

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

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.

(c) Credit Risk

Credit risk is the risk that a counterparty might fail to perform contractual obligations, either in whole or in part, when they fall due.

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. None of these assets are impaired nor past due but not impaired.

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

(i) Derivatives

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

To minimise credit risk, the Funds and subsidiaries only transact with counterparties of investment grade quality (BBB- or above as rated by Standards & 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.

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

(ii) Settlement of Securities Transactions

All transactions are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

(iii) Other Credit Risk

Exposure to credit risk on cash and cash equivalents and, margin accounts are considered to be minimal due to the high credit rating of the relevant financial. VaR analysis is also used to manage and measure the credit risk of the Funds.

The clearing and depository operations for the Funds' security transactions are mainly concentrated with one counterparty, namely J.P.Morgan Chase Bank NA ("J.P.Morgan"). J.P.Morgan is a member of a major securities exchange, and at 30 June 2011 had a credit rating of A-1+ (2010: A-1+). At 30 June 2011, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by J.P.Morgan.

(d) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Funds 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.

On 16 July 2009, the Board of BlackRock Investment Management (Australia) declared BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust) and on 25 August 2008 BlackRock Combined Property Income Fund (Aust) to be "non-liquid" in accordance with the requirements under the Corporations Act. As a result of this declaration and for as long as the Funds continue to be non-liquid, it is a breach of the Corporations Act to redeem any units except via a formal withdrawal offer to all unitholders as set out in the Act. The Fund's "non liquid" status have not changed since then.

A withdrawal offer was made to all unitholders of the Funds when sufficient proceeds were accumulated from asset sales. This withdrawal closed on 15 March 2011. The withdrawal offer was over-subscribed and unitholders' withdrawals were reduced proportionately.

The Responsible Entity 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 contract. Investment Risk Management Committee reviews liquidity reports to ensure the Funds have sufficient liquidity to pay client redemptions and meet margin calls as required.

The liquidity of the BlackRock Direct Property Fund (Aust), BlackRock Direct Real Estate Fund (Aust) and the BlackRock Combined Property Income Fund (Aust) is directly impacted by the liquidity in the BlackRock Property Trust (Aust). The majority of the investments in the BlackRock Property Trust (Aust) are direct investment properties.

The table below analyses the Funds' financial liabilities and derivative balances (as appropriate) into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date as at balance 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.

BlackRock Combined Property Income Fund (Aust)

	Less than 12 months	1-3 years	3-5 years	>5 years	Other *
At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution Payable	(8,198)	-	-	-	-
Accounts Payable and Accrued Expenses	(382)	-	-	-	-
Net Assets Attributable to Unitholders*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(416,519)</u>
Total	<u>(8,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(416,519)</u>
At 30 June 2010					
Distribution Payable	(6,000)	-	-	-	-
Accounts Payable and Accrued Expenses	(400)	-	-	-	-
Net Assets Attributable to Unitholders*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(430,077)</u>
Total	<u>(6,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(430,077)</u>

*Redemptions are suspended as noted in the Liquidity and Cash Flow Risk note.

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

BlackRock Direct Property Fund (Aust)

	Less than 12 months	1-3 years	3-5 years	>5 years	Other *
At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution Payable	(2,190)	-	-	-	-
Accounts Payable and Accrued Expenses	(104)	-	-	-	-
Net Assets Attributable to Unitholders*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,624)</u>
Total	<u>(2,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,624)</u>
At 30 June 2010					
Distribution Payable	(2,848)	-	-	-	-
Accounts Payable and Accrued Expenses	(83)	-	-	-	-
Net Assets Attributable to Unitholders*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,127)</u>
Total	<u>(2,931)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,127)</u>

BlackRock Direct Real Estate Fund (Aust)

	Less than 12 months	1-3 years	3-5 years	>5 years	Other *
At 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution Payable	(416)	-	-	-	-
Accounts Payable and Accrued Expenses	(53)	-	-	-	-
Net Assets Attributable to Unitholders*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,170)</u>
Total	<u>(469)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,170)</u>
At 30 June 2010					
Distribution Payable	(223)	-	-	-	-
Accounts Payable and Accrued Expenses	(29)	-	-	-	-
Net Assets Attributable to Unitholders*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,765)</u>
Total	<u>(252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,765)</u>

*Redemptions are suspended as noted in the Liquidity and Cash Flow Risk note.

(e) Fair Values of Financial Assets and Liabilities

The carrying amounts of the Funds' assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through the 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 fair value recognised in the Statements of Comprehensive Income.

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

• *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 end of each reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in Note 2. For the majority of investments the Funds rely on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply this bid or asking price to the net open positions, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual regularly occurring market transactions on an arm's length basis.

• *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. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used estimate cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount the Funds would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the Responsible Entity of such funds.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

(f) Fair Value Hierarchy

The Funds 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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.

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

The tables below set out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

BlackRock Combined Property Income Fund (Aust)	Level 1	Level 2	Level 3	Total
30 June 2011	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial Instruments held at Fair Value through Profit or Loss				
Units in Related Schemes	-	156,768	186,713	343,481
Financial Instruments held for Trading				
Low Exercise Price Option	-	-	62,542	62,542
Other Investments	-	-	8,923	8,923
Total	<u>-</u>	<u>156,768</u>	<u>258,178</u>	<u>414,946</u>
BlackRock Combined Property Income Fund (Aust)	Level 1	Level 2	Level 3	Total
30 June 2010	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial Instruments held at Fair Value through Profit or Loss				
Units in Related Schemes	30,741	139,908	176,983	347,632
Financial Instruments held for Trading				
Low Exercise Price Option	-	-	65,640	65,640
Other Investments	-	-	9,438	9,438
Total	<u>30,741</u>	<u>139,908</u>	<u>252,061</u>	<u>422,710</u>
BlackRock Direct Property Fund (Aust)	Level 1	Level 2	Level 3	Total
30 June 2011	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial Instruments held at Fair Value through Profit or Loss				
Units in Related Schemes	-	139	87,256	87,395
Total	<u>-</u>	<u>139</u>	<u>87,256</u>	<u>87,395</u>
BlackRock Direct Property Fund (Aust)	Level 1	Level 2	Level 3	Total
30 June 2010	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial Instruments held at Fair Value through Profit or Loss				
Units in Related Schemes	54	-	90,130	90,184
Total	<u>54</u>	<u>-</u>	<u>90,130</u>	<u>90,184</u>
BlackRock Direct Real Estate Fund (Aust)	Level 1	Level 2	Level 3	Total
30 June 2011	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial Instruments held at Fair Value through Profit or Loss				
Units in Related Schemes	-	46	18,066	18,112
Total	<u>-</u>	<u>46</u>	<u>18,066</u>	<u>18,112</u>

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

BlackRock Direct Real Estate Fund (Aust)	Level 1	Level 2	Level 3	Total
30 June 2010	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial Instruments held at Fair Value through Profit or Loss				
Units in Related Schemes	26	-	18,207	18,233
Financial Instruments held for Trading				
Forward Foreign Exchange Contracts	-	-	-	-
Total	<u>26</u>	<u>-</u>	<u>18,207</u>	<u>18,233</u>

The following table presents the movement in Level 3 instruments by class of financial instrument.

BlackRock Combined Property Income Fund (Aust)	Low Exercise Price	Other Investments	Units in Related
30 June 2011	Option	\$'000	Schemes
	\$'000	\$'000	\$'000
Opening Balance	65,640	9,438	176,983
Purchases	-	-	-
Sales	(2,673)	(700)	(8,882)
Transfers into Level 3	-	-	18,080
Transfers out of Level 3	-	-	-
Gains and losses recognised in profit or loss	(425)	185	532
Closing Balance	<u>62,542</u>	<u>8,923</u>	<u>186,713</u>

BlackRock Combined Property Income Fund (Aust)	Low Exercise Price	Other Investments	Units in Related
30 June 2010	Option	\$'000	Schemes
	\$'000	\$'000	\$'000
Opening Balance	74,847	11,099	201,864
Purchases	-	-	4,508
Sales	-	(925)	(14,173)
Gains and losses recognised in profit or loss	(9,207)	(736)	(15,216)
Closing Balance	<u>65,640</u>	<u>9,438</u>	<u>176,983</u>

BlackRock Direct Property Fund (Aust)	Units in Related
30 June 2011	Schemes
	\$'000
Opening Balance	90,130
Purchases	1,446
Sales	(3,725)
Gains and losses recognised in profit or loss	(595)
Closing Balance	<u>87,256</u>

BlackRock Direct Property Fund (Aust)	Units in Related
30 June 2010	Schemes
	\$'000
Opening Balance	100,176
Purchases	2,720
Sales	(5,331)
Gains and losses recognised in profit or loss	(7,435)
Closing Balance	<u>90,130</u>

NOTE 3: FINANCIAL RISK MANAGEMENT (continued)

BlackRock Direct Real Estate Fund (Aust)	Units in Related Schemes
30 June 2011	\$'000
Opening Balance	18,207
Purchases	754
Sales	(769)
Gains and losses recognised in profit or loss	<u>(126)</u>
Closing Balance	<u>18,066</u>

BlackRock Direct Real Estate Fund (Aust)	Units in Related Schemes
30 June 2010	\$'000
Opening Balance	20,141
Purchases	649
Sales	(1,090)
Gains and losses recognised in profit or loss	<u>(1,493)</u>
Closing Balance	<u>18,207</u>

The majority of assets classified as Level 3 assets are the low exercise price option and other investments priced using an external pricing source, and units in related schemes priced using an internal 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 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend 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.

Capital risk management

The Funds manage their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unitholders.

The Funds monitor the level of daily applications and redemptions relative to the liquid assets in the Funds. As of 30 June 2011 the capital of the Funds is represented in the net assets attributable to unitholders tables.

In the event of a significant redemption, the Funds' Constitutions allow the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitutions for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitutions allow payment to be delayed beyond the maximum number of days.

NOTE 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)

Movements in number of units and net assets attributable to unitholders during the year were as follows:

BlackRock Combined Property Income Fund (Aust)				
- C Class Units				
	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	27,631	23,477	27,552	23,463
Application				
- Cash	42	37	44	38
- Distribution Reinvestment Plan	249	214	277	240
Redemptions*	(391)	(341)	(242)	(210)
Increase/(Decrease) in Net Assets Attributable to Unitholders	<u>-</u>	<u>(171)</u>	<u>-</u>	<u>(54)</u>
Closing Balance	<u>27,531</u>	<u>23,216</u>	<u>27,631</u>	<u>23,477</u>
Total Closing Balance				

BlackRock Combined Property Income Fund (Aust)				
- D Class Units				
	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	496,029	406,600	512,833	421,554
Application				
- Cash	585	494	257	217
- Distribution Reinvestment Plan	1,367	1,127	2,383	1,975
Redemptions*	(14,260)	(11,914)	(19,444)	(16,175)
Increase/(Decrease) in Net Assets Attributable to Unitholders	<u>-</u>	<u>(3,004)</u>	<u>-</u>	<u>(971)</u>
Closing Balance	<u>483,721</u>	<u>393,303</u>	<u>496,029</u>	<u>406,600</u>
Total Closing Balance	<u>511,252</u>	<u>416,519</u>	<u>523,660</u>	<u>430,077</u>

BlackRock Direct Property Fund (Aust)				
- E Class Units				
	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	42,450	37,926	44,093	42,074
Application				
- Cash	32	30	-	-
- Distribution Reinvestment Plan	457	403	287	258
Redemptions*	(1,375)	(1,246)	(1,930)	(1,707)
Increase/(Decrease) in Net Assets Attributable to Unitholders	<u>-</u>	<u>(209)</u>	<u>-</u>	<u>(2,699)</u>
Closing Balance	<u>41,564</u>	<u>36,904</u>	<u>42,450</u>	<u>37,926</u>
Total Closing Balance				

NOTE 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)

BlackRock Direct Property Fund (Aust)
- X Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	20,836	16,985	22,863	19,957
Application				
- Cash	-	-	-	-
- Distribution Reinvestment Plan	-	-	-	-
Redemptions*	(1,497)	(1,249)	(2,027)	(1,648)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(97)	-	(1,324)
Closing Balance	<u>19,339</u>	<u>15,639</u>	<u>20,836</u>	<u>16,985</u>
Total Closing Balance				

BlackRock Direct Property Fund (Aust)
- W Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	15,535	12,791	15,751	13,969
Application				
- Cash	-	-	-	-
- Distribution Reinvestment Plan	254	228	227	207
Redemptions*	(354)	(325)	(443)	(398)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(78)	-	(987)
Closing Balance	<u>15,435</u>	<u>12,616</u>	<u>15,535</u>	<u>12,791</u>
Total Closing Balance				

BlackRock Direct Property Fund (Aust)
- C Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	17,547	14,208	17,749	15,483
Application				
- Cash	24	20	23	19
- Distribution Reinvestment Plan	95	75	80	64
Redemptions*	(251)	(204)	(305)	(243)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(88)	-	(1,115)
Closing Balance	<u>17,415</u>	<u>14,011</u>	<u>17,547</u>	<u>14,208</u>
Total Closing Balance				

NOTE 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)

BlackRock Direct Property Fund (Aust)
- L Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	13,305	9,217	14,599	10,989
Application				
- Cash	-	-	-	-
- Distribution Reinvestment Plan	-	-	-	-
Redemptions*	(956)	(701)	(1,294)	(926)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(62)	-	(846)
Closing Balance	<u>12,349</u>	<u>8,454</u>	<u>13,305</u>	<u>9,217</u>
Total Closing Balance	<u>106,102</u>	<u>87,624</u>	<u>109,673</u>	<u>91,127</u>

BlackRock Direct Real Estate Fund (Aust)
- A Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	6,661	5,002	6,843	5,417
Application				
- Cash	43	33	45	34
- Distribution Reinvestment Plan	105	80	142	107
Redemptions*	(136)	(106)	(369)	(277)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(31)	-	(279)
Closing Balance	<u>6,673</u>	<u>4,978</u>	<u>6,661</u>	<u>5,002</u>
Total Closing Balance				

BlackRock Direct Real Estate Fund (Aust)
- W Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	14,446	10,411	14,368	10,959
Application				
- Cash	-	-	-	-
- Distribution Reinvestment Plan	221	160	287	207
Redemptions*	(322)	(239)	(209)	(149)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(63)	-	(606)
Closing Balance	<u>14,345</u>	<u>10,269</u>	<u>14,446</u>	<u>10,411</u>
Total Closing Balance				

NOTE 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)

BlackRock Direct Real Estate Fund (Aust)
- X Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	4,262	3,079	5,056	3,822
Application				
- Cash	-	-	-	-
- Distribution Reinvestment Plan	-	-	-	-
Redemptions*	(572)	(425)	(794)	(564)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(15)	-	(179)
Closing Balance	<u>3,690</u>	<u>2,639</u>	<u>4,262</u>	<u>3,079</u>
Total Closing Balance				

BlackRock Direct Real Estate Fund (Aust)
- K Class Units

	2011		2010	
	No. of Units '000	\$ '000	No. of Units '000	\$ '000
Unitholders' Funds				
Opening Unitholders' Funds	385	273	372	278
Application				
- Cash	-	-	-	-
- Distribution Reinvestment Plan	18	13	20	15
Redemptions*	-	-	(7)	(4)
Increase/(Decrease) in Net Assets Attributable to Unitholders	-	(2)	-	(16)
Closing Balance	<u>403</u>	<u>284</u>	<u>385</u>	<u>273</u>
Total Closing Balance	<u>25,111</u>	<u>18,170</u>	<u>25,754</u>	<u>18,765</u>

*Include amounts paid under withdrawal offer with the Fund in "non-liquid" status, as mentioned in the Directors' report.

NOTE 5: NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of Cash

Cash and Cash Equivalents at the end of the financial year are reconciled to the Balance Sheets as follows:

	BlackRock Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)		BlackRock Direct Real Estate Fund (Aust)	
	30 June		30 June		30 June	
	2011	2010	2011	2010	2011	2010
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash	-	-	-	-	-	-
Overdraft	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	BlackRock Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)	
	2011	2010	2011	2010
	\$ '000	\$ '000	\$ '000	\$ '000
Net Operating Profit/(Loss)	23,300	24,667	5,385	258
(Increase)/Decrease in Financial Instrument held at Fair Value through Profit and Loss	7,765	22,462	2,789	11,620
(Increase)/Decrease in Receivables from Related Schemes	3,680	(6,460)	1,369	(100)
(Increase)/Decrease in Other Receivables	(66)	48	(18)	17
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>(18)</u>	<u>(352)</u>	<u>21</u>	<u>(1,629)</u>
Net cash inflow/(outflow) from operating activities	<u>34,661</u>	<u>40,365</u>	<u>9,546</u>	<u>10,166</u>

NOTE 5: NOTES TO THE STATEMENTS OF CASH FLOWS (Continued)

**BlackRock Direct Real Estate
Fund (Aust)**

	2011	2010
	\$ '000	\$ '000
Net Operating Profit/(Loss)	953	(85)
(Increase)/Decrease in Financial Instrument held at Fair Value through Profit and Loss	121	1,907
(Increase)/Decrease in Receivables from Related Schemes	263	(51)
(Increase)/Decrease in Other Receivables	(6)	6
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>24</u>	<u>(5)</u>
Net cash inflow/(outflow) from operating activities	<u>1,355</u>	<u>1,772</u>

(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.

	2011		2010	
	Units '000	\$'000	Units '000	\$'000
BlackRock Combined Property Income Fund (Aust)				
- C Class Unit	249	214	277	240
- D Class Unit	1,367	1,127	2,383	1,975
BlackRock Direct Property Fund (Aust)				
- C Class Unit	95	75	80	64
- E Class Unit	457	403	287	258
- W Class Unit	254	228	227	207
- L Class Unit	-	-	-	-
- X Class Unit	-	-	-	-
BlackRock Direct Real Estate Fund (Aust)				
- A Class Unit	105	80	142	107
- W Class Unit	221	160	287	207
- X Class Unit	-	-	-	-
- K Class Unit	18	13	20	15

As described in Note 2(j), 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.

NOTE 6: DISTRIBUTIONS

During the financial year, the following amounts of distributions were paid and payable for each class of units for the year ended 30 June.

	30 June 2011		30 June 2010	
	Distributions Paid Cents/Unit	Distributions Payable Cents/Unit	Distributions Paid Cents/Unit	Distributions Payable Cents/Unit
BlackRock Combined Property Income Fund (Aust)				
- C Class Unit	3.09	1.47	3.28	1.13
- D Class Unit	3.54	1.61	3.65	1.15
BlackRock Direct Property Fund (Aust)				
- C Class Unit	2.69	1.76	3.01	2.27
- E Class Unit	3.48	2.13	3.85	2.69
- W Class Unit	3.40	2.11	3.77	2.69
- L Class Unit	3.48	1.96	3.79	2.41
- X Class Unit	3.96	2.23	4.31	2.74
BlackRock Direct Real Estate Fund (Aust)				
- A Class Unit	2.00	1.50	2.32	0.68
- W Class Unit	2.49	1.64	2.81	0.85
- X Class Unit	3.45	1.97	3.77	1.17
- K Class Unit	3.30	1.94	3.60	1.13

	2011		2010	
	Distributions Paid \$'000	Distributions Payable \$'000	Distributions Paid \$'000	Distributions Payable \$'000
BlackRock Combined Property Income Fund (Aust)				
- C Class Unit	854	404	909	313
- D Class Unit	17,423	7,794	18,783	5,687
BlackRock Direct Property Fund (Aust)				
- C Class Unit	472	306	536	398
- E Class Unit	1,471	885	1,706	1,142
- W Class Unit	529	326	599	418
- L Class Unit	452	242	554	320
- X Class Unit	805	431	986	570
BlackRock Direct Real Estate Fund (Aust)				
- A Class Unit	134	100	161	46
- W Class Unit	361	235	407	123
- X Class Unit	140	73	190	50
- K Class Unit	13	8	14	4

NOTE 7: 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.

NOTE 7: RELATED PARTIES (Continued)

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	Resigned 12 May 2011
C Tzatzakis	Appointed 11 September 2007	
R Bhagat	Appointed 2 December 2009	Resigned 9 September 2011
M S McCorry	Appointed 2 December 2009	
H Capra	Appointed 23 May 2011	

Other Key Management Personnel

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

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

*Resigned on 31 March 2011

Key Management Personnel Unitholding

Ms J Frawley, Mr C Tzatzakis, Ms M Tzatzakis, Ms L Tzatzakis and Mr R J Maddox invested in BlackRock Direct Real Estate Fund (Aust). The details of the units held by these key management personnel and related persons are summarised on the following pages under Investing Activities – Key Management Personnel and Key Management Personnel Related Entities.

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 Funds

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:

NOTE 7: RELATED PARTIES (Continued)

(a) *Responsible Entity's Fees and other Transactions*

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

NOTE 7: RELATED PARTIES (Continued)

	BlackRock Combined Property Income Fund (Aust)		BlackRock Direct Property Fund (Aust)		BlackRock Direct Real Estate Fund (Aust)	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Responsible Entity's Fees and other transactions						
Total Responsible Entity's fees paid or due and payable by the Funds:						
Class Responsible Entity Fees:						
A Class Units	-	-	-	-	(148,896)	(151,931)
K Class Units	-	-	-	-	(784)	(758)
C Class Units	(454,892)	(454,550)	(280,848)	(287,085)	-	-
D Class Units	(3,962,808)	(4,461,243)	-	-	-	-
E Class Units	-	-	(467,230)	(489,877)	-	-
W Class Units	-	-	(203,956)	(208,770)	(188,710)	(188,217)
Fund Responsible Entity Fees	<u>(4,417,700)</u>	<u>(4,915,793)</u>	<u>(952,034)</u>	<u>(985,732)</u>	<u>(338,390)</u>	<u>(340,906)</u>
Class Responsible Entity Fees and Expense Reimbursement Payable:						
A Class Units	-	-	-	-	(12,371)	(12,685)
K Class Units	-	-	-	-	(67)	(70)
C Class Units	(37,294)	(39,767)	(23,285)	(24,512)	-	-
D Class Units	(320,934)	(349,129)	-	-	-	-
E Class Units	-	-	(38,315)	(40,902)	-	-
W Class Units	-	-	(16,860)	(17,733)	(15,658)	(16,196)
Fund Responsible Entity Fees and Expenses Reimbursement Payable	<u>(358,228)</u>	<u>(388,896)</u>	<u>(78,460)</u>	<u>(83,147)</u>	<u>(28,096)</u>	<u>(28,951)</u>
Total Responsible Entity's Fees received or due and receivable by the Funds:						
Responsible Entity Fee Rebates	55,195	9,248	-	-	-	-
Other	-	5,065	-	1,459	-	941
Balances and Transactions with Related Schemes						
Distributions Receivable*	8,210,736	10,528,550	2,494,126	3,863,694	516,554	780,558
Trade Receivables	1,787,884	3,135,018	-	-	-	-
Responsible Entity Fee Rebates Receivable	4,887	20,044	-	-	-	-
	<u>10,003,507</u>	<u>13,683,612</u>	<u>2,494,126</u>	<u>3,863,694</u>	<u>516,554</u>	<u>780,558</u>

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

BlackRock Property Funds
Notes to the Financial Statements
For the year ended 30 June 2011

NOTE 7: RELATED PARTIES (Continued)

Investments

The Funds held investments in the following schemes which were also managed by the Responsible Entity to its related parties.

2011

	No. of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Values 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
	Units	\$	\$	\$	%	\$	\$
BlackRock Combined Property Income Fund (Aust)							
BlackRock Money Market Fund	14,396,343	14,396,343	42,707,076	39,218,571	15.54	659,734	63,973
BlackRock Property Trust (Aust)	224,189,644	168,632,984	-	7,208,591	48.02	8,626,384	4,818,299
BlackRock Wholesale Indexed Australian Listed Property Fund	209,384,950	142,372,344	2,287,428	-	20.48	5,428,887	2,824,812
BlackRock Direct Property Fund (Aust)	19,340,454	15,460,372	-	1,248,840	18.23	804,826	430,794
BlackRock Direct Real Estate Fund (Aust)	3,689,750	2,619,431	-	424,109	14.69	140,305	72,858
BlackRock Direct Property Fund (Aust)							
BlackRock Property Trust (Aust)	116,002,127	87,255,524	1,445,732	3,725,357	24.85	4,443,356	2,493,126
BlackRock Money Market Fund	139,283	139,283	1,892,726	1,807,849	0.15	18,977	1,000
BlackRock Direct Real Estate Fund (Aust)							
BlackRock Property Trust (Aust)	24,017,807	18,065,930	753,823	769,255	5.14	914,899	516,192
BlackRock Money Market Fund	45,710	45,710	4,107,152	4,087,486	0.05	6,947	361

2010

	No. of Units Held at Year End	Fair Value of Units Held at Year End	Value of Units Purchased During the Year	Values 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
	Units	\$	\$	\$	%	\$	\$
BlackRock Combined Property Income Fund (Aust)							
BlackRock Money Market Fund	10,907,837	10,907,837	40,728,395	39,672,583	5.94	364,580	44,138
BlackRock Property Trust (Aust)	233,363,214	176,982,661	4,508,548	14,173,024	48.27	10,073,147	7,586,200
BlackRock Property Securities Fund (Aust)	-	-	-	151,275,211	-	7,512,433	-
BlackRock Direct Property Fund (Aust)	20,836,966	16,784,176	-	1,648,435	20.32	986,413	570,204
BlackRock Direct Real Estate Fund (Aust)	4,261,942	3,048,993	-	564,054	17.31	190,392	50,010
BlackRock Wholesale Indexed Australian Listed Property Trust	206,016,463	139,908,458	151,275,211	-	23.75	-	2,277,998
BlackRock Direct Property Fund (Aust)							
BlackRock Property Trust (Aust)	118,842,360	90,130,046	2,719,547	5,019,681	24.58	5,119,068	3,863,342
BlackRock Money Market Fund	54,406	54,406	2,028,807	1,974,401	0.03	7,527	352
BlackRock Direct Real Estate Fund (Aust)							
BlackRock Property Trust (Aust)	24,006,563	18,206,577	648,835	1,027,982	4.97	1,026,806	780,408
BlackRock Money Market Fund	26,044	26,044	510,117	484,073	0.01	3,128	150

NOTE 7: RELATED PARTIES (Continued)

Investing Activities - Key Management Personnel and Key Management Personnel Related Entities

2011

	No. of Units Held at Opening	No. of Units Held at Year End	Fair Value of Units Held for the Period	Values of Units Purchased During the Period	Value of Units Sold During the Period	Interest Held in Related Funds at Year End	Distribution Received from the Related Scheme During the Period	Distribution Receivable from the Related Scheme at Year End
	Units	Units	\$	\$	\$	%	\$	\$
Jodi Frawley								
BlackRock Direct Real Estate Fund (Aust)	111	118	84	5	-	0.00*	4	2
Con Tzatzakis								
BlackRock Direct Real Estate Fund (Aust)	106	110	78	3	-	0.00*	2	1
Madeleine Tzatzakis								
BlackRock Direct Real Estate Fund (Aust)	106	110	78	3	-	0.00*	2	1
Luca Tzatzakis								
BlackRock Direct Real Estate Fund (Aust)	106	110	78	3	-	0.00*	2	1
Russell Maddox								
BlackRock Direct Real Estate Fund (Aust)	113	120	85	5	-	0.00*	4	2

* denotes less than 0.01%

NOTE 7: RELATED PARTIES (Continued)

2010

	No. of Units Held at Opening	No. of Units Held at Year End	Fair Value of Units Held at Year End	Values 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
	Units	Units	\$	\$	\$	%	\$	\$
Maurice O'Shannassy^								
BlackRock Direct Real Estate Fund (Aust)	102	-	-	-	-	0.00	1	-
Ruth O'Shannassy^								
BlackRock Direct Real Estate Fund (Aust)	105	-	-	-	-	0.00	1	-
The Tiger Fund^								
BlackRock Direct Real Estate Fund (Aust)	105	-	-	-	-	0.00	1	-
Jodi Frawley								
BlackRock Direct Real Estate Fund (Aust)	103	111	79	-	-	0.00*	4	1
Con Tzatzakis								
BlackRock Direct Real Estate Fund (Aust)	102	106	76	-	-	0.00*	2	1
Madeleine Tzatzakis								
BlackRock Direct Real Estate Fund (Aust)	102	106	76	-	-	0.00*	2	1
Luca Tzatzakis								
BlackRock Direct Real Estate Fund (Aust)	102	106	76	-	-	0.00*	2	1
Russell Maddox								
BlackRock Direct Real Estate Fund (Aust)	105	113	81	-	-	0.00*	4	1

^ As Mr O'Shannassy resigned as a director of the Responsible Entity on 7 October 2009, the information above for the 2010 financial year is for the period 1 July 2009 to 7 October 2009

*denotes less than 0.01%

Related Party Schemes' Unitholdings

Parties related to the Funds including the Responsible Entity, its affiliates and other schemes managed by the Responsible Entity held units in the Funds as follows:

2011

	No. of Units Held Opening	No. of Units Held Closing	Interest Held	No. of Units Acquired	No. of Units Disposed	Distributions Paid by Funds	Distributions Payable by the Funds
	Units	Units	%	Units	Units	\$	\$
BlackRock Direct Property Fund (Aust)							
BlackRock Combined Property Income Fund (Aust)	20,836,966	19,340,454	18.23	-	1,496,512	804,826	430,794
BlackRock Direct Real Estate Fund (Aust)							
BlackRock Combined Property Income Fund (Aust)	4,261,942	3,689,750	14.69	-	572,192	140,305	72,858

NOTE 7: RELATED PARTIES (Continued)

2010

	No. of Units Held Opening	No. of Units Held Closing	Interest Held	No. of Units Acquired	No. of Units Disposed	Distributions Paid by Funds	Distributions Payable by Funds
	Units	Units	%	Units	Units	\$	\$
BlackRock Direct Property Fund (Aust)							
BlackRock Combined Property Income Fund (Aust)	22,863,565	20,836,966	20.32	-	2,026,599	986,413	570,204
BlackRock Direct Real Estate Fund (Aust)							
BlackRock Combined Property Income Fund (Aust)	5,056,160	4,261,942	17.31	-	794,218	190,392	50,010

NOTE 8: REMUNERATION OF AUDITORS

The audit fees paid or payable are discharged by the Responsible Entity from the fees earned from the Funds.

NOTE 9: SEGMENT INFORMATION

The Funds are each organised into one main segment and operate solely in the business of investment management within Australia. Consequently, no segmental reporting is provided in the Funds' financial statements.

NOTE 10: CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 (30 June 2010: Nil).

NOTE 11: 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 2011 or on the results and cash flows of the Funds for the year ended on that date.

Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 40 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 2011 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
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a); and
- (c) there are reasonable grounds to believe that the Funds 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.

Director
H Capra

Director
D Frawley

Sydney
27 September 2011

Independent Auditor's Report to the Unitholders of BlackRock Combined Property Income Fund (Aust), BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust)

We have audited the accompanying financial report of BlackRock Combined Property Income Fund (Aust), BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust) ("the Funds") which comprises the balance sheets as at 30 June 2011, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 7 to 41.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, BlackRock Investment Management (Australia) Limited, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors of the Responsible Entity, also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of BlackRock Combined Property Income Fund (Aust), BlackRock Direct Property Fund (Aust) and BlackRock Direct Real Estate Fund (Aust) is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Funds' financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants
Melbourne, 27 September 2011