

ANNUAL REPORT

**BLACKROCK®**

**BlackRock Balanced Growth Portfolio Fund**

For the period from 1 April 2013 to 28 February 2014

## About the Fund Manager



Andy Warwick, CFA, Managing Director and portfolio manager, is a member of the Diversified Strategies team within BlackRock's Multi-Asset Strategies (MAS) group, which is responsible for developing, assembling and managing investment strategies involving multiple asset classes. Within Diversified Strategies he is lead portfolio manager for Dynamic Return Strategy (DRS) and a portfolio manager for Dynamic Diversified Growth (DDG). Mr. Warwick also has responsibility for the management of a number of retail portfolios including the BGF Flexible Multi-Asset Fund and is also responsible for derivative implementation and structured product strategies for the team. Mr. Warwick's service with the firm dates back to 2005, including his years with Merrill Lynch Investment Managers (MLIM), which merged with BlackRock in 2006.

Prior to MLIM he worked with Mako Global Derivatives and Dalton Strategic Partnership from 2002-2005. Mr. Warwick initially worked for MLIM from 1993-2002 as a manager for MLIM's unit trusts before joining the quantitative and derivatives team as a portfolio manager and equity derivatives head trader in 1997. He was subsequently co-portfolio manager of MLIM's first hedge fund, the Mercury Equity Arbitrage Fund. Mr. Warwick earned a MSc in Finance from the University of Leicester in 2007.

The former manager, Philip Brides relinquished his fund management responsibilities for the BlackRock Balanced Growth Portfolio Fund in April 2014.

## Investment Objective & Policy

The BlackRock Balanced Growth Portfolio Fund (the "Fund") aims to achieve capital growth, with the opportunity for additional income generation depending on market conditions. Investment may be made in a global portfolio of equities and fixed income securities, as well as collective investment schemes, cash in Sterling or other currencies (in the form of deposits and/or forward contracts) and money-market instruments. Investment may be made in any and all economic sectors, although under normal market conditions there will be an emphasis on the UK.

In order to achieve the investment objective and policy the Fund will invest in a variety of investment strategies and instruments. For this purpose, it intends to take full advantage of the ability to invest in derivatives. It may also hold indirect exposure to alternative asset classes such as commodities or property through eligible index derivatives, eligible collective investment schemes or structured securities.

The Fund was established on 15 January 1982. The Fund was first known as Rowan Fixed Interest Fund. It was renamed Mercury Global Fund and the investment objective changed on 5 May 1987. On 1 February 1989 the Fund's name was changed to The Mercury Portfolio Fund and the investment strategy changed to that described above. On 5 January 1998 the Fund's name was changed to the Mercury Balanced Portfolio Fund. On 30 September 2000 the Fund's name was changed to Merrill Lynch Balanced Portfolio Fund. The Fund changed its name to BlackRock Balanced Portfolio Fund on 28 April 2008 and adopted its present name with effect from 1 May 2009.

### Changes in accounting and income allocation dates

As communicated in a letter to investors dated 28 May 2013, the Manager has changed the Fund's annual and interim accounting dates in order to consolidate the publication of annual and interim reports. Additionally, the Fund's income allocation dates have changed.

Annual short reports for all BlackRock Fund Managers Limited retail authorised unit trust schemes will be produced as at the last day of February<sup>1</sup> and will be sent to investors on or shortly after 21 May each year. Half-yearly short reports for all Funds will be produced as at 31 August and will be sent to investors by 31 October each year. As a result, this annual report for the Fund will cover the shortened reporting period from 1 April 2013 to 28 February 2014.

<sup>1</sup> Please note that the last day of February will be 28 February or 29 February in a leap year.

Copies of Manager's Reports and Prospectus are available on request.

Dealing and Investor Services: 0800 44 55 22  
blackrock.co.uk

## BlackRock Balanced Growth Portfolio Fund

This Annual Report covers the period from 1 April 2013 to 28 February 2014. The period from 1 April 2013 to 31 August 2013 was commented on in the Interim Report to 31 August 2013. For a copy, please contact us.

### Performance Table

	Period of Report from 1.4.2013 to 28.2.2014	Five Years to 28.2.2014	Since Launch 15.1.1982 to 28.2.2014
<b>CAPITAL RETURN</b>			
<b>Class A Income Units</b>			
BlackRock Balanced Growth Portfolio Fund	<b>+2.5%</b>	+52.1%	+178.6%
Composite Index*†#	<b>+4.7%</b>	+70.8%	+194.6%
<b>TOTAL RETURN (with net income reinvested)</b>			
<b>Class A Accumulation Units</b>			
BlackRock Balanced Growth Portfolio Fund	<b>+6.2%</b>	+81.5%	+427.8%
Composite Index*†\$#	<b>+7.8%</b>	+101.4%	+575.6%

All Fund figures quoted are based on bid-to-bid dealing prices (the price at which units are sold) and are calculated net of fees. Performance returns are cumulative. \* Figures from BlackRock. † The composite benchmark is comprised of 55% FTSE All-Share Index, 25% FTSE World ex-UK Index and 20% Bank of America Merrill Lynch 1-15 Year Sterling Broad Market Index (prior to November 2006, it was the FTSE Actuaries UK Gilts All-Stocks). Prior to 1 January 2002 the MSCI World ex-UK Index was used. Prior to 1 May 2001 the weights were 60% FTSE All-Share Index, 20% MSCI World ex-UK Index and 20% FTSE UK Gilts All-Stocks Index. § FTSE World ex-UK with gross income reinvested used in composite. # Adjusted for exchange rate fluctuations relative to Sterling.

All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed. Changes in exchange rates may cause the value of an investment to fluctuate. Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product.

## Annual performance to most recent quarter end

	31.12.2012 to 31.12.2013	31.12.2011 to 31.12.2012	31.12.2010 to 31.12.2011	31.12.2009 to 31.12.2010	31.12.2008 to 31.12.2009
BlackRock Balanced Growth Portfolio Fund	<b>+13.3%</b>	+11.1%	-9.2%	+13.7%	+25.9%

All figures quoted are based on bid-to-bid dealing prices (the price at which units are sold), with net income reinvested. Performance is calculated net of fees. Performance is shown for complete 12 month periods only.

## Distributions Payable

### A Income

The final distribution payable on 30 April 2014 is 1.6963p net per income unit (31 May 2013: 2.7729p net per income unit).

### A Accumulation

The final accumulation distribution payable on 30 April 2014 is 3.2457p net per accumulation unit (31 May 2013: 5.1128p net per accumulation unit).

### D Income

The final distribution payable on 30 April 2014 is 1.7023p net per income unit (31 May 2013: 2.6529p net per income unit).

### D Accumulation

The final accumulation distribution payable on 30 April 2014 is 3.2545p net per accumulation unit (31 May 2013: 5.0560p net per accumulation unit).

## Performance Record

## Net Asset Value

At	Unit Class	Units in Issue	Net Asset Value £	Net Asset Value per Unit p
28 February 2014	A Income	13,027,499	17,449,086	133.9
28 February 2014	A Accumulation	65,489,913	170,159,041	259.8
28 February 2014	D Income	6,342,991	8,534,620	134.6
28 February 2014	D Accumulation	2,100,286	5,479,608	260.9
31 March 2013	A Income	15,029,044	19,433,883	129.3
31 March 2013	A Accumulation	86,439,926	211,057,204	244.2
31 March 2013	D Income <sup>#</sup>	803,828	1,037,809	129.1
31 March 2013	D Accumulation <sup>#</sup>	472,916	1,152,843	243.8
31 March 2012	A Income	18,024,927	21,705,902	120.4
31 March 2012	A Accumulation	90,109,713	197,316,237	219.0

<sup>#</sup> D Income and D Accumulation classes commenced October 2012.

## Income (Net Distributions/Net Accumulations)

Calendar Year	A Income Units Per Unit p	A Accumulation Units Per Unit p	D Income Units <sup>#</sup> Per Unit p	D Accumulation Units <sup>#</sup> Per Unit p
2014*	1.6963	3.2457	1.7023	3.2545
2013	4.6196	8.5993	4.5014	8.5428
2012	4.8015	8.6113	N/A	N/A
2011	4.0171	6.9572	N/A	N/A
2010	4.1060	6.8832	N/A	N/A
2009	3.6002	5.8359	N/A	N/A

\* To 30 April.

<sup>#</sup> D Income and D Accumulation classes commenced October 2012.

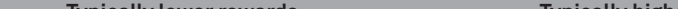
## Performance Record continued

### Capital (Unit Prices)

Calendar Year	A Income Units		A Accumulation Units		D Income Units <sup>#</sup>		D Accumulation Units <sup>#</sup>	
	Highest Offer Price p	Lowest Bid Price p	Highest Offer Price p	Lowest Bid Price p	Highest Offer Price p	Lowest Bid Price p	Highest Offer Price p	Lowest Bid Price p
2014*	143.9	129.4	275.7	247.9	137.7	129.9	263.4	248.8
2013	143.3	122.8	270.7	228.6	136.5	122.9	258.6	228.0
2012	133.1	111.8	240.0	203.4	123.3	117.2	227.9	216.7
2011	140.0	106.4	241.9	189.1	N/A	N/A	N/A	N/A
2010	137.9	110.8	236.9	187.6	N/A	N/A	N/A	N/A
2009	125.5	84.22	208.8	135.2	N/A	N/A	N/A	N/A

# D Income and D Accumulation classes commenced October 2012.

### Risk and Reward Profile

	Lower risk Typically lower rewards					Higher risk Typically higher rewards	
							
A Income	1	2	3	4	5	6	7
A Accumulation	1	2	3	4	5	6	7
D Income	1	2	3	4	5	6	7
D Accumulation	1	2	3	4	5	6	7

- ▶ The risk indicator was calculated incorporating historical or simulated historical data and may not be a reliable indication of the future risk profile of each unit class.
- ▶ The risk category shown is not guaranteed and may change over time.
- ▶ The lowest category does not mean risk free.
- ▶ During the period, the risk indicator of each unit class changed from level 6 to 5 due to a decline in market volatility.

For more information on this, please see the Fund's Key Investor Information Documents (KIIDs), which are available at [www.blackrock.com](http://www.blackrock.com).

### Ongoing Charges

Detailed in the following table are the charges used to meet the costs of running the Fund, which include the costs of marketing and distribution. These charges reduce the potential growth of your investments. The charges may vary from year to year. The charges exclude portfolio trade-related costs, except costs paid to the custodian/trustee and entry/exit charges paid to an underlying collective investment scheme (if any).

Unit Class	1.4.2013 to 28.2.2014†	1.4.2012 to 31.3.2013
A Income	1.74%	1.73%
A Accumulation	1.74%	1.73%
D Income	0.99%	0.98%#
D Accumulation	0.99%	0.98%#

# D Income and D Accumulation classes commenced October 2012. Ongoing charges figures are based on annualised expenses for the period ended 31 March 2013.

# Investment Report

## Summary of Performance over the Period

The BlackRock Balanced Growth Portfolio Fund rose by 6.2%\* over the period from 1 April 2013 to 28 February 2014, regrettably underperforming its composite benchmark, which was up by 7.8%. Over the six month period to 28 February 2014, the Fund was up by 7.4%\* outperforming the benchmark, which rose by 6.4%.

## Fund Manager's Commentary

Most asset classes made gains in 2013, despite some evidence of a slowdown in economic momentum towards the end of the first quarter. However, many financial markets endured a sharp reversal in fortunes during late May and June on concerns over what might happen once the US Federal Reserve (Fed) began reducing the amount it had been spending in support of its economy and further evidence of weakness in the Chinese economy. Emerging market equities fared poorly over the full period, and underperformed their developed market counterparts. Government bonds underperformed in 2013 but rebounded somewhat in early 2014 as investor risk aversion increased.

The Fund's returns were affected by the underperformance of the UK equity portion of the portfolio relative to its composite benchmark. The underweight exposure to fixed income was supportive, although the underweight exposure to equities was detrimental to returns at times of market strength. Positive contributions to returns came from tactical equity allocations, such as those to Japan's NIKKEI Index and European banks.

We actively managed risk exposure throughout the period. For example, the uncertainty of last summer saw us focus on taking profits and reducing portfolio risk. We put in place downside protection through equity index futures, and moved into more attractive areas within fixed income, in part by switching capital from German to Italian government bonds. As market risk diminished later in the reported period, we increased the Fund's exposure to equities.

Improving US and European economic data signifies ongoing progress and continues to push markets higher. We are constructive on equities given their relatively fair valuations and wide equity risk premium; however, we need to see earnings growth for this momentum to continue. We believe that the Fed's policy will remain accommodative, and that the emerging markets continue to face challenges to growth.

## March 2014

\* Performance figures quoted are based on bid-to-bid dealing prices (the price at which units are sold) and are not the same as the net asset value reported in the financial statements which is at close of business. Performance is calculated net of fees and reported for the Fund's class A Accumulation Units.

# Portfolio Statement

at 28 February 2014

Holding or Nominal Value	Investment	Market Value £	% of Total Net Assets
<b>UNITED KINGDOM – 33.49%; 2013 52.16%</b>			
<b>Aerospace &amp; Defence – 0.43%; 2013 0.00%</b>			
86,953	Rolls Royce	868,226	0.43
<b>Banks – 1.51%; 2013 5.07%</b>			
152,637	Barclays	384,798	0.19
422,972	HSBC	2,663,455	1.32
		<b>3,048,253</b>	<b>1.51</b>
<b>Beverages – 0.00%; 2013 1.60%</b>			
<b>Chemicals – 0.68%; 2013 1.75%</b>			
90,385	Essentra	803,975	0.40
29,186	Victrex	557,453	0.28
		<b>1,361,428</b>	<b>0.68</b>
<b>Electronic &amp; Electrical Equipment – 0.54%; 2013 0.61%</b>			
32,749	Oxford Instruments	470,931	0.23
25,153	Spectris	618,009	0.31
		<b>1,088,940</b>	<b>0.54</b>
<b>Food Producers – 0.13%; 2013 1.11%</b>			
41,085	Tate & Lyle	263,560	0.13
<b>General Financial – 1.21%; 2013 2.05%</b>			
267,496	3i	1,125,623	0.56
48,911	Hargreaves Lansdown	682,798	0.34
192,680	Melrose Industries	632,376	0.31
		<b>2,440,797</b>	<b>1.21</b>
<b>General Retailers – 0.44%; 2013 0.45%</b>			
5,860	Majestic Wine	29,564	0.01
12,865	Next	866,458	0.43
		<b>896,022</b>	<b>0.44</b>
<b>Household Goods – 0.98%; 2013 0.56%</b>			
76,148	Bovis Homes	709,319	0.35
25,960	Reckitt Benckiser	1,275,674	0.63
		<b>1,984,993</b>	<b>0.98</b>
<b>Industrial Engineering – 0.20%; 2013 0.00%</b>			
12,795	Spirax-Sarco Engineering	396,517	0.20

## Portfolio Statement continued

<b>Holding or Nominal Value Investment</b>	<b>Market Value £</b>	<b>% of Total Net Assets</b>
<b>Life Insurance – 1.73%; 2013 0.52%</b>		
293,985 Legal & General	706,740	0.35
118,556 Prudential	1,606,434	0.80
134,638 St. James's Place Capital	1,178,082	0.58
	<b>3,491,256</b>	<b>1.73</b>
<b>Media – 0.62%; 2013 1.59%</b>		
136,222 Reed Elsevier	<b>1,247,112</b>	<b>0.62</b>
<b>Mining – 1.33%; 2013 2.33%</b>		
191,235 Glencore International	629,546	0.31
60,115 Rio Tinto	2,063,147	1.02
	<b>2,692,693</b>	<b>1.33</b>
<b>Mobile Telecommunications – 0.62%; 2013 2.06%</b>		
502,008 Vodafone	<b>1,250,000</b>	<b>0.62</b>
<b>Non-Life Insurance – 0.65%; 2013 0.75%</b>		
350,951 eSure	944,760	0.47
55,442 Hiscox	361,482	0.18
	<b>1,306,242</b>	<b>0.65</b>
<b>Oil &amp; Gas Producers – 1.05%; 2013 3.37%</b>		
78,782 BG	857,542	0.43
148,807 BP	750,434	0.37
64,090 Tullow Oil	512,079	0.25
	<b>2,120,055</b>	<b>1.05</b>
<b>Oil Equipment, Services &amp; Distribution – 0.00%; 2013 0.55%</b>		
<b>Pharmaceuticals &amp; Biotechnology – 1.55%; 2013 2.25%</b>		
92,575 GlaxoSmithKline	1,547,391	0.77
47,417 Shire	1,574,244	0.78
	<b>3,121,635</b>	<b>1.55</b>
<b>Real Estate – 0.05%; 2013 0.67%</b>		
28,537 Capital & Counties Properties	<b>107,413</b>	<b>0.05</b>
<b>Software &amp; Computer Services – 0.27%; 2013 0.29%</b>		
67,798 Playtech	<b>553,910</b>	<b>0.27</b>
<b>Support Services – 0.92%; 2013 1.07%</b>		
45,764 Ashtead	400,893	0.20
41,762 Wolseley	1,451,647	0.72
	<b>1,852,540</b>	<b>0.92</b>

<b>Holding or Nominal Value Investment</b>	<b>Market Value £</b>	<b>% of Total Net Assets</b>
<b>Tobacco – 1.53%; 2013 2.90%</b>		
69,207 British American Tobacco	2,248,881	1.12
33,600 Imperial Tobacco	818,496	0.41
	<b>3,067,377</b>	<b>1.53</b>
<b>Travel &amp; Leisure – 1.81%; 2013 2.85%</b>		
37,603 Betfair	429,426	0.21
168,161 Compass	1,587,440	0.79
780,862 Starwood European Real Estate Finance	792,575	0.39
18,992 Whitbread	852,171	0.42
	<b>3,661,612</b>	<b>1.81</b>
<b>UK Sterling Denominated Fixed Rate Corporate Bonds – 2.90%; 2013 7.66%</b>		
£220,000 Anheuser-Busch InBev 4% Guaranteed European Medium Term Notes 24/9/2025	223,096	0.11
£50,000 Bank of America 6.125% Guaranteed Senior European Medium Term Bonds 15/9/2021	58,635	0.03
£384,000 Barclays 1.5% European Medium Term Notes 4/4/2017	385,832	0.19
£200,000 Barclays 10% Guaranteed Subordinated European Medium Term Bonds 21/5/2021	263,764	0.13
£120,000 BAT International Finance 4% Guaranteed European Medium Term Notes 4/9/2026	120,670	0.06
£105,000 British American Tobacco 5.5% Guaranteed European Medium Term Bonds 15/9/2016	115,469	0.06
£20,000 British Telecom 5.75% Guaranteed Senior Bonds 7/12/2028	22,797	0.01
£155,000 British Telecom 8.5% Guaranteed Senior Bonds 7/12/2016	182,433	0.09
£100,000 Bupa Finance 5% Subordinated Notes 25/4/2023	101,330	0.05
£60,000 Bupa Finance 7.5% Guaranteed Senior European Medium Term Notes 4/7/2016	67,796	0.03
£160,000 Carlsberg Breweries 7.25% Guaranteed Senior European Medium Term Notes 28/11/2016	182,624	0.09
£100,000 Cellco 8.875% Guaranteed Senior Notes 18/12/2018	128,184	0.06
£100,000 Centrica 4.375% European Medium Term Bonds 13/3/2029	99,550	0.05
£110,000 Comcast 5.5% Guaranteed Bonds 23/11/2029	124,896	0.06
£235,000 Co-Operative Bank 4.75% Guaranteed Bonds 11/11/2021	250,481	0.12
£120,000 Daimler 1.75% Senior European Medium Term Notes 8/11/2017	119,941	0.06
£180,000 Deutsche Bahn Finance 1.375% European Medium Term Notes 30/10/2017	178,987	0.09

# Portfolio Statement continued

Holding or Nominal Value	Investment	Market Value £	% of Total Net Assets
£160,000	DirecTV Financing 4.375% Guaranteed Medium Term Notes 14/9/2029	149,282	0.07
£20,000	DWR Cymru Financing 6.015% Guaranteed Asset Backed European Medium Term Bonds 31/3/2028	23,744	0.01
£105,000	Eversholt Funding 6.359% Guaranteed Senior European Medium Term Bonds 2/12/2025	124,901	0.06
£200,000	Experian Finance 3.5% Guaranteed European Medium Term Notes 15/10/2021	200,468	0.10
£100,000	FCE Bank 3.25% Senior European Medium Term Notes 19/11/2020	99,583	0.05
£200,000	FMS Wertmanagement 1.125% Bonds 7/12/2016	199,882	0.10
£200,000	Goldman Sachs 4.25% Senior European Medium Term Notes 29/1/2026	202,107	0.10
£30,000	Hammerson 6% Guaranteed Senior Bonds 23/2/2026	34,949	0.02
£85,000	Hammerson 6.875% Guaranteed Senior Bonds 31/3/2020	101,303	0.05
£110,000	Intu Metrocentre Finance 4.125% Senior Notes 6/12/2023	110,577	0.05
£100,000	John Lewis 6.125% Guaranteed Senior Bonds 21/1/2025	116,708	0.06
£110,000	Land Securities Capital Markets 4.875% European Medium Term Bonds 7/11/2019	121,749	0.06
£140,000	Lloyds TSB 7.625% Guaranteed Subordinated European Medium Term Bonds 22/4/2025	170,672	0.08
£120,000	Metropolitan Life Global Funding I 2.875% European Medium Term Notes 11/1/2023	115,142	0.06
£100,000	Motability Operations 4.375% Guaranteed Senior European Medium Term Bonds 8/2/2027	103,218	0.05
£100,000	Next 4.375% Senior Notes 2/10/2026	102,340	0.05
£80,000	Punch Taverns Finance 7.274% Guaranteed Bonds 15/4/2022	84,060	0.04
£100,000	Rolls Royce 3.375% Guaranteed European Medium Term Notes 18/6/2026	95,132	0.05
£200,000	Siemens Financieringsmaatschappij 2.75% Medium Term Notes 10/9/2025	181,475	0.09
£120,000	Svenska Handelsbanken 3% Senior European Medium Term Notes 20/11/2020	120,477	0.06
£123,598	Telereal Secured Finance 4.01% Asset Backed Notes 10/12/2033	122,151	0.06
£71,643	Tesco Property Finance 1 7.6227% Guaranteed Mortgage Backed Bonds 13/7/2039	93,031	0.05
£54,436	Tesco Property Finance 3 5.744% Guaranteed Mortgage Backed Bonds 13/4/2040	58,497	0.03
£90,000	Vodafone 8.125% Guaranteed Senior European Medium Term Notes 26/11/2018	112,034	0.06

Holding or Nominal Value	Investment	Market Value £	% of Total Net Assets
£120,000	Volkswagen Financial Services 1.25% European Medium Term Notes 15/12/2016	119,364	0.06
£130,000	Western Power Distribution 5.25% Senior European Medium Term Bonds 17/1/2023	142,887	0.07
£130,000	Yorkshire Building Society 4.75% Guaranteed European Medium Term Notes 12/4/2018	142,239	0.07
		<b>5,874,457</b>	<b>2.90</b>
<b>UK Sterling Denominated Fixed Rate Government Bonds – 11.77%; 2013 9.50%</b>			
£61,000	Treasury 0.125% Index Linked Gilts 22/3/2068	65,598	0.03
£1,057,000	Treasury 1% Notes 7/9/2017	1,046,192	0.52
£10,963,093	Treasury 1.25% Stock 22/7/2018	10,786,313	5.35
£254,000	Treasury 1.75% Bonds 7/9/2022	237,839	0.12
£671,000	Treasury 1.75% Notes 22/1/2017	684,806	0.34
£665,000	Treasury 2.25% Stock 7/9/2023	638,716	0.32
£401,000	Treasury 2.75% Stock 22/1/2015	409,090	0.20
£238,000	Treasury 3.25% Stock 22/1/2044	226,665	0.11
£82,000	Treasury 3.5% Bonds 22/7/2068	82,925	0.04
£1,015,000	Treasury 3.75% Bonds 7/9/2020	1,112,516	0.55
£1,283,310	Treasury 3.75% Gilts 7/9/2019	1,404,807	0.70
£1,752,000	Treasury 3.75% Gilts 7/9/2021	1,918,747	0.95
£611,000	Treasury 4% Stock 7/9/2016	659,437	0.33
£413,000	Treasury 4.25% Stock 7/3/2036	466,638	0.23
£90,000	Treasury 4.25% Stock 7/12/2046	103,570	0.05
£387,000	Treasury 4.5% Gilts 7/3/2019	437,068	0.22
£1,491,000	Treasury 4.75% Stock 7/9/2015	1,585,641	0.79
£693,000	Treasury 4.75% Stock 7/3/2020	798,734	0.40
£414,000	Treasury 5% Gilts 7/3/2018	471,287	0.23
£472,615	Treasury 8.75% Stock 25/8/2017	593,167	0.29
		<b>23,729,756</b>	<b>11.77</b>
<b>UK Sterling Denominated Variable Rate Corporate Bonds – 0.57%; 2013 0.60%</b>			
£140,000	Aviva 6.625% Guaranteed Subordinated Floating Rate European Medium Term Bonds 3/6/2041	156,759	0.08
£110,000	AXA 5.625% Subordinated Floating Rate European Medium Term Notes 16/1/2054	111,388	0.06
£14,000	Bupa Finance 6.125% Guaranteed Perpetual Floating Rate Bonds	14,609	0.01
£200,000	Electricite de France 5.875% Perpetual Subordinated Floating Rate European Medium Term Notes	201,583	0.10
£150,000	HSBC 6.375% Guaranteed Subordinated Floating Rate European Medium Term Bonds 18/10/2022	166,203	0.08

## Portfolio Statement continued

Holding or Nominal Value	Investment	Market Value £	% of Total Net Assets
£165,000	ING Bank 6.875% Guaranteed Floating Rate European Medium Term Bonds 29/5/2023	184,192	0.09
£115,000	Legal & General 5.875% Guaranteed Perpetual Subordinated Floating Rate European Medium Term Bonds	123,366	0.06
£170,000	NGG Finance 5.625% Floating Rate Notes 18/6/2073	172,263	0.09
		<b>1,130,363</b>	<b>0.57</b>
<b>ASIA PACIFIC – 2.23%; 2013 0.15%</b>			
<b>Australian Dollar Denominated Fixed Rate Government Bonds – 0.00%; 2013 0.15%</b>			
<b>Automobiles &amp; Parts – 0.11%; 2013 0.00%</b>			
140,000	Dongfeng Motor	113,022	0.06
440,000	Geely Automobiles	98,444	0.05
		<b>211,466</b>	<b>0.11</b>
<b>Banks – 0.04%; 2013 0.00%</b>			
293,000	Agricultural Bank of China	74,115	0.04
<b>Beverages – 0.06%; 2013 0.00%</b>			
26,000	Tsingtao Brewery	115,843	0.06
<b>Chemicals – 0.02%; 2013 0.00%</b>			
110,000	China Bluechemical	38,312	0.02
<b>Construction &amp; Materials – 0.22%; 2013 0.00%</b>			
55,500	Anhui Conch Cement	120,760	0.06
269,000	China Communications Construction	111,891	0.06
394,000	China Railway	101,481	0.05
201,000	China Railway Construction	99,060	0.05
		<b>433,192</b>	<b>0.22</b>
<b>Food Producers – 0.11%; 2013 0.00%</b>			
285,000	China Modern Dairy	83,486	0.04
152,000	Want Want China	137,902	0.07
		<b>221,388</b>	<b>0.11</b>
<b>Gas, Water &amp; Multiutilities – 0.05%; 2013 0.00%</b>			
158,000	Guangdong Investment	98,155	0.05
<b>General Financial – 0.05%; 2013 0.00%</b>			
124,000	Haitong Securities	98,580	0.05
<b>General Retailers – 0.08%; 2013 0.00%</b>			
146,800	Chow Tai Fook Jewellery	153,049	0.08

Holding or Nominal Value	Investment	Market Value £	% of Total Net Assets
<b>Industrial Engineering – 0.16%; 2013 0.00%</b>			
241,000	CSR	107,656	0.05
178,000	First Tractor	66,923	0.03
186,000	Shanghai Electric	37,754	0.02
51,000	Weichai Power	114,498	0.06
		<b>326,831</b>	<b>0.16</b>
<b>Industrial Transportation – 0.15%; 2013 0.00%</b>			
96,000	Beijing Capital International Airport	43,548	0.02
174,000	Jiangsu Expressway	130,704	0.06
42,500	Orient Overseas	124,170	0.06
110,000	Sinotrans Shipping	21,820	0.01
		<b>320,242</b>	<b>0.15</b>
<b>Life Insurance – 0.12%; 2013 0.00%</b>			
68,000	China Life Insurance	118,680	0.06
23,500	Ping An Insurance	113,919	0.06
		<b>232,599</b>	<b>0.12</b>
<b>Mobile Telecommunications – 0.06%; 2013 0.00%</b>			
2,700	Softbank	120,536	0.06
<b>Oil &amp; Gas Producers – 0.07%; 2013 0.00%</b>			
124,000	Kunlun Energy	131,757	0.07
<b>Personal Goods – 0.12%; 2013 0.00%</b>			
18,000	Hengan International	116,459	0.06
58,000	Shenzhou International	119,288	0.06
		<b>235,747</b>	<b>0.12</b>
<b>Pharmaceuticals &amp; Biotechnology – 0.16%; 2013 0.00%</b>			
290,000	Sihuan Pharmaceutical	208,029	0.10
74,800	Sinopharm	123,360	0.06
		<b>331,389</b>	<b>0.16</b>
<b>Real Estate – 0.06%; 2013 0.00%</b>			
96,000	Global Logistic Properties	127,530	0.06
<b>Software &amp; Computer Services – 0.24%; 2013 0.00%</b>			
1,344	Baidu ADR (each representing 0.1 of an ordinary 'A' class share)	136,882	0.07
3,240	NetEase ADR (each representing 25 shares)	133,614	0.07
3,900	Tencent	186,659	0.09
40,000	Travelsky Technology	23,988	0.01
		<b>481,143</b>	<b>0.24</b>



## Portfolio Statement continued

Holding or Nominal Value Investment	Market Value £	% of Total Net Assets
<b>Technology Hardware &amp; Equipment – 0.12%; 2013 0.00%</b>		
190,000 Lenovo	120,810	0.06
102,600 ZTE class 'H' shares	129,528	0.06
	<b>250,338</b>	<b>0.12</b>
<b>Travel &amp; Leisure – 0.23%; 2013 0.00%</b>		
7,985 Changyou.com	138,559	0.07
28,000 Galaxy Entertainment	167,380	0.08
62,000 MGM	157,784	0.08
	<b>463,723</b>	<b>0.23</b>
<b>EUROPE – 4.49%; 2013 2.13%</b>		
<b>Netherlands – 1.04%; 2013 1.86%</b>		
89,769 Royal Dutch Shell class 'B' shares	2,088,925	1.04
<b>Euro Denominated Fixed Rate Corporate Bonds – 0.05%; 2013 0.11%</b>		
€130,000 UniCredit 3.25% Senior European Medium Term Notes 14/1/2021	109,309	0.05
<b>Euro Denominated Fixed Rate Government Bonds – 3.35%; 2013 0.00%</b>		
€257,000 Italy (Republic) 2.15% Bonds 12/11/2017	216,252	0.11
€2,604,000 Italy (Republic) 4.5% Bonds 1/5/2023	2,344,197	1.16
€4,844,000 Portugal (Republic) 4.75% Bonds 14/6/2019	4,184,656	2.08
	<b>6,745,105</b>	<b>3.35</b>
<b>Euro Denominated Variable Rate Corporate Bonds – 0.05%; 2013 0.16%</b>		
€110,000 Nationwide Building Society 4.125% Floating Rate Notes 20/3/2023	95,266	0.05
<b>NORTH AMERICA – 0.34%; 2013 1.29%</b>		
<b>United States – 0.34%; 2013 0.00%</b>		
24,205 Verizon Communications	684,907	0.34
<b>US Dollar Denominated Fixed Rate Corporate Bonds – 0.00%; 2013 1.14%</b>		
<b>US Dollar Denominated Fixed Rate Government Bonds – 0.00%; 2013 0.10%</b>		
<b>US Dollar Denominated Variable Rate Corporate Bonds – 0.00%; 2013 0.05%</b>		

Holding or Nominal Value Investment	Market Value £	% of Total Net Assets
<b>INVESTMENT FUNDS – 52.64%; 2013 38.07%</b>		
<b>Alternative – 11.97%; 2013 3.79%</b>		
195,000 BH Macro – GBP shares	3,851,250	1.91
481,037 BlackRock Index Selection Fund*	16,282,134	8.08
2,272,325 BlueCrest Allblue Fund	4,001,564	1.98
	<b>24,134,948</b>	<b>11.97</b>
<b>Asia – 3.85%; 2013 5.19%</b>		
588,549 BlackRock Global Funds – ASEAN Leaders*	4,119,509	2.04
45,293 BlackRock Global Funds – Japan Small & Mid Cap Opportunities*	1,297,637	0.64
79,900 iShares MSCI Japan EUR Hedged UCITS ETF*	2,355,384	1.17
	<b>7,772,530</b>	<b>3.85</b>
<b>Cash – 5.79%; 2013 7.93%</b>		
11,680,882 Institutional Cash Series plc – Sterling Liquidity Fund*	11,680,882	5.79
<b>Emerging Markets – 1.96%; 2013 0.52%</b>		
43,595 Stone Harbor Emerging Market Debt Fund	3,957,155	1.96
7 Stone Harbor Emerging Markets Local Currency Debt Fund	1,166	0.00
	<b>3,958,321</b>	<b>1.96</b>
<b>Europe – 4.46%; 2013 4.50%</b>		
528,068 BlackRock Continental European Fund*	8,982,444	4.46
<b>Investment Trust – 1.42%; 2013 1.05%</b>		
2,375,000 BlackRock Frontier Markets Investment Trust*	2,861,875	1.42
<b>Latin America – 0.00%; 2013 0.74%</b>		
<b>United States – 0.00%; 2013 3.37%</b>		
<b>United Kingdom – 23.19%; 2013 10.98%</b>		
7,584,158 BlackRock UK Focus Fund*	10,640,574	5.28
1,535,709 BlackRock UK Smaller Companies Fund (Accumulation Units)*	10,301,534	5.11
667,028 BlackRock UK Smaller Companies Fund (Income Units)*	3,495,228	1.73
656,132 BlackRock UK Special Situations Fund*	22,321,614	11.07
	<b>46,758,950</b>	<b>23.19</b>

# Portfolio Statement continued

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £	Market Value £	% of Total Net Assets
<b>DERIVATIVES – 1.64%; 2013 (0.14)%</b>				
<b>Credit Default Swaps – (0.01)%; 2013 (0.03)%</b>				
734,152	Barclays Bank (iTraxx) 1% 20/12/2018	614,551	(9,483)	0.00
(433,090)	Barclays Bank (iTraxx) 1% 20/12/2023	352,013	(4,909)	0.00
549,472	BNP Paribas (iTraxx) 1% 20/12/2018	459,957	(7,097)	0.00
(325,404)	BNP Paribas (iTraxx) 1% 20/12/2023	264,486	(3,688)	0.00
366,905	Deutsche Bank (iTraxx) 1% 20/12/2018	307,132	(4,739)	0.00
(216,102)	Deutsche Bank (iTraxx) 1% 20/12/2023	175,646	(2,449)	0.00
(40,000)	Goldman Sachs International (J Sainsbury) 1% 20/3/2019	32,871	(96)	0.00
40,000	Goldman Sachs International (Tesco) 1% 20/3/2019	33,175	(222)	0.00
1,400,000	JP Morgan Chase Bank (iTraxx) 1% 20/12/2018	1,171,926	(18,083)	(0.01)
		<b>3,411,757</b>	<b>(50,766)</b>	<b>(0.01)</b>
<b>Forward Currency Contracts – 0.02%; 2013 (0.60)%</b>				
CLP 3,173,035,000	Chilean Peso vs US dollar	6,796,370	(10,696)	(0.01)
€360,000	Euro vs UK sterling	296,687	(111)	0.00
NZD 2,940,000	New Zealand dollar vs South African rand	2,838,657	109,762	0.05
NZD 7,295,000	New Zealand dollar vs US dollar	7,200,897	113,404	0.06
PLN 41,000,000	Polish zloty vs US dollar	16,093,604	81,160	0.04
RUB 232,000,000	Russian ruble vs US dollar	7,729,059	(26,475)	(0.01)
£1,150,000	UK sterling vs Canadian dollar	1,070,707	79,346	0.04
£9,231,110	UK sterling vs Euro	9,128,537	102,290	0.05
£5,294,021	UK sterling vs US dollar	5,265,693	28,191	0.01
\$3,750,000	US dollar vs Australian dollar	4,462,726	13,075	0.01
\$3,750,000	US dollar vs Canadian dollar	4,399,030	76,468	0.04
\$11,599,505	US dollar vs Chilian peso	13,708,451	169,250	0.08
\$4,000,000	US dollar vs Japanese yen	4,768,940	4,720	0.00
\$6,800,464	US dollar vs Polish zloty	8,107,782	8,849	0.00
\$12,939,563	US dollar vs Russian ruble	15,425,898	85,510	0.04
\$2,314,661	US dollar vs South African rand	2,653,330	(4,238)	0.00
\$57,792,900	US dollar vs UK sterling	34,485,724	(772,856)	(0.38)
		<b>144,432,092</b>	<b>57,649</b>	<b>0.02</b>

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £	Market Value £	% of Total Net Assets
<b>Futures – 0.58%; 2013 0.66%</b>				
(19)	Euro Bund March 2014	2,260,822	(51,332)	(0.03)
153	FTSE 100 Index March 2014	10,366,515	262,958	0.13
1,157	FTSE Dividend December 2014	2,710,851	115,534	0.06
(102)	H-Shares Index March 2014	3,881,559	(52,185)	(0.03)
(5)	Long Gilt June 2014	547,150	(2,814)	0.00
22	MDAX Index March 2014	1,528,013	70,209	0.03
92	Mexican Bolsa Index March 2014	1,609,177	(134,411)	(0.07)
(149)	Mini MSCI Emerging Markets Index March 2014	4,255,238	135,374	0.07
128	Nasdaq 100 E-Mini March 2014	5,644,801	343,495	0.17
507	Nikkei 225 Mini March 2014	4,404,684	(211,607)	(0.10)
138	S&P 500 E-Mini Index March 2014	7,648,322	342,271	0.17
(114)	STOXX 600 Basic Resources March 2014	1,949,994	37,253	0.02
(146)	US 10 Year Note (CBT) June 2014	10,849,159	(30,733)	(0.02)
82	XAF Financial March 2014	2,645,911	77,012	0.04
42	XAV Health Care March 2014	1,491,434	142,295	0.07
103	XAY Consumer Discretionary March 2014	4,114,837	150,519	0.07
		<b>65,908,467</b>	<b>1,193,838</b>	<b>0.58</b>
<b>Interest Rate Swaps – 0.00%; 2013 0.00%</b>				
480,000	Citibank (UK Sterling) 2.744% vs Variable 21/11/2023	<b>482,745</b>	<b>(1,891)</b>	<b>0.00</b>
<b>Options – 0.07%; 2013 0.10%</b>				
499	Ibex Call 20/6/2014 10100	1,892,372	170,254	0.08
(499)	Ibex Call 20/6/2014 10700	998,050	(69,500)	(0.03)
(499)	Ibex Mini Put 20/6/2014 9200	966,741	(71,967)	(0.04)
28,000,000	Morgan Stanley (Kospi Call 10/4/2014 260)	1,928,162	62,434	0.03
(28,000,000)	Morgan Stanley (Kospi Call 10/4/2014 272.5)	376,103	(9,767)	0.00
(51)	Nikkei Put 14/3/2014 13500	276,677	(7,752)	0.00
(33)	Russell Put 22/3/2014 1090	184,361	(4,883)	0.00
33	Russell Put 22/3/2014 1140	516,711	13,587	0.01
981	STOXX Europe Bank Call 21/3/2014 160	1,390,438	36,381	0.02
(981)	STOXX Europe Bank Put 21/3/2014 115	81,323	(4,042)	0.00
		<b>8,610,938</b>	<b>114,745</b>	<b>0.07</b>

## Portfolio Statement continued

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £	Market Value £	% of Total Net Assets
<b>Total Return Swaps – 0.98%; 2013 (0.27)%</b>				
4,784,000	Citibank (DYNAVO2X USD Index) 0% 20/6/2014	3,026,717	169,604	0.08
11,452,409	Citibank (Emerging Lifestyle Trends Index) 0% 5/9/2014	7,916,811	1,032,522	0.51
3,404,000	JP Morgan Chase Bank (Global Volatility Carry) 0% 3/7/2014	2,077,514	41,790	0.02
4,911,120	JP Morgan Chase Bank (JP European Basket Index) 0% 19/8/2014	4,959,197	890,442	0.44
3,561,000	Société Générale (VN2X Index USD Excess Return) 0% 10/3/2016	1,971,425	(147,504)	(0.07)
		<b>19,951,664</b>	<b>1,986,854</b>	<b>0.98</b>
<b>Portfolio of investments</b>		<b>191,194,983</b>	<b>94.83</b>	
Net other assets		10,427,372	5.17	
<b>Total net assets</b>		<b>£201,622,355</b>	<b>100.00</b>	

All equity investments are ordinary shares quoted on a recognised stock exchange unless otherwise stated.

Note: comparative figures show percentages for each category of holding at 31 March 2013.

\* Managed by related party – entered into in the normal course of business and on normal commercial terms.

Underlying exposure has been calculated according to the guidelines issued by the European Securities and Markets Authority ("ESMA") and represents the market value of an equivalent position in the assets underlying each financial derivative instrument.

The credit rating profile of the portfolio at 28 February 2014 is shown below:

	% of Total Net Assets
Investment grade	17.50
Not rated	1.19
Non-debt securities	76.14
Net other assets	5.17
<b>Total net assets</b>	<b>100.00</b>

## Statement of Total Return

for the period from 1 April 2013 to 28 February 2014

	Notes	£	For the period from 1.4.2013 to 28.2.2014 £	£	For the year to 31.3.2013 £
Income					
Net capital gains during the period/year	2		10,632,922		18,488,085
Revenue	3	6,953,044		9,428,281	
Expenses	4	(3,391,735)		(3,618,680)	
Finance costs: Interest	6	(3,203)		(16,537)	
Net revenue before taxation		3,558,106		5,793,064	
Taxation	5	(196,637)		(214,892)	
Net revenue after taxation for the period/year			3,361,469		5,578,172
Total return before distributions			13,994,391		24,066,257
Finance costs: Distributions	6		(6,069,308)		(8,473,257)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>£7,925,083</b>		<b>£15,593,000</b>

## Statement of Change in Net Assets Attributable to Unitholders

for the period from 1 April 2013 to 28 February 2014

	£	For the period from 1.4.2013 to 28.2.2014 £	£	For the year to 31.3.2013 £
<b>Opening net assets attributable to unitholders</b>		232,681,739		219,022,139
Amounts received on creation of units	11,833,906		14,680,132	
Amounts paid on cancellation of units	(55,892,517)		(24,156,014)	
		(44,058,611)		(9,475,882)
Stamp duty reserve tax		(29,447)		(26,863)
Unclaimed distributions over 6 years old		13,887		13,126
Change in net assets attributable to unitholders from investment activities		7,925,083		15,593,000
Retained distribution on accumulation units		5,089,704		7,556,219
<b>Closing net assets attributable to unitholders</b>		<b>£201,622,355</b>		<b>£232,681,739</b>

The Annual reporting date of the Fund has changed from 31 March to 28 February resulting in a shortened reporting period.

## Balance Sheet

at 28 February 2014

	Notes	£	28.2.2014 £	£	31.3.2013 £
<b>Assets:</b>					
Investment assets			192,860,513		224,296,984
– Debtors	7	2,100,849		953,214	
– Cash and bank balances	8	15,923,346		19,743,461	
<b>Total other assets</b>			<b>18,024,195</b>		<b>20,696,675</b>
<b>Total assets</b>			<b>210,884,708</b>		<b>244,993,659</b>
<b>Liabilities:</b>					
Investment liabilities			(1,665,530)		(6,365,239)
– Creditors	9	(4,014,196)		(3,584,053)	
– Amounts held at futures clearing houses and brokers		(1,212,658)		(1,158,557)	
– Cash collateral payable		(2,041,000)		(766,000)	
– Distribution payable on income units		(328,969)		(438,071)	
<b>Total other liabilities</b>			<b>(7,596,823)</b>		<b>(5,946,681)</b>
<b>Total liabilities</b>			<b>(9,262,353)</b>		<b>(12,311,920)</b>
<b>Net assets attributable to unitholders</b>			<b>£201,622,355</b>		<b>£232,681,739</b>

N C D Hall (Director)  
A J Stenning (Director)  
BlackRock Fund Managers Limited  
1 May 2014

## Notes to Financial Statements

for the period from 1 April 2013 to 28 February 2014

### 1. Accounting and Distribution Policies

#### Accounting Policies

(a) The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

(b) Dividends on quoted ordinary shares and preference shares are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when they are declared.

Revenue from fixed interest securities is recognised on an effective interest rate basis.

Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Fund.

All distributions from Collective Investment Schemes are recognised when the securities are quoted ex-dividend. All distributions from holdings in Collective Investment Schemes are treated as revenue with the exception of the equalisation element, which is treated as capital.

Any reported revenue from an offshore fund, in excess of any distribution received in the reporting period, is recognised as revenue no later than the date on which the reporting fund makes this information available. The equalisation element is treated as capital.

All revenue is recognised at a gross amount that includes any withholding taxes but excludes any other taxes such as attributable tax credits.

Revenue from securities lending is accounted for net of associated costs and is recognised on an accruals basis.

Bank interest is recognised on an accruals basis.

The Fund receives manager's service charge rebates from BlackRock related investments in the normal course of business. These are recognised on an accruals basis and are treated as revenue, unless it is the policy of the underlying fund to charge its fees to capital, in which case these rebates will be recognised as capital.

(c) Ordinary stock dividends are recognised wholly as revenue and are based on the market value of the shares on the date they are quoted ex-dividend. Where an enhancement is offered, the amount by which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash dividend is taken to capital.

(d) The underlying circumstances behind both special dividends and share buy backs are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Amounts recognised as revenue form part of the distribution. Any tax treatment will follow the accounting treatment of the principal amount.

(e) Underwriting commission is wholly recognised as revenue when the issue takes place, except where the Fund is required to take up some or all of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

(f) All expenses, except those relating to the purchase and sale of investments and Stamp Duty Reserve Tax are charged against revenue. All expenses are recognised on an accruals basis.

## Notes to Financial Statements continued

- (g) Provision for corporation tax is made at the current rate on the excess of taxable revenue over allowable expenses. Provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is recognised only to the extent that it is considered more likely than not that there will be taxable profits in the future against which the asset can be offset.

- (h) The investments of the Fund have been valued at market values, defined as fair value, which is usually bid value at close of business on the last business day of the accounting period. In the case of an investment which is not quoted, listed or dealt in on a recognised market, or in respect of which a listed, traded or dealt price or quotation is not available at the time of valuation, the fair value of such investment shall be estimated with care and in good faith by a competent professional person, body, firm or corporation including the Investment Manager's pricing committee, and such fair value shall be determined on the basis of the probable realisation value of the investment. The Investment Manager, in agreement with the Directors of the Manager, shall be entitled to adopt an alternative method of valuing any particular asset if it considers that the methods of valuation set out above do not provide a fair valuation of a particular asset.

For over the counter derivatives (e.g. credit default swaps, interest rate swaps, total return swaps and currency options), market value is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions. Amounts due to and from an individual counterparty which falls under a legally enforceable master netting agreement are netted.

Investments in dual priced Collective Investment Schemes have been valued at market values, defined as fair value, which is usually bid value at the closing valuation point of the underlying fund on the last business day of the accounting period. Investments in single priced Collective Investment Schemes have been valued at market values, defined as fair value, which is usually the quoted price on the last business day of the accounting period.

- (i) Any transactions in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of any such transaction. Assets and liabilities in foreign currencies are translated into Sterling at the exchange rates ruling at the close of business on the last business day of the accounting period. Revenue items in foreign currencies are translated into Sterling at the exchange rate when the revenue is received.
- (j) Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used for both hedging and for the purpose of achieving the investment objective and policy of the Fund. Where such financial instruments are used to protect or enhance revenue, the revenue derived therefrom are included in 'Revenue' in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in 'Net capital gains during the period/year' in the Statement of Total Return.

Revenue from over the counter derivatives is received in the form of premiums received on written options. Such premiums are recognised as revenue on a straight line basis over the period of the contract, with the balance recognised as capital. If the contract is sold or closed out, the unamortised portion of the premium remains in capital.

### Distribution Policies

- (k) The ordinary element of stock dividends is treated as revenue and forms part of the distribution.

- (l) All of the net revenue available for distribution at the final accounting period end will be distributed to unitholders with the balance attributable to accumulation unitholders retained within the Fund. In order to conduct a controlled dividend flow to unitholders, interim distributions may be made at the Manager's discretion, up to a maximum of the distributable revenue available for the period. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

- (m) All of the expenses are reimbursed by capital for distribution purposes.

## 2. Net Capital Gains During the Period/Year

	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £
The net capital gains comprise:		
Gains on non-derivative securities	7,248,444	18,587,165
Gains/(losses) on derivative contracts	6,577,739	(1,387,838)
(Losses)/gains on forward currency contracts	(3,408,708)	2,479,389
Currency gains/(losses)	234,774	(1,166,013)
Custodian transaction costs	(19,327)	(24,618)
<b>Net capital gains</b>	<b>£10,632,922</b>	<b>£18,488,085</b>

## 3. Revenue

	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £
Franked revenue from Collective Investment Schemes	386,451	325,821
Interest from overseas fixed interest securities	310,477	714,093
Interest from UK bank deposits	27,433	34,212
Interest from UK fixed interest securities	456,604	538,802
Interest received from certificates of deposit	16,186	–
Interest on credit default swaps	–	22,797
Interest on total return swaps	–	(35,094)
Manager's service charge rebates	570,196	481,262
Option premiums	2,567,384	4,186,372
Overseas dividends	684,559	534,206
Revenue from Institutional Cash Series plc – Sterling Liquidity Fund	80,352	88,481
Securities lending revenue	3,049	1,390
Stock dividends	–	33,508
UK dividends	1,850,353	2,502,431
<b>Total revenue</b>	<b>£6,953,044</b>	<b>£9,428,281</b>

## Notes to Financial Statements continued

### 4. Expenses

	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £
Payable to the Manager or associates of the Manager:		
– Manager's service charge	3,048,506	3,250,092
– Registrar's fees	309,605	323,375
	3,358,111	3,573,467
Payable to the Trustee or associates of the Trustee:*		
– Trustee's fees payable to BNY Mellon Trust & Depositary (UK) Limited	23,453	17,044
– Trustee's fees payable to The Royal Bank of Scotland plc	–	13,716
	23,453	30,760
Other expenses:		
– Audit fee	4,168	7,392
– BACS charges	–	35
– FCA fee	140	153
– Risk monitoring fees	–	120
– Safe custody fees	5,863	6,753
	10,171	14,453
<b>Total expenses</b>	<b>£3,391,735</b>	<b>£3,618,680</b>

\* With effect from 23 July 2012, The Royal Bank of Scotland plc retired as Trustee and BNY Mellon Trust & Depositary (UK) Limited was appointed as the Trustee of the Fund.

### 5. Taxation

#### (a) Analysis of tax charge in the period/year

	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £
Corporation tax	187,375	210,415
Irrecoverable overseas tax	9,262	4,477
<b>Total current tax charge for the period/year [see Note 5(b)]</b>	<b>£196,637</b>	<b>£214,892</b>

#### (b) Factors affecting the current tax charge for the period/year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for an authorised unit trust. The differences are explained below:

	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £
Net revenue before taxation	3,558,106	5,793,064
Corporation tax at 20% (31 March 2013: 20%)	711,621	1,158,613
Effects of:		
Franked investment revenue at 20%	(447,361)	(565,650)
Irrecoverable overseas tax	9,262	4,477
Movement in surplus expenses utilised	–	(300,944)
Non taxable overseas dividends	(76,885)	(74,902)
Non taxable stock dividends	–	(6,702)
<b>Total current tax for the period/year [see Note 5(a)]</b>	<b>£196,637</b>	<b>£214,892</b>

### 6. Finance Costs

	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £
Interim distribution	3,168,698	3,459,822
Final distribution	2,522,899	4,881,476
	5,691,597	8,341,298
Add: Amounts deducted on cancellation of units	443,696	261,427
Less: Amounts received on creation of units	(65,985)	(129,468)
<b>Net distribution for the period/year</b>	<b>6,069,308</b>	<b>8,473,257</b>
Finance costs: Interest	3,203	16,537
<b>Finance costs</b>	<b>£6,072,511</b>	<b>£8,489,794</b>
Net revenue after taxation for the period/year	3,361,469	5,578,172
Add: Equalisation on conversions	437	134
Add: Expenses reimbursed by capital	3,391,735	3,618,680
Less: Capitalised manager fee rebates	(7,483)	–
Less: Tax relief on capitalised expenses	(676,850)	(723,729)
<b>Net distribution for the period/year</b>	<b>£6,069,308</b>	<b>£8,473,257</b>

Details of the interim and final distributions per unit are set out in the tables on page 39.



## Notes to Financial Statements continued

### 7. Debtors

	28.2.2014 £	31.3.2013 £
Accrued Manager's service charge rebate	184,728	87,445
Accrued revenue	612,305	783,617
Amounts receivable for creation of units	5,770	3,000
Overseas tax recoverable	5,859	13,044
Sales awaiting settlement	1,292,187	66,108
<b>Total debtors</b>	<b>£2,100,849</b>	<b>£953,214</b>

### 8. Cash and Bank Balances

	28.2.2014 £	31.3.2013 £
Amount held at futures clearing houses and brokers	3,692,274	1,988,484
Cash and bank balances	12,231,072	17,754,977
<b>Total cash and bank balances</b>	<b>£15,923,346</b>	<b>£19,743,461</b>

### 9. Creditors

	28.2.2014 £	31.3.2013 £
Accrued Audit fee	4,891	7,413
Accrued FCA fee	447	307
Accrued Manager's service charge	784,824	564,725
Accrued Registrar's fee	81,623	56,523
Accrued Safe custody fees	2,159	1,603
Accrued Trustee's fee	6,203	4,296
Amounts payable for cancellation of units	1,783,963	750,846
Amounts payable with respect to total return swaps	–	24,627
Corporation tax payable	383,420	210,415
Custodian transaction costs	6,725	4,429
Purchases awaiting settlement	959,941	1,958,869
<b>Total creditors</b>	<b>£4,014,196</b>	<b>£3,584,053</b>

### 10. Derivatives and Other Financial Instruments

- (a) The Fund's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for cancellation of units, and debtors for accrued revenue.

The Manager shall take the risks it deems reasonable to meet the investment objective. These risks include the following:

Risk	Impact of risk
<b>Foreign currency</b>	<p>The risk of changes to foreign currency rates materially affecting the Sterling equivalent value of non-Sterling denominated assets and liabilities accounted for by the Fund.</p> <p>The Fund is accounted for in Sterling and holds financial assets and financial liabilities denominated in other international currencies.</p> <p>To manage the risk, the Fund may enter into forward currency contracts for the purposes of efficient portfolio management. The market value of these transactions as at 28 February 2014 is shown in the Portfolio Statement on page 16.</p>
<b>Market price</b>	<p>The valuation of the Fund's investments are calculated with reference to market prices quoted by financial agencies and brokers. Movements to those market prices may materially affect the value of the Fund's investments, which may move down as well as up.</p> <p>To manage the risk, the Manager undertakes research in order to achieve the best price for any transactions entered into on behalf of the Fund.</p>
<b>Liquidity</b>	<p>The risk of low market liquidity, through reduced trading volumes, affecting the ability of the Fund to trade financial instruments at values previously indicated by financial brokers.</p> <p>All stocks are valued daily. Stocks identified as being illiquid are reviewed for pricing accuracy as the need arises and on a formal monthly basis by the BlackRock Pricing Committee.</p> <p>The BlackRock Pricing Committee will also review significant market events which may impact liquidity of bonds in the portfolio.</p> <p>The Fund invests primarily in a global portfolio of equities and fixed interest securities with an emphasis in the UK, which is typically considered to be a territory operating with high levels of liquidity. From time to time, however, market liquidity may be affected by economic events. A security may be deemed illiquid due to a lack of trading volume in the security or if the security is privately placed and not traded in any public market or is otherwise restricted from trading.</p> <p>To manage the risk, the Investment Manager undertakes research of investment opportunities to select opportunities congruent with the Fund's investment objective.</p>

## Notes to Financial Statements continued

Risk	Impact of risk
<b>Counterparty</b>	<p>The risk of entering an arrangement with a counterparty, which is itself subject to financial risks which may affect its ability to trade as a going concern.</p> <p>The Manager maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's credit-worthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.</p> <p>The Fund's use of exchange traded derivatives are considered to be free of counterparty risk if the derivative is traded on an exchange where the clearing house is backed by an appropriate performance guarantee and it is characterised by a daily mark-to-market valuation of the derivative position and at least daily margining.</p> <p>At 28 February 2014, the market value of the exchange traded derivatives held by the Fund was £1,255,916 (31 March 2013: £1,882,689).</p> <p>The Fund trades derivatives with a range of counterparties. The counterparties to over the counter (OTC) derivatives are shown in the Portfolio Statement. Forward currency contracts are (primarily) traded with the following counterparties: Bank of America, Barclays, BNP Paribas, Citibank, Credit Suisse, Deutsche Bank, HSBC, JP Morgan Chase and UBS. Exchange traded derivatives are (primarily) traded with the following counterparties: Bank of America Merrill Lynch and Goldman Sachs.</p> <p>Margin is paid or received on derivatives to cover any exposure by the counterparty to the Fund or by the Fund to the counterparty. Margin receivable from the Fund's clearing brokers and various counterparties is included in "Cash and bank balances" on the Balance Sheet. Margin payable to the Fund's clearing brokers and various counterparties is included in "Amounts held at futures clearing houses and brokers" on the Balance Sheet.</p> <p>At 28 February 2014, the Fund had received margin of £1,212,658 from counterparties and had provided margin of £3,692,274 to counterparties relating to derivatives. At 28 February 2014, the Fund had received cash collateral of £2,041,000 in relation to credit default swaps, interest rate swaps and total return swaps.</p>

Risk	Impact of risk
<b>Interest rate</b>	<p>Interest rates are determined by factors such as supply and demand in the international money markets, which are influenced by macro economic factors, speculation and central bank and government intervention. Fluctuations in short and long term interest rates on money market and cash deposits may affect the revenue of the Fund.</p> <p>Changes to interest rates may affect the cash inflows and outflows calculated with reference to financial assets and financial liabilities held by the Fund.</p> <p>The Manager undertakes research to minimise the impact of such movements against the Fund's investment objective.</p> <p>Revenue is generated by the holding of bonds, which contractually oblige the borrower to pay the Fund interest under specific terms.</p> <p>To manage the risk, the Fund may enter into interest rate swaps. The market value of these transactions as at 28 February 2014 is shown in the Portfolio Statement on page 17.</p>
<b>Credit</b>	<p>The Fund holds bonds issued by companies and international governments in order to achieve its investment objective.</p> <p>The borrower receives from the Fund a principal amount. The Fund will then receive interest based on the coupon rate of the bond and repayment of the initial principal amount on the bond's maturity date.</p> <p>Any impairment to the borrower's ability to pay amounts due may result in changes to the tradable value of the bond and the amount to be received upon maturity of the bond. The ability of the borrower to pay not only the principal value but also any interest due on the bond, referred to as the borrower's credit rating, is monitored by the Manager. The credit rating profile of the Fund's portfolio at 28 February 2014 is shown on the Portfolio Statement on page 18.</p> <p>The Manager may undertake its own research of the borrower's financial position in order to assess the ability of the borrower to repay amounts due.</p> <p>To manage the risk, the Fund may enter into credit default swaps. The market value of these transactions as at 28 February 2014 is shown in the Portfolio Statement on page 16.</p>

These risks are monitored by the Manager in pursuance of the investment objective and policy as set out in the Trust Deed. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Prospectus and in the rules of the Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Report and Portfolio Statement.



## Notes to Financial Statements continued

### (b) Currency Exposures

A proportion of the net assets of the Fund are denominated in currencies other than Sterling, with the effect that the Balance Sheet and Statement of Total Return can be affected by currency movements.

The currency profile held at 28 February 2014 was as follows:

Currency	Currency Net Assets/(Liabilities)		
	Monetary Exposures 28.2.2014 £	Non-monetary Exposures 28.2.2014 £	Total 28.2.2014 £
Australian dollar	3,455	–	3,455
Chilean peso	–	(10,696)	(10,696)
Euro	(1,508)	10,742,735	10,741,227
Hong Kong dollar	(6,374)	3,756,631	3,750,257
Japanese yen	169,868	(98,823)	71,045
Korean won	–	52,667	52,667
Mexican peso	126,923	(134,411)	(7,488)
New Zealand dollar	2	223,166	223,168
Polish zloty	–	81,160	81,160
Russian rouble	–	(26,475)	(26,475)
Singapore dollar	–	127,530	127,530
UK sterling	13,462,791	162,943,208	176,405,999
US dollar	(1,085,469)	11,295,975	10,210,506
<b>Total</b>	<b>£12,669,688</b>	<b>£188,952,667</b>	<b>£201,622,355</b>

The currency profile held at 31 March 2013 was as follows:

Currency	Currency Net Assets/(Liabilities)		
	Monetary Exposures 31.3.2013 £	Non-monetary Exposures 31.3.2013 £	Total 31.3.2013 £
Australian dollar	8,792	413,405	422,197
Brazilian real	–	82,868	82,868
Canadian dollar	21	(227,019)	(226,998)
Chilean peso	–	11,104	11,104
Chinese yuan	–	(531)	(531)
Czech koruna	78	(96,999)	(96,921)
Danish krone	–	(18,605)	(18,605)
Euro	(528,437)	2,616,654	2,088,217
Hong Kong dollar	85	(718)	(633)
Hungarian forint	6	(46,011)	(46,005)
Indian rupee	–	39,607	39,607
Indonesian rupiah	–	(759)	(759)
Japanese yen	(343,720)	460,704	116,984
Korean won	–	(252,027)	(252,027)
Malaysian ringgit	–	18,345	18,345
Mexican nuevo peso	3	190,253	190,256
New Zealand dollar	491	(10,790)	(10,299)
Norwegian krone	718	(67,942)	(67,224)
Philippines peso	–	(70,809)	(70,809)
Polish zloty	9	14,246	14,255
Romanian leu	88	–	88
Russian ruble	–	(35,304)	(35,304)
Singapore dollar	–	(83,883)	(83,883)
South African rand	66	(36,167)	(36,101)
Swedish krona	93	12,574	12,667
Swiss franc	87	137,383	137,470
Taiwan dollar	–	(175,108)	(175,108)
Thai baht	–	42,589	42,589
Turkish lira	275	14,503	14,778
UK sterling	18,400,803	201,249,430	219,650,233
US dollar	279,446	10,681,842	10,961,288
<b>Total</b>	<b>£17,818,904</b>	<b>£214,862,835</b>	<b>£232,681,739</b>

## Notes to Financial Statements continued

### (c) Interest Rate Risk Profile of Financial Assets and Liabilities

The Interest Rate Risk Profile of Financial Assets and Liabilities as at 28 February 2014 was as follows:

Currency	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets not Carrying Interest £	Total £
Australian dollar	3,455	–	–	3,455
Euro	210,338	6,854,414	4,040,774	11,105,526
Hong Kong dollar	776	–	3,808,816	3,809,592
Japanese yen	169,868	–	120,536	290,404
Korean won	–	–	62,434	62,434
Mexican peso	126,923	–	–	126,923
New Zealand dollar	2	–	223,166	223,168
Polish zloty	–	–	81,160	81,160
Singapore dollar	–	–	127,530	127,530
UK sterling	16,634,154	29,604,213	136,556,501	182,794,868
US dollar	3,459	–	12,256,189	12,259,648
<b>Total</b>	<b>£17,148,975</b>	<b>£36,458,627</b>	<b>£157,277,106</b>	<b>£210,884,708</b>

Currency	Floating Rate Financial Liabilities £	Financial Liabilities not Carrying Interest £	Total £
Chilean peso	–	(10,696)	(10,696)
Euro	(116,580)	(247,719)	(364,299)
Hong Kong dollar	(7,150)	(52,185)	(59,335)
Japanese yen	–	(219,359)	(219,359)
Korean won	–	(9,767)	(9,767)
Mexican peso	–	(134,411)	(134,411)
Russian rouble	–	(26,475)	(26,475)
UK sterling	(2,041,000)	(4,347,869)	(6,388,869)
US dollar	(1,088,928)	(960,214)	(2,049,142)
<b>Total</b>	<b>£(3,253,658)</b>	<b>£(6,008,695)</b>	<b>£(9,262,353)</b>

Currency	Total Market Value £ Equivalent	Fixed Rate Financial Assets	
		Weighted Average Interest Rate %	Weighted Average Period for which Rate is Fixed
Euro	6,854,414	4.29	6.60 years
UK sterling	29,604,213	2.82	6.24 years

This table shows weighted average interest earned on the market value of bonds and will not reflect the yield on the Fund.

The Interest Rate Risk Profile of Financial Assets and Liabilities as at 31 March 2013 was as follows:

Currency	Floating Rate Financial Assets £	Fixed Rate Financial Assets £	Financial Assets not Carrying Interest £	Total £
Australian dollar	8,792	370,022	43,575	422,389
Brazilian real	–	–	82,868	82,868
Canadian dollar	21	–	–	21
Chilean peso	–	–	11,104	11,104
Czech koruna	78	–	–	78
Euro	560,235	262,698	3,971,260	4,794,193
Hong Kong dollar	85	–	–	85
Hungarian forint	6	–	–	6
Indian rupee	–	–	39,607	39,607
Japanese yen	7	–	479,889	479,896
Malaysian ringgit	–	–	18,345	18,345
Mexican nuevo peso	3	–	190,253	190,256
New Zealand dollar	491	–	–	491
Norwegian krone	718	–	–	718
Polish zloty	9	–	14,246	14,255
Romanian leu	88	–	–	88
South African rand	66	–	9,069	9,135
Swedish krona	93	–	62,585	62,678
Swiss franc	87	–	137,383	137,470
Thai baht	–	–	42,589	42,589
Turkish lira	275	–	14,503	14,778
UK sterling	20,576,751	39,911,768	163,855,270	224,343,789
US dollar	474,528	2,860,560	10,993,732	14,328,820
<b>Total</b>	<b>£21,622,333</b>	<b>£43,405,048</b>	<b>£179,966,278</b>	<b>£244,993,659</b>

## Notes to Financial Statements continued

Currency	Floating Rate Financial Liabilities £	Financial Liabilities not Carrying Interest £	Total £
Australian dollar	–	(192)	(192)
Canadian dollar	–	(227,019)	(227,019)
Chinese yuan	–	(531)	(531)
Czech koruna	–	(96,999)	(96,999)
Danish krone	–	(18,605)	(18,605)
Euro	(734,241)	(1,971,735)	(2,705,976)
Hong Kong dollar	–	(718)	(718)
Hungarian forint	–	(46,011)	(46,011)
Indonesian rupiah	–	(759)	(759)
Japanese yen	(343,727)	(19,185)	(362,912)
Korean won	–	(252,027)	(252,027)
New Zealand dollar	–	(10,790)	(10,790)
Norwegian krone	–	(67,942)	(67,942)
Philippines peso	–	(70,809)	(70,809)
Russian ruble	–	(35,304)	(35,304)
Singapore dollar	–	(83,883)	(83,883)
South African rand	–	(45,236)	(45,236)
Swedish krona	–	(50,011)	(50,011)
Taiwan dollar	–	(175,108)	(175,108)
UK sterling	(766,000)	(3,927,556)	(4,693,556)
US dollar	(80,589)	(3,286,943)	(3,367,532)
<b>Total</b>	<b>£(1,924,557)</b>	<b>£(10,387,363)</b>	<b>£(12,311,920)</b>

Currency	Total Market Value £ Equivalent	Fixed Rate Financial Assets	
		Weighted Average Interest Rate %	Weighted Average Period for which Rate is Fixed
Australian dollar	370,022	4.73	9.80 years
Euro	262,698	2.58	11.02 years
UK sterling	39,911,768	2.45	6.33 years
US dollar	2,860,560	0.34	2.68 years

### The floating rate financial assets and liabilities include:

Sterling denominated bank balances which bear interest rates based on 0.25% under the one and two week LIBID rates and overdraft interest based on 3% over the base rate.

All overseas deposits and loans bear interest at rates determined by the relevant Authority.

### (d) Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

### 11. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the balance sheet date (31 March 2013: Nil).

### 12. Efficient Portfolio Management Techniques

The Fund may engage in derivative transactions for the purpose of both hedging and for the purpose of achieving the investment objective and policy of the Fund. Please see further disclosures in Note 10(a).

During the period, the Fund engaged in securities lending, subject to the conditions and within the limits laid down by the Financial Conduct Authority.

The Fund receives securities as collateral for a value in excess of the market value of the securities loaned. The collateral is registered in the name of the Trustee, on behalf of the Fund with the collateral agents and central securities depositories JP Morgan Chase and BNY Mellon. As at 28 February 2014, the Fund had securities on loan to the following counterparty: Credit Suisse.

The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained if necessary. The collateral consists of equities admitted to or dealt in on a regulated market.

The securities lending agent appointed, pursuant to the securities lending agreement is BlackRock Advisors (UK) Limited. Securities lending revenue is split between the Fund and the securities lending agent in the ratio 60:40, with all operational costs borne out of the securities lending agent's share.

	28.2.2014 £	31.3.2013 £
Revenue earned during the period/year	3,049	1,390
Value of securities on loan at the period/year end	124,934	–
Value of collateral held on behalf of the Fund at the period/ year end	138,081	–

### 13. Investment Management

Until 27 June 2013, BlackRock Fund Managers Limited (the "Manager") had delegated to its associate, BlackRock (Luxembourg) S.A., responsibility for investment management of the Fund. BlackRock (Luxembourg) S.A. does not enter into commission sharing agreements. With effect from 28 June 2013 responsibility for investment management of the Fund moved from BlackRock (Luxembourg) S.A. to BlackRock Investment Management (UK) Limited. For details of commission sharing agreements, refer to Note 14 'Related Parties'.

## 14. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the period ended 28 February 2014:

Manager/Registrar:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock (Luxembourg) S.A. until 27 June 2013 and BlackRock Investment Management (UK) Limited from 28 June 2013.
Securities lending agent:	BlackRock Advisors (UK) Limited
Trustee:	BNY Mellon Trust & Depositary (UK) Limited

The ultimate holding company of the Manager and Investment Manager is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock.

The Manager acts as either principal or agent for the Trustee in respect of all transactions of units of the Fund. The aggregate monies received through creation and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Note 6. Any amounts due to or from the Manager at the period end are disclosed in Notes 7 and 9. Management fees and registration fees paid to BlackRock Fund Managers Limited and Trustee's fees paid to BNY Mellon Trust & Depositary (UK) Limited are shown in Note 4. The balances due at the period end in respect of these fees are shown in Note 9.

The Fund's investments in other BlackRock related products are detailed on the Portfolio Statement.

The Investment Manager, in accordance with the Trust Deed, may enter into commission sharing arrangements with related parties (including, without limitation, brokers who are affiliated to the BlackRock Group), which may result in the Fund benefiting from research or execution services which the Investment Manager believes are useful in the investment decision-making or trade execution process. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; and the provision of economic and financial information and analysis. Due to the bundled nature of these services and the application of such benefits across a number of BlackRock managed funds, it is not feasible to quantify the benefit to the Fund. The Investment Manager may also enter into these arrangements with brokers who are not affiliated to the BlackRock Group.

### Securities Lending

The securities lending agent appointed pursuant to the securities lending agreement is BlackRock Advisors (UK) Limited, which is a related party to the Fund.

The Fund benefits from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities lent. BlackRock Inc. bears all operational costs directly related to securities loan transactions as well as the cost of indemnification against borrower default.

See further information in Note 12.

## Material Unitholders

The following investor held more than 20% of the voting units in issue in the Fund and as a result is considered to be a related party of the Fund.

As at 28 February 2014:

Held by:	% of voting units in issue	No. of units held
Scottish Widows Unit Funds Limited	26%	22,856,600

As at 31 March 2013:

Held by:	% of voting units in issue	No. of units held
Scottish Widows Unit Funds Limited	24%	24,419,876

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments above were no more favourable than those received by other investors investing into the same unit classes.

## 15. Portfolio Transaction Costs

Summary of total purchase costs:

	For the period from 1.4.2013 to 28.2.2014 £	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £	For the year to 31.3.2013 £
Purchases before transaction costs		359,462,860		118,111,717
Commissions and other costs (including stamp duty)	257,746		297,010	
Total purchase costs		257,746		297,010
<b>Gross purchases total</b>		<b>£359,720,606</b>		<b>£118,408,727</b>

Summary of total sale costs:

	For the period from 1.4.2013 to 28.2.2014 £	For the period from 1.4.2013 to 28.2.2014 £	For the year to 31.3.2013 £	For the year to 31.3.2013 £
Gross sales before transaction costs		399,128,365		124,556,060
Commissions and other costs	(119,780)		(76,221)	
Total sale costs		(119,780)		(76,221)
<b>Total sales net of transaction costs</b>		<b>£399,008,585</b>		<b>£124,479,839</b>

## Notes to Financial Statements continued

### 16. Unitholders' Funds

Accumulation and Income units are currently available as specified in the Prospectus. The net asset value of the unit class, net asset value per unit and the number of units in issue are given in the 'Performance Record'.

The types of units currently in issue and the Manager's annual charge for each unit class are shown below:

Class	28.2.2014	31.3.2013
A Income	1.50%	1.50%
A Accumulation	1.50%	1.50%
D Income	0.75%	0.75%
D Accumulation	0.75%	0.75%

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution tables. All unit classes have the same rights on winding up.

### 17. Non Adjusting Post Balance Sheet Event

Since the last business day of the accounting period, the Fund's quoted bid prices have fallen as shown below:

Class	Bid prices as at 24.4.2014	Bid prices as at 28.2.2014	Fall (%)
A Income	131.5p	135.5p	3.0
A Accumulation	255.0p	259.6p	1.8
D Income	132.2p	136.2p	2.9
D Accumulation	256.3p	260.7p	1.7

## Distribution Tables

for the period from 1 April 2013 to 28 February 2014

### Final Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 September 2013

Group 2 – Units purchased 1 September 2013 to 28 February 2014

	A Income Units		A Accumulation Units		D Income Units		D Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	1.6963	1.1589	3.2457	1.9767	1.7023	1.1537	3.2545	1.4600
Equalisation†	–	0.5374	–	1.2690	–	0.5486	–	1.7945
<b>Distribution payable 30.4.2014^</b>	<b>1.6963</b>	<b>1.6963</b>	<b>3.2457</b>	<b>3.2457</b>	<b>1.7023</b>	<b>1.7023</b>	<b>3.2545</b>	<b>3.2545</b>
<b>Distribution paid 31.5.2013</b>	<b>2.7729</b>	<b>2.7729</b>	<b>5.1128</b>	<b>5.1128</b>	<b>2.6529</b>	<b>2.6529</b>	<b>5.0560</b>	<b>5.0560</b>

### Interim Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 April 2013

Group 2 – Units purchased 1 April 2013 to 31 August 2013

	A Income Units		A Accumulation Units		D Income Units#		D Accumulation Units#	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	1.8467	1.0217	3.4865	2.2393	1.8485	1.3704	3.4868	1.5101
Equalisation†	–	0.8250	–	1.2472	–	0.4781	–	1.9767
<b>Distribution paid 31.10.2013*</b>	<b>1.8467</b>	<b>1.8467</b>	<b>3.4865</b>	<b>3.4865</b>	<b>1.8485</b>	<b>1.8485</b>	<b>3.4868</b>	<b>3.4868</b>
<b>Distribution paid 30.11.2012</b>	<b>2.0000</b>	<b>2.0000</b>	<b>3.6367</b>	<b>3.6367</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

† Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

^ The Annual reporting date of the Fund has changed to 28 February and the Annual income allocation date has changed to 30 April accordingly.

\* The Interim reporting date of the Fund has changed to 31 August and the Interim income allocation date has changed to 31 October accordingly.

# D Income and D Accumulation classes commenced October 2012.

## Authorised Status

BlackRock Balanced Growth Portfolio Fund is an authorised unit trust Scheme under Section 243 of the Financial Services and Markets Act 2000 and is established as a UCITS retail Scheme under the Financial Conduct Authority's Collective Investment Schemes Sourcebook (the 'Sourcebook').

## Stamp Duty Reserve Tax (SDRT)

Prior to 30 March 2014, SDRT was levied on the dealing of units in unit trust schemes under Schedule 19 of the Finance Act 1999 ("Schedule 19") at the rate of 0.5% on the value of units surrendered. In order to increase the competitiveness of the asset management industry in the UK, the charge to SDRT under Schedule 19 has been abolished since 30 March 2014, and there is no SDRT charge levied on the surrender of units in unit trust schemes after this date.

## Statement of Manager's and Trustee's Responsibilities

The Manager is required by the rules of the Sourcebook to prepare the financial statements for each financial period. These financial statements must be prepared in accordance with applicable accounting standards to give a true and fair view of the state of affairs of the Fund at the period end and of the net revenue for the period.

The financial statements should comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA (the 'SORP') and must comply with any relevant provisions of the Trust Deed.

The Manager is responsible for keeping such accounting records as are necessary to enable it to ensure that the financial statements comply with the Sourcebook, the SORP and the Trust Deed.

The Trustee is responsible for the safekeeping of all the property of the Scheme (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Scheme is managed in accordance with the Sourcebook, the Fund's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the Fund; the application of revenue of the Scheme; and the investment and borrowing powers of the Fund.

## Report of the Trustee

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's revenue in accordance with the Sourcebook, the Trust Deed and Prospectus, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Fund.

BNY Mellon Trust & Depositary  
(UK) Limited

London  
1 May 2014

# Report of the Auditor

## Independent Auditor's Report to the Unitholders of BlackRock Balanced Growth Portfolio Fund

We have audited the financial statements of BlackRock Balanced Growth Portfolio Fund ("the Fund") for the period ended 28 February 2014 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes 1 to 17 and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the manager and auditor

As explained more fully in the manager's responsibilities statement set out on page 41, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the manager; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of the Fund as at 28 February 2014 and of the net revenue and the net gains on the scheme property of the Fund for the period then ended; and
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## Opinion on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- ▶ the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- ▶ the information given in the manager's report for the financial period for which the financial statements are prepared is consistent with the financial statements;
- ▶ there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- ▶ we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Ernst & Young LLP  
Statutory Auditor

Edinburgh  
1 May 2014

## Manager & Registrar

BlackRock Fund Managers Limited  
12 Throgmorton Avenue, London EC2N 2DL  
Telephone: 020 7743 3000 Dealing and Investor Services: 0800 44 55 22

Member of the Investment Management Association and authorised and regulated by the Financial Conduct Authority.

## Directors of the Manager

G D Bamping R A Damm (appointed 27 March 2014) N C D Hall\*  
R A R Hayes (appointed 18 February 2014) A M Higgins A M Lawrence A J Stenning  
E E Tracey G M P M van Berkel\* (resigned 27 March 2014)

\* Director is a non-executive Director.

## Trustee

BNY Mellon Trust & Depositary (UK) Limited  
160 Queen Victoria Street, London EC4V 4LA

Authorised and regulated by the Financial Conduct Authority.

## Investment Manager (until 27 June 2013)#

BlackRock (Luxembourg) S.A.  
6D route de Trèves, L-2633 Senningerberg, Grand-Duchy of Luxembourg

Incorporated in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

## Investment Manager (from 28 June 2013)#

BlackRock Investment Management (UK) Limited  
12 Throgmorton Avenue, London EC2N 2DL

Authorised and regulated by the Financial Conduct Authority.

# With effect from 28 June 2013, responsibility for investment management of the Fund moved from BlackRock (Luxembourg) S.A. to BlackRock Investment Management (UK) Limited.

## Auditor

Ernst & Young LLP  
1 More London Place, London SE1 2AF

BlackRock's proxy voting agent is ISS (Institutional Shareholder Services).

## This Report relates to the packaged products of, and is issued by:

BlackRock Fund Managers Limited  
12 Throgmorton Avenue, London EC2N 2DL  
Telephone: 020 7743 3000  
Dealing and Investor Services: 0800 44 55 22  
blackrock.co.uk

**For your protection, telephone calls are usually recorded.**





## **ABOUT US**

BlackRock is a premier provider of asset management, risk management, and advisory services to institutional, intermediary, and individual clients worldwide. As of 31 March 2014, the firm manages £2.64 trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares® exchange-traded funds.

Through BlackRock Solutions®, the firm offers risk management and advisory services that combine capital markets expertise with proprietary-developed analytics, systems, and technology. BlackRock Solutions® currently provides risk management and enterprise investment services for over £9 trillion in assets.

BlackRock serves clients in North and South America, Europe, Asia, Australia, Africa, and the Middle East. Headquartered in New York, the firm maintains offices in 30 countries around the world.

**For more information**

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