Annual report

BlackRock UK Fund

For the year ended 28 February 2018

Contents

General Information

Manager & Registrar
BlackRock Fund Managers Limited
12 Throgmorton Avenue, London EC2N 2DL

Member of The Investment Association and authorised and regulated by the Financial Conduct Authority ("FCA").

Directors of the Manager
G D Bamping* C L Carter (appointed 7 September 2017) W I Cullen* (appointed 14 December 2017)
R A Damm N C D Hall* (resigned 31 May 2017) R A R Hayes A M Lawrence
E E Tracey (resigned 28 February 2018) M T Zemek*

* Non-executive Director.

Trustee
BNY Mellon Trust & Depositary (UK) Limited
The Bank of New York Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA

Authorised and regulated by the FCA.

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

Authorised and regulated by the FCA.

Securities Lending Agent
BlackRock Advisors (UK) Limited
12 Throgmorton Avenue, London EC2N 2DL

Authorised and regulated by the FCA.

Auditor
Ernst & Young LLP
Atria One, 144 Morrison Street, Edinburgh EH3 8EX

Custodian
The Bank of New York Mellon (International) Limited
One Canada Square, London E14 5AL

Authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority.

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 the Fund

BlackRock UK Fund (the “Fund”) is a UCITS scheme under the COLL Sourcebook. The Fund was established on 11 November 1993. On 1 May 2003 the Fund changed its name to Merrill Lynch UK Fund. The Fund changed its investment objective on 1 October 2006. The Fund adopted its present name with effect from 28 April 2008. The Fund’s FCA product reference number is 164644.

Investment Objective & Policy

The aim of the Fund is to achieve long-term capital growth for investors. The Fund invests primarily in the shares of larger companies incorporated or listed in the UK. The Fund may also invest in collective investment schemes.

Fund Manager

As at 28 February 2018, the Fund Manager of the Fund is Nicholas Little.

Significant Events

Potential Implication of Brexit

In a referendum held on 23 June 2016, the electorate of the United Kingdom (“UK”) resolved to leave the European Union (“EU”). The result has led to political instability and economic uncertainty, volatility in the financial markets of the UK and more broadly across the EU.

The longer term process to implement the political, economic and legal framework between the UK and the EU is likely to lead to continuing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may also cause increased economic volatility in wider European and global markets. The potential currency volatility resulting from this uncertainty may mean that the returns of the Fund and its investments are adversely affected by market movements. This may also make it more difficult, or more expensive, for the Fund to execute prudent currency hedging policies.

This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of the Fund and its investments to execute its strategies and to receive attractive returns, and may also result in increased costs to the Fund.

Changes in the Directors of the Manager

On 18 May 2017, N C D Hall resigned as a Director effective 31 May 2017. C L Carter was appointed as a Director effective 7 September 2017. W I Cullen was appointed as a Director effective 14 December 2017. E E Tracey resigned as a Director effective 28 February 2018.

Risk and Reward Profile

Unit Class	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
S Income	1	2	3	4	**5**	6	7
S 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 the Fund.
- The risk category shown is not guaranteed and may change over time.
- The lowest category does not mean risk free.

For more information on this, please see the Fund’s Key Investor Information Documents (“KIIDs”), which are available at **www.blackrock.com**.

Performance Table

	For the year to 28.2.2018	For the three years to 28.2.2018	For the five years to 28.2.2018
TOTAL RETURN (with net income reinvested)			
Class D Accumulation Units			
BlackRock UK Fund	**+10.8%**	+28.6%	+57.4%
FTSE All-Share Index^	**+4.4%**	+18.8%	+42.1%

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.
All returns are in Sterling.
^ Figures from Index Vendor.

All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and the return of 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.

Classification of Investments

The following charts provide an analysis of the portfolio weightings as at 28 February 2018 and 28 February 2017 by their respective equity sector allocations.

28 February 2018

- Banks 3.78%
- Beverages 4.79%
- Construction & Materials 3.40%
- Financial Services 9.43%
- Food & Drug Retailers 8.15%
- Food Producers 3.56%
- General Retailers 12.10%
- Household Goods & Home Construction 5.08%
- Leisure Goods 1.82%
- Media 9.13%
- Mining 4.37%
- Oil & Gas Producers 3.89%
- Pharmaceuticals & Biotechnology 2.13%
- Real Estate Investment & Services 0.40%
- Real Estate Investment Trusts 1.39%
- Software & Computer Services 7.85%
- Support Services 6.94%
- Tobacco 7.19%
- Travel & Leisure 3.83%
- Other 0.77%

28 February 2017

- Banks 8.26%
- Beverages 1.72%
- Construction & Materials 2.73%
- Financial Services 5.31%
- Food & Drug Retailers 6.83%
- Food Producers 3.98%
- General Industrials 1.79%
- General Retailers 7.63%
- Household Goods & Home Construction 5.03%
- Media 10.54%
- Mining 5.70%
- Oil & Gas Producers 6.86%
- Pharmaceuticals & Biotechnology 6.02%
- Real Estate Investment & Services 1.25%
- Real Estate Investment Trusts 1.71%
- Software & Computer Services 5.46%
- Support Services 5.26%
- Tobacco 9.75%
- Travel & Leisure 3.32%
- Other 0.85%

Investment Report

Summary of Performance over the Year

The Fund returned 10.8%* over the year to 28 February 2018, outperforming its benchmark, the FTSE All-Share Index, which returned 4.4%. Over the six-month period to 28 February 2018, the Fund returned 2.7%*, outperforming its benchmark, which returned -0.9%.

Fund Manager's Commentary

UK share markets advanced over the review period but lagged global stocks. This reflected investors' concerns about Brexit, as negotiations between the UK and the European Union ("EU") appeared to stall. Two key sticking points were the rights of EU citizens in the UK and the prospect of a hard border with Ireland. There was political angst also as the Conservative Party lost its majority in the June 2017 election, prompting a coalition deal with Northern Ireland's Democratic Unionist Party. The FTSE 100 Index touched the significant barrier of 7,000 in early January, before falling back thereafter. As sterling strengthened against the US dollar, large-cap stocks broadly lagged small-caps (large-caps generate most of their revenues overseas, so an appreciation in sterling makes them less competitive). In February, UK stocks were affected by the fall in global markets.

The Fund's relative returns were bolstered over the period by positive financial news for a number of key holdings. Just Eat, the online takeaway aggregator, rose as revenues and profits continued to grow strongly throughout 2017. The company continues to benefit from a leading position in the fast-changing food delivery market. Shares in one of our global holdings, Netflix, rose strongly, with the company delivering much higher subscriber growth than the market expected, supporting our investment thesis. Premium mixer supplier Fever-Tree Drinks continued its strong rise of the past few years, as it delivered profits well beyond expectations. The company is now moving into mixers for brown spirits, which should allow greater penetration of the US market, where success would materially increase its market and prospects for profits.

The largest detractor from relative returns during the period was Reckitt Benckiser. There have been several problems over the past 12 months that we hope and believe will not be repeated, including a cyber-attack, which caused further sales weakness. We believe trading will improve next year and that the recent acquisition of Mead Johnson will also increase profitability materially. Therefore, we expect the shares to recover the lost ground.

Fund Activity

Our core holdings remain unchanged. We have supplemented these positions with several global investments, including Netflix, PayPal and Electronic Arts. These are held according to the same investment philosophy and process as our existing holdings, but they are better in their fields than those investments that we can purchase domestically.

Outlook

As UK and other major economies continue to grow, so should corporate profits. Sterling strength could impede performance of global companies (listed in London or not). This is not a long-term negative for the underlying viability of these businesses, which should deliver strong absolute growth well ahead of their peers. We retain a positive outlook for share markets, including UK shares, and for global and UK gross domestic product (GDP) growth. Although changes in interest-rate policy are always a risk, we do not expect large negative surprises, and we do not expect any moves to cause enduring problems.

March 2018

* Performance figures quoted are based on bid-to-bid, dealing prices (the price at which units are sold). Performance is calculated net of fees and reported for the Fund's class D Accumulation Units.

Performance Record

Comparative Table

	A Income Units			A Accumulation Units		
	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 29.2.2016	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 29.2.2016
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	355.6	308.6	320.0	498.2	426.7	436.4
Return before operating charges	41.69	56.95	(1.80)	58.48	79.12	(2.41)
Operating charges	(6.34)	(5.52)	(5.31)	(8.93)	(7.67)	(7.28)
Return after operating charges	35.35	51.43	(7.11)	49.55	71.45	(9.69)
Distributions	(3.85)	(4.44)	(4.34)	(5.39)	(6.19)	(5.93)
Retained distributions on accumulation units	N/A	N/A	N/A	5.39	6.19	5.93
Closing net asset value per unit	387.1	355.6	308.6	547.8	498.2	426.7
After direct transaction costs of	(0.65)	(1.32)	(0.99)	(0.91)	(1.83)	(1.35)
Performance						
Return after charges[1]	9.94%	16.67%	(2.22)%	9.95%	16.75%	(2.22)%
Other information						
Closing net asset value (£000's)	38,422	40,556	61,265	338,825	343,401	353,838
Closing number of units	9,925,668	11,405,482	19,855,715	61,857,959	68,934,424	82,922,989
Operating charges[2]	1.67%	1.67%	1.67%	1.67%	1.67%	1.67%
Direct transaction costs[3]	0.17%	0.40%	0.31%	0.17%	0.40%	0.31%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	427.4	381.5	352.4	604.6	532.2	485.0
Lowest bid unit price	355.6	294.2	284.2	498.2	406.9	392.0

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).
[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity instruments. See note 14 for further details.

Performance Record continued

Comparative Table

	D Income Units			D Accumulation Units		
	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 29.2.2016	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 29.2.2016
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	357.1	309.7	321.4	524.8	446.2	452.9
Return before operating charges	41.96	57.45	(1.94)	61.83	83.06	(2.54)
Operating charges	(3.52)	(3.06)	(2.94)	(5.20)	(4.43)	(4.18)
Return after operating charges	38.44	54.39	(4.88)	56.63	78.63	(6.72)
Distributions	(6.49)	(7.00)	(6.79)	(9.56)	(10.13)	(9.62)
Retained distributions on accumulation units	N/A	N/A	N/A	9.56	10.13	9.62
Closing net asset value per unit	389.1	357.1	309.7	581.4	524.8	446.2
After direct transaction costs of	(0.65)	(1.33)	(0.99)	(0.96)	(1.92)	(1.41)
Performance						
Return after charges[1]	10.76%	17.56%	(1.52)%	10.79%	17.62%	(1.48)%
Other information						
Closing net asset value (£000's)	24,765	24,382	23,831	54,784	60,972	52,944
Closing number of units	6,365,554	6,827,793	7,694,045	9,422,421	11,617,476	11,866,210
Operating charges[2]	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%
Direct transaction costs[3]	0.17%	0.40%	0.31%	0.17%	0.40%	0.31%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	410.1	366.2	337.6	610.8	533.9	482.1
Lowest bid unit price	357.1	296.1	286.3	524.8	426.5	409.8

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).
[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity instruments. See note 14 for further details.

Comparative Table

	S Income Units			S Accumulation Units		
	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 29.2.2016	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 29.2.2016
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	114.0	98.87	102.5	122.0	103.6	105.0
Return before operating charges	13.40	18.34	(0.50)	14.33	19.31	(0.55)
Operating charges	(1.03)	(0.88)	(0.82)	(1.10)	(0.94)	(0.84)
Return after operating charges	12.37	17.46	(1.32)	13.23	18.37	(1.39)
Distributions	(2.17)	(2.33)	(2.31)	(2.33)	(2.44)	(2.37)
Retained distributions on accumulation units	N/A	N/A	N/A	2.33	2.44	2.37
Closing net asset value per unit	124.2	114.0	98.87	135.2	122.0	103.6
After direct transaction costs of	(0.21)	(0.42)	(0.32)	(0.22)	(0.45)	(0.33)
Performance						
Return after charges[1]	10.85%	17.66%	(1.29)%	10.84%	17.74%	(1.32)%
Other information						
Closing net asset value (£000's)	11,767	11,801	3,674	54,699	58,312	51,835
Closing number of units	9,474,224	10,351,983	3,716,034	40,448,087	47,808,624	50,030,195
Operating charges[2]	0.84%	0.83%	0.80%	0.84%	0.84%	0.80%
Direct transaction costs[3]	0.17%	0.40%	0.31%	0.17%	0.40%	0.31%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	137.5	122.8	113.2	149.2	130.3	117.5
Lowest bid unit price	114.0	94.55	91.42	122.0	99.07	95.15

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).
[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity instruments. See note 14 for further details.

Distribution Tables

for the year ended 28 February 2018

Final Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 September 2017
Group 2 – Units purchased 1 September 2017 to 28 February 2018

	A Income Units		A Accumulation Units		D Income Units		D Accumulation Units		S Income Units		S Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	0.0000	0.0000	0.0000	0.0000	1.2014	0.8292	1.7875	1.2403	0.4331	0.3182	0.4697	0.3051
Equalisation†	–	0.0000	–	0.0000	–	0.3722	–	0.5472	–	0.1149	–	0.1646
Distribution paid 30.4.2018	**0.0000**	**0.0000**	**0.0000**	**0.0000**	**1.2014**	**1.2014**	**1.7875**	**1.7875**	**0.4331**	**0.4331**	**0.4697**	**0.4697**
Distribution paid 30.4.2017	**1.4684**	**1.4684**	**2.0605**	**2.0605**	**2.7770**	**2.7770**	**4.0462**	**4.0462**	**0.9305**	**0.9305**	**0.9860**	**0.9860**

Interim Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 March 2017
Group 2 – Units purchased 1 March 2017 to 31 August 2017

	A Income Units		A Accumulation Units		D Income Units		D Accumulation Units		S Income Units		S Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	3.8456	2.0342	5.3882	3.0641	5.2912	3.1926	7.7710	4.2769	1.7377	1.1298	1.8586	1.2004
Equalisation†	–	1.8114	–	2.3241	–	2.0986	–	3.4941	–	0.6079	–	0.6582
Distribution paid 31.10.2017	**3.8456**	**3.8456**	**5.3882**	**5.3882**	**5.2912**	**5.2912**	**7.7710**	**7.7710**	**1.7377**	**1.7377**	**1.8586**	**1.8586**
Distribution paid 31.10.2016	**2.9756**	**2.9756**	**4.1283**	**4.1283**	**4.2194**	**4.2194**	**6.0843**	**6.0843**	**1.3999**	**1.3999**	**1.4576**	**1.4576**

† 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.

Report on Remuneration

The below disclosures are made in respect of the remuneration policies of the BlackRock group ("BlackRock"), as they apply to BlackRock Fund Managers Limited (the "Manager"). The disclosures are made in accordance with the Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS"), as amended, including in particular by Directive 2014/91/EU of the European Parliament and of the council of 23 July 2014, (the "UCITS Directive"), the "Guidelines on sound remuneration policies under the UCITS Directive and AIFMD" issued by the European Securities and Markets Authority ("ESMA"), the Financial Conduct Authority Handbook SYSC 19E: The UCITS Remuneration Code (the "UCITS Remuneration Code"), and COLL 4.5.7 R(7).

BlackRock's UCITS Remuneration Policy (the "UCITS Remuneration Policy") will apply to the EEA entities within the BlackRock group authorised as a manager of alternative investment funds in accordance with the UCITS Directive, and will ensure compliance with the requirements of Article 14b of the UCITS Directive and the UCITS Remuneration Code.

The Manager has adopted the UCITS Remuneration Policy, a summary of which is set out below.

Remuneration Governance

BlackRock's remuneration governance in EMEA operates as a tiered structure which includes: (a) the Management Development and Compensation Committee ("MDCC") (which is the global, independent remuneration committee for BlackRock, Inc. and all of its subsidiaries, including the Manager); and (b) the Manager's board of directors (the "Manager's Board"). The MDCC is responsible for the determination of BlackRock's remuneration policies.

(a) MDCC

The MDCC's purposes include:

- providing oversight of:
  - BlackRock's executive compensation programmes;
  - BlackRock's employee benefit plans; and
  - such other compensation plans as may be established by BlackRock from time to time for which the MDCC is deemed as administrator;
- reviewing and discussing the compensation discussion and analysis included in the BlackRock, Inc. annual proxy statement with management and approving the MDCC's report for inclusion in the proxy statement;
- reviewing, assessing and making reports and recommendations to the BlackRock, Inc. board of directors (the "BlackRock, Inc. Board") as appropriate on BlackRock's talent development and succession planning, with the emphasis on performance and succession at the highest management levels; and
- in accordance with applicable UK and European regulations and guidance, to act as the Remuneration Committee for BlackRock's EMEA regulated entities.

The MDCC directly retains an independent compensation consultant, Semler Brossy Consulting Group LLC, which has no relationship with BlackRock, Inc. or the BlackRock, Inc. Board that would interfere with its ability to provide independent advice to the MDCC on compensation matters.

The BlackRock, Inc. Board has determined that all of the members of the MDCC are “independent” within the meaning of the listing standards of the New York Stock Exchange (NYSE), which requires each meet a “non-employee director” standard.

The MDCC held 10 meetings during 2017. The MDCC charter is available on BlackRock, Inc.’s website (www.blackrock.com).

Through its regular reviews, the MDCC continues to be satisfied with the principles of BlackRock’s compensation policy and approach.

(b) The Manager’s Board

The Manager’s Board has the task of supervising and providing oversight of the UCITS Remuneration Policy as it applies to the Manager and its Identified Staff.

The Manager’s Board (through independent review by the relevant control functions) remains satisfied with the implementation of the UCITS Remuneration Policy as it applies to the Manager and its Identified Staff.

Decision-making process

Remuneration decisions for employees are made once annually in January following the end of the performance year. This timing allows full-year financial results to be considered along with other non-financial goals and objectives. Although the framework for remuneration decision-making is tied to financial performance, significant discretion is used to determine individual variable remuneration based on achievement of strategic and operating results and other considerations such as management and leadership capabilities.

No set formulas are established and no fixed benchmarks are used in determining annual incentive awards. In determining specific individual remuneration amounts, a number of factors are considered including non-financial goals and objectives and overall financial and investment performance. These results are viewed in the aggregate without any specific weighting, and there is no direct correlation between any particular performance measure and the resulting annual incentive award. The variable remuneration awarded to any individual(s) for a particular performance year may also be zero.

Annual incentive awards are paid from a bonus pool.

The size of the projected bonus pool, including cash and equity awards, is reviewed throughout the year by the MDCC and the final total bonus pool is approved after year-end. As part of this review, the MDCC receives actual and projected financial information over the course of the year as well as final year-end information. The financial information that the MDCC receives and considers includes the current year projected income statement and other financial measures compared with prior year results and the current year budget. The MDCC additionally reviews other metrics of BlackRock’s financial performance (e.g., net inflows of AUM and investment performance) as well as information regarding market conditions and competitive compensation levels.

The MDCC regularly considers management’s recommendation as to the percentage of preincentive operating income that will be accrued and reflected as a compensation expense throughout the year for the cash portion of the total annual bonus pool (the “accrual rate”). The accrual rate of the cash portion of the total annual bonus pool may be modified by the MDCC during the year based on its review of the financial information described above. The MDCC does not apply any particular weighting or formula to the information it considers when determining the size of the total bonus pool or the accruals made for the cash portion of the total bonus pool.

Following the end of the performance year, the MDCC approves the final bonus pool amount.

As part of the year-end review process the Enterprise Risk and Regulatory Compliance departments report to the MDCC on any activities, incidents or events that warrant consideration in making compensation decisions.

Individuals are not involved in setting their own remuneration.

Control functions

Each of the control functions (Enterprise Risk, Legal & Compliance, and Internal Audit) has its own organisational structure which is independent of the business units. The head of each control function is either a member of the Global Executive Committee (“GEC”), the global management committee, or has a reporting obligation to the board of directors of BlackRock Group Limited, the parent company of all of BlackRock’s EMEA regulated entities, including the Manager.

Functional bonus pools are determined with reference to the performance of each individual function. The remuneration of the senior members of control functions is directly overseen by the MDCC.

Link between pay and performance

There is a clear and well-defined pay-for-performance philosophy and compensation programmes which are designed to meet the following key objectives as detailed below:

- appropriately balance BlackRock’s financial results between shareholders and employees;
- attract, retain and motivate employees capable of making significant contributions to the long-term success of the business;
- align the interests of senior employees with those of shareholders by awarding BlackRock Inc.’s stock as a significant part of both annual and long-term incentive awards;
- control fixed costs by ensuring that compensation expense varies with profitability;
- link a significant portion of an employee’s total compensation to the financial and operational performance of the business as well as its common stock performance;
- discourage excessive risk-taking; and
- ensure that client interests are not negatively impacted by remuneration awarded on a short-term, mid-term and/or long-term basis.

Driving a high-performance culture is dependent on the ability to measure performance against objectives, values and behaviours in a clear and consistent way. Line managers use a 5-point rating scale to provide an overall assessment of an employee's performance, and employees also provide a self-evaluation. The overall, final rating is reconciled during each employee's performance appraisal. Employees are assessed on the manner in which performance is attained as well as the absolute performance itself.

In keeping with the pay-for-performance philosophy, ratings are used to differentiate and reward individual performance – but do not pre-determine compensation outcomes. Compensation decisions remain discretionary and are made as part of the year-end compensation process.

When setting remuneration levels other factors are considered, as well as individual performance, which may include:

- the performance of the Manager, the funds managed by the Manager and/or the relevant functional department;
- factors relevant to an employee individually; relationships with clients and colleagues; teamwork; skills; any conduct issues; and, subject to any applicable policy, the impact that any relevant leave of absence may have on contribution to the business);
- the management of risk within the risk profiles appropriate for BlackRock's clients;
- strategic business needs, including intentions regarding retention;
- market intelligence; and
- criticality to business.

A primary product tool is risk management and, while employees are compensated for strong performance in their management of client assets, they are required to manage risk within the risk profiles appropriate for their clients. Therefore, employees are not rewarded for engaging in high-risk transactions outside of established parameters. Remuneration practices do not provide undue incentives for short-term planning or short-term financial rewards, do not reward unreasonable risk and provide a reasonable balance between the many and substantial risks inherent within the business of investment management, risk management and advisory services.

BlackRock operates a total compensation model for remuneration which includes a base salary, which is contractual, and a discretionary bonus scheme.

BlackRock operates an annual discretionary bonus scheme. Although all employees are eligible to be considered for a discretionary bonus, there is no contractual obligation to make any award to an employee under its discretionary bonus scheme. In exercising discretion to award a discretionary bonus, the factors listed above (under the heading "Link between pay and performance") may be taken into account in addition to any other matters which become relevant to the exercise of discretion in the course of the performance year.

Discretionary bonus awards for all employees, including executive officers, are subject to a guideline that determines the portion paid in cash and the portion paid in BlackRock, Inc. stock and subject to additional vesting/clawback conditions. Stock awards are subject to further performance adjustment through variation in BlackRock, Inc.'s share price over the vesting period. As total annual compensation increases, a greater portion is deferred into stock. The MDCC adopted this approach in 2006 to substantially increase the retention value and shareholder alignment of the compensation package for eligible employees, including the executive officers. The portion deferred into stock vests in three equal instalments over the three years following grant.

Supplementary to the annual discretionary bonus as described above, equity awards from the "Partner Plan" and "Targeted Equity Award Plan" are made to select senior leaders to provide greater linkage with future business results. The long-term incentive awards have been established individually to provide meaningful incentive for continued performance over a multi-year period recognising the scope of the individual's role, business expertise and leadership skills.

Selected senior leaders are eligible to receive performance-adjusted equity-based awards from the "BlackRock Performance Incentive Plan" ("BPIP"). Awards made from the BPIP have a three-year performance period based on a measurement of As Adjusted Operating Margin[1] and Organic Revenue Growth[2]. Determination of pay-out will be made based on the firm's achievement relative to target financial results at the conclusion of the performance period. The maximum number of shares that can be earned is 165% of the award in those situations where both metrics achieve pre-determined financial targets. No shares will be earned where the firm's financial performance in both of the above metrics is below a pre-determined performance threshold. These metrics have been selected as key measures of shareholder value which endure across market cycles.

A limited number of investment professionals have a portion of their annual discretionary bonus (as described above) awarded as deferred cash that notionally tracks investment in selected products managed by the employee. The intention of these awards is to align investment professionals with the investment returns of the products they manage through the deferral of compensation into those products. Clients and external evaluators have increasingly viewed more favourably those products where key investors have "skin in the game" through significant personal investments.

Identified Staff

The UCITS Remuneration Policy sets out the process that will be applied to identify staff as Identified Staff, being categories of staff of the Manager, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or of the funds it manages.

The list of Identified Staff will be subject to regular review, being formally reviewed in the event of, but not limited to:

- organisational changes;
- new business initiatives;
- changes in significant influence function lists;
- changes in role responsibilities; and
- revised regulatory direction.

[1] As Adjusted Operating Margin: As reported in BlackRock's external filings, reflects adjusted Operating Income divided by Total Revenue net of distribution and servicing expenses and amortisation of deferred sales commissions.
[2] Organic Revenue Growth: Equal to net new base fees plus net new Aladdin revenue generated in the year (in dollars).

Quantitative Remuneration Disclosure

The Manager is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with BlackRock's interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops BlackRock may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other BlackRock fund disclosures in that same year.

Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; and (c) staff who have the ability to materially affect the risk profile of the Fund.

All individuals included in the aggregated figures disclosed are rewarded in line with BlackRock's remuneration policy for their responsibilities across the relevant BlackRock business area. As all individuals have a number of areas of responsibilities, only the portion of remuneration for those individuals' services attributable to the Fund is included in the aggregate figures disclosed.

Members of staff and senior management of the Manager typically provide both UCITS and non-UCITS related services in respect of multiple funds, clients and functions of the Manager and across the broader BlackRock group. Therefore, the figures disclosed are a sum of each individual's portion of remuneration attributable to the Manager's UCITS-related business according to an objective apportionment methodology which acknowledges the multiple-service nature of the Manager. Accordingly the figures are not representative of any individual's actual remuneration or their remuneration structure.

The amount of the total remuneration awarded by the Manager to its staff which has been attributed to the Manager's UCITS-related business in respect of the Manager's financial year ending 31 December 2017 is USD 22.6m. This figure is comprised of fixed remuneration of USD 2.0m and variable remuneration of USD 20.6m. There were a total of 61 beneficiaries of the remuneration described above.

The amount of the aggregate remuneration awarded by the Manager, which has been attributed to the Manager's UCITS-related business in respect of the Manager's financial year ending 31 December 2017, to its senior management was USD 0.5m, and to other members of its staff whose actions have a material impact on the risk profile of the Fund was USD 22.1m.

Portfolio Statement

at 28 February 2018

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
EQUITIES – 99.23%; 28.2.2017 99.15%			
UNITED KINGDOM – 99.23%; 28.2.2017 99.15%			
Banks – 3.78%; 28.2.2017 8.26%			
1,891,850	HSBC	13,642	2.61
8,900,311	Lloyds Banking	6,150	1.17
		19,792	**3.78**
Beverages – 4.79%; 28.2.2017 1.72%			
5,825,000	Chapel Down	3,379	0.64
367,330	Diageo	9,084	1.74
499,644	Fever-Tree Drinks^Ø	12,611	2.41
		25,074	**4.79**
Construction & Materials – 3.40%; 28.2.2017 2.73%			
7,870,761	Melrose Industries^Ø	**17,804**	**3.40**
Financial Services – 9.43%; 28.2.2017 5.31%			
927,539	3i	8,730	1.67
1,255,585	Hargreaves Lansdown^Ø	21,621	4.13
990,734	Integrafin	2,507	0.48
405,427	London Stock Exchange	16,468	3.15
		49,326	**9.43**
Food & Drug Retailers – 8.15%; 28.2.2017 6.83%			
9,276,200	Booker	21,270	4.07
2,873,924	SSP	17,545	3.35
1,798,364	Tesco	3,827	0.73
		42,642	**8.15**
Food Producers – 3.56%; 28.2.2017 3.98%			
497,042	Unilever	**18,632**	**3.56**
General Industrials – 0.00%; 28.2.2017 1.79%			
General Retailers – 12.10%; 28.2.2017 7.63%			
2,358,691	B&M European Value Retail	9,779	1.87
1,219,478	CVS	13,061	2.49
2,318,853	Just Eat	20,304	3.88
86,981	Netflix^Ø	18,259	3.49
39,485	Next	1,927	0.37
		63,330	**12.10**
Household Goods & Home Construction – 5.08%; 28.2.2017 5.03%			
5,185,546	Cairn Homes	8,073	1.54
243,064	Reckitt Benckiser	14,069	2.69
2,185,247	Watkin Jones	4,458	0.85
		26,600	**5.08**

Portfolio Statement continued

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
Industrial Engineering – 0.00%; 28.2.2017 0.00%			
437,932	Vitec Global*	–	0.00
Leisure Goods – 1.82%; 28.2.2017 0.00%			
104,983	Electronic Arts	9,541	1.82
Media – 9.13%; 28.2.2017 10.54%			
2,515,791	Ascential	10,249	1.96
698,805	Auto Trader	2,546	0.49
1,373,128	RELX	20,439	3.90
337,943	Rightmove^ø	14,552	2.78
		47,786	9.13
Mining – 4.37%; 28.2.2017 5.70%			
580,630	Rio Tinto	22,842	4.37
Oil & Gas Producers – 3.89%; 28.2.2017 6.86%			
1,054,510	BP	5,051	0.97
657,198	Royal Dutch Shell class 'B' shares	15,280	2.92
		20,331	3.89
Pharmaceuticals & Biotechnology – 2.13%; 28.2.2017 6.02%			
143,793	AstraZeneca	6,904	1.32
136,624	Shire	4,213	0.81
		11,117	2.13
Real Estate Investment & Services – 0.40%; 28.2.2017 1.25%			
773,792	Capital & Counties Properties^ø	2,075	0.40
Real Estate Investment Trusts – 1.39%; 28.2.2017 1.71%			
126,649	Derwent London	3,671	0.70
573,076	Great Portland Estates^ø	3,602	0.69
		7,273	1.39
Software & Computer Services – 7.85%; 28.2.2017 5.46%			
412,696	Accesso Technology	9,368	1.79
93,522	Intuit^ø	11,508	2.20
382,493	Micro Focus International	7,879	1.50
2,484,710	Sophos	12,329	2.36
		41,084	7.85
Support Services – 6.94%; 28.2.2017 5.26%			
731,243	Ashtead	15,363	2.94
66,057	Ferguson	3,401	0.65
263,552	Howden Joinery^ø	1,160	0.22
246,700	PayPal^ø	14,162	2.71
346,995	Sanne	2,214	0.42
		36,300	6.94

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
Tobacco – 7.19%; 28.2.2017 9.75%			
722,509	British American Tobacco	31,505	6.02
234,099	Imperial Brands	6,123	1.17
		37,628	7.19
Travel & Leisure – 3.83%; 28.2.2017 3.32%			
1,336,838	888 Holdings	3,807	0.73
214,977	Compass	3,332	0.64
812,148	GVC^ø	7,240	1.38
1,591,681	Patisserie	5,651	1.08
		20,030	3.83
Portfolio of investments		**519,207**	**99.23**
CASH EQUIVALENTS			
Short-term Money Market Funds – 0.89%; 28.2.2017 0.67%			
4,675,667	Institutional Cash Series plc – Institutional Sterling Liquidity Fund**	4,676	0.89
Net other liabilities		(621)	(0.12)
Total net assets		**523,262**	**100.00**

Unless otherwise stated, all securities are either listed on a recognised exchange or traded on an eligible securities market.
* Unquoted investment fair valued at zero.
** Managed by a related party.
ø All or a portion of this investment represents a security on loan, see note 2(b)(iii) for further details.

Statement of Total Return
for the year ended 28 February 2018

	Notes	£000's	For the year to 28.2.2018 £000's	£000's	For the year to 28.2.2017 £000's
Income					
Net capital gains	3		46,124		75,820
Revenue	4	14,245		16,224	
Expenses	5	(7,814)		(7,798)	
Interest payable and similar charges	6	–		(1)	
Net revenue before taxation		6,431		8,425	
Taxation	7	(27)		160	
Net revenue after taxation			6,404		8,585
Total return before distributions			52,528		84,405
Distributions	8		(6,660)		(8,595)
Change in net assets attributable to unitholders from investment activities			**45,868**		**75,810**

Statement of Change in Net Assets Attributable to Unitholders
for the year ended 28 February 2018

	£000's	For the year to 28.2.2018 £000's	£000's	For the year to 28.2.2017 £000's
Opening net assets attributable to unitholders		539,424		547,387
Amounts receivable on issue of units	17,081		16,358	
Amounts payable on cancellation of units	(84,543)		(107,096)	
		(67,462)		(90,738)
Change in net assets attributable to unitholders from investment activities		45,868		75,810
Retained distribution on accumulation units		5,428		6,933
Unclaimed distributions over 6 years old		4		32
Closing net assets attributable to unitholders		**523,262**		**539,424**

Balance Sheet
at 28 February 2018

	Notes	28.2.2018 £000's	28.2.2017 £000's
Assets:			
Fixed assets			
– Investment assets		519,207	534,823
Current assets			
– Debtors	9	2,310	3,067
– Cash and bank balances		1,186	1,023
– Cash equivalents	10	4,676	3,638
Total assets		**527,379**	**542,551**
Liabilities:			
Creditors			
– Distributions payable		(118)	(453)
– Other creditors	11	(3,999)	(2,674)
Total liabilities		**(4,117)**	**(3,127)**
Net assets attributable to unitholders		**523,262**	**539,424**

G D Bamping (Director)
M T Zemek (Director)
BlackRock Fund Managers Limited
1 May 2018

Notes to Financial Statements

for the year ended 28 February 2018

1. Accounting and Distribution Policies

Accounting Policies

(a) The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Management Association (now known as the Investment Association) in May 2014.

(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 the right to receive payment is established.

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

All revenue is recognised as a gross amount that takes account of 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.

(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. 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 are charged against revenue. All expenses are recognised on an accruals basis.

(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 12 noon 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 Manager's pricing committee and such fair value shall be determined on the basis of the probable realisation value of the investment. 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 or liability.

Investments in single priced Collective Investment Schemes have been valued at market values, defined as fair value, which is usually the latest available price at the Fund's 12 noon valuation point 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 12 noon 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 are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses 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' in the Statement of Total Return.

(k) Cash and bank balances consist of deposits held on call with banks and cash held with clearing brokers and counterparties. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Distribution Policies

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

(m) Special dividends and share buy backs recognised as revenue form part of the distribution.

(n) 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.

2. Financial Instruments and Risks

The Fund's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and investors should refer to the Prospectus for a more detailed discussion of the risks inherent in investing in the Fund.

Risk management framework

The Manager has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Fund is managed within the terms of its investment guidelines and limits set out in the Prospectus. The Manager reserves to itself the investment performance, product risk monitoring and oversight and the responsibility for the monitoring and oversight of regulatory and operational risk for the Fund.

The Manager has appointed a risk manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the BlackRock Risk and Quantitative Analysis Group ("RQA Group") which is a centralised group which performs an independent risk management function. The RQA Group independently identifies, measures and monitors investment risk. The RQA Group tracks the actual risk management practices being deployed across the different funds. By breaking down the components of the process, the RQA Group has the ability to determine if the appropriate risk management processes are in place for the Fund. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The principal risk exposure of the Fund is set out as follows:

a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements. The Fund is exposed to market risk by virtue of its investments in equities.

A key metric the RQA Group uses to measure market risk is Value-at-Risk (“VaR”) which encompasses price, currency and interest rate risk. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on an adjusted historical simulation model with a confidence level of 99%, a holding period of one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of the VaR methodology has limitations, namely that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Fund can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one day VaR as at 28 February 2018 and 28 February 2017 based on a 99% confidence level was 2.07% and 1.72% respectively.

i) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Management of foreign currency risk

The net assets of the Fund are denominated mainly in Sterling, therefore the Balance Sheet and Statement of Total Return are unlikely to be directly affected by currency movements.

ii) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to other price risk arising from its investments. The exposure of the Fund to other price risk is the market value of the investments held as shown in the portfolio statement of the Fund.

Management of other price risk

The Investment Manager manages the Fund’s other price risk on a daily basis in accordance with the Fund’s investment objective.

By diversifying the portfolio, where this is appropriate and consistent with the Fund’s objectives, the risk that a price change of a particular investment will have a material impact on the Net Asset Value (“NAV”) of the Fund is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

iii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk on its cash and bank balances held at The Bank of New York Mellon (International) Limited, amounts held at futures clearing houses and brokers and its cash equivalent holdings. Cash held on deposit at The Bank of New York Mellon (International) Limited receives/incurs interest at the prevailing daily rate which may be negative depending on the currency in which the cash is held.

At 28 February 2018 and 28 February 2017, no interest bearing investments were held by the Fund, hence no interest rate risk exposure table has been presented.

Management of interest rate risk

Interest rate risk exposure is managed by constantly monitoring the position for deviations outside a pre-determined tolerance level and, when necessary, rebalancing back to the original desired parameters.

b) Counterparty credit risk

Exposure to counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default.

Management of counterparty credit risk

Counterparty credit risk is monitored and managed by BlackRock's RQA Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Counterparty Credit Officer who reports directly to the Global Head of RQA. Credit authority resides with the Chief Counterparty Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Counterparty Credit Officer or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Counterparty Credit Officer as deemed appropriate.

BlackRock's RQA Counterparty & Concentration Risk Team completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures.

The Manager maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's creditworthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

i) Trustee and Custodian

The Fund's Trustee is BNY Mellon Trust & Depositary (UK) Limited (the "Trustee"). The Trustee has delegated the function of custodian of the property of the Fund to The Bank of New York Mellon (International) Limited (the "Custodian").

All of the investments of the Fund are held by the Custodian at year end. Investments are segregated from the assets of the Custodian, with ownership rights remaining with the Fund. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to its investments held by the Custodian to be delayed or limited. The maximum exposure to this risk is the total amount of equity and bond investments disclosed in the portfolio statement.

The Fund will be exposed to the credit risk of the Custodian, or any depositary used by the Trustee regarding cash balances held in accounts with same. In the event of insolvency or bankruptcy of the Custodian or any depositary used by the Trustee, the Fund will be treated as a general creditor of the Trustee.

Management of counterparty credit risk related to the Trustee and Custodian

To mitigate the Fund's credit risk with respect to the Trustee, the Investment Manager of the Fund employs specific procedures to ensure that the Trustee employed is a reputable institution and that the associated credit risk is acceptable to the Fund. The Fund only transacts with counterparties that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies.

The long term credit rating of the parent company of the Trustee and Custodian, The Bank of New York Mellon Corporation, as at 28 February 2018 was A (28 February 2017: A) (Standard & Poor's rating).

ii) Counterparties

All transactions in listed securities 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.

Counterparty credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

Management of counterparty credit risk related to Counterparties

The Manager monitors the credit rating and financial position of the brokers used to further mitigate this risk.

iii) Securities lending

The Fund engages in security lending activities which expose the Fund to counterparty credit risk. The maximum exposure to the Fund is equal to the value of the securities loaned.

Securities lending transactions entered into by the Fund are subject to a written legal agreement between the Fund and the Securities Lending Agent, BlackRock Advisors (UK) Limited, a related party to the Fund, and separately between the Securities Lending Agent and the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of BNY Mellon Trust & Depositary (UK) Limited ("the Trustee") on behalf of the Fund. Collateral received is segregated from the assets belonging to the Fund's Trustee or the Lending Agent.

The following table details the value of securities on loan (individually identified in the portfolio statement) and associated collateral received, analysed by borrowing counterparty as at the Balance Sheet date.

		28 February 2018		28 February 2017	
Counterparty	Counterparty's country of establishment	Securities on loan £000's	Collateral received £000's	Securities on loan £000's	Collateral received £000's
BNP Paribas Arbitrage SNC	France	–	–	256	316
Credit Suisse Securities AG Dublin Branch	Switzerland	295	310	–	–
Deutsche Bank AG	Germany	36,574	39,786	1,197	1,317
Goldman Sachs International	UK	–	–	2,142	2,384
HSBC Bank Plc	UK	737	806	–	–
Merrill Lynch International	UK	14,331	15,302	–	–
Société Générale SA	France	16,487	17,661	26,105	27,585
The Bank of Nova Scotia	Canada	5,622	6,287	–	–
UBS AG	Switzerland	10,627	11,827	6,364	7,089
Total		**84,673**	**91,979**	**36,064**	**38,691**

At 28 February 2018, collateral received from these borrowing counterparties comprised of 23.18% in debt securities and 76.82% equity securities (28 February 2017: 0.00% in debt securities and 100.00% in equity securities).

Collateral accepted is non-cash in the form of sovereign debt rated AA or better from approved governments only, supranational debt obligations rated AAA or better, equity securities and exchange traded funds listed on a recognised exchange.

Management of counterparty credit risk related to securities lending

To mitigate this risk, the Fund receives either cash or securities as collateral equal to a certain percentage in excess of the fair value of the securities loaned. The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained, if necessary. As at 28 February 2018 and 28 February 2017, all non-cash collateral received consists of securities admitted to or dealt on a recognised exchange.

The Fund also benefits from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities lent. BlackRock Inc. bears the cost of indemnification against borrower default.

c) Liquidity risk

Exposure to liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting its obligations associated with financial liabilities.

Liquidity risk to the Fund arises from the redemption requests of unitholders and the liquidity of the underlying investments the Fund is invested in. The Fund's unitholders may redeem their units on the close of any daily dealing deadline for cash equal to a proportionate share of the Fund's NAV. The Fund is therefore potentially exposed to the liquidity risk of meeting the unitholders' redemptions and may need to sell assets at prevailing market prices to meet liquidity demands.

The Fund invests primarily in companies incorporated or listed in the United Kingdom, 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.

All financial liabilities held by the Fund as at 28 February 2018 and 28 February 2017, based on contractual maturities, fall due within one to three months.

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

At times of excessive redemptions the Manager may decide to defer redemptions at any valuation point to the next valuation point where the requested aggregate redemptions exceed 10 per cent of the Fund's NAV. This will therefore allow the Manager to protect the interests of continuing unitholders by allowing the Manager to match the sale of scheme property to the level of redemptions. This should reduce the impact of dilution on the Fund. All unitholders who have sought to redeem units at any valuation point at which redemptions are deferred will be treated consistently and any redemption requests received in the meantime will not be processed until the redemption requests that have been deferred to the subsequent valuation points have been processed.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward looking cash reports which project cash obligations. These reports allow them to manage the Fund's cash obligations.

d) Valuation of financial instruments

The Fund classifies financial instruments measured at fair value using a fair value hierarchy. The fair value hierarchy has the following categories:

Level 1 – Quoted prices for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as OTC derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity determined inputs.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation techniques used include inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market.

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 judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. The Investment Manager considers observable inputs to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below is an analysis of the Fund's investment assets and investment liabilities measured at fair value at the Balance Sheet date.

	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
28 February 2018				
Investment assets	519,207	–	–*	**519,207**
Investment liabilities	–	–	–	**–**
28 February 2017				
Investment assets	534,823	–	–	**534,823**
Investment liabilities	–	–	–	**–**

* Includes unquoted investments fair valued at zero. These securities are identified on the portfolio statement.

e) Global exposure

The Manager is required by the COLL Sourcebook to employ a risk management process in respect of the Fund which enables it to accurately monitor and manage the global exposure from Financial Derivative Instruments ("FDIs").

The Manager uses a methodology known as the Commitment Approach in order to measure the global exposure of the Fund. The Commitment Approach is a methodology that aggregates the underlying market or notional values of FDIs to determine the degree of global exposure of the Fund to FDIs.

In accordance with the COLL Sourcebook, global exposure for a fund utilising the Commitment Approach must not exceed 100% of the Fund's NAV. The calculation of global exposure represents only one element of the Fund's risk management process and in that respect the Manager will continue to report VaR as a market risk measure to the Board of Directors.

The Fund did not hold any FDIs at 28 February 2018 and 28 February 2017.

3. Net Capital Gains

	For the year to 28.2.2018 £000's	For the year to 28.2.2017 £000's
The net capital gains comprise:		
Gains on non-derivative securities	46,088	75,863
Currency gains/(losses)	44	(33)
Custodian transaction costs	(8)	(10)
Net capital gains	**46,124**	**75,820**

4. Revenue

	For the year to 28.2.2018 £000's	For the year to 28.2.2017 £000's
Interest from UK bank deposits	1	3
Overseas dividends	752	373
Revenue from short-term money market funds	13	18
Securities lending revenue	57	69
Stock dividends	22	172
UK dividends	13,117	15,443
UK REIT dividends	283	146
Total revenue	**14,245**	**16,224**

5. Expenses

	For the year to 28.2.2018 £000's	For the year to 28.2.2017 £000's
Payable to the Manager or associates of the Manager:		
– Manager's charge	6,911	6,902
– Registrar's fees	812	814
	7,723	7,716
Other expenses:		
– Audit fee	7	7
– Safe custody fees	13	13
– Trustee's fees	71	62
	91	82
Total expenses	**7,814**	**7,798**

6. Interest Payable and Similar Charges

	For the year to 28.2.2018 £000's	For the year to 28.2.2017 £000's
Interest on bank overdrafts	–	1
Total interest payable and similar charges	**–**	**1**

7. Taxation

(a) Analysis of tax charge/(credit)

	For the year to 28.2.2018 £000's	For the year to 28.2.2017 £000's
Overseas tax	27	(160)
Total tax charge/(credit) [see note 7(b)]	**27**	**(160)**

(b) Factors affecting the tax charge/(credit)

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

	For the year to 28.2.2018 £000's	For the year to 28.2.2017 £000's
Net revenue before taxation	6,431	8,425
Corporation tax at 20% (28 February 2017: 20%)	1,286	1,685
Effects of:		
Excess expenses for which no tax relief taken	1,492	1,542
Overseas tax	27	(160)
Revenue not subject to tax	(2,778)	(3,227)
Total tax charge/(credit) [see note 7(a)]	**27**	**(160)**

At 28 February 2018, the Fund had surplus management expenses of £107,223,000 (28 February 2017: £99,763,000). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of £21,445,000 (28 February 2017: £19,953,000) has not been recognised.

8. Distributions

	For the year to 28.2.2018 £000's	For the year to 28.2.2017 £000's
Interim distribution	5,991	5,495
Final distribution	476	2,816
	6,467	8,311
Add: Amounts deducted on cancellation of units	235	343
Less: Amounts received on issue of units	(42)	(59)
Distributions	**6,660**	**8,595**
The distributable amount has been calculated as follows:		
Net revenue after taxation	6,404	8,585
Less: Equalisation on conversions	8	10
Add: Shortfall taken to capital	248	–
Distributions	**6,660**	**8,595**

Details of the interim and final distributions per unit are set out in the tables on page 11.

9. Debtors

	28.2.2018 £000's	28.2.2017 £000's
Accrued revenue	1,335	2,920
Amounts receivable for issue of units	720	65
Sales awaiting settlement	255	82
Total debtors	**2,310**	**3,067**

10. Cash Equivalents

	28.2.2018 £000's	28.2.2017 £000's
Investment in short-term money market funds	4,676	3,638
Total cash equivalents	**4,676**	**3,638**

11. Other Creditors

	28.2.2018 £000's	28.2.2017 £000's
Accrued Audit fee	6	7
Accrued FCA fee	1	1
Accrued Manager's charge	1,113	1,117
Accrued Registrar's fee	264	262
Accrued Safe custody fees	4	5
Accrued Trustee's fee	11	11
Amounts payable for cancellation of units	405	1,065
Corporation tax payable	4	4
Custodian transaction costs	2	4
Purchases awaiting settlement	2,189	198
Total other creditors	**3,999**	**2,674**

12. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (28 February 2017: Nil).

13. 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 year ended 28 February 2018:

Manager/Registrar: BlackRock Fund Managers Limited
Investment Manager: BlackRock Investment Management (UK) Limited
Securities lending agent: BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Registrar, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the years ended 28 February 2018 and 28 February 2017.

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 issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 11. Management fees and registration fees paid to the Manager are shown in note 5. The balances due at the year end in respect of these fees are shown in note 11. Securities lending revenue earned by the Fund is disclosed in note 4.

For holdings in Institutional Cash Series plc ("ICS"), there will be no initial charges or redemption charges payable on investments in the Fund, however, duties and charges may apply. ICS will be subject to fees and expenses which may include fixed management fees, performance fees, administration fees and custodial fees.

13. Related Parties continued

As at 28 February 2018 and 28 February 2017, none of the unitholders:

(i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or

(ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be related parties to the Fund.

14. Portfolio Transaction Costs

For the year ended 28 February 2018

		Direct Transaction Costs			
Purchases (excluding derivatives)	**Transaction Value £000's**	**Commissions £000's**	**%**	**Taxes £000's**	**%**
Equity instruments	203,704	136	0.07	570	0.28
Total purchases	**203,704**	**136**		**570**	
Total purchases including transaction costs	**204,410**				

		Direct Transaction Costs			
Sales (excluding derivatives)	**Transaction Value £000's**	**Commissions £000's**	**%**	**Taxes £000's**	**%**
Equity instruments	266,352	211	0.08	1	0.00
Total sales	**266,352**	**211**		**1**	
Total sales net of transaction costs	**266,140**				
Total transaction costs		**347**		**571**	
Total transaction costs as a % of average net assets		**0.06%**		**0.11%**	

14. Portfolio Transaction Costs continued

For the year ended 28 February 2017

Purchases (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Equity instruments	342,116	257	0.08	1,596	0.47
Total purchases	**342,116**	**257**		**1,596**	
Total purchases including transaction costs	**343,969**				

Sales (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Equity instruments	428,061	313	0.07	1	0.00
Total sales	**428,061**	**313**		**1**	
Total sales net of transaction costs	**427,747**				
Total transaction costs		**570**		**1,597**	
Total transaction costs as a % of average net assets		**0.11%**		**0.29%**	

The above analysis covers direct transaction costs incurred by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

Separately identifiable direct transaction costs (such as commissions and taxes) are attributable to the Fund's purchase and sale of equity instruments. Additionally, for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be incurred on purchase and sale transactions.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.20% (28 February 2017: 0.12%).

15. Units in Issue

The movement in units in issue for the year ended 28 February 2018 is as follows:

	A Income Units	A Accumulation Units	D Income Units	D Accumulation Units	S Income Units	S Accumulation Units
Balance at the beginning of the year	11,405,482	68,934,424	6,827,793	11,617,476	10,351,983	47,808,624
Issued during the year	216,355	1,893,346	219,580	401,471	579,002	1,716,583
Cancelled during the year	(1,432,678)	(8,564,609)	(940,348)	(2,962,805)	(1,466,378)	(9,150,297)
Converted during the year	(263,491)	(405,202)	258,529	366,279	9,617	73,177
Balance at the end of the year	**9,925,668**	**61,857,959**	**6,365,554**	**9,422,421**	**9,474,224**	**40,448,087**

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 table. All unit classes have the same rights on winding up.

16. Post Balance Sheet Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the financial statements for the year ended 28 February 2018.

Statement of Manager's Responsibilities

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

The financial statements should comply with the disclosure requirements of the Statement of Recommended Practice (the "SORP") for Authorised Funds issued by the Investment Management Association (subsequently The Investment Association) 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 COLL Sourcebook, the SORP and the Trust Deed.

Statement of the Trustee's Responsibilities in Respect of the Fund and Report of the Trustee to the Unitholders of the Fund for the Year Ended 28 February 2018

The Depositary in its capacity as Trustee of the Fund must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Trustee is responsible for the safekeeping of all the custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Trustee must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Scheme documents of the Fund in relation to the investment and borrowing powers applicable to the Fund.

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 Fund, acting through the AFM:

(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 income in accordance with the Regulations and the Scheme documents of the Fund; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the Scheme documents of the Fund.

BNY Mellon Trust & Depositary
(UK) Limited

London
1 May 2018

Building a better working world

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Tel: +44 131 777 2000
Fax: +44 131 777 2001
ey.com

Independent Auditor's Report to the Unitholders of BlackRock UK Fund

Opinion

We have audited the financial statements of BlackRock UK Fund ("the Fund") for the year ended 28 February 2018 which comprise the Statement of Total Return and Statement of Changes in Net Assets Attributable to Unitholders together with the Balance Sheet, the accounting policies of the Fund, the related notes 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) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 28 February 2018 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Use of our report

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 of the fund 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 of the fund as a body, for our audit work, for this report, or for the opinions we have formed.

Building a better working world

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Tel: +44 131 777 2000
Fax: +44 131 777 2001
ey.com

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 year for which the financial statements are prepared is consistent with the financial statements; and
- 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.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Tel: +44 131 777 2000
Fax: +44 131 777 2001
ey.com

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the manager

As explained more fully in the manager's responsibilities statement set out on page 39, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP
Statutory Auditor

Edinburgh
1 May 2018

Supplementary Information

Efficient Portfolio Management Techniques

The Manager may, on behalf of the Fund and subject to the conditions and within the limits laid down by the FCA, the Prospectus, as amended from time to time, and the ESMA Guidelines, employ techniques and instruments relating to transferable securities. These include repurchases/reverse repurchase transactions ("repo transactions") and securities lending, provided that such techniques and instruments are used for efficient portfolio management purposes.

Securities Lending

The total value of securities on loan as a proportion of the Fund's NAV and total lendable assets, as at the balance sheet date, is 16.18% and 17.16% respectively.

Total lendable assets represents the aggregate value of assets forming part of the Fund's securities lending programme. This excludes any assets held by the Fund that are not considered lendable due to any market, regulatory, investment or other restriction.

The total income earned from securities lending transactions is split between the Fund and the Securities Lending Agent. The Fund receives 62.5% while the Securities Lending Agent receives 37.5% of such income, with all operational costs borne out of the Securities Lending Agent's share. Income earned during the year by the Fund from securities lending transactions is disclosed in the notes to the financial statements.

The value of securities on loan and associated collateral analysed by counterparty, as at 28 February 2018, is disclosed in the notes to the financial statements.

All securities on loan have an open maturity tenor as they are recallable or terminable on a daily basis.

Collateral

The Fund engages in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

The following table provides an analysis by currency of the cash and underlying non-cash collateral received by way of title transfer collateral arrangement by the Fund, in respect of securities lending transactions, as at 28 February 2018.

Currency	Non-cash collateral received
	£000's
AUD	148
CAD	1,844
CHF	1,306
CNY	2,623
DKK	420
EUR	21,330
GBP	10,830
HKD	1,065
JPY	12,496
NOK	1
SEK	178
SGD	304
USD	39,434
Total	**91,979**

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

The following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received by the Fund by way of title transfer collateral arrangement in respect of securities lending transactions, as at 28 February 2018.

	Maturity Tenor					
Collateral type and quality	8 - 30 days	31 - 90 days	91 - 365 days	More than 365 days	Open transactions	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Collateral received – securities lending						
Fixed Income						
Investment grade	20	58	186	21,058	–	21,322
Equities						
Recognised equity index	–	–	–	–	70,563	70,563
ETFs						
UCITS	–	–	–	–	94	94
Total	**20**	**58**	**186**	**21,058**	**70,657**	**91,979**

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received as collateral is based on the respective contractual maturity date, while for equity securities and ETFs received as collateral are presented as open transactions as they are not subject to a contractual maturity date.

As at 28 February 2018, all non-cash collateral received by the Fund in respect of securities lending transactions is held by the Fund's Trustee (or through its delegates).

The following table lists the ten largest issuers by value of non-cash collateral received by the Fund by way of title transfer collateral arrangement across securities lending transactions as at 28 February 2018.

Issuer	Value	% of the Fund's NAV
	£000's	
US Treasury	4,496	0.86
UK Government	3,468	0.66
Federal Republic of Germany	3,320	0.63
Republic of France	3,013	0.58
Republic of Belgium	2,797	0.53
Republic of Austria	2,769	0.53
United Rentals Inc	2,442	0.47
Philip Morris International Inc	2,092	0.40
DXC Technology	1,698	0.32
Banco Santander SA	1,694	0.32
Other issuers	64,190	12.27
Total	**91,979**	**17.57**

No securities collateral received from a single issuer, in relation to efficient portfolio management, has exceeded 20% of the Fund's NAV at the year end date.

The Fund has not been fully collateralised in securities issued or guaranteed by an EU member state at the year end date.

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 2018, the firm manages £4.50 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 proprietarily-developed analytics, systems, and technology. Through BlackRock Solutions, the Firm provides risk management and enterprise investment services for over 200 clients.

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 over 30 countries around the world.

Want to know more?

blackrock.co.uk uk.investor@blackrock.com 0800 44 55 22

BLACKROCK®