# BLACKROCK COMMODITIES INCOME INVESTMENT TRUST PLC

## HALF YEARLY FINANCIAL REPORT 31 MAY 2015

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# BlackRock Commodities Income Investment Trust plc

The Company's objectives are to achieve an annual dividend target and, over the long term, capital growth by investing primarily in securities of companies operating in the mining and energy sectors.

aic
The Association of Investment Companies

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Details about the Company are available at blackrock.co.uk/brci

# Performance record

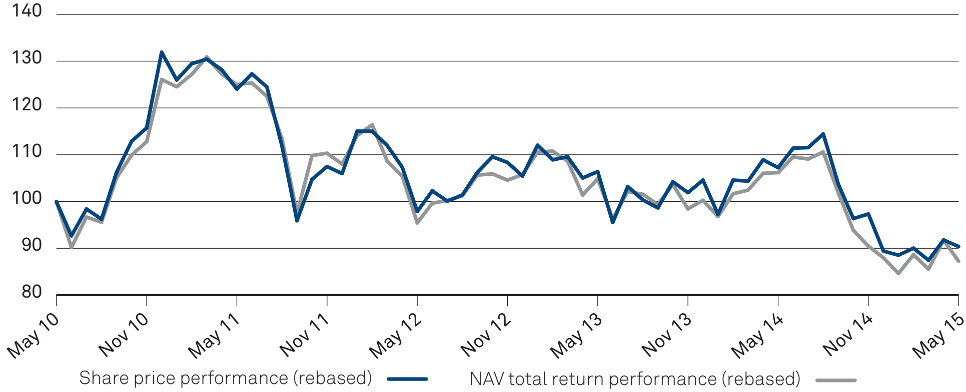
## FINANCIAL HIGHLIGHTS

| Attributable to ordinary shareholders | 31 May 2015 (unaudited) | 30 November 2014 (audited) | Change % |
|---|---|---|---|
| **Assets** | | | |
| Net assets (£'000)[(i)] | 93,153 | 96,696 | -3.7 |
| Net asset value per ordinary share | 85.73p | 91.95p | -6.8 |
| – with income reinvested | | | -3.5 |
| Ordinary share price (mid-market) | 88.88p | 99.00p | -10.2 |
| – with income reinvested | | | -7.1 |

| | For the six months ended 31 May 2015 (unaudited) | For the six months ended 31 May 2014 (unaudited) | Change % |
|---|---|---|---|
| **Revenue** | | | |
| Net revenue after taxation (£'000) | 3,301 | 3,008 | 9.7 |
| Revenue return per ordinary share | 3.10p | 3.05p | 1.6 |
| **Interim dividends** | | | |
| 1st interim | 1.5000p | 1.4875p | 0.8 |
| 2nd interim[(ii)] | 1.5000p | 1.4875p | 0.8 |

(i) The change in net assets reflects market movements and the issue of 3,500,000 shares during the period.
(ii) to be paid on 24 July 2015.

## PERFORMANCE FROM 31 MAY 2010 TO 31 MAY 2015




Sources: BlackRock and Datastream.
Performance figures are calculated in sterling terms, with income reinvested.
Share price and NAV at 31 May 2010, rebased to 100.

## PERFORMANCE TO 31 MAY 2015

| | Six months | One year | Five years |
|---|---|---|---|
| Net asset value per ordinary share – with income reinvested | -3.5% | -17.8% | -12.5% |
| Ordinary share price (mid-market) – with income reinvested | -7.1% | -15.7% | -9.6% |

Source: BlackRock.

# Chairman's statement

## REVIEW

I am pleased to present my first report as Chairman of your Company.

The sector continues to operate in a difficult environment in which slower global growth and Chinese demand have negatively impacted commodity prices. The Investment Manager has navigated these challenges while keeping a clear focus on income generation and as a consequence the Company's dividend has been maintained which is something I know is particularly important for our shareholders.

Before setting out the key areas of activity during the past six months I would first like to extend the Board's gratitude to Alan Hodson who chaired the BlackRock Commodities Income Investment Trust plc from its inception in 2005. Under Alan's leadership the Company has grown successfully, attracting a wide shareholder base and, at the time of writing, continues to trade at a premium to its peers.

## PERFORMANCE

During the six month period ended 31 May 2015 the Company's net asset value (NAV) per share declined by 3.5% and the share price fell by 7.1% (both percentages in sterling terms with income reinvested). Further information on investment performance and the outlook for the remaining six months of the year is given in the Investment Manager's Report.

Since the period end, up to 22 July 2015, the Company's NAV has decreased by 16.6% and the share price has fallen by 16.9% (with income reinvested). At 22 July 2015 the Company's shares stood at a 3.3% premium to NAV.

## REVENUE RETURN AND DIVIDENDS

Revenue return per share for the six month period was 3.10 pence (six months to 31 May 2014: 3.05 pence). The target for the year ending 30 November 2015 is to pay dividends amounting to at least 6.00 pence per share in total[1] (2014: target of 5.95 pence). The first quarterly dividend of 1.50 pence per share was paid on 21 April 2015 and the second quarterly dividend of 1.50 pence per share will be paid on 24 July 2015 to shareholders on the register on 19 June 2015 (2014: three interim dividends each of 1.4875 pence per share and a fourth interim dividend of 1.5375 pence per share).

1. This is a target and should not be interpreted as a profit or dividend forecast.

## SHARE CAPITAL

The Company has continued to issue ordinary shares in response to investor demand and during the period the Company issued 3,500,000 ordinary shares at an average price of 89.21 pence per share for a total consideration of £3,122,000, before the deduction of issue costs. The shares were issued at an average premium of 2.4% to the cum income NAV at the close of business on the business day prior to each issue and at a premium to the estimated cum income NAV at the time of each transaction. It should be noted that the issue of new ordinary shares during the period has provided a gross capital uplift of £72,000, including income of £32,000.

At its Annual General Meeting in March 2015 the Company received shareholder authority to issue ordinary shares and to disapply pre-emption rights in respect of 30% of its issued ordinary share capital. Under the UK Listing Authority Rules the Company is prohibited from issuing more than 10% of its issued share capital over any twelve month period without issuing a prospectus. Therefore, to enable the Company to continue to issue shares, the Company published a prospectus in respect of a placing programme for up to 50 million ordinary shares on 19 June 2015.

A further 3,210,000 ordinary shares have been issued since the period end, up to 22 July 2015, for consideration of £2,571,000, before the deduction of issue costs. The shares were issued at an average premium of 2.5% to the cum income NAV at the close of business on the previous business day and at a premium to the estimated cum income NAV at the time of the transaction and provided a gross uplift of £60,000 including income of £19,000.

## AUDIT SERVICES

During the period, the Company conducted a formal tender process for its external audit services. The incumbent audit firm Ernst & Young LLP (EY) was asked to participate in the process along with three other firms.

EY have acted as the external Auditor since the Company's launch in 2005. The Audit and Management Engagement Committee therefore considered that it was an appropriate time to conduct a tender process in keeping with its commitment to best practices in corporate governance and reporting and also to conduct the exercise ahead of the implementation of the EU Audit Directive which will require the Company to put its audit out to tender every 10 years with mandatory rotation after 20 years.

# Chairman's statement continued

Following presentations and interviews it was agreed that the re-appointment of EY was in the best interests of the Company.

## TENDER OFFER

The Directors of the Company have the discretion to make semi-annual tender offers in February and August of each year at the prevailing NAV, less 2%, for up to 20% of the Company's issued share capital.

The Directors announced on 12 June 2015 that over the six month period to 31 May 2015 the Company's shares had traded at an average premium to NAV of 1.5% (on a cum-income basis), and it was not therefore in the interests of shareholders to implement the August 2015 tender offer.

## OUTLOOK

The Company continues to provide investors with exposure to a broad range of mining and energy related commodities, including hydrocarbons, which remain a key source of energy at a time of focus on renewable sources. We have seen continued demand for our shares during the period and our attractive yield has enabled the Company to retain its premium rating. Commodity prices remain under pressure, a result of moderating growth in China, US dollar strength and growing supply, yet the industry has responded well with companies aggressively cutting costs and curtailing spend on future growth. At current prices, high cost supply is leaving the market, which should result in the higher prices required to support investment over the medium term. Despite the falls in commodity prices, companies with robust balance sheets and high quality assets remain well positioned to marginally grow dividends. Overall, we remain cautiously optimistic and believe that the portfolio is well positioned in high quality companies to take advantage of opportunities that arise in the remainder of 2015 and beyond.

Ed Warner
23 July 2015

# Interim management report and responsibility statement

The Chairman's Statement on pages 4 to 6 and the Investment Manager's Report on pages 9 to 17 give details of the important events which have occurred during the period and their impact on the financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks faced by the Company can be divided into various areas as follows:

- Income/dividend;
- Market;
- Financial;
- Gearing;
- Operational; and
- Regulatory.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 30 November 2014. A detailed explanation can be found in the Strategic Report on pages 7 and 8 and in note 17 on pages 51 to 59 of the Annual Report and Financial Statements which are available on the website at blackrock.co.uk/brci.

In the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous report and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

## GOING CONCERN

The Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective and the Company's projected income and expenditure are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company has a portfolio of investments which are considered to be readily realisable and is able to meet all of its liabilities from its assets and income generated from these assets. Ongoing charges

# Interim management report and responsibility statement continued

(excluding interest costs and taxation) for the year ended 30 November 2014 were approximately 1.5% of net assets.

## RELATED PARTY DISCLOSURE TRANSACTIONS WITH THE INVESTMENT MANAGER

BlackRock Fund Managers Limited (BFM) was appointed as the Company's Alternative Investment Fund Manager (AIFM) with effect from 2 July 2014. BFM has, with the Company's consent, delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Both BFM and BIM (UK) are regarded as related parties under the Listing Rules. Details of the management fee payable are set out in note 3 on page 31 and note 10 on pages 38 and 39. The related party transactions with the Directors are set out in note 9 on page 38.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Disclosure and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"; and

- the Interim Management Report together with the Chairman's Statement and Investment Manager's Report, include a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

This half yearly report has not been audited or reviewed by the Company's Auditor.

The half yearly financial report was approved by the Board on 23 July 2015 and the above responsibility statement was signed on its behalf by the Chairman.

Ed Warner
For and on behalf of the Board
23 July 2015

# Investment manager's report

## MARKET OVERVIEW

Following a disappointing 2014, both the energy and mining sectors deteriorated further during the first half of 2015 as the World Bank cut its global economic growth estimate, Chinese economic data softened and the futures market saw heavy selling. The Bloomberg Commodity Index reached its lowest level since 2002, surpassing the previous lows witnessed during the global financial crisis.

Encouragingly, sentiment turned more positive towards the end of the period with commodity prices bouncing off lows and share prices trending higher. Evidence of improved global oil demand, combined with US oil production cuts saw the WTI Oil price finish the period at US$60/bbl. In addition, actions taken by the Chinese government to support the economy via a number of easing measures, including a cut to the reserve requirement ratio and reduced minimum down payments for second time home buyers were supportive for many industrial commodities.

We are now seeing many of the classic signals associated with the low point of the cycle for the natural resources sector. Companies have responded to lower commodity prices by cutting operating costs and capital expenditure and instead focusing on returns and dividends. In certain commodities we are beginning to see supply and demand rebalance. A number of high quality companies are trading at cyclical lows, offering attractive dividend yields, with both the energy and mining sectors trading at good dividend yield premiums to the market. While the ultimate timing of a recovery in the sector remains uncertain, investors are being 'paid to wait' for commodity markets to rebalance.

During the six month period ended 31 May 2015, the Company's NAV declined by 3.5%, with the share price falling by 7.1%. Over the same period, the Euromoney Global Mining and MSCI World Energy indices declined by 5.8% and 1.0% respectively. (All data are in sterling with income reinvested.) In light of commodity price volatility a decision was made to reduce gearing. During the period the maximum net gearing was 3.0%, declining to 1.5% at 31 May 2015 compared to 3.9% at the last year end.

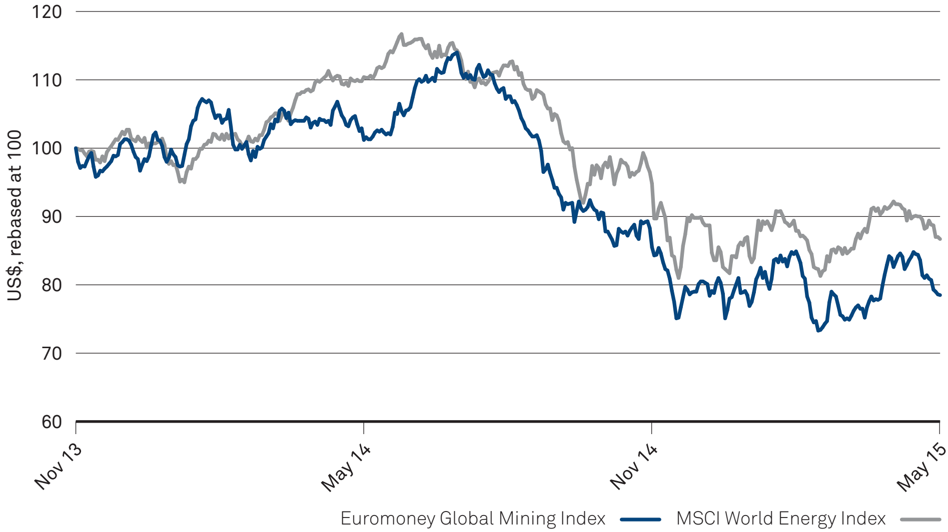
# Investment manager's report continued

The table below shows the performance of key commodity prices during the period ended 31 May 2015.

| Commodity | 30 November 2014 | 31 May 2015 | Change % |
|---|---|---|---|
| **Base Metals (US$/tonne)** | | | |
| Aluminium | 2,030 | 1,701 | -16.2 |
| Copper | 6,412 | 6,005 | -6.3 |
| Lead | 2,024 | 1,934 | -4.4 |
| Nickel | 16,223 | 12,588 | -22.4 |
| Tin | 20,276 | 15,561 | -23.3 |
| Zinc | 2,213 | 2,182 | -1.4 |
| **Precious Metals (US$/oz)** | | | |
| Gold | 1,182 | 1,190 | 0.7 |
| Silver (USc/oz) | 1,560 | 1,673 | 7.2 |
| Platinum | 1,205 | 1,115 | -7.5 |
| Palladium | 809 | 783 | -3.2 |
| **Energy** | | | |
| Oil (WTI) (US$/Bbl) | 65.9 | 60.3 | -8.5 |
| Oil (Brent) (US$/Bbl) | 71.7 | 63.6 | -11.3 |
| Natural Gas (US$/MMBTU) | 4.24 | 2.64 | -37.7 |
| Uranium (US$/lb) | 40 | 35 | -12.5 |
| **Bulk Commodities (US$/tonne)** | | | |
| Iron ore | 71.3 | 61.9 | -13.2 |
| Coking coal | 112 | 88 | -21.4 |
| Thermal coal | 63.4 | 57.4 | -9.5 |
| Potash (US$/st) | 370 | 370 | – |
| **Equity Indices** | | | |
| Euromoney Global Mining Index (US$) | 342.9 | 314.9 | -8.2 |
| Euromoney Global Mining Index (£) | 219.0 | 206.3 | -5.8 |
| MSCI World Energy Index (US$) | 240.7 | 232.1 | -3.6 |
| MSCI World Energy Index (£) | 153.7 | 152.1 | -1.0 |

Sources: Datastream, Citi Research and Macquarie

## EQUITY PRICES




Source: Datastream.

### ENERGY

During the first half of the year, the oil price (WTI spot price) fell by over 8.5% although this was an unremarkable move in the context of a broadly weak commodity universe. The oil price was volatile, and at one point in March, traded as low as US$43/bbl before recovering steadily through to the end of the period under review.

The debate regarding the exact trigger for the oil price sell-off is one that has yet to be settled but the broad theme of weaker than expected demand and a supply-side that saw a steady climb in US domestic production and the unwillingness of OPEC to take action to balance the market were the key factors in the dramatic falls in oil prices.

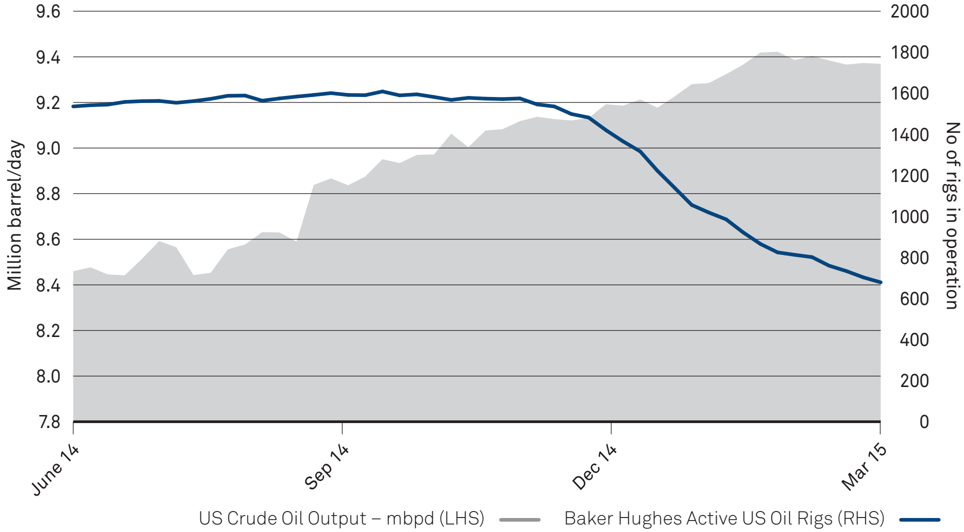
Energy equities performed well against a backdrop of rapidly falling oil prices. From the end of November 2014 to the end of January 2015 the MSCI World Energy Index fell by just 6% compared to an oil price that was down by over 20%. Oil-linked currencies fared worse with the Norwegian Krone dropping by 12% against the US Dollar over the same period. Part of this relative performance can be explained by the smaller moves in the longer-dated part of the oil futures curve, which the equity market often use to value oil

# Investment manager's report continued

companies. In addition, although the sector looked inexpensive when the oil price began to fall and at the end of the first half, oil equities have settled at a point where they perhaps more fully reflect the current oil price forward curve, as opposed to the discounted valuations they traded at when oil was in excess of US$100/bbl. We have reflected this less attractive view on valuation in the portfolio by reducing the energy sector weighting in the first half of 2015.

The oil industry's response to the sharp fall in prices has some similarities to the response by the mining industry to weaker prices in the last few years but also some noteworthy differences. The speed at which oil companies have cut their capital expenditure was faster than that seen in the mining space but in percentage terms has not been as great. On the operating side, the shale industry in the US has a far higher degree of flexibility to take production offline and restart it quickly and inexpensively. The rig count (as measured by Baker Hughes and shown in the chart on the following page) dropped significantly during the period but clearly the least productive wells were stopped first and along with a sharp fall in drilling costs and improved productivity, oil output in the US has remained stubbornly high. As oil prices have climbed above US$60/bbl, a number of companies have made comments about restarting drilling at certain idle operations – the battle for market share in the "shale-era" oil market is still very much in its early stages.

## US ACTIVITY LEVELS DECREASING




Source: IEA Report, May 2015.

In the last couple of months, as the oil price has stabilised above US$55/bbl, there has been a notable pick-up in M&A activity in the sector. The largest of these was the bid for BG Group by Royal Dutch Shell that valued the target at over US$70 billion (including BG Group's debt) with Shell's management team taking a positive long term view on oil markets and the liquefied natural gas assets of BG Group to justify the deal. There have also been some smaller deals, including Rosetta Resources, a US shale company held in the Company's portfolio, agreed to a takeover by Noble Energy in May. It is also worth noting that many North American energy companies raised equity soon after the oil price bounced off its lows with at least US$15 billion in new equity capital raised in the first five months of 2015.

### MINING

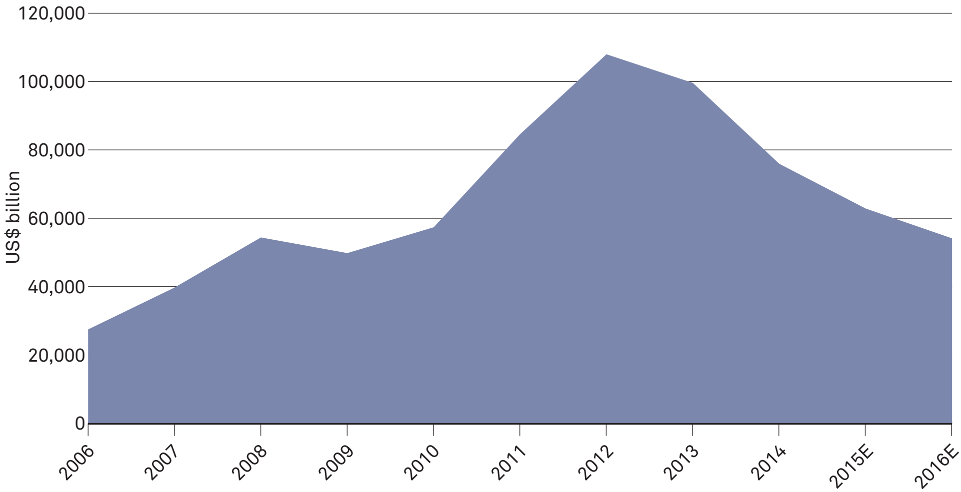
With the exception of precious metals, mining commodities weakened during the first half of the year. Given the dramatic falls witnessed during the second half of 2014, it was disappointing to see further deterioration. Base metals fell across the board with copper, nickel and aluminium down by 6.3%, 22.4% and 16.2% respectively. Bulk commodities also struggled with iron ore, thermal coal and coking coal down by 13.2%, 9.5% and

# Investment manager's report continued

21.4% respectively. The beginning of the period was particularly challenging, with the Bloomberg Commodity Index bottoming in March and commodity prices rebounding somewhat towards the end of the period. As the industry has reduced operating costs, in conjunction with lower oil prices and weaker commodity currencies (including the Australian and Canadian Dollar), we have seen meaningful compression and flattening of cost curves which has put further downward pressure on commodity prices.

The mining sector performed remarkably well given the magnitude of the underlying commodity price moves, declining by 4.3% (in sterling terms) over the period. A combination of capital expenditure and operating cost reductions has dampened to a certain extent the impact on free cash flow. Since the peak of capital investment in 2012, capital expenditure is forecast to decline by 50% by the end of this year. With the return on capital for the sector at near four decade year lows, companies are not investing and have cut back aggressively on exploration resulting in thin project pipelines. This bodes well for the longer term and limits the industry's ability to respond to the next upturn in demand which will ultimately see prices rise over time.

## MINING CAPITAL EXPENDITURE



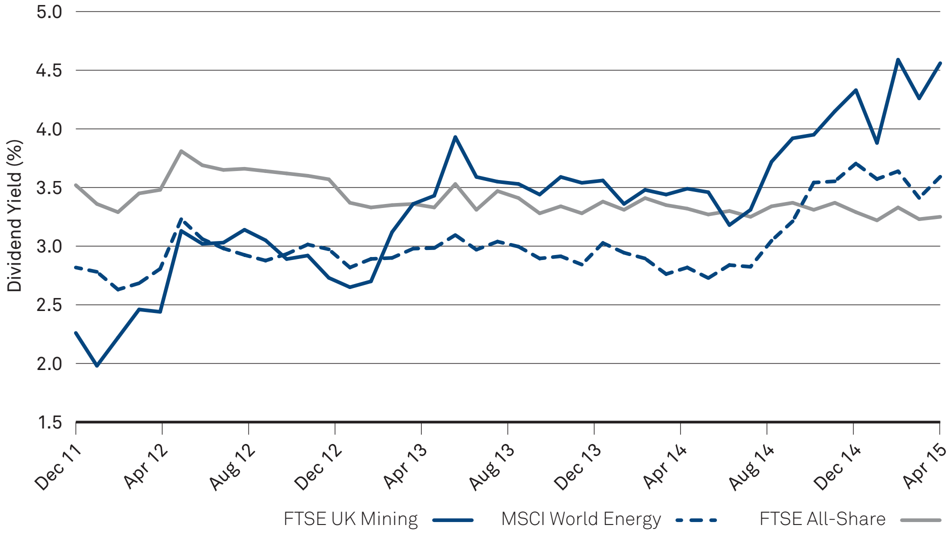

Source: Credit Suisse – May 2015.

Given the weakness and volatility in commodity prices during the period, the portfolio remained focused on high quality, low cost and high dividend yielding companies. During the period, the managers increased exposure to favoured diversified miners BHP Billiton and Rio Tinto which delivered strong operating cost reductions, as well as our favoured copper growth orientated companies, First Quantum Minerals and Hudbay Minerals. In addition, we reduced our exposure to a number of companies where we felt it was inevitable that dividends would be cut, including Freeport-McMoRan Copper & Gold, Antofagasta and Brazilian iron ore producer Vale.

## INCOME

The mining and energy sectors have continued to trade at a significant, and growing, dividend yield premium to general equity markets, as shown in the following chart.

### SECTOR DIVIDEND YIELDS




Source: Thomson Reuters Datastream, as at 29 May 2015.

The first half of 2015 was mixed from an income perspective. On the positive side, a number of the major mining companies announced increased dividends in their full year results as the volume growth they have been investing in for the last few years began to generate cash flows, even in this lower commodity price environment. For example, Rio Tinto delivered a 12% dividend increase, a US$2 billion share buyback and a

# Investment manager's report continued

strengthening of its balance sheet, with net debt to equity reduced to 22% compared to over 30% at the end of 2013. In the energy sector, ExxonMobil delivered another dividend increase of 8%, slightly below the 5 year trend of 10% per year dividend growth, but impressive given the commodity price backdrop.

However, the sharp drop in many companies' revenues impacted dividends as boards looked to support balance sheets and either protect the ability to complete spending on value-added capital projects or, in the case of higher cost or over-geared companies, stop the company facing financial distress. A number of the Company's holdings reduced their dividends in the last six months. For example, Freeport-McMoRan Copper & Gold cut its dividend by over 80% in April as the collapse in cash flow from their oil and gas business meant action was necessary to continue growth in the high-quality copper business. Canadian Oil Sands, a relatively high cost producer also cut its dividend by a similar proportion as the lower oil price hit earnings.

During the period we took advantage of corporate bond opportunities to add alternative sources of income to the portfolio. A sell-off in the bonds of First Quantum Minerals provided an excellent entry point into a security with an attractive yield. From our research we concluded the market had taken too negative a view on the company's balance sheet. At the end of the period 5.5% of the portfolio was held in corporate bonds.

Option writing continued to deliver a steady source of income during the first half of the year. Volatility was very high during the first four months of the period and call option writing was focused on a number of energy names where valuations looked full and iron ore companies where price momentum appeared universally negative. Towards the end of the first quarter we favoured writing put options as valuations in certain precious metal names appeared attractive and some mid-cap energy stocks, such as Laredo and Rosetta Resources, were also at very attractive entry points. Puts were therefore written and the underlying shares also purchased at the same time. During the last couple of months, volatilities fell for the larger cap companies so both call and put writing was focused in more mid cap names as well as two agriculture companies where M&A provided attractive options.

## OUTLOOK

While the outlook is likely to remain volatile, action taken by industry, in particular the significant reduction in capital spending, is expected to lead to a rebalancing of markets over time. It is clear that the rebalancing of the energy market is already underway, with demand growth accelerating and US production starting to roll over. Among mining commodities this rebalancing will take longer, with a number of base metals (copper and zinc) approaching deficit markets over the next twelve months. However, bulk commodities (iron ore and coal) look well supplied over the medium term.

Following a period of weak commodity demand, recent measures taken by the Chinese government to support the economy, have to an extent improved sentiment for the sector. Should these measures translate into a pick-up in underlying demand, we would expect to see a re-rating of both company share prices and commodity prices. As we have seen in the past, an improvement in global macro-economic conditions would likely bode well for the sector, but, this does require China to follow suit given the country’s importance to global commodity demand.

From a company perspective, we would expect action taken by the industry to cut cost, curtail capital expenditure and sell non-core assets to remain in place. At current commodity price levels, dividend growth will be modest and likely to be confined to the major producers. In the absence of a re-rating of share prices, this is likely to see the sector trade at a meaningful dividend yield premium to the market. Today, we see a number of quality companies trading at attractive valuation levels, in particular when compared to valuation levels in broader markets. This has already been recognised by a number of corporates with the level of M&A increasing in the sector. Whilst we are seeing a number of classic signals associated with the low point of the cycle, the ultimate timing of a recovery remains uncertain and investors are receiving strong yield support while they wait.

Olivia Markham and Tom Holl
BlackRock Investment Management (UK) Limited
23 July 2015

# Ten largest investments

## 31 May 2015

**BHP Billiton: 5.9%** (2014: 4.1%) is the world's largest diversified natural resources company. The company is a major producer of aluminium, iron ore, copper, thermal and metallurgical coal, manganese, uranium, nickel, silver, titanium minerals and diamonds. The company also has significant interests in oil, gas and liquefied natural gas.

**Chevron: 5.5%** (2014: 6.0%) is one of the world's leading integrated energy companies engaged in every aspect of the oil, gas and power generation industries. Chevron is one of the world's 'supermajor' oil companies, along with BP, ExxonMobil, Royal Dutch Shell and Total.

**ExxonMobil: 5.4%** (2014: 6.0%) is the world's largest publicly traded international oil and gas company and the largest refiner and marketer of petroleum products.

**Rio Tinto: 5.0%** (2014: 3.0%) is one of the world's leading mining companies. The company's primary production is iron ore, but it also produces aluminium, copper, diamonds, gold, industrial minerals and energy products.

**Enbridge Income Fund Trust: 4.8%** (2014: 3.8%) is a Canadian listed company that is focused on energy infrastructure assets in North America. It has a strong commitment to paying cashflow out to shareholders with a long term target of paying out approximately 80% of cash generated and available for distribution on a monthly basis.

**First Quantum Minerals: 4.4%** (2014: 1.3%) is an established and rapidly growing mining company operating seven mines and developing five projects worldwide. The company is a significant copper producer and also produces nickel, gold, zinc and platinum group elements.

**Eni: 3.6%** (2014: 3.6%) is a major integrated energy company with activities in exploration and production, refining and marketing as well as power generation. Based in Italy, Eni is also the leading player in the European gas market. In the oil services sector, Eni owns a major stake in Saipem, a leading turnkey contractor in the oil and gas industry.

**Glencore: 3.4%** (2014: 4.4%) is an integrated producer and marketer of commodities, with activities in every part of the supply chain, from sourcing materials to delivering products to an international customer base. In the mining sector, the company has interests in base metals and iron ore, while its energy portfolio is focused on oil and coal. The company also has storage, handling and processing facilities for grains, oils and oilseeds, cotton and sugar.

**ConocoPhillips: 3.4%** (2014: 3.2%) is the world's largest independent exploration and production company (based on proved reserves and production of liquids and natural gas). It has producing assets in North America, Europe, Asia and Australia in conventional oil and gas and a growing portfolio of North American shale and oil sands businesses.

**MMC Norilsk Nickel: 3.3%** (2014: 2.5%) is the world's largest producer of nickel and palladium and one of the leading producers of platinum and copper. It also produces various by-products, such as cobalt, rhodium, silver and gold.

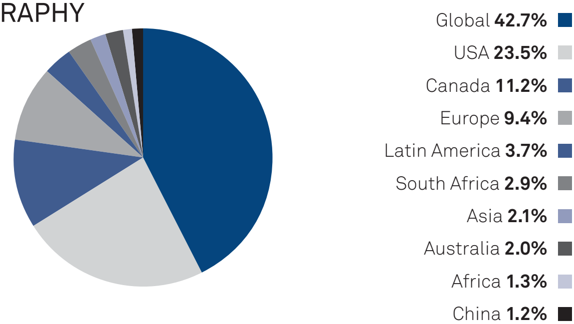
All percentages reflect the value of the holding as a percentage of total investments. For this purpose where more than one class of securities is held, these have been aggregated. The percentages in brackets represent the value of the holding as at 30 November 2014. Together, the ten largest investments represents 44.7% of total investments (ten largest investments as at 30 November 2014: 41.4%).

Contents

# Distribution of investments

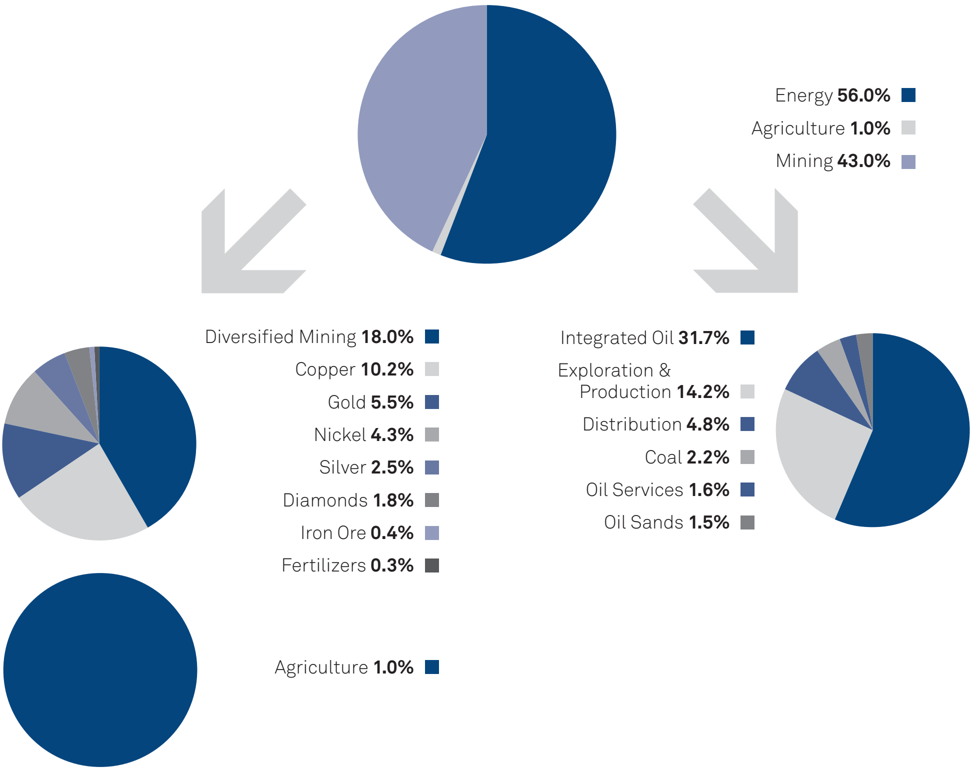
## as at 31 May 2015

### ASSET ALLOCATION – GEOGRAPHY




Source: BlackRock.

### ASSET ALLOCATION – COMMODITY




Source: BlackRock.

# Investments

## as at 31 May 2015

| | Main geographic exposure | Market value | % of investments |
|---|---|---|---|
| | | £'000 | |
| **Integrated Oil** | | | |
| Chevron | Global | 5,096 | 5.5 |
| ExxonMobil | Global | 5,026 | 5.4 |
| Eni | Europe | 3,244 | 3.6 |
| Eni call option 18/06/15 | Europe | (10) | – |
| ConocoPhillips | USA | 3,129 | 3.4 |
| Statoil | Europe | 3,061 | 3.3 |
| Royal Dutch Shell | Global | 2,960 | 3.2 |
| BP | Global | 2,479 | 2.7 |
| BP call option 19/06/15 | Global | (1) | – |
| Total | Global | 2,441 | 2.6 |
| Occidental Petroleum | USA | 1,839 | 2.0 |
| | | **29,264** | **31.7** |
| **Diversified Mining** | | | |
| BHP Billiton | Global | 5,447 | 5.9 |
| Rio Tinto | Global | 4,654 | 5.0 |
| Glencore | Global | 3,160 | 3.4 |
| Lundin Mining | Europe | 1,581 | 1.7 |
| Lundin Mining 7.875% 1/11/22 | Europe | 709 | 0.8 |
| Lundin Mining call option 19/06/15 | Europe | (11) | – |
| Teck Resources | Canada | 656 | 0.7 |
| South32 | Global | 427 | 0.5 |
| | | **16,623** | **18.0** |
| **Exploration & Production** | | | |
| Anadarko Petroleum | USA | 2,492 | 2.7 |
| Devon Energy | USA | 2,009 | 2.2 |
| Southwestern Energy | USA | 1,604 | 1.7 |
| Southwestern Energy call option 17/07/15 | USA | (27) | – |
| Encana | Canada | 1,410 | 1.5 |
| Laredo Petroleum | USA | 1,323 | 1.4 |
| Cabot Oil & Gas | USA | 1,090 | 1.2 |
| Cimarex Energy | USA | 946 | 1.0 |

# Investments continued

## as at 31 May 2015

| | Main geographic exposure | Market value | % of investments |
|---|---|---|---|
| | | £'000 | |
| **Exploration & Production** continued | | | |
| Marathon Oil | Global | 891 | 1.0 |
| Pioneer Natural Resources | USA | 775 | 0.8 |
| Rosetta Resources | USA | 612 | 0.7 |
| | | **13,125** | **14.2** |
| **Copper** | | | |
| First Quantum Minerals | Global | 2,211 | 2.4 |
| First Quantum Minerals 7.25% 15/05/22 | Global | 1,981 | 2.1 |
| First Quantum Minerals put option 17/07/15 | Global | (68) | (0.1) |
| Freeport-McMoRan Copper & Gold | Asia | 1,919 | 2.1 |
| Freeport-McMoRan Copper & Gold call option 19/06/15 | Asia | (9) | – |
| Southern Copper | Latin America | 1,353 | 1.5 |
| Hudbay Minerals | Canada | 946 | 1.0 |
| Avanco Resources | Latin America | 791 | 0.9 |
| Southern Peru Copper | Latin America | 307 | 0.3 |
| | | **9,431** | **10.2** |
| **Gold** | | | |
| Nevsun Resources | Africa | 1,209 | 1.3 |
| Gold Fields | South Africa | 1,117 | 1.2 |
| Gold Fields call option 17/07/15 | South Africa | (67) | (0.1) |
| Eldorado Gold | Global | 1,010 | 1.1 |
| Osisko Gold Royalties | Canada | 947 | 1.1 |
| Barrick Gold | Global | 932 | 1.0 |
| Barrick Gold OTC put option 17/07/15 | Global | (37) | – |
| Detour Gold OTC put option 17/07/15 | Canada | (50) | (0.1) |
| | | **5,061** | **5.5** |
| **Distribution** | | | |
| Enbridge Income Fund Trust | Canada | 4,469 | 4.8 |
| | | **4,469** | **4.8** |

| | Main geographic exposure | Market value | % of investments |
|---|---|---|---|
| | | £'000 | |
| **Nickel** | | | |
| MMC Norilsk Nickel | USA | 3,117 | 3.3 |
| MMC Norilsk Nickel call option 17/07/15 | USA | (13) | – |
| Western Areas | Australia | 879 | 1.0 |
| | | **3,983** | **4.3** |
| **Silver** | | | |
| Tahoe Resources | USA | 1,402 | 1.5 |
| Fresnillo | Latin America | 955 | 1.0 |
| | | **2,357** | **2.5** |
| **Coal** | | | |
| China Shenhua Energy | China | 1,140 | 1.2 |
| China Shenhua Energy call option 30/07/15 | China | (20) | – |
| Anglo Pacific | Australia | 926 | 1.0 |
| | | **2,046** | **2.2** |
| **Diamonds** | | | |
| Petra Diamonds 8.25% 31/05/20 | South Africa | 1,131 | 1.3 |
| Petra Diamonds | South Africa | 491 | 0.5 |
| | | **1,622** | **1.8** |
| **Oil Services** | | | |
| Schlumberger | USA | 1,517 | 1.6 |
| Helmerich put option 19/06/15 | USA | (14) | – |
| | | **1,503** | **1.6** |
| **Oil Sands** | | | |
| Canadian Oil Sands | Canada | 912 | 1.0 |
| Suncor Energy | Canada | 443 | 0.5 |
| | | **1,355** | **1.5** |

# Investments continued

## as at 31 May 2015

| | Main geographic exposure | Market value | % of investments |
|---|---|---|---|
| | | £'000 | |
| **Agriculture Science** | | | |
| Monsanto | Global | 1,035 | 1.1 |
| Monsanto call option 19/06/15 | Global | (4) | – |
| Syngenta put option 17/07/15 | Global | (80) | (0.1) |
| | | **951** | **1.0** |
| **Iron Ore** | | | |
| Labrador Iron Ore | Canada | 464 | 0.5 |
| Labrador Iron Ore call option 19/06/15 | Canada | (100) | (0.1) |
| | | **364** | **0.4** |
| **Fertilizers** | | | |
| Potash Corporation of Saskatchewan | Canada | 309 | 0.3 |
| Potash Corporation of Saskatchewan call option 19/06/15 | Canada | (1) | – |
| Iluka put option 25/06/15 | Australia | (16) | – |
| | | **292** | **0.3** |
| **Platinum** | | | |
| Lonmin | South Africa | 17 | – |
| | | **17** | **–** |
| **Equity and bond investments** | | **92,991** | **100.5** |
| **Derivative financial instruments – written options** | | **(528)** | **(0.5)** |
| **Total investments** | | **92,463** | **100.0** |

All investments are ordinary shares unless otherwise stated.

The total number of holdings (including open options) at 31 May 2015 was 71 (30 November 2014: 64).

The total number of open options as at 31 May 2015 was 17 (30 November 2014: 11).

The negative valuations of £528,000 (30 November 2014: £481,000) in respect of options held represent the notional cost of repurchasing the contracts at market prices as at 31 May 2015.

# Consolidated statement of comprehensive income

## for the six months ended 31 May 2015

| | Notes | Revenue £'000 | | | Capital £'000 | | | Total £'000 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Six months ended | | Year ended | Six months ended | | Year ended | Six months ended | | Year ended |
| | | 31.05.15 (unaudited) | 31.05.14 (unaudited) | 30.11.14 (audited) | 31.05.15 (unaudited) | 31.05.14 (unaudited) | 30.11.14 (audited) | 31.05.15 (unaudited) | 31.05.14 (unaudited) | 30.11.14 (audited) |
| Income from investments held at fair value through profit or loss | 2 | 2,072 | 2,405 | 4,519 | – | – | – | 2,072 | 2,405 | 4,519 |
| Other income | 2 | 1,989 | 1,275 | 3,122 | – | – | – | 1,989 | 1,275 | 3,122 |
| **Total revenue** | | 4,061 | 3,680 | 7,641 | – | – | – | 4,061 | 3,680 | 7,641 |
| (Losses)/gains on investments held at fair value through profit or loss | | – | – | – | (6,291) | 5,497 | (13,824) | (6,291) | 5,497 | (13,824) |
| Exchange (losses)/gains | | – | – | – | (48) | 24 | (35) | (48) | 24 | (35) |
| | | 4,061 | 3,680 | 7,641 | (6,339) | 5,521 | (13,859) | (2,278) | 9,201 | (6,218) |
| **Expenses** | | | | | | | | | | |
| Investment management fee | 3 | (126) | (161) | (314) | (378) | (482) | (941) | (504) | (643) | (1,255) |
| Other expenses | 4 | (174) | (154) | (313) | (2) | (4) | (6) | (176) | (158) | (319) |
| **Total operating expenses** | | (300) | (315) | (627) | (380) | (486) | (947) | (680) | (801) | (1,574) |
| **Profit/(loss) before finance costs and taxation** | | 3,761 | 3,365 | 7,014 | (6,719) | 5,035 | (14,806) | (2,958) | 8,400 | (7,792) |
| Finance costs | | (7) | (22) | (44) | (15) | (43) | (100) | (22) | (65) | (144) |
| **Profit/(loss) on ordinary activities before taxation** | | 3,754 | 3,343 | 6,970 | (6,734) | 4,992 | (14,906) | (2,980) | 8,335 | (7,936) |
| Taxation | | (453) | (335) | (745) | – | – | – | (453) | (335) | (745) |
| **Net profit/(loss) for the period** | 6 | 3,301 | 3,008 | 6,225 | (6,734) | 4,992 | (14,906) | (3,433) | 8,000 | (8,681) |
| **Earnings/(loss) per ordinary share** | 6 | 3.10p | 3.05p | 6.20p | (6.33p) | 5.07p | (14.85p) | (3.23p) | 8.12p | (8.65p) |

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All income is attributable to the equity holders of BlackRock Commodities Income Investment Trust plc. There were no minority interests. The total net loss of the Group and Company for the six months was £3,433,000 (six months to 31 May 2014: gain £8,000,000; year ended 30 November 2014: loss £8,681,000). The Group does not have any other recognised gains or losses. The net profit/(loss) disclosed above represents the Group's total comprehensive income. Details of dividends paid and payable at the balance sheet date are given in note 5.

Contents

# Consolidated statement of changes in equity

## for the six months ended 31 May 2015

| | Note | Called-up share capital £'000 | Share premium account £'000 | Special reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **For the six months ended 31 May 2015 (unaudited)** | | | | | | | |
| At 30 November 2014 | | 1,052 | 37,003 | 71,223 | (15,981) | 3,399 | 96,696 |
| Total comprehensive income: | | | | | | | |
| Net profit/(loss) for the period | | – | – | – | (6,734) | 3,301 | (3,433) |
| Transactions with owners, recorded directly to equity: | | | | | | | |
| Shares issued | | 35 | 3,087 | – | – | – | 3,122 |
| Share issue costs | | – | (12) | – | – | – | (12) |
| Dividends paid | 5(b) | – | – | – | – | (3,220) | (3,220) |
| **At 31 May 2015** | | 1,087 | 40,078 | 71,223 | (22,715) | 3,480 | 93,153 |
| **For the six months ended 31 May 2014 (unaudited)** | | | | | | | |
| At 30 November 2013 | | 963 | 27,584 | 71,223 | (1,075) | 3,135 | 101,830 |
| Total comprehensive income: | | | | | | | |
| Net profit for the period | | – | – | – | 4,992 | 3,008 | 8,000 |
| Transactions with owners, recorded directly to equity: | | | | | | | |
| Shares issued | | 48 | 5,098 | – | – | – | 5,146 |
| Share issue costs | | – | (9) | – | – | – | (9) |
| Dividends paid | 5(b) | – | – | – | – | (2,950) | (2,950) |
| At 31 May 2014 | | 1,011 | 32,673 | 71,223 | 3,917 | 3,193 | 112,017 |
| **For the year ended 30 November 2014 (audited)** | | | | | | | |
| At 30 November 2013 | | 963 | 27,584 | 71,223 | (1,075) | 3,135 | 101,830 |
| Total comprehensive Income: | | | | | | | |
| Net (loss)/profit for the year | | – | – | – | (14,906) | 6,225 | (8,681) |
| Transactions with owners, recorded directly to equity: | | | | | | | |
| Shares issued | | 89 | 9,437 | – | – | – | 9,526 |
| Share issue costs | | – | (18) | – | – | – | (18) |
| Dividends paid | 5(b) | – | – | – | – | (5,961) | (5,961) |
| At 30 November 2014 | | 1,052 | 37,003 | 71,223 | (15,981) | 3,399 | 96,696 |

The transaction costs incurred on the acquisition and disposal of investments are included within the capital reserve. Purchase and sale costs amounted to £106,000 and £51,000 respectively for the six months ended 31 May 2015 (six months ended 31 May 2014: £35,000 and £29,000; year ended 30 November 2014: £117,000 and £78,000).

# Consolidated statement of financial position

## as at 31 May 2015

| | Notes | 31 May 2015 £'000 (unaudited) | 31 May 2014 £'000 (unaudited) | 30 November 2014 £'000 (audited) |
|---|---|---|---|---|
| **Non current assets** | | | | |
| Investments held at fair value through profit or loss | | 92,991 | 117,225 | 99,054 |
| **Current assets** | | | | |
| Other receivables | | 714 | 1,464 | 1,127 |
| Collateral pledged with brokers | | 2,053 | 1,884 | 1,804 |
| Cash and cash equivalents | | 1,277 | 206 | 776 |
| | | 4,044 | 3,554 | 3,707 |
| **Total assets** | | 97,035 | 120,779 | 102,761 |
| **Current liabilities** | | | | |
| Other payables | | (1,242) | (988) | (1,908) |
| Derivative financial instruments | | (528) | (140) | (481) |
| Bank overdraft | | (2,112) | (7,634) | (3,676) |
| | | (3,882) | (8,762) | (6,065) |
| **Net current assets/(liabilities)** | | 162 | (5,208) | (2,358) |
| **Net assets** | | 93,153 | 112,017 | 96,696 |
| **Equity attributable to equity holders** | | | | |
| Called up share capital | 7 | 1,087 | 1,011 | 1,052 |
| Share premium account | | 40,078 | 32,673 | 37,003 |
| Special reserve | | 71,223 | 71,223 | 71,223 |
| Capital reserves | | (22,715) | 3,917 | (15,981) |
| Revenue reserve | | 3,480 | 3,193 | 3,399 |
| **Total equity** | | 93,153 | 112,017 | 96,696 |
| **Net asset value per ordinary share** | 6 | 85.73p | 110.90p | 91.95p |

# Consolidated cash flow statement

## for the six months ended 31 May 2015

| | Note | Six months ended 31 May 2015 £'000 (unaudited) | Six months ended 31 May 2014 £'000 (unaudited) | Year ended 30 November 2014 £'000 (audited) |
|---|---|---|---|---|
| **Net cash inflow/(outflow) from operating activities** | | 2,223 | (620) | 2,607 |
| **Financing activities** | | | | |
| Share issue costs paid | | (12) | (9) | (18) |
| Proceeds from share issues | | 3,122 | 6,230 | 10,610 |
| Equity dividends paid | 5(b) | (3,220) | (2,950) | (5,961) |
| **Net cash (outflow)/inflow from financing activities** | | (110) | 3,271 | 4,631 |
| **Increase in cash and cash equivalents** | | 2,113 | 2,651 | 7,238 |
| Effect of foreign exchange rate changes | | (48) | 24 | (35) |
| **Change in cash and cash equivalents** | | 2,065 | 2,675 | 7,203 |
| Cash and cash equivalents at start of period | | (2,900) | (10,103) | (10,103) |
| **Cash and cash equivalents at end of period** | | (835) | (7,428) | (2,900) |
| **Comprised of:** | | | | |
| Cash and cash equivalents | | 1,277 | 206 | 776 |
| Bank overdraft | | (2,112) | (7,634) | (3,676) |
| | | (835) | (7,428) | (2,900) |

# Reconciliation of net income before taxation to net cash flow from operating activities

## for the six months ended 31 May 2015

| | Six months ended 31 May 2015 £'000 (unaudited) | Six months ended 31 May 2014 £'000 (unaudited) | Year ended 30 November 2014 £'000 (audited) |
|---|---|---|---|
| (Loss)/profit before taxation | (2,980) | 8,335 | (7,936) |
| Losses/(gains) on investments held at fair value through profit or loss including transaction costs | 6,339 | (5,521) | 13,859 |
| (Increase)/decrease in other receivables | (228) | (75) | 16 |
| (Decrease)/increase in other payables | (147) | (19) | 9 |
| Net movement in collateral pledged to brokers | (249) | (400) | (320) |
| Decrease in amounts due from brokers | 641 | 1,431 | 2,497 |
| (Decrease) in amounts due to brokers | (806) | – | – |
| Net purchases of investments held at fair value through profit or loss | (181) | (4,164) | (4,974) |
| Taxation paid | – | – | (164) |
| Taxation on investment income included within gross income | (166) | (207) | (380) |
| **Net cash inflow/(outflow) from operating activities** | 2,223 | (620) | 2,607 |

# Notes to the financial statements

## for the six months ended 31 May 2015

### 1. PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of sections 1158-1165 of the Corporation Tax Act 2010.

The principal activity of the subsidiary, BlackRock Commodities Securities Income Company Limited, is investment dealing and options writing.

**Basis of preparation**

The half yearly financial statements have been prepared using the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 30 November 2014 (which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006) and in accordance with International Accounting Standard 34. These comprise standards and interpretations of International Accounting Standards and Standard Interpretations Committee as approved by the International Accounting Standards Committee that remain in effect, to the extent that IFRS has been adopted by the European Union.

In the half yearly financial report for the six months ended 31 May 2015, cash collateral pledged with brokers is shown as a receivable from the broker and does not form part of cash and cash equivalents in the Consolidated Cash Flow Statement. The comparative numbers in the Consolidated Cash Flow Statement have been updated to move this amount from cash and cash equivalents to receivables.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the Association of Investment Companies (AIC), revised in January 2009 is compatible with IFRS, the financial statements have been prepared in accordance with guidance set out in the SORP. The AIC SORP was revised and reissued in November 2014 (effective 1 January 2015) and will be applied to the financial statements in subsequent reporting periods. The taxation charge has been calculated by applying an estimate of the annual effective tax rate to any profit for the period.

## 2. INCOME

| | Six months ended 31 May 2015 £'000 (unaudited) | Six months ended 31 May 2014 £'000 (unaudited) | Year ended 30 November 2014 £'000 (audited) |
|---|---|---|---|
| **Investment income:** | | | |
| Overseas listed dividends | 1,465 | 1,846 | 3,484 |
| UK listed dividends | 485 | 435 | 823 |
| Fixed interest | 122 | 124 | 212 |
| | 2,072 | 2,405 | 4,519 |
| **Other operating income:** | | | |
| Deposit interest | 1 | – | 29 |
| Option premium income | 1,988 | 1,275 | 3,093 |
| | 1,989 | 1,275 | 3,122 |
| **Total** | 4,061 | 3,680 | 7,641 |

## 3. INVESTMENT MANAGEMENT FEE

| | Six months ended 31 May 2015 £'000 (unaudited) | Six months ended 31 May 2014 £'000 (unaudited) | Year ended 30 November 2014 £'000 (audited) |
|---|---|---|---|
| **Revenue:** | | | |
| Investment management fee | 126 | 161 | 314 |
| **Capital:** | | | |
| Investment management fee | 378 | 482 | 941 |
| **Total** | 504 | 643 | 1,255 |

The investment management fee is levied at a rate of 1.1% of gross assets per annum based on the gross assets on the last day of each quarter and is allocated 25% to the revenue column and 75% to the capital column of the Consolidated Statement of Comprehensive Income.

# Notes to the financial statements continued

## for the six months ended 31 May 2015

### 4. OTHER EXPENSES

| | Six months ended 31 May 2015 £'000 (unaudited) | Six months ended 31 May 2014 £'000 (unaudited) | Year ended 30 November 2014 £'000 (audited) |
|---|---|---|---|
| Custody fee | 3 | 2 | 10 |
| Auditor's remuneration: | | | |
| – audit services | 12 | 12 | 25 |
| – other audit services* | – | 6 | 6 |
| Directors' emoluments | 59 | 58 | 90 |
| Registrar's fee | 11 | 12 | 29 |
| Marketing fees | 14 | 16 | 32 |
| Other administrative costs | 75 | 48 | 121 |
| | 174 | 154 | 313 |
| Transaction charges – capital | 2 | 4 | 6 |
| | 176 | 158 | 319 |

* Other audit services relate to the review of the half yearly financial report.

### 5. DIVIDENDS

#### (a) Dividends declared

| | Six months ended 31 May 2015 £'000 (unaudited) | Six months ended 31 May 2014 £'000 (unaudited) | Year ended 30 November 2014 £'000 (audited) |
|---|---|---|---|
| First interim dividend for the period ended 28 February 2015 of 1.5000p (2014: 1.4875p) | 1,603 | 1,482 | 1,482 |
| Second interim dividend for the period ended 31 May 2015 of 1.5000p (2014: 1.4875p) | 1,641 | 1,502 | 1,502 |
| Third interim dividend for the period ended 31 August 2014 of 1.4875p (2013: 1.4750p) | – | – | 1,509 |
| Fourth interim dividend for the period ended 30 November 2014 of 1.5375p (2013: 1.5250p) | – | – | 1,617 |
| | 3,244 | 2,984 | 6,110 |

A first interim dividend for the period ended 28 February 2015 of £1,603,000 (1.50p per share) was paid on 21 April 2015 to shareholders on the register at 27 March 2015.
A second interim dividend for the period ended 31 May 2015 of £1,641,000 (1.50p per share based on 109,418,000 shares in issue) is proposed and will be paid on 24 July 2015 to shareholders on the register at 19 June 2015. This dividend has not been accrued in the financial statements for the six months ended 31 May 2015, as under IFRS, interim dividends are not recognised until paid. Dividends are debited directly to reserves.

The third and fourth interim dividends will be declared in September 2015 and December 2015 respectively.

**(b) Dividends paid**

Under IFRS final dividends, if any, are not recognised until approved by the shareholders. Interim dividends are debited directly to reserves. The dividends disclosed in the table below have been considered in view of the requirements of section 1158 Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amounts declared meet the relevant requirements. Amounts recognised as distributions to ordinary shareholders were as follows:

| | Six months ended 31 May 2015 | Six months ended 31 May 2014 | Year ended 30 November 2014 |
|---|---|---|---|
| | £'000 (unaudited) | £'000 (unaudited) | £'000 (audited) |
| First interim dividend for the period ended 28 February 2015 of 1.5000p (2014: 1.4875p) | 1,603 | 1,482 | 1,482 |
| Second interim dividend for the period ended 31 May 2014 of 1.4875p (2013: 1.4750p) | – | – | 1,502 |
| Third interim dividend for the period ended 31 August 2014 of 1.4875p (2013: 1.4750p) | – | – | 1,509 |
| Fourth interim dividend for the period ended 30 November 2014 of 1.5375p (2013: 1.5250p) | 1,617 | 1,468 | 1,468 |
| | 3,220 | 2,950 | 5,961 |

# Notes to the financial statements continued

## for the six months ended 31 May 2015

### 6. CONSOLIDATED EARNINGS PER ORDINARY SHARE AND NET ASSET VALUE PER ORDINARY SHARE

| | Six months ended 31 May 2015 (unaudited) | Six months ended 31 May 2014 (unaudited) | Year ended 30 November 2014 (audited) |
|---|---|---|---|
| Net revenue profit attributable to ordinary shareholders (£'000) | 3,301 | 3,008 | 6,225 |
| Net capital (loss)/profit attributable to ordinary shareholders (£'000) | (6,734) | 4,992 | (14,906) |
| Total (loss)/earnings attributable to ordinary shareholders (£'000) | (3,433) | 8,000 | (8,681) |
| Equity shareholders' funds (£'000) | 93,153 | 112,017 | 96,696 |
| The weighted average number of ordinary shares in issue during each period on which the earnings per ordinary share was calculated was: | 106,363,494 | 98,486,572 | 100,393,478 |
| The actual number of ordinary shares in issue at the period end on which the net asset value was calculated was: | 108,658,000 | 101,008,000 | 105,158,000 |
| The number of ordinary shares in issue at the period end was: | 108,658,000 | 101,008,000 | 105,158,000 |
| Revenue earnings per share | 3.10p | 3.05p | 6.20p |
| Capital (loss)/earnings per share | (6.33p) | 5.07p | (14.85p) |
| Total (loss)/earnings per share | (3.23p) | 8.12p | (8.65p) |
| Net asset value per share | 85.73p | 110.90p | 91.95p |
| Share price (mid-market) | 88.88p | 112.00p | 99.00p |

The Company did not have any dilutive securities or any treasury shares at the period end.

## 7. CALLED UP SHARE CAPITAL

| | Ordinary shares number | Total shares number | Nominal value £'000 |
|---|---|---|---|
| **Allotted, issued and fully paid share capital comprised:**<br>Ordinary shares of 1p each | | | |
| Shares in issue at 30 November 2014 | 105,158,000 | 105,158,000 | 1,052 |
| Shares issued | 3,500,000 | 3,500,000 | 35 |
| **At 31 May 2015** | 108,658,000 | 108,658,000 | 1,087 |

The number of ordinary shares in issue at the period end was 108,658,000 (31 May 2014: 101,008,000; 30 November 2014: 105,158,000) of which none were held in treasury (six months ended 31 May 2014: nil; year ended 30 November 2014: nil).

During the period 3,500,000 shares were issued (six months ended 31 May 2014: 4,750,000; year ended 30 November 2014: 8,900,000) for a total consideration of £3,122,000 (six months ended 31 May 2014: £5,146,000; year ended 30 November 2014: £9,526,000) before the deduction of issue costs. Since 31 May 2015, up to 22 July 2015, a further 3,210,000 shares have been issued for a total consideration of £2,571,000 before the deduction of the issue costs.

## 8. VALUATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair value (investment and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies notes 2(h) and 2(n) as set out in the Company's Annual Report and Financial Statements for the year ended 30 November 2014.

Categorisation within the following value hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

# Notes to the financial statements continued

## for the six months ended 31 May 2015

**8. VALUATION OF FINANCIAL INSTRUMENTS continued**

The fair value hierarchy has the following levels:

Level 1 – Quoted market price in an active market for an identical instrument. These include exchange traded derivative option contracts. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Valuation techniques used to price securities based on observable inputs. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter 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. There have been no changes to the valuation techniques since 30 November 2014.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable 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.

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 Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Over-the-counter derivative option contracts have been classified as level 2 investments as their valuation has been based on market observable inputs represented by the underlying quoted securities to which these contracts expose the Company.

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

| Financial assets/(liabilities) at fair value through profit or loss at 31 May 2015 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Assets: | | | | |
| Equity investments | 89,170 | – | – | 89,170 |
| Fixed income investments | 3,821 | – | – | 3,821 |
| Liabilities: | | | | |
| Derivative financial instruments – written options | – | (528) | – | (528) |
| | 92,991 | (528) | – | 92,463 |

| Financial assets/(liabilities) at fair value through profit or loss at 31 May 2014 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Assets: | | | | |
| Equity investments | 114,772 | – | – | 114,772 |
| Fixed income investments | 2,453 | – | – | 2,453 |
| Liabilities: | | | | |
| Derivative financial instruments – written options | – | (140) | – | (140) |
| | 117,225 | (140) | – | 117,085 |

| Financial assets/(liabilities) at fair value through profit or loss at 30 November 2014 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Assets: | | | | |
| Equity investments | 97,239 | – | – | 97,239 |
| Fixed income investments | 1,815 | – | – | 1,815 |
| Liabilities: | | | | |
| Derivative financial instruments – written options | – | (481) | – | (481) |
| | 99,054 | (481) | – | 98,573 |

There were no transfers between levels for financial assets and financial liabilities during the period recorded at fair value as at 31 May 2015, 31 May 2014 and 30 November 2014. The Company did not hold any level 3 securities throughout the financial period or as at 31 May 2015, 31 May 2014 and 30 November 2014.

# Notes to the financial statements continued

## for the six months ended 31 May 2015

### 9. RELATED PARTY DISCLOSURE

The Board consists of four non-executive Directors all of whom, with the exception of Mr Ruck Keene, are considered to be independent by the Board. Mr Ruck Keene, as a managing director of the Company's Investment Manager, is deemed to be interested in the Company's management agreement.

None of the Directors has a service contract with the Company. The Chairman receives an annual fee of £33,000, the Chairman of the Audit and Management Engagement Committee receives an annual fee of £27,000 and each other Director receives an annual fee of £22,000, with the exception of Mr Ruck Keene who has waived his entitlement to fees. Mr Ruck Keene devotes a portion of his time employed as Head of Closed End Funds to serve as a Director of the Company. An apportionment of his remuneration on a time served basis from employment by an affiliate of the Manager would materially equate to the fees received by the other Directors of the Company for similar qualifying services. At 31 May 2015, an amount of £6,800 (31 May 2014: £6,800; 30 November 2014: £nil) was outstanding in respect of Directors' fees.

Three members of the Board hold ordinary shares in the Company as set out in the table below.

| | 31 May 2015 | 31 May 2014 | 30 November 2014 |
|---|---|---|---|
| E Warner | 32,000 | 20,000 | 20,000 |
| C Bell* | – | – | – |
| A C Hodson** | – | 150,000 | 150,000 |
| M R Merton | 17,000 | 17,000 | 17,000 |
| J G Ruck Keene | 14,000 | 14,000 | 14,000 |

* Dr Bell was appointed as a Director on 1 December 2014.
** Mr Hodson retired as the Chairman of the Board on 17 March 2015.

Since the period end and up to the date of this report there have been no changes in Directors' holdings.

### 10. TRANSACTIONS WITH THE AIFM AND INVESTMENT MANAGER

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014.

BFM provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited. Details of the fees receivable by BFM and BIM (UK) in relation to these services are set out in note 3 on page 31.

The investment management fee for the six months ended 31 May 2015 amounted to £504,000 (six months ended 31 May 2014: £643,000; year ended 30 November 2014: £1,255,000). At the period end £425,000 was outstanding in respect of these fees (31 May 2014: £537,000; 30 November 2014: £490,000).

In addition to the above services, with effect from 1 November 2013, BlackRock has provided the Company with marketing services. The total fees paid or payable for these services for the period ended 31 May 2015 amounted to £14,000 excluding VAT (six months ended 31 May 2014: £13,000; year ended 30 November 2014: £32,000). As at 31 May 2015, £48,000 (31 May 2014: £15,000; 30 November 2014: £34,000) was outstanding.

## 11. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 May 2015, 31 May 2014 or 30 November 2014.

## 12. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information contained in this half yearly financial report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months ended 31 May 2015 has not been audited or reviewed by the Company's Auditor. The financial information for the six months ended 31 May 2014 was reviewed by the Company's Auditor.

The information for the year ended 30 November 2014 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those accounts contained no qualification or statement under sections 498(2) or (3) of the Companies Act 2006.

## 13. ANNUAL RESULTS

The Board expects to announce the annual results for the year ended 30 November 2015, as prepared under IFRS, in mid January 2016. Copies of the annual results announcement will be available from the Secretary on 020 7743 3000. The Annual Report and Financial statements should be available at the beginning of February 2016, with the Annual General Meeting being held in March 2016.

# Directors, management and other service providers

## Directors
Ed Warner (Chairman)
Carol Bell
Michael Merton (Chairman of the Audit and Management Engagement Committee)
Jonathan Ruck Keene

## Registered Office
(Registered in England, No. 5612963)
12 Throgmorton Avenue
London EC2N 2DL

## Alternative Investment Fund Manager
BlackRock Fund Managers Limited*
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

## Investment Manager and Company Secretary
BlackRock Investment Management (UK) Limited*
12 Throgmorton Avenue
London EC2N 2DL

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

## Registrar
Computershare Investor Services PLC*
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1476

## Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

## Custodian and Banker
The Bank of New York Mellon (International) Limited*
One Canada Square
London E14 5AL

## Stockbroker**
Winterflood Securities Limited*
The Atrium Building
25 Dowgate Hill
London EC4R 2GA

## Solicitor
Wragge Lawrence Graham & Co
4 More London Riverside
London SE1 2AU

## Savings Plan and NISA Administrator
Freepost RLTZ-KHUH-KZSB
BlackRock Investment Management (UK) Limited*
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 445522

* Authorised and regulated by the Financial Conduct Authority.
** Winterflood Securities Limited was appointed as the Company's corporate broker with effect from 2 February 2015. J.P. Morgan Cazenove Limited had previously provided corporate broking services to the Company.

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