

**BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2017**

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## **BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and financial statements for the year ended 30 November 2017.

#### **Results**

The profit for the year after tax amounted to £3,092,891 (2016: profit of £3,678,516) and is dealt with as shown in the income statement.

In the year, the Company paid the following dividends:-

28 February 2017	£500,000
30 May 2017	£700,000
21 August 2017	£700,000
28 November 2017	£400,000

#### **Activity**

The Company acts as an investment dealing company.

#### **Directors**

The Directors of the Company who all served throughout the year ended 30 November 2017 were as follows:

	<b>Appointment date</b>
Mr J Ruck Keene	13 March 2009
Mr M Merton	29 November 2010
Mr E W Warner	1 July 2013
Dr C Bell	1 December 2014

#### **Directors' Interests**

None of the Directors had an interest in the share capital of the Company at 30 November 2017. All the Directors are also directors of the Company's parent company, BlackRock Commodities Income Investment Trust plc and their interests in that company are declared in its annual report. No director has a contract or a material interest in any contract with the Company.

#### **Small Companies Exemption**

The Company qualifies as small company under section 419(2) of the Companies Act 2006 and has taken advantage of the exemption in preparing a Strategic Report.

#### **Auditors**

In accordance with section 386 of the Companies Act 1985 the Company has resolved to dispense with the obligation to appoint auditors annually. Accordingly, Ernst & Young LLP are deemed to be reappointed as auditors from 1 December 2017.

By order of the Board,



Sarah Beynsberger, for and on behalf of  
BlackRock Investment Management (UK) Limited  
Company Secretary  
29 January 2018

Registered Office:  
12 Throgmorton Avenue  
London EC2N 2DL  
Registered Number: 5607323

## **BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.


Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, to the best of their knowledge, state that the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors is unaware; and each Director has all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



By order of the Board  
Ed Warner  
Chairman  
29 January 2018  
Registered Number: 5607323

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED**

### **Opinion**

We have audited the financial statements of BlackRock Commodities Securities Income Company Limited for the year ended 30 November 2017 which comprise the Income Statement, the Balance Sheet and the Statement of changes in equity and the related notes<sup>1</sup> to 11, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 November 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 Company 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.

### **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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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 Directors are 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 Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are 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 directors determine 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 Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have 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.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.



Susan Dawe (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

29 January 2018

Notes:

1. The maintenance and integrity of the BlackRock Commodities Securities Income Company Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2017**

	Note	2017 £	2016 £
<b>Revenue</b>			
Gains from derivatives – written options	2	3,640,666	3,687,694
Gains on foreign exchange	2	2,270	818,354
<b>Profit on ordinary activities before interest, finance costs and taxation</b>		<b>3,642,936</b>	<b>4,506,048</b>
Other income	3	19,505	6,103
<b>Profit on ordinary activities before finance costs and taxation</b>		<b>3,662,441</b>	<b>4,512,151</b>
Finance costs	4	(38,853)	(51,769)
<b>Profit on ordinary activities before taxation</b>		<b>3,623,588</b>	<b>4,460,382</b>
Taxation	5	(530,697)	(781,866)
<b>Profit for the year after taxation</b>		<b>3,092,891</b>	<b>3,678,516</b>

The net profit for the year disclosed above represents the Company's total comprehensive income.

The notes on pages 10 to 14 form part of the financial statements.



**BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY AT 30 NOVEMBER 2017**

	Note	Share Capital	Revenue Reserve	Total
		£	£	£
Balance at 1 December 2016		1	1,322,209	1,322,210
Profit for the year		-	3,092,891	3,092,891
Dividends paid	6	-	(2,300,000)	(2,300,000)
Balance at 30 November 2017		<u>1</u>	<u>2,115,100</u>	<u>2,115,101</u>
Balance at 1 December 2015		1	1,543,693	1,543,694
Profit for the year		-	3,678,516	3,678,516
Dividends paid	6	-	(3,900,000)	(3,900,000)
Balance at 30 November 2016		<u>1</u>	<u>1,322,209</u>	<u>1,322,210</u>

The notes on pages 10 to 14 form part of the financial statements.

**BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED**  
**BALANCE SHEET AS AT 30 NOVEMBER 2017**

	Notes	2017 £	2016 £
<b>Current assets</b>			
Amount due from parent company		1	1
Cash collateral held with brokers		949,000	2,989,526
Cash and cash equivalents		1,395,224	7,134,258
		<u>2,344,225</u>	<u>10,123,785</u>
<b>Creditors – amounts falling due within one year</b>			
Bank overdraft		-	(8,448,405)
Taxation payable		(229,124)	(353,170)
		<u>(229,124)</u>	<u>(8,801,575)</u>
<b>Net assets</b>		<u>2,115,101</u>	<u>1,322,210</u>
<b>Capital and reserves</b>			
Share capital	9	1	1
Revenue reserve		2,115,100	1,322,209
<b>Total shareholders' funds</b>		<u>2,115,101</u>	<u>1,322,210</u>

These financial statements on pages 7 to 14 were authorised for issue by the Board of Directors on 29 January 2018 and were signed on their behalf by Mr E Warner, Chairman.



Chairman

Company number 5607323

The notes on pages 10 to 14 form part of the financial statements.

# BLACKROCK COMMODITIES SECURITIES INCOME COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

The Company acts as an investment dealing company and is a wholly owned subsidiary of BlackRock Commodities Income Investment Trust plc, which is incorporated in the United Kingdom. It is included within the consolidated financial statements of BlackRock Commodities Income Investment Trust plc which are publicly available.

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

#### (a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of investments and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The following exemptions are available but are not relevant to the Company:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined). Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;

Paragraph 73(e) of IAS 16 Property, plant and equipment;  
Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations may be omitted provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations may be omitted provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

(b) Income

Income from equity investments is included in revenue by reference to the date on which the investment is quoted ex-dividend.

Option premium income is recognised as revenue evenly over the life of the option contract. Any costs on closing out an option is transferred to revenue along with any unamortised premium.

Interest receivable and payable are recorded on an accruals basis.

Foreign income is converted at the exchange rate applicable at the time of receipt. Gains and losses arising from investment dealing are reflected in the income statement. Unrealised gains are not distributed.

(c) Investments

Listed investments are valued at closing bid market prices ruling on the balance sheet date.

(d) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds and in this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

## Notes to the financial statements continued

### 1. Accounting policies (continued)

#### (e) Foreign currency translation

All transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the rates of exchange ruling at that date. Exchange differences arising on the translation of other foreign currency assets and liabilities are taken to the income statement.

Exchange differences arising on the revaluation of investments held as current assets are included in unrealised gains/losses on investments.

#### (f) Operating expenses

All of the Company's operating expenses are borne by the parent company, BlackRock Commodities Income Investment Trust plc.

(g) The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise receivables and cash in the balance sheet

#### (iii) Recognition and subsequent measurement

Purchases and sales of financial assets are recognised on a trade date basis. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**2. Gains from derivatives – written options**

	2017 £	2016 £
Gains from derivatives – written options	3,640,666	3,687,694
Exchange gains	<u>2,270</u>	<u>818,354</u>
	<u>3,642,936</u>	<u>4,506,048</u>

**3. Other income**

	2017 £	2016 £
Deposit interest	<u>19,505</u>	<u>6,103</u>

**4. Finance costs**

	2017 £	2016 £
Interest payable – bank overdraft	<u>38,853</u>	<u>51,769</u>

**5. Taxation**

	2017 £	2016 £
<b>a) Analysis of charge for the year</b>		
Group relief	(144,540)	(110,210)
Prior year adjustment - 2014	(25,257)	-
Corporation tax	<u>700,494</u>	<u>892,076</u>
Total tax (note 5b)	<u>530,697</u>	<u>781,866</u>

**b) Factors affecting current tax charge for the year:**

The differences are explained below:

	2017 £	2016 £
Net profit before taxation	<u>3,623,588</u>	<u>4,460,382</u>
Corporation tax at 19.33% (2016: 20.00%) thereon:	700,494	892,076
<b>Effects of:</b>		
Group relief	(144,540)	(110,210)
Prior year adjustment - 2014	<u>(25,257)</u>	<u>-</u>
<b>Current tax charge for the year (note 5a)</b>	<u>530,697</u>	<u>781,866</u>

**6. Dividends**

Dividend amounting to £2,300,000 has been paid for the year ended 30 November 2017 (2016: £3,900,000). These dividends have been paid from the revenue reserve account, the only distributable reserve.

**7. Financial instruments risk**

At 30 November 2017, the Company had no financial assets or financial liabilities measured at fair value through profit or loss (2016: nil).

The Company is exposed to interest rate risk on the cash balances held with the banks although this risk is not significant.

The Company's counterparty credit risk exposures as at 30 November 2017 related to the collateral held on margin deposit of £949,000 (2016: £2,989,526) held with brokers, Bank of America Merrill Lynch and cash balances of £1,395,224 (2016: 7,134,258) held with the depositary/ custodians, The Bank of New York Mellon (International) Limited.

The Company's liquidity risk exposures relating to cash outflows of the financial liabilities is limited to the bank overdraft which as at 30 November 2017 is £nil (2016: £8,448,405).

**8. Directors' emoluments**

None of the Directors received any emoluments for their services to the Company during the year.

**9. Share capital**

The authorised share capital of the Company is £100 divided into 100 shares of £1, of which 1 ordinary share of £1 has been allotted, issued and fully paid up.

**10. Contingent liabilities**

There were no contingent liabilities outstanding at 30 November 2017 (2016: £nil).

**11. Ultimate holding company**

The ultimate holding company is BlackRock Commodities Income Investment Trust plc, which is incorporated in the United Kingdom. BlackRock Commodities Income Investment Trust plc has included this Company in its group accounts, copies of which may be obtained from 12 Throgmorton Avenue, London EC2N 2DL.