Contents

BLACKROCK INCOME STRATEGIES TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 30 SEPTEMBER 2015

BLACKROCK®

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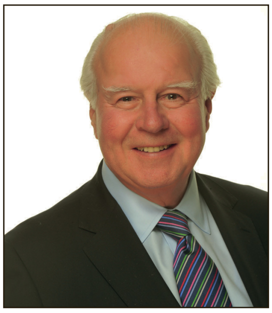
Board of Directors

JAMES M LONG, TD

Chairman,
Joined the Board in May 2006
Appointed Chairman 26 February 2015



JIMMY WEST

Senior Independent Director,
Appointed 22 June 1995

IAN RUSSELL

Audit Committee Chairman,
Joined the Board in June 2008
Appointed Audit Committee Chairman
on 26 February 2015

JIM GROVER

Director,
Appointed 25 June 2013

LYNN RUDDICK[1]

Director,
Appointed 1 October 2004

JULIAN SINCLAIR

Director,
Appointed 21 July 2015

[1] Ms Ruddick stood down as Chairman of the Company on 26 February 2015.

Additional details on Board composition and the Company's Corporate Governance Structure and Directors' Biographies are set out on page 26.

BlackRock Income Strategies Trust plc

The Company's investment objective is, over the medium term (5 to 7 years), to aim to preserve capital in real terms and to grow the dividend at least in line with inflation. The Company will target a total portfolio return of UK Consumer Price Index ("CPI") plus 4 per cent. per annum (before ongoing charges) over a 5 to 7 year cycle.

aic
The Association of Investment Companies

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

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

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Overview

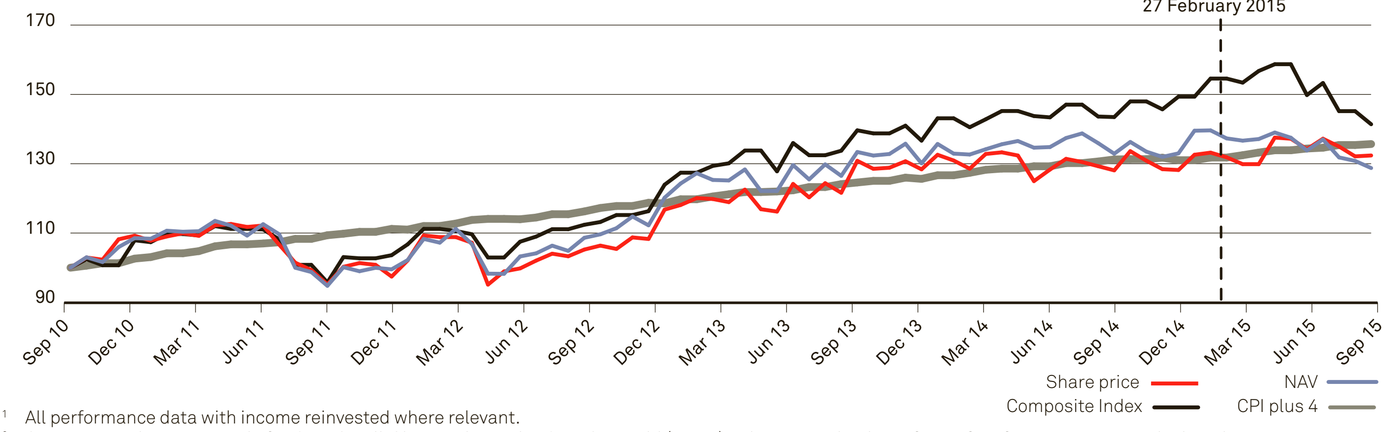
Performance record

	30 September 2015	30 September 2014	Change %
Net Assets (£'000)[1]	374,832	426,865	-12.2[3]
Net Asset value per share (debt at market value)	131.00p	143.30p	-8.6
– with income reinvested	137.28p	143.30p	-4.2[2]
Ordinary share price	130.50p	134.00p	-2.6
– with income reinvested	137.21p	134.00p	+2.4[2]
Premium/(Discount) to net asset value[4]	0.9%	(5.5%)	

[1] Net Assets at 30 September 2015 are before provision for the third interim dividend of 1.67p per share, paid on 9 October 2015; Net Assets at 30 September 2014 are before provision for the third interim dividend of 1.53p per share, paid on 10 October 2014.
[2] Assumes that dividends are reinvested at the relevant share price or NAV prevailing at the ex-dividend date for NAV and share price return calculations respectively.
[3] The change in net assets reflects market movements during the year and share buy backs.
[4] The premium and discount to NAV in the table above have been calculated based on the ex-dividend NAV of 129.33 pence per share and 141.77 pence per share as at 30 September 2015 and 2014 respectively, and not the Company's NAV per share as disclosed on the Company's balance sheet and in the table above. This is because accounting standards do not permit interim quarterly dividends to be reflected in the accounts until they have been paid. As the third quarterly dividends for 2015 and 2014 respectively had gone ex-dividend in the Company's share price at 30 September as disclosed in the table above, any share rating calculated based on this ex-dividend price also needs to be calculated using an ex-dividend NAV.

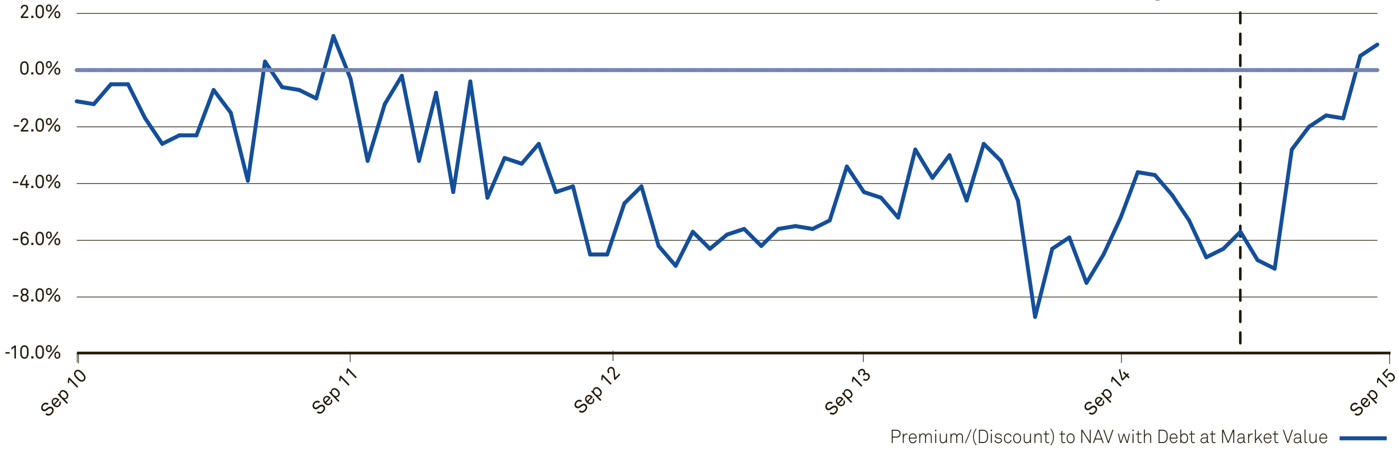
	Year ended 30 September 2015	Year ended 30 September 2014	Change %
Net revenue return after taxation (£'000)	20,163	20,298	-0.7
Revenue return per share	7.07p	7.01p	+0.9
Dividends:			
First quarterly dividend	1.500p	1.485p	+1.0
Second quarterly dividend	1.670p	1.530p	+9.2
Third quarterly dividend	1.670p	1.530p	+9.2
Fourth quarterly dividend	1.700p	1.895p	-10.3
Total dividends	6.540p	6.440p	+1.6

PERFORMANCE FOR THE FIVE YEARS ENDED 30 SEPTEMBER 2015[1]



[1] All performance data with income reinvested where relevant.
[2] Composite index comprised of 80% FTSE All-Share Index and 20% FTSE World (Ex UK) Index. From the date of transfer of management to BlackRock on 27 February 2015, the Composite Index is no longer the benchmark for the Company.
Source: ONSTAT, BlackRock.

SHARE RATING HISTORY OVER FIVE YEARS TO 30 SEPTEMBER 2015



Overview

Chairman's statement for the year ended 30 September 2015

HIGHLIGHTS:

- **New multi-asset strategy successfully implemented**
- **BlackRock appointed**
- **Nil discount policy adopted**
- **Shares issued post year end**
- **Tender mechanism put in place**
- **Premium to NAV achieved**
- **Total dividends for 2015 of 6.54p representing a yield of 5% (based on the share price at 30 September 2015)**

Dear Shareholder,

A YEAR OF CHANGE

I am delighted to be able to present my first, encouraging annual report as Chairman of your Company.

2015 has been one of the most exciting years in the Company's history. At a General Meeting in February, investors voted overwhelmingly in favour of a new investment objective which seeks to achieve a total portfolio return of UK Consumer Price Index (CPI) plus 4% per annum (before ongoing charges) over the medium term (five to seven years). The Board also committed to delivering long term real dividend growth and capital preservation for shareholders. At the same time, the Board decided to move the investment management of your Company to BlackRock Fund Managers Limited in place of F&C Business Limited.

These changes were inspired and made possible by the new freedom in the UK savings and pensions market that will allow thousands of investors to determine how best to save. It is to too early to judge the impact of the Government's plans but a recent study by BlackRock indicates that not only are more Britons now saving for retirement than a year ago but they are also feeling more optimistic about their financial futures. The Board believes strongly that your Company has a key role to play in meeting investors' long term goals and has been pleased with progress since the changes were effected.

To implement this strategy it is vital that we maintain a strong and complementary set of skills on the Board. I am therefore delighted that Julian Sinclair joined as a non-executive Director of the Company with effect from 21 July 2015. As Chief Investment Officer at Talisman Global Asset Management Limited Julian is an experienced investment professional with a strong multi-asset/asset allocation background. He will also serve as a member of the Company's Audit, Management Engagement and Nomination Committees.

The Company's performance this year is split into two periods, pre and post the appointment of BlackRock as Manager. For each period, performance has been set out compared to the relevant target index in the table on page 5.

The Board also assesses the Manager's delivery against the three main components of the Company's investment objective as follows:

1. PRESERVE CAPITAL IN REAL TERMS

The Company's NAV per share is down by 4.3% for the year under review. Since BlackRock assumed responsibility for managing the portfolio the Company's NAV has fallen by 7.7%. This was partly due to the impact of realigning the portfolio during March when the market was notably volatile. In addition, the market value of the Company's liability to its bond holders has increased as interest rate expectations moderated, further impacting performance by -0.3%. Despite these factors, the NAV outperformed UK and Global equities; the Company's previous composite index of 80% FTSE All-Share Index and 20% FTSE World Ex UK Index fell by 8.5% since BlackRock was appointed.

2. GROW THE DIVIDEND AT LEAST IN LINE WITH INFLATION

We know that our dividend is very important to our shareholders, and the Board is pleased to declare a fourth and final quarterly interim dividend of 1.70 pence per share which will be paid on 29 January 2016 to shareholders on the register on 4 January 2016. This brings the total dividends for the year to 6.54 pence per share, representing an increase of 1.6% versus a marginal fall in the rate of inflation (as measured by CPI) of 0.2%, and a yield of 5% (based on the share price at 30 September 2015). This level of dividend is supported by the Company's revenue earnings for the year which amounted to 7.07 pence per share (2014: 7.01 pence per share). The Board expects that the Company's investment strategy will continue to provide an attractive level of income via multiple sources, and that this will enable the Company to continue to pay dividends at least at the current level and to grow the dividend at least in line with inflation. From 1 October 2015, it is the Board's intention to set a quarterly dividend rate in the first quarter that will be paid across the first three quarters of the year, with any adjustments that may be required to the total dividends paid for the year to be made to the fourth quarterly dividend.

3. TOTAL PORTFOLIO RETURN OF UK INFLATION (CPI) + 4% PA OVER FIVE TO SEVEN YEAR CYCLE

Shareholders who elected to reinvest their dividends over the 12 months ending 30 September will have received a total return of 2.3% versus CPI+4% of 3.8%. Increased demand for our shares following the implementation of our new strategy has seen the discount to NAV at which the shares traded (6.6% on 27 February 2015) become a premium of 0.9% as at 30 September 2015.

One of the questions I am often asked is how we measure and evaluate our performance on an ongoing basis given that our investment objective is set over a five to seven year period. In particular, we know that the portfolio is likely to decline in absolute terms during shorter term periods of falling equity markets due to the relatively high equity exposure of the Company. The Board continues to monitor the key performance metrics that are set out in the Strategic Report on pages 7 to 9 (Key Performance Indicators), which I commend to your attention.

Period	Manager	NAV Performance[1]	NAV Performance (before costs)	Share Price	Target Index: UK Consumer Price Index + 4%	Target Index: Composite Benchmark[2]
1 October 2014 to 26 February 2015	F&C	3.7%	4.1%	2.5%	0.9%	7.6%
27 February to 30 September 2015	BlackRock	-7.7%	-7.4%	-0.2%	2.9%	-8.5%
Year to 30 September 2015		-4.2%	-3.6%	2.4%	3.8%	-1.6%

1 Based on cum-income NAV with debt at market value and with income reinvested.
2 Composite index of 80% FTSE All-Share Index and 20% FTSE World Ex UK Index.

NIL DISCOUNT POLICY

The Board is committed to a nil discount policy, which we believe will enhance the attractiveness of the Company to investors by increasing the liquidity of the shares and enhancing the Company's ability to grow over time (thereby reducing the ongoing charges per share). This policy is being implemented through a combination of share buybacks at a narrow discount to NAV and the issue of new shares at a premium to NAV. Since the change of investment manager to BlackRock in February 2015 your Company has bought back 13,975,000 Shares (which equates to approximately 5.0 %. of your Company's share capital) at an average discount of 2.5 % per share (based on the latest published NAV at the time of purchase). The Board believes that this has been a significant contributory factor to your Company's discount narrowing considerably, from around 7% at 26 February 2015 to a premium of 1.7%, based on the share price and NAV at close of business on 30 November 2015.

Indeed, demand for your Company's shares has increased to a level where the Board has also used the share issue authority available to it, and as at the date of this report, 200,000 shares have been issued in the period since the year end at a premium to NAV (after adjusting for issue costs) for a total consideration of £271,200.

TENDER MECHANISM

In connection with the proposals to amend the investment objective and move the management of your Company's assets to BlackRock in February 2015, the Board had the discretion to implement a tender offer for up to 20% of shares in issue prior to 31 August 2015. The Board exercised its discretion not to implement this tender authority, as the Company's discount had narrowed significantly and, having consulted a number of major long term shareholders, it was determined that, given the narrow discount and the desire amongst shareholders for a large and liquid investment trust, it was not in the interests of shareholders as a whole to proceed with the tender offer. This decision was announced on 20 July 2015, and at this date the Company's shares were trading at a discount of just under 2%, a market price higher than the proposed tender price (of NAV less 2% plus costs) would have been had it been calculated at the same date. The Board notes that by 31 August 2015, the date by which the tender would have been implemented, the Company's shares were trading at a premium to NAV of 0.5%.

Notwithstanding the decision not to implement the August tender, the Board sought and received shareholder approval at the General Meeting on 4 September to implement future tender offers for up to 20% of issued share capital, at the Board's discretion, and to the extent that this was considered to be in the best interests of shareholders as a whole and depending on market conditions at the time. The Board views this as a valuable additional mechanism to support the nil discount policy, although to date it has not been necessary to use it.

The Board will seek to renew the Company's existing 14.99% share buyback authority, the 20% tender authority and the 5% share issue authority at the forthcoming AGM in 2016.

GEARING

Gross gearing in the portfolio as at 30 September 2015 was approximately 14% via the Company's 6.25% Bonds 2031. The portfolio is not currently geared through the use of derivatives as at the date of publication of this report but the Manager will consider increasing exposure when suitable opportunities arise.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL on Monday 22 February 2016 at 11.00 a.m. Details of the business of the meeting are set out in the Notice of Meeting on pages 78 to 81 of this Annual Report and the Investment Manager will be making a presentation to shareholders on the Company's progress and the investment outlook

OUTLOOK

With more than 100 years of history your Company takes a long term view and while the new strategy is only seven months old the Board is encouraged by the progress to date. The Company's shares are being sought by investors in all areas of the market, from individual savers to large institutions, and we will continue our marketing efforts to identify and capture the opportunities presented by the Government's changes to pensions. As we approach 2016, and the economic and geo-political uncertainties that seem set to underpin market sentiment, the Board believes that a diversified multi-asset portfolio will be best placed to generate the long term capital and income upon which our shareholders depend.

JAMES M LONG
Chairman
2 December 2015

Overview

Strategic report

The Directors present the Strategic Report of the Company for the year ended 30 September 2015. The aim of the Strategic Report is to provide shareholders with the information to assess how the Directors have performed in their duty to promote the success of the Company for the collective benefit of shareholders.

PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is portfolio investment. Investment trusts, like unit trusts and OEICs, are pooled investment vehicles which allow exposure to a diversified range of assets through a single investment thus spreading, although not eliminating, investment risk.

OBJECTIVE

The Company's investment objective is, over the medium term (five to seven years), to aim to preserve capital in real terms and grow the dividend in line with inflation. The Company targets a total portfolio return of UK Consumer Price Index ("CPI") plus 4% per annum (before ongoing charges), over a five to seven year cycle.

STRATEGY, BUSINESS MODEL & INVESTMENT POLICY

Strategy

The Company invests in accordance with the objective given above. The Board is collectively responsible to shareholders for the long term success of the Company and is its governing body. There is a clear division of responsibility between the Board and the Manager. Matters for the Board include setting the Company's strategy, including its investment objective and policy, setting limits on gearing (both borrowings and the effect of derivatives), capital structure, governance, and appointing and monitoring of performance of service providers, including the Manager.

Business Model

The Company's business model follows that of an externally managed investment trust, therefore the Company does not have any employees and outsources its activities to third party service providers including the Manager who is the principal service provider.

The management of the investment portfolio and the administration of the Company have been contractually delegated to the Manager. The Manager, operating under an Investment Management Agreement, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

Other service providers include the Depositary, BNY Mellon Trust & Depositary (UK) Limited. The Company also delegates Fund accounting services to BIM (UK), which in turn sub-delegates these services to Bank of New York Mellon (International) Limited ("The Administrator") and the Registrar, Computershare Investor Services PLC (Computershare).

Details of the contractual terms with third party service providers are set out in the Directors' report on pages 27and 28.

Investment Policy

The Company invests globally using a flexible multi-asset approach. The Company has not set maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of securities and other assets. It is the current intention that approximately 40% of the portfolio will be invested in UK equity income stocks and the balance of the portfolio will be invested on a tactical asset allocation basis, including in pooled investment funds, but these allocations may change significantly over time.

No individual company exposure in the portfolio may exceed 10% of the Company's total assets at the time of investment, other than in money market funds, treasuries and gilts. No more than 15% of the Company's total assets, at the time of investment, may be invested in aggregate in unlisted alternative assets (including direct lending, commercial property, renewable energy and mortgage strategies). The Company will not normally invest more than 2% of its total assets in the unlisted securities issued by any individual company at the time of investment, with the exception of pooled investment funds. The Company may invest in exchange-traded funds provided they are listed on a recognised investment exchange.

No more than 10% of the Company's total assets may be invested in aggregate in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

The Company may use derivatives to enhance portfolio returns (of a capital or income nature) and efficient portfolio management, that is, to reduce, transfer or eliminate risk in its investments, including protection against currency risks, or to gain exposure to a specific market.

The Company uses gearing, through borrowings and derivatives, to enhance income and capital returns over the long term. The borrowings may be in sterling or other currencies. The Company's articles of association contain a borrowing limit equal to the value of its adjusted total of capital and reserves. However, borrowings would not normally be expected to exceed 20% of shareholders' funds. Total gearing, including net derivative exposure, would not normally be expected to result in a net economic equity exposure in excess of 120%.

The Company may invest from time to time in funds managed by BlackRock. To the extent that management or performance fees are charged in respect of these holdings, the Company will be rebated these fees on a regular basis to ensure that no double charging occurs.

No material change will be made to the Company's investment policy without shareholder approval.

PERFORMANCE

Details of the Company's performance for the year are given in the Chairman's Statement on pages 4 and 5. The Investment Manager's Report on pages 13 to 15 includes a review of the main developments during the period, together with information on investment activity within the Company's portfolio.

MARKETING

Following the Government's savings and pension reforms the Board is determined to ensure that investors are aware of the Company's new proposition. Our belief is that a well-executed marketing strategy will enhance the demand for our shares, help grow the Company, and support an ongoing premium over Net Asset Value (NAV). We believe that our marketing programme in 2015 has been a contributory factor to our share price moving to a premium to NAV, as compared to the previous discount.

During the year the Company contributed to a sales and marketing initiative operated by BlackRock on behalf of the investment trusts under its management. The Company's contribution, which is matched by BlackRock, enables it to achieve efficiencies by combining certain sales and marketing activities. Since the appointment of BlackRock on 27 February 2015 the Company contributed £93,000 (approximately 0.03% per annum of the net assets of £434,621,481 as at 26 February 2015 (prorated for the period to 31 December 2015)). In addition, BlackRock contributed a further £100,000 to this initiative for the year to 31 December 2015.

Through the marketing programme we seek to engage with three key audiences: direct shareholders, many of whom access the shares via online platforms; discretionary wealth managers and financial advisers. Our activity in 2015 has utilised online and print media to reach these audiences in a cost effective manner and we have combined this with extensive use of regional marketing and conferences. PR has also been an effective tool in helping shareholders understand the changes to the investment objective and the Board was delighted to win the 2015 AIC award for best communication. Collectively our marketing programme benefits investors by increasing demand for the Company's shares, improving liquidity and helping to sustain the stock market rating of the Company.

RESULTS AND DIVIDENDS

The Company's revenue return for the year amounted to 7.07 pence per share (2014: 7.01 pence per share).

The Company's ongoing charges for the year were 0.7% of shareholders' funds (2014: 0.7%).

A first quarterly interim dividend of 1.50 pence per share was paid on 10 April 2015, and second and third quarterly interim dividends of 1.67 pence per share were paid on 10 July and 9 October 2015 respectively. On 2 December 2015, the Board declared a fourth and final quarterly interim dividend of 1.70 pence per share which will be paid on 29 January 2016 to shareholders on the register on 4 January 2016. This brings the total dividends for the year to 6.54 pence per share, representing an increase of 1.6% as compared to the total dividends for the year ended 30 September 2014 of 6.44 pence per share.

KEY PERFORMANCE INDICATORS

The Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators ("KPIs") used to measure the progress and performance of the Company over time are set out below.

Performance measured against the target of CPI plus 4%

At each meeting the Board reviews the performance of the portfolio as well as the net asset value and share price for the Company and compares this to the return on the Company's target of CPI plus 4%.

Our performance has been as follows:

	Period from 27 Feb to 30 Sep 2015	Period from 1 Oct to 26 Feb 2015	Year ended 30 Sep 2014
Manager	BlackRock	F&C	
Change in NAV[1]	-7.7	3.7	-4.2
Change in share price[2]	-0.2	2.5	2.4
CPI plus 4%/change in target index[3]	2.9	7.6	N/a

[1] Calculations based on NAV with debt at market value, with income reinvested.
[2] With income reinvested.
[3] The Company's benchmark prior to 27 February 2015 was a composite index of 80% FTSE All-Share Index and 20% FTSE World ex UK Index. With effect from 27 February 2015, the Company's objective is to return, on a NAV less costs basis, CPI plus 4% over a 5 to 7 year cycle.
Source: BlackRock and F&C.

Portfolio Beta & Active Risk

Risk analysis for a multi-asset portfolio is more complex due to the need to ensure that correlation of risk is appropriate across the various portfolio strategies as well as within individual portfolios. To ensure that the risks being taken within the portfolio are appropriately diversified and relevant to the Company's portfolio objectives and market conditions, the Board reviews the portfolio Beta and the level of active portfolio risk.

The Beta of a portfolio is a number describing the relation of the portfolio's returns with those of the financial market as a whole. A portfolio has a Beta of zero if its returns change independently of changes in the market's returns. A positive Beta means that the portfolio's returns have a degree of correlation to the market's returns. A negative Beta means that the portfolio's returns are negatively correlated to the

Overview

Strategic report continued

market's returns. The Company's capital preservation strategy results in a low portfolio Beta of less than one.

The Portfolio Risk statistics, which the Board reviews, estimate the level of return above or below the return on cash (which is measured by the ML GBP 3 Month cash index) that the Company is expected to deliver in two out of any three years. For example, a Portfolio Risk percentage of 8% means that the Company's portfolio would be expected to deliver returns of up to 8% above or below the return that would be generated from cash (as measured by the ML GBP 3 Month cash index) two years out of three, or with a 2/3 probability. The Company's Portfolio Beta and Portfolio Risk statistics are set out in the table below.

	As at 30 September 2015
Portfolio Beta (vs MSCI World Index)	-0.7
Portfolio Risk	8.2%

Source: BlackRock.

The Board monitors the portfolio Beta and looks at the percentage return on the Company's NAV multiplied by the portfolio Beta to see how this compares to the MSCI World Index. As at 30 September 2015, the Company's portfolio had a Beta of 0.7, meaning that for a movement of 1% in the MSCI World Index, the NAV of the Company would be expected to move in the same direction by 0.7%.

Premium/discount to net asset value ("NAV")

At each Board meeting, the Board monitors the level of the Company's premium or discount to NAV and considers strategies for managing this. The Company bought back a total of 14,975,000 shares during the year, and issued a further 200,000 shares subsequent to the Company's year end. More details are given on page 9.

Information regarding the Company's share rating is set out in the table below and also in the graph on page 3.

	As at 30 Sep 2015	As at 26 Feb 2015	As at 30 Sep 2014
Premium/(discount) to NAV (debt at market value)	0.9%	(6.6%)	(5.5%)

Source: BlackRock.

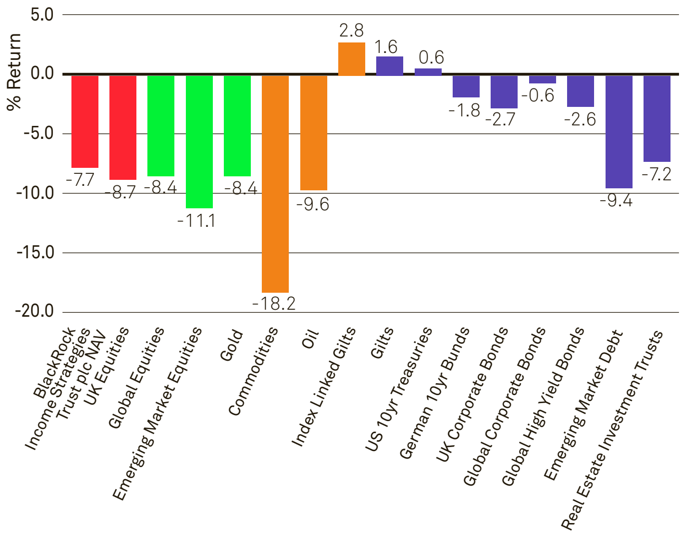
Ongoing charges

The ongoing charges ratio reflects those expenses which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective investment fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charges and monitors the expenses incurred by the Company. The Company's ongoing charges for the year to 30 September 2015 were 0.7% of net assets.

Performance measured against other opportunity sets

As the Company's target of CPI plus 4% references a medium term period of five to seven years, the Board also reviews performance across a range of other opportunity sets in the marketplace to assess how the Company's performance compares in the shorter term, given the limited relevance of the target index over shorter periods. These opportunity sets include UK Equities, Global Equities, Gold, Commodities, Gilts, Index Linked Gilts, US 10 year Treasury Stock, German 10 year Bunds, UK Corporate Bonds, Global Corporate Bonds, Global High Yield Bonds, Emerging Market Debt, Real Estate Investment Trusts and Cash. Details of how the portfolio has performed against these opportunity sets for the period since 27 February 2015 is shown In the graph below.

PERFORMANCE VERSUS WIDER OPPORTUNITY SET FROM 27 FEBRUARY 2015 TO 30 SEPTEMBER 2015

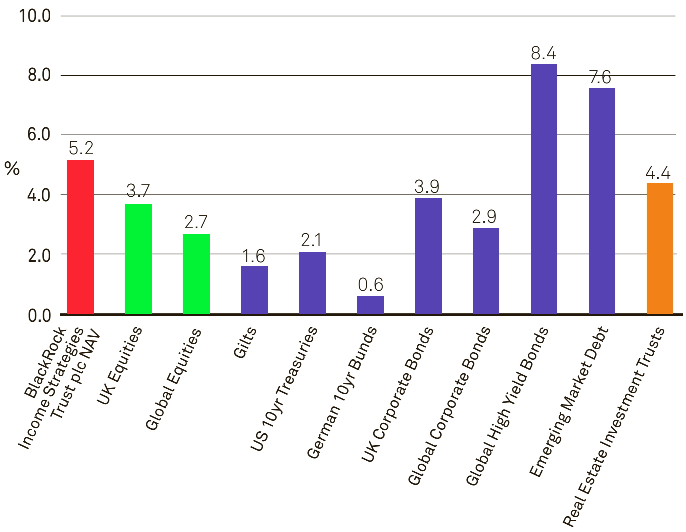


Source: BlackRock.

Yield measured against other asset classes

The Company aims to grow the dividend at least in line with inflation and to ensure that the dividend is not cut in absolute terms. In seeking to deliver attractive yields to shareholders, the Board monitors the yield on the Company's portfolio and compares this to the yield that investors can obtain from the opportunity set asset classes listed in the paragraph above. The yield comparison between the Company and the asset classes in the opportunity set is shown in the table below.

YIELD COMPARISON: BLACKROCK INCOME STRATEGIES TRUST PLC VS OTHER ASSET CLASSES



Source: BlackRock.

The Board also regularly reviews a number of indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection.

SHARE RATING, SHARE BUY BACKS AND SHARE ISSUES

The Directors believe that it is in the best interests of shareholders that shares trade at a price as close as possible to their underlying NAV (debt at market value) during normal market conditions and the Company operates a nil discount policy to achieve this.

For the year ended 30 September 2015, the Company has bought back 14,975,000 shares at a cost of £20,256,259 (of which 13,975,000 shares at a cost of £17,553,213 have been bought back since the change of investment manager to BlackRock on 27 February 2015). These shares were bought back at an average discount of 2.6% per share (based on the latest published NAV at the time of purchase).

Your Board believes that this has been a significant contributory factor to your Company's discount narrowing considerably, from around 7% at 26 February 2015 to a premium of 1.7% based on the share price and NAV at close of business on 30 November 2015.

Subsequent to the year end, 200,000 shares have been issued at a premium to NAV for total proceeds of £271,200, before the deduction of issue costs. The shares were allotted to Cenkos (the Company's brokers).

Given the Board's continuing commitment to a nil discount policy, a resolution will be put to shareholders at the AGM in 2016 to renew the Company's existing 14.99% share buyback authority and also the 5% share issue authority.

TENDER OFFERS

In addition to renewing the share buyback authority, the Board has the authority to implement future tender offers at its absolute discretion, for up to 20% of the shares in issue (excluding treasury shares), if it considers such action to be appropriate taking into account the interests of shareholders as a whole and the market conditions at the time. This authority was approved by shareholders at the General Meeting on 4 September 2015. Given that the Company's shares have traded at an average premium of 1.3% to the Company's NAV (with debt at fair value) for the period since the tender authority was approved, the Board has not seen a need to exercise its discretion to implement a tender.

It is the Board's intention that this ongoing tender authority will be renewed at the Company's next Annual General Meeting.

The Board will continue to limit the number of shares held in treasury to no more than 10% of the issued share capital of the Company.

PRINCIPAL RISKS

The key risks faced by the Company are set out below. The Board has in place a robust process to assess and monitor the principal risks of the Company. A core element of this is the Company's risk register, which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk, and the quality of the controls operating to mitigate the risk. A residual risk rating is then calculated for each risk based on the outcome of this assessment. This approach allows the effect of any mitigating procedures to be reflected in the final assessment.

The register, its method of preparation and the operation of the key controls in the Manager's and third party service providers systems of internal control are reviewed on a regular basis by the Audit Committee. In order to gain a more comprehensive understanding of the Manager's and other third party service providers' risk management processes and how these apply to the Company's business, the Audit Committee periodically receives presentations from BlackRock's Internal Audit and Risk & Quantitative Analysis teams, and reviews Service Organisation Control (SOC 1) reports from BlackRock and from the Company's custodian (Bank of New York Mellon (International) Limited). The custodian is appointed by the Company's Depositary and does not have a direct contractual relationship with the Company.

In relation to the 2014 update to the UK Corporate Governance Code, the Board is confident that the procedures that the Company has in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout 2015.

Overview

Strategic report continued

The principal risks and uncertainties faced by the Company in 2015, together with the potential effects, controls and mitigating factors, are set out below and on the following pages.

Performance risk – The Board is responsible for determining the investment policy to fulfil the Company's objectives and for monitoring the performance of the Company's investment manager ("Investment Manager") and the strategy adopted. An inappropriate policy or strategy may lead to poor performance, dissatisfied shareholders and a widening discount. The Company may invest in unlisted alternative investments (such as direct lending, commercial property, renewable power or mortgage strategies). These types of investments are expected to have a different risk and return profile to the rest of the Company's investment portfolio. They may be relatively illiquid and it may be difficult for the Company to realise these investments over a short time period, which may have a negative impact on performance. The Company may also use derivative instruments for the purposes of efficient portfolio management and/or to hedge market and currency risk. In addition, the Company may use complex derivative strategies in pursuit of the proposed investment policy including the creation of synthetic short positions to take advantage of negative investment views, using synthetic long positions to gain market exposure or a combination of long and short strategies to implement investment views in respect of one or more issuers, whilst neutralising market exposure within the transaction.

To manage these risks the Board regularly reviews the Company's investment mandate and long term strategy, and has put in place appropriate limits over levels of unlisted alternative assets, gearing and the use of derivatives. No more than 15% of the Company's total assets, at the time of investment, may be invested in aggregate in unlisted alternative assets. Total gearing, including net derivative exposure, would not normally be expected to result in net economic equity exposure in excess of 120% Derivative strategies will only be undertaken within guidelines established by the Board.

Levels of portfolio exposure through derivatives, including the extent to which the portfolio is geared in this manner and the value of any short positions, are reported regularly to the Board and monitored. The Board also reviews the controls put in place by the Investment Manager to monitor and to minimise counterparty exposure, which include intraday monitoring of exposures to ensure these are within set limits. The Investment Manager provides an explanation of significant stock selection decisions, the rationale for the composition of the investment portfolio and movements in the level of gearing. The Board monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the Company's investment policy.

Gearing risk – The Company has the power to borrow money or increase levels of market exposure through the use of derivatives (gearing) and does so when the Investment Manager is confident that market conditions and opportunities exist to enhance investment returns. However, if the investments fall in value, any borrowings will magnify the extent of this loss. In addition, the Company has in place fixed borrowings in the form of a £60 million 6.25% Bond 2031. All borrowings require the approval of the Board and gearing levels are reviewed regularly by the Board and the Investment Manager. Borrowings (including the Bond) would not normally be expected to exceed 20% of shareholders' funds. Total gearing, including net derivative exposure, would not normally be expected to result in net economic equity exposure in excess of 120%.

Income/dividend risk – The amount of dividends and future dividend growth will depend on the Company's underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by shareholders. The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting.

Regulatory risk – The Company operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments. The Investment Manager monitors investment movements, the level and type of forecast income and expenditure and the amount of proposed dividends, if any, to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached and the results are reported to the Board at each meeting. Following authorisation under the Alternative Investment Fund Managers' Directive (AIFMD), the Company and its appointed Alternative Investment Fund Manager (AIFM) are subject to the risks that the requirements of this Directive are not correctly complied with. The Board and the AIFM also monitor changes in government policy and legislation which may have an impact on the Company.

Operational risk – In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Manager, BNY Mellon Trust & Depositary (UK) Limited (the Depositary) and the Bank of New York Mellon (International) Limited, who maintain the Company's accounting records. The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These have been regularly tested and monitored throughout the year which is evidenced through their SOC 1 reports to provide assurance regarding the effective operation of internal controls which are reported on by their reporting accountants and give assurance regarding the effective operation of controls. The Board also considers succession arrangements for key employees of the Investment Manager and the business continuity arrangements for the Company's key service providers.

Market Risk – Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Company invests in global equities across a range of countries, and changes in general economic and market conditions in certain countries, such as interest rates, exchange rates, rates of inflation, industry conditions, competition, political events and trends, tax laws, national and international conflicts, economic sanctions and other factors can also substantially and adversely affect the securities and, as a consequence, the Company's prospects and share price. The Board considers the diversification of the portfolio, the portfolio risk and portfolio beta, asset allocation, stock selection, unquoted investments and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager.

Financial risks – The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk. Further details are disclosed in note 18 to the financial statements, together with a summary of the policies for managing these risks.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 Code on UK Corporate Governance, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for the period up to the AGM in 2021, being a five year period from the date that this Annual Report is due to be approved by shareholders. The five year review period was selected because it is aligned with the medium term performance period of five to seven years over which the Company is assessed in its objective of targeting a total portfolio return of CPI plus 4%.

In making this assessment the Board has considered the following factors:

- The Company's principal risks as set out above;
- The ongoing relevance of the Company's investment objective in the current environment; and
- The level of demand for the Company's shares.

The Board has also considered a number of financial metrics, including:

- The level of current and historic ongoing charges incurred by the Company;
- The premium or discount to NAV;
- The level of income generated by the Company;
- Future income forecasts; and
- The liquidity of the Company's portfolio.

As an investment Company with a relatively liquid portfolio and largely fixed overheads which comprise a very small percentage of net assets (0.7%), the Board has concluded that, even in exceptionally stressed operating conditions, the Company would easily be able to meet its ongoing operating costs as they fall due.

However, investment companies may face other challenges, such as a significant decrease in size through tenders or share buy-back activity resulting in the company no longer being of sufficient market capitalisation to represent a viable investment proposition and to continue in operation.

The Board is committed to a nil discount policy and the Company has a number of discount control mechanisms in place to help to manage the share rating. In September 2015, the Board received shareholder approval for the discretion to implement tenders of up to 20% of the Company's share capital. In addition, the Company has in place the authority to buy back up to 14.99% of issued share capital. The Board is seeking to renew both of these authorities at the Company's next AGM in 2016. The Board has considered the potential impact of operating both of these discount control mechanisms on the Company's market capitalisation over the five year time horizon under review, and in particular has noted the following:

- The Company's investment policy (which offers both risk diversification through the use of a multi asset portfolio and aims to continue to pay dividends at least at the current level and to grow the dividend in line with inflation) continues to be attractive to investors;
- The Company's discount has narrowed significantly over the period since the new investment policy was adopted in February 2015;
- The Company's shares have traded at an average premium of 1.3% since the tender mechanism was introduced on 4 September 2015 (and up to the date of this report); and
- The tender mechanism is operated at the sole discretion of the Board, who will only implement a tender to the extent that this is deemed to be in the best interests of shareholders as a whole.

Having considered the above factors, the Board is confident that the discount control mechanisms that the Company has in place will not have a detrimental impact on the Company's viability.

Overview

Strategic report continued

Based on the results of their analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

FUTURE PROSPECTS

The Board's main focus is to aim to preserve capital in real terms and to grow the dividend at least in line with inflation. The future of the Company is dependent upon the success of the investment strategy. The outlook for the Company is discussed in both the Chairman's Statement on page 5 and in the Investment Manager's Report on pages 14 and 15.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

As an investment trust, the Company has no direct social or community responsibilities. However, the Company believes that it is in shareholders' interests to consider environmental, social and governance factors and human rights issues when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on page 37.

DIRECTORS, GENDER REPRESENTATION AND EMPLOYEES

The Directors of the Company on 30 September 2015, all of whom held office throughout the year, are set out in the Directors' biographies on page 26. The Board consists of five men and one woman. The Company does not have any employees.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
2 December 2015

Performance

Investment manager's report

Writing this, the summer seems a long time ago. This is probably a good thing as it turned out to be a memorable one but perhaps for the wrong reasons. For once I'm not referencing the weather, nor even the cricket, where the one-sided nature of the tests against Australia means it won't go down as a classic Ashes series (although as an Englishman I applaud the result). No, instead I'm referring to markets, where we've seen some significant events that in turn have led to considerable gyrations across a wide range of geographies and asset classes. As a result, it has been anything but a relaxing period to be an investor, and perhaps foretells something about the future.

I'm getting ahead of myself however – I should start by saying what a privilege it is to be writing my first commentary for the Company's Annual Report, having taken over management at the end of February this year. As such, I will focus my comments on the changes we have made to the Company's investment strategy since then, the success (or otherwise) of these changes, and how I see the shape of the investment world going forward.

In the half yearly report I ran through the change in investment objective and the logic behind these so I won't repeat those here. Instead, I'd point anyone not familiar with them to read my comments under the Investment Manager's section of the half yearly report which can be found on the Company's website (www.blackrock.co.uk/bist).

The changes we have introduced to the Company have been focused on broadening out the investment universe, and to do so whilst navigating a period of uncertainty in financial markets. So what have we done?

EQUITIES – TACTICAL ALLOCATION PORTFOLIO

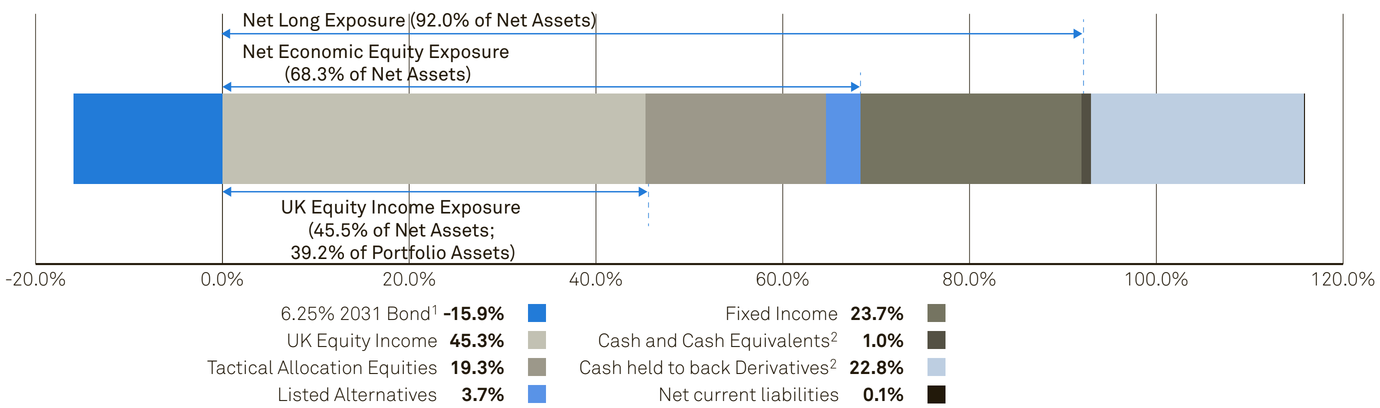
The first stage was to reduce the exposure to UK equities. It is perhaps important to note that this is not a statement on the prospects for the UK market, but rather to free up capital to invest elsewhere; indeed we still retain around 40% of the Company's assets in UK companies ('the UK Equity Portfolio') with a focus on those paying attractive dividends.

The second stage was to use the cash to invest in equity markets around the globe where we think the return prospects are above average. The first port of call was Europe where economic prospects have improved noticeably, helped by the European Central Bank's Quantitative Easing (QE) programme. The improvements have been most evident in the 'peripheral' economies such as Portugal, Spain, Italy and Ireland and so our preference has been to gain exposure to this turnaround by owning a basket of stocks which have a big proportion of their revenue (typically 75% or more) coming from within Europe.

Travelling East, we have invested in Japanese equities at the overall market index level (as opposed to picking individual stocks), feeling that the prospects for corporate profitability in Japan are favourable. These profits could be improved further if we see any further policies either by the government or the central bank aimed at boosting growth and consumption.

Continuing Eastwards, a consistent theme in recent years has been how robust the US economy has been relative to others. Our holdings in US equities have typically been as part of global equity exposures (the US is around 50% of the world equity market in capitalisation terms). Here we have focused on high-quality companies paying attractive dividends, as well as a basket of stocks which we think will benefit materially from energy prices being lower for longer.

PORTFOLIO ANALYSIS AS A PERCENTAGE OF SHAREHOLDERS FUNDS



1 Further definitions in relation to financial terminology used in the above graph and elsewhere in this report are given in the glossary on pages 82 to 84.
2 In total, Cash and Cash Equivalents and Cash held to back Derivatives in the above chart equate to 23.8% of the Company's net assets. In the investment listing on page 25 of this report, these amounts are held in the Cash and Cash Equivalents total of 8.4% and the holding in BlackRock's Institutional Cash fund of 15.4%. To the extent the Investment Manager has elected not to be geared through the use of derivative instruments, the Company will always hold a level of cash on its balance sheet representative of the difference between the market value of the underlying shares to which the portfolio is exposed via the relevant derivative contract and the lower cost of using a derivative contract to gain exposure to these holdings. The above exposures are based on the market value of the relevant instruments as at 30 September 2015. If the Company had gained equivalent exposure through direct investment, cash levels would have fallen by 22.8% to approximately 1% of net assets, and the Tactical Allocation Equity portfolio exposure would have increased by the same amount to 42.1%. The Company is limited to any gearing through the use of derivative instruments such that net economic equity exposure will not exceed 120% of the Company's net assets.
Source: BlackRock.

Performance

Investment manager's report continued

One area in which we have made very little investment has been emerging markets, where our exposure has typically been less than 5%. This may seem odd given the perceived wisdom about stronger growth here when compared to developed economies, but from our perspective this picture is challenged. The obvious example of this is China where the policy makers continue in their attempt to shift the economy's main driver away from exports and towards higher domestic consumption – a move which means reducing the growth rates of 8-10% they enjoyed in the last decade to perhaps just half of that. Given the size of China's economy (it is now second only to the US in GDP terms) this was always going to be a tough challenge with bumps along the way, and this year those bumps have been huge when measured in stock market returns, with the ripples felt globally and a key factor in the uncertainty noted above. To put some colour on this, the local Shanghai stock market witnessed a rally in the first half of the year gaining over 50% by June, before giving it all back by September – some round trip! In other emerging economies the challenges may be different in nature but have the same effect when it comes to us considering investing - patience is a virtue as we will very likely get an opportunity to buy into them at better levels. The one exception to this is in India where we believe the changes driven by Prime Minister Modi are very real in their long-term impact, and the fall in energy prices is a significant benefit given India's dependence on oil imports. As such, we are happy to have a long-term holding in Indian stocks.

FIXED INCOME PORTFOLIO

Moving away from equities, we have invested approximately a quarter of the Company's available assets into bond markets. Key exposures are in corporate bonds, both investment grade (those companies with a very strong balance sheet) and high yield (where the balance sheet is less robust). Given the focus here is on income generation rather than capital gain, these investments have been made in a highly diversified fashion to ensure that exposures to the debt of any particular company are very small at the overall Fund level. At this stage, we have avoided any significant exposure to the main government bond markets such as UK gilts or US treasuries given the likelihood that interest rates in these markets will rise at some point in the not too distant future.

One area where we have been slower to enact significant change has been in alternatives (i.e. investments outside of mainstream bond and equity markets). At the outset, we have talked of wanting to broaden the Company's investments beyond traditional markets in order to capture some interesting opportunities for generating attractive levels of income. However, these investments tend to have lower levels of liquidity (the ability to buy and sell) than regular bond and equity holdings. As such, it has always been our intention to take our time to build up the exposures so we continue to work on some interesting ideas which I look forward to discussing in future reports.

UK EQUITY PORTFOLIO

As noted above, the Company retains a 40% exposure to UK equities. The UK equity market was volatile during the period given on-going macro uncertainties. The UK General Election, a faltering Chinese economy and Emerging Market currency weakness all contributed to significant moves at an individual stock level. Whilst such a backdrop can be unsettling, it tends to be a fertile environment for a stockpicker and we have endeavoured to take advantage of opportunities.

The UK Equity portfolio outperformed the FTSE All-Share index by approximately 3.5% during the period, driven by a variety of holdings. The largest contributor to performance came from the holding in Carnival which is delivering on its profit improvement plan in a market where long term demographics are supportive. Other positives include Cineworld, a leading UK cinema chain, which reported strong first half results; Next, the retailer, which again demonstrated encouraging growth from its online business and Berkeley Group, which benefited from the continued buoyancy of the domestic housing market.

We made several changes to the portfolio during the period to recycle holdings where the investment thesis has played through into fresh ideas. Berkeley Group and Howden Joinery were sold. While these remain fine businesses, we feel they are now fully valued in an environment where the UK consumer recovery is maturing. We added to holdings in UK banks with purchases of Barclays and Lloyds. The former is now going through a period of accelerated restructuring under a new chairman and the latter has scope for significant dividend growth over the next few years. To provide additional flexibility, the Manager has the discretion to invest up to 20% of the UK Equity portfolio in non-UK listed stocks, although this discretion is used sparingly. The Company purchased a position in Altria where industry consolidation in the US tobacco market should result in stronger profit growth for the market leader. Given the ongoing backdrop of subdued economic growth we continue to focus on those companies that have scope for self-help, have a clear commitment to returning capital to shareholders or where there is a clear growth strategy. Such companies should continue to perform well in a low inflation environment.

OUTLOOK

So what has this meant for shareholders of BlackRock Income Strategies Trust? In my opening remarks I noted that it had been an "interesting" summer for investors, and in my comments on emerging markets I noted the bubble created in Chinese equities and its subsequent bursting. In addition, China has devalued its currency, the Federal Reserve (the decision-making body for US interest rates) have held off in raising interest rates raising fears about the durability of global growth, and commodity producers have come under intense pressure given the collapse of raw materials prices. All this culminated in a dramatic day on 24 August where many of the world's equity markets fell by 5% or more.

Whilst this has created some challenges for us in transitioning the portfolio, it does validate the Board's decision to move to a multi-asset approach; in the period since we became Manager of the Company to the end of September, the FTSE 100 Index fell by 5.1%; shareholders, however, saw a share price return of -3.7% and received dividends totalling 4.84p per share, resulting in a comparable total share price return over the period of -0.2%. I should point out that part of this is due to the discount to NAV being virtually eliminated but, none-the-less, I think this vindicates the changes made as well as giving shareholders comfort about our ability to navigate challenging market conditions.

So what does the future hold? In the half yearly report I referenced Bob Dylan's "The Times They Are a-Changin'" when discussing the outlook for US interest rates, and it certainly wasn't my intention to set a precedent for musical analogies. However, when re-assessing the current situation another tune sprung to mind; this time it was The Clash's 1981 punk classic "Should I Stay or Should I Go?" which seems to reflect accurately the debate on interest rates both in the US and the UK. On either side of the Atlantic unemployment has dropped sharply to around 5% suggesting the need for higher interest rates, but travails in China and further falls in headline inflation have clearly raised questions in the minds of the respective decision-makers. The subsequent lines of the song are "If I go there will be trouble, And if I stay it will be double, So come on and let me know!" and that was certainly the case at the September meeting of the Federal Reserve where the "stay" decision led to a sharp fall in equities. This was clearly markets delivering the answer "Go" – it remains to be seen how closely policy-makers were listening!

Why does this matter you may ask? Well, interest rates (particularly those in the US) are the basis for valuing all other assets, so clearly the level and direction of travel are a critical ingredient in assessing the prospects for all asset classes. My belief is that a rate rise sooner rather than later would signal an optimistic assessment on the growth outlook and encourage investors to think longer-term about market prospects, which remain reasonable. However, whilst we remain in a world where the refrain remains "Should I Stay or Should I Go?", we would be well not to forget the recent summer experience, as it may be a useful roadmap for markets shorter-term.

ADAM RYAN
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
2 December 2015

Performance

British Assets Trust: F&C performance review for the period from 1 October 2014 to 26 February 2015

The portfolio was managed throughout most of the period with a view to the likelihood of substantial further changes given the forthcoming change in Manager. In addition, to ease the transition and provide liquidity in the event of any share buyback requirements, gearing was substantially reduced – the short term borrowing facility was repaid in full in January – and many of the less liquid smaller holdings were realised.

Given the circumstances above, no new holdings were initiated. Total equity purchases amounted to £15.8m – the major individual additional shares bought were in Royal Dutch Shell, CRH, UBS, Intermediate Capital and Ashmore (all over £1.5m). No new shares were purchased after the end of December. Equity sales totalled £52.1m, the most significant of which were holdings in Microsoft, ICICI Bank, WPP, BP, Las Vegas Sands, Lancashire Holdings and Doric Nimrod Air 2 (all over £3m).

The equity holdings within the portfolio generated a return of around 5% compared to a composite benchmark return of c. 7.7% (Source: F&C Factset). The portfolio benefited from strong stock picking in the bank (Industrial & Commercial Bank of China, ICICI Bank and Barclays) and media sectors alongside individual stocks such as CRH and Inmarsat.

However, in aggregate, relative returns were disappointing. Unsurprisingly, given the fall in the oil price in the fourth quarter of 2014, holdings in the oil sector (Hunting, Total and Occidental) were particularly detrimental to performance. Elsewhere, stock specific issues at Sanofi, Premier Farnell and Digital Barriers, which each issued profit warnings, and a stock overhang at Greenko were also notable negatives. Exposure to the mining sector was also a negative factor with a convertible bond holding losing its entire value and the impact of a fall in Freeport-Mcmoran more than offsetting generally positive stock picking elsewhere.

The return of the separate bond portfolio (excluding the convertible bond holding referred to above) was in line with that delivered by the equities over the period, but again behind the composite benchmark.

F&C INVESTMENT BUSINESS LIMITED
22 May 2015

Performance

Ten largest equity investments

BGF Global Equity Income Fund: 5.7% (2014: nil) invests in a global portfolio, with at least 70% of its total assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, developed markets.

BlackRock Throgmorton Trust plc: 2.6% (2014: nil) an investment trust company with an investment objective to provide shareholders with capital growth and an attractive total return by investing primarily in UK smaller companies and mid-capitalisation companies listed on the main market of the London Stock Exchange. The company's benchmark is the Numis Smaller Companies excluding AIM (excluding Investment Companies) Index. The company has a contracts for difference portfolio of approximately 30% of net assets.

British American Tobacco: 2.5% (2014: 1.5%) is one of the world's leading tobacco groups, with more than 200 brands in the portfolio selling in approximately 180 markets worldwide.

AstraZeneca: 2.5% (2014: 1.0%) is a global pharmaceutical company, operating in the research, development, manufacture and marketing of pharmaceutical products.

HSBC Holdings: 2.2% (2014: 5.2%) is a global banking and financial services organisation.

Lloyds Banking Group: 2.1% (2014: 1.6%) is a UK-based financial services company, providing a range of banking and financial services to individual and business customers.

RELX: 1.9% (2014: nil) is a world-leading provider of information solutions for professional customers across industries.

Next: 1.8% (2014: nil) is a retail chain offering clothes, shoes and accessories for women, as well as collections for men, children and the home. Next trades from more than 500 stores in the UK and Eire and around 200 stores in more than 40 countries.

BGF Emerging Markets Equity Income Fund: 1.6% (2014: nil) is a diversified portfolio of predominantly emerging market equities selected for their ability to generate income from dividends. The fund can also hold developed market securities that have significant business operations in emerging markets.

Royal Dutch Shell 'B': 1.6% (2014: 3.3%) is a global group of energy and petrochemicals companies with around 94,000 employees in more than 70 countries and territories. The group uses advanced technologies and takes an innovative approach to help build a sustainable energy future.

Largest fixed income investments (included within top ten overall portfolio holdings)

BGF Global Corporate Bond Fund: 5.8% (2014: nil) the Fund aims to maximise returns through a combination of capital growth and income from the Fund's assets. The Fund invests globally, and at least 70% of its total assets are held in fixed income securities. These include bonds and money market instruments. At least 70% of the Fund's total assets will be issued by companies and will be investment grade at the time of purchase. The Fund is managed by BlackRock.

Portugal 4.1% 15 Feb 2045: 3.3% (2014: nil) the Bond. This is a long duration 30 year Government bond held for income and capital appreciation, and reflecting a positive view on European assets.

BlackStone GSO Loan Financing: 2.4% (2014: nil) the Fund is a United Kingdom-based closed-ended investment company. The Company's investment objective is to provide shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure predominately to floating rate senior secured loans directly and indirectly through collateralized loan obligation income notes. The Company invests in sectors, such as healthcare and pharma; business services; chemical, plastic and rubber; capital equipment; construction and building; broadcast and subscription; retail; beverage, food and tobacco; hotel, gaming and leisure, and banking and finance.

All percentages reflect the value of the holding as a percentage of total investments. Percentages in brackets represent the value of the holding as at 30 September 2014. Together, the ten largest equity investments represent 24.5% of the Company's portfolio (ten largest investments at 30 September 2014: 31.6%).

Performance

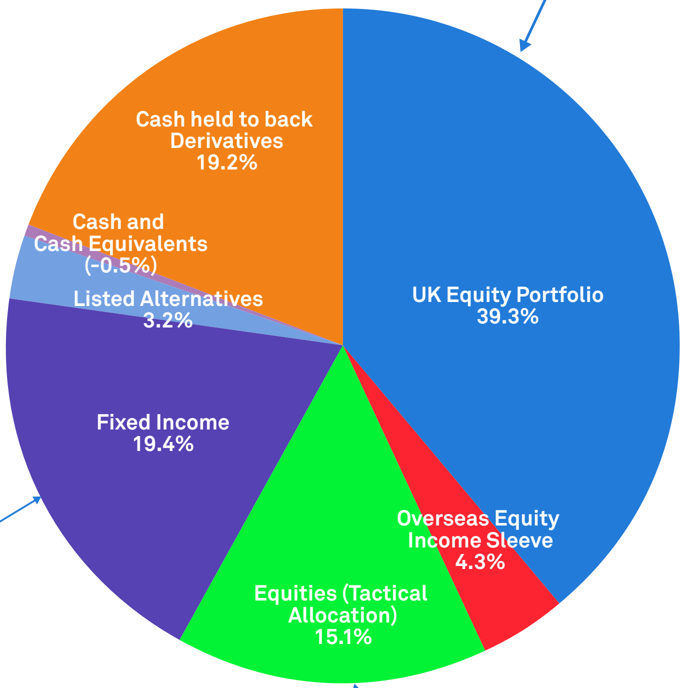
Portfolio analysis

PORTFOLIO ASSETS

UK Equity Portfolio	**39.3%**
Overseas Equity Income Sleeve	**4.3%**
Equities (Tactical Allocation)	**15.1%**
Fixed Income	**19.4%**
Listed Alternatives	**3.2%**
Cash & Cash Equivalents	**(0.5%)**
Cash held to back Derivatives	**19.2%**
	100.0%

UK EQUITY PORTFOLIO

Financials	**27.2%**
Consumer Services	**22.2%**
Consumer Goods	**13.3%**
Industrials	**13.3%**
Health Care	**9.1%**
Oil & Gas	**6.9%**
Telecommunications	**3.2%**
Basic Materials	**3.1%**
Technology	**1.7%**
	100.0%



FIXED INCOME

Global BGF Corporate Bond Fund[1]	**28.2%**
Portugal	**16.5%**
Australia	**15.4%**
Europe	**14.9%**
United Kingdom	**6.0%**
New Zealand	**5.0%**
South Africa	**4.2%**
France	**2.9%**
Germany	**1.8%**
Spain	**1.7%**
Italy	**1.6%**
United States	**1.3%**
Other	**0.5%**
	100.0%

EQUITIES (TACTICAL ALLOCATION)

BGF Global Equity Income Fund[1]	**34.8%**
BlackRock Throgmorton Trust[1]	**15.7%**
BGF Emerging Markets Equity Income Fund	**9.7%**
IShares UK Property	**7.6%**
Lyxor ETF MSCI India	**6.9%**
Scottish Mortgage Investment Trust	**6.9%**
BGF Asian Dragon Fund	**6.2%**
Woodford Patient Capital Trust	**5.1%**
Lyxor ETF MSCI Athex Large Cap	**4.4%**
BGF ASEAN Leaders Fund	**2.7%**
	100.0%

[1] Managed by BlackRock.

Performance

Portfolio valuation as at 30 September 2015

Company	Country of risk	Gross market exposure[1] £	Market value £'000	Market value as a % of net assets
Equities (Tactical Allocation Portfolio)				
Collective Investment Vehicles				
BGF ASEAN Leaders Fund[2]	Global		1,760	0.5
BGF Asian Dragon Fund[2]	Global		4,076	1.1
BGF Emerging Markets Equity Income Fund[2]	Global		6,372	1.7
BGF Global Equity Income Fund[2]	Global		22,881	6.1
BlackRock Throgmorton Trust plc[2]	United Kingdom		10,315	2.8
iShares UK Property[2]	United Kingdom		4,997	1.3
Lyxor ETF MSCI Athex Large Cap	Greece		2,881	0.8
Lyxor ETF MSCI India	India		4,519	1.2
Scottish Mortgage Investment Trust	United Kingdom		4,552	1.2
Woodford Patient Capital Trust	United Kingdom		3,378	0.9
Options				
CBOE SPX Call Option 20/01/16 22	United States	4,749,724	983	0.3
CBOE SPX Call Option 20/01/16 30	United States	(4,764,944)	(996)	(0.3)
DAX Put Option 16/10/15 9500	Germany	4,168,880	(195)	(0.1)
Euro Stoxx 50 Put Option 18/12/15 3300	Germany	(3,137,189)	390	0.1
Euro Stoxx 50 Put Option 16/10/15 3150	Germany	5,330,764	(300)	(0.1)
Euro Stoxx 50 Put Option 16/10/15 3300	Germany	(3,934,618)	305	0.1
Euro Stoxx 50 Put Option 18/12/15 3150	Germany	4,802,949	(525)	(0.1)
Euro Stoxx UTI 50 Call Option 18/12/15 300	Germany	204,459	7	0.0
Euro Stoxx UTI 50 Put Option 18/12/15 265	Germany	5,802,702	(773)	(0.2)
FTSE 100 Call Option 18/12/15 7000	United Kingdom	100,410	2	0.0
FTSE 100 Put Option 18/12/15 6000	United Kingdom	4,055,643	(331)	(0.1)
Gold OTC Call Option 18/12/15 106	United States	(5,247,626)	(340)	(0.1)
Gold OTC Call Option 18/12/15 112	United States	5,625,777	278	0.1
Nikkei Put Option 09/10/15 16750	Japan	4,091,413	(134)	0.0
S&P 500 Put Option 20/11/15 1750	United States	3,077,602	(174)	0.0
S&P 500 Put Option 20/11/15 1900	United States	(3,974,244)	252	0.1
S&P 500 Call Option 19/12/15 2050	United States	5,171,321	198	0.1
Equity/Bonds 'Worst-of' Put Option: SPX 2050 CMS 2.335%	United States	190,332	243	0.1
USD/AUD Call Option	Australia	1,236,617	9	0.0
USD/CNH Put Option	China	1,115,904	(23)	0.0
USD/CNH Put Option	China	2,759,897	50	0.0
USD/CNH Put Option	China	2,324,124	42	0.0
USD/CNH Put Option	China	939,709	(19)	0.0
Total Return Swaps				
iTraxx Xover Super Senior Tranche CDS	United States	25,445,927	(321)	(0.1)
Total Return Swap Dynavol	United States	8,887,737	(922)	(0.2)
Total Return Swap European Recovery Basket	Europe	16,058,751	(1,738)	(0.5)
Total Return Swap Deutsche Bank V2X/VIX Strategy	United States	15,235,015	310	0.1
Total Return Swap Goldman Sachs Vol Carry Basket	Europe	4,656,094	(229)	(0.1)
Total Return Swap Oil Beneficiaries Basket	United States	8,936,009	(555)	(0.1)
Total Return Swap ML Vol Carry Basket	United States	4,573,515	(173)	0.0
Total Return Swap MS Volnet Wave	United States	9,113,757	(669)	(0.2)
Total Return Swap BAML Vortex Strategy	United States	8,630,089	(275)	(0.1)

1 Gross market exposure is the market value of the underlying shares to which the portfolio is exposed via the contract.
2 BlackRock managed fund. Fees are rebated to ensure that there is no double charging of management fees. Additional information regarding rebates is set out in note 19 on page 70.

Performance

Portfolio valuation as at 30 September 2015 continued

	Country of risk	Gross market exposure[1] £	Market value £'000	Market value as a % of net assets
Equities (Tactical Allocation Portfolio) continued				
Futures				
S&P 500 Dec 15	United States	(6,552,566)	(30)	0.0
TOPIX Dec 15	Japan	17,350,613	(847)	(0.2)
FTSE 100 Dec 15	United Kingdom	(29,791,575)	79	0.0
FTSE 250 Dec 15	United Kingdom	(3,615,530)	226	0.1
Total			**59,536**	**16.2**

[1] Gross market exposure is the market value of the underlying shares to which the portfolio is exposed via the contract.
[2] BlackRock managed fund. Fees are rebated to ensure that there is no double charging of management fees. Additional information regarding rebates is set out in note 19 on page 70.

	Country of risk	Sector	Market value £'000	Market value as a % of net assets
Overseas Equities				
Accenture 'A'	United States	Industrials	199	0.0
Altria Group	United States	Consumer Goods	3,989	1.1
Amazon.com	United States	Consumer Services	226	0.1
American Airlines	United States	Consumer Services	190	0.0
BHP Billiton	Australia	Basic Materials	4,410	1.2
Block (H&R)	United States	Consumer Services	239	0.1
Boeing	United States	Industrials	171	0.0
Brown-Forman 'B'	United States	Consumer Goods	189	0.0
CBS Corporation 'B'	United States	Consumer Services	141	0.0
CVS Health Corporation	United States	Consumer Services	180	0.0
Davita Healthcare	United States	Health Care	178	0.0
Dow Chemical	United States	Basic Materials	162	0.0
Du Pont (E.I) De Nemours	United States	Basic Materials	147	0.0
Dun & Bradstreet	United States	Consumer Services	168	0.0
Eastman Chemical	United States	Basic Materials	158	0.0
Edgewell Personal Care	United States	Consumer Goods	1,649	0.4
Edwards Lifesciences	United States	Health Care	195	0.1
Eli Lilly	United States	Health Care	196	0.1
Equifax	United States	Financials	196	0.1
Facebook 'A'	United States	Technology	205	0.1
Fedex	United States	Industrials	165	0.0
Flir Systems	United States	Industrials	178	0.0
Fluor	United States	Industrials	156	0.0
FMC	United States	Basic Materials	126	0.0
General Dynamics	United States	Industrials	190	0.0
Goodyear Tire & Rubber	United States	Consumer Goods	190	0.0
International Paper	United States	Basic Materials	155	0.0
Intuit	United States	Technology	172	0.0
Kellogg Co	United States	Consumer Goods	208	0.1
Lockheed Martin	United States	Industrials	218	0.1
MasterCard 'A'	United States	Financials	189	0.0
McGraw Hill Financial	United States	Financials	168	0.0
Monsanto	United States	Consumer Goods	157	0.0
Motorola Solutions	United States	Technology	197	0.1
Northrop Grumman	United States	Industrials	205	0.1
Nucor	United States	Basic Materials	167	0.0
Pitney Bowes	United States	Technology	187	0.0
Plum Creek Timber	United States	Financials	190	0.0

	Country of risk	Sector	Market value £'000	Market value as a % of net assets
Overseas Equities continued				
Qualcomm	United States	Technology	168	0.0
Raytheon	United States	Industrials	223	0.1
Rockwell Collins	United States	Industrials	147	0.0
Southern Company	United States	Utilities	182	0.0
Teradata Corporation	United States	Technology	153	0.0
Textron	United States	Industrials	165	0.0
Tyco International	United States	Industrials	166	0.0
United Parcel Service	United States	Industrials	199	0.1
United Technologies	United States	Industrials	157	0.0
Varian Medical Systems	United States	Health Care	171	0.0
Verisign	United States	Technology	224	0.1
Vertex Pharmaceuticals	United States	Health Care	165	0.0
Viacom 'B'	United States	Consumer Services	131	0.0
Yum! Brands	United States	Consumer Services	174	0.0
Total			**18,831**	**4.0**

	Country of risk	Market value £'000	Market value as a % of net assets
Fixed Income			
AA Bond 5.5% 31 Jul 2043	United Kingdom	232	0.1
Abengoa Finance 7% 15 Apr 2020	Spain	113	0.0
ABN Amro 5.75% Perpetual	Netherlands	287	0.1
Aguila 7.875% 31 Jan 2018	United States	133	0.0
Altice 7.25% 15 May 2022	France	231	0.1
Ardagh Packaging Finance 4.25% 15 Jan 2022	Ireland	249	0.1
Aroundtown Property 3% 05 May 2020	Germany	324	0.1
Aroundtown Property 3% 09 Dec 2021	Germany	279	0.1
Assicurazioni Generali Spa 6.416% Perpetual	Italy	252	0.1
Australia 4.75% 21 Oct 2015	Australia	4,294	1.1
AVOCA CLO 15 E FRN 28/11/28	Europe	268	0.1
AVOCA CLO 15 F FRN 28/11/28	Europe	156	0.0
Banco Espirito Santo 4% 21 Jan 2019	Portugal	205	0.1
Banco Espirito Santo 4.75% 15 Jan 2018	Portugal	279	0.1
Banco Popular Espanol 11.5% convertible bond	Spain	237	0.1
Banco Santander 6.25% Perpetual	Spain	278	0.1
Barclays 7.875% Perpetual	United Kingdom	196	0.1
BBVA 6.75% Perpetual	Spain	284	0.1
Belden 5.5% 15 Apr 2023	United States	238	0.1
BGF Global Corporate Bond Fund[1]	Global	23,782	6.3
BL Superstores Finance FRN 04 Oct 2030	United Kingdom	2	0.0
BlackStone GSO Loan Financing	Europe	9,843	2.6
BNP Paribas 7.375% Perpetual	France	233	0.1
Boparan Finance 5.25% 15 Jul 2019	United Kingdom	186	0.0
Care UK Health & Social Care FRN 15 Jul 2019	United Kingdom	238	0.1
CE Energy 7% 01 Feb 2021	Czech Republic	250	0.1
Cirsa Funding Luxembourg 5.875% 15 May 2023	Spain	237	0.1
CPUK Finance 7% 28 Feb 2042	United Kingdom	150	0.0
Crown European 3.375% 15 May 2025	France	249	0.1
Enel Spa 6.625% 15 Sep 2076	Italy	227	0.1

[1] BlackRock managed fund. Fees are rebated to ensure that there is no double charging of management fees. Additional information regarding rebates is set out in note 19 on page 70.

Performance

Portfolio valuation as at 30 September 2015 continued

	Country of risk	Market value £'000	Market value as a % of net assets
Fixed Income continued			
Fiat Finance 5.625% 12 Jun 2017	United States	26	0.0
Gates Global LLC 5.75% 15 Jul 2022	United States	115	0.0
Grifonas FRN 28 Aug 2039	United Kingdom	127	0.0
Horizon 7.25% 01 Aug 2023	France	251	0.1
House of Fraser FRN 15 Sep 2020	United Kingdom	251	0.1
Ibercaja Banco 5% 28 Jul 2025	Spain	278	0.1
IDH Finance 6% 01 Dec 2018	United Kingdom	247	0.1
Ineos Finance 4% 01 May 2023	United Kingdom	241	0.1
Intesa Sanpaolo 7.7% Perpetual	Italy	129	0.0
Jaguar Land Rover 5% 15 Feb 2022	United Kingdom	238	0.1
JH-Holding Finance 8.25% 01 Dec 2022	Germany	151	0.0
LGE Holdco 7.125% 15 May 2024	Netherlands	248	0.1
Lloyds Banking 7.625% Perpetual	United Kingdom	202	0.1
Logistics FRN 20 Aug 2025	United Kingdom	245	0.1
London Mining 12% Cnv 30 Apr 2019	United Kingdom	–	0.0
Magnolia 9% 01 Aug 2020	France	156	0.0
Matterhorn Telecom 3.875% 01 May 2022	Switzerland	245	0.1
Moy Park Bond Co 6.25% 29 May 2021	United Kingdom	203	0.1
New Look Secured Issuer 6.5% 01 Jul 2022	United Kingdom	285	0.1
New South Wales 3.5% 20 Mar 2019	Australia	4,366	1.2
New Zealand 3% 15 Apr 2020	New Zealand	4,187	1.1
Novafives 4.5% 30 Jun 2021	France	205	0.1
Numericable 5.625% 15 May 2024	France	247	0.1
Pfleiderer 7.875% 01 Aug 2019	Germany	246	0.1
Portaventura Entertainment 7.25% 01 Dec 2020	Netherlands	150	0.0
Portugal 4.1% 15 Feb 2045	Portugal	13,456	3.6
Progroup 5.125% 01 May 2022	Germany	254	0.1
PSPC Escrow 6% 01 Feb 2023	United States	212	0.1
Punch Taverns 5.267% 30 Mar 2024	United Kingdom	176	0.0
Queensland 3.5% 21 Sep 2017	Australia	4,289	1.1
Royal Bank of Scotland 7.5% Perpetual	United Kingdom	254	0.1
R&R Ice Cream 9.25% 15 May 2018	United Kingdom	255	0.1
Santander 7.375% Perpetual	United Kingdom	246	0.1
Sealed Air Corp 4.5% 15 Sep 2023	United States	149	0.0
SGD 5.625% 15 May 2019	France	247	0.1
SNAI 7.625% 15 Jun 2018	Italy	253	0.1
South Africa 8.25% 31 Mar 2032	South Africa	3,570	1.0
Telecom Italia Finance 7.75% 24 Jan 2033	Italy	241	0.1
Telenet Finance 6.75% 15 Aug 2024	Belgium	158	0.0
Telenet Finance 4.875% 15 Jul 2027	Belgium	268	0.1
Tesco Property Finance 5.744% 13 Apr 2040	United Kingdom	224	0.1
Thom Europe 7.375% 15 Jul 2019	France	307	0.1
Trinseo 6.375% 01 May 2022	Luxembourg	244	0.1
UBS 7% Perpetual	Switzerland	244	0.1
UPCB Finance 4% 15 Jan 2027	Cayman Islands	237	0.1
Unique Pub Finance 6.464% 30 Mar 2032	United Kingdom	261	0.1
Unitymedia KabelBW 4% 15 Jan 2025	Germany	236	0.1
Virgin Media Secured Finance 4.875% 15 Jan 2027	United Kingdom	265	0.1
Vougeot Bidco 7.875% 15 Jul 2020	United Kingdom	104	0.0
Voyage Care Bond Co 6.5% 01 Aug 2018	United Kingdom	239	0.1

	Country of risk	Market value £'000	Market value as a % of net assets
Fixed Income continued			
VRX Escrow 4.5% 15 May 2023	Canada	229	0.1
Washington Mutual Bank 5.5% 10 Jun 2019	United States	–	0.0
WFS Global Holdings 9.5% 15 Jul 2022	France	290	0.1
Wind Acquisition Finance 4% 15 Jul 2020	Italy	249	0.1
XPO Logistics 5.75% 15 Jun 2021	United States	226	0.1
Total		**84,354**	**23.8**

Fund	Country of risk	Market value £'000	Market value as a % of net assets
Listed Alternatives			
BlueCrest BlueTrend	United Kingdom	5,034	1.3
Foresight Solar Fund	United Kingdom	4,867	1.3
NB Distressed Debt Investment Fund	United Kingdom	4,161	1.1
Total		**14,062**	**3.7**

Company	Country of risk	Sector	Market value £'000	Market value as a % of net assets
UK Equity Portfolio				
Admiral Group	United Kingdom	Financials	3,139	0.8
Arm Holdings	United Kingdom	Technology	2,861	0.8
Ashmore Group	United Kingdom	Financials	2,477	0.7
AstraZeneca	United Kingdom	Health Care	10,036	2.7
Aviva	United Kingdom	Financials	5,728	1.5
Barclays	United Kingdom	Financials	5,332	1.4
Berkeley Group Holdings	United Kingdom	Consumer Goods	940	0.3
Bodycote	United Kingdom	Industrials	2,392	0.6
BP Group	United Kingdom	Oil & Gas	5,439	1.5
British American Tobacco	United Kingdom	Consumer Goods	10,256	2.7
BT Group	United Kingdom	Telecommunications	5,487	1.5
Carnival	United States	Consumer Services	6,230	1.7
Cineworld Group	United Kingdom	Consumer Services	3,489	0.9
Direct Line Insurance	United Kingdom	Financials	3,930	1.0
Dixons Carphone	United Kingdom	Consumer Services	2,357	0.6
GlaxoSmithKline	United Kingdom	Health Care	5,392	1.4
Hargreaves Lansdown	United Kingdom	Financials	2,185	0.6
Hays	United Kingdom	Industrials	3,832	1.0
HSBC Holdings	United Kingdom	Financials	9,033	2.4
IMI	United Kingdom	Industrials	2,157	0.6
Imperial Tobacco Group	United Kingdom	Consumer Goods	6,080	1.6
Intertek Group	United Kingdom	Industrials	1,993	0.5
Legal & General Group	United Kingdom	Financials	6,178	1.6
Lloyds Banking Group	United Kingdom	Financials	8,342	2.2
Next	United Kingdom	Consumer Services	7,296	1.9
Pearson	United Kingdom	Consumer Services	2,624	0.7
RELX	United Kingdom	Consumer Services	7,872	2.1
Rentokil Initial	United Kingdom	Industrials	4,521	1.2
Rio Tinto	United Kingdom	Basic Materials	5,341	1.4
Royal Dutch Shell 'B'	Netherlands	Oil & Gas	6,343	1.7

Performance

Portfolio valuation as at 30 September 2015 continued

Company	Country of risk	Sector	Market value £'000	Market value as a % of net assets
UK Equity Portfolio continued				
Sky	United Kingdom	Consumer Services	4,826	1.3
Smith (DS)	United Kingdom	Industrials	2,201	0.6
Stagecoach Group	United Kingdom	Consumer Services	3,054	0.8
Unilever	United Kingdom	Consumer Goods	5,395	1.4
Wolseley	United Kingdom	Industrials	5,644	1.5
Total			**170,402**	**45.2**

	Country of risk	Sector	Market value £'000	Market value as a % of net assets
Individual Equities (legacy)				
Caithness Petroleum	United States		–	0.0
Ienergizer	United Kingdom		213	0.1
Total			**213**	**0.1**

	Nominal Currency	Gross market exposure[1] £'000	Market value £'000	Market value as a % of net assets
Forward Currency Contracts				
Canadian Dollar vs UK Sterling	CA$9,065,000	4,463,648	27	0.0
Canadian Dollar vs US Dollar	CA$9,795,695	9,695,537	(50)	0.0
Euro vs UK Sterling	EUR350,000	257,922	2	0.0
Euro vs US Dollar	EUR9,476,009	14,083,239	(112)	0.0
Indian Rupee vs US Dollar	INR351,299,550	7,045,329	(3)	0.0
Japanese Yen vs US Dollar	JPY1,658,782,870	18,327,983	(35)	0.0
New Zealand Dollar vs US Dollar	NZ$11,584,023	9,856,624	(90)	0.0
Norwegian Kroner vs US Dollar	NOK34,046,845	5,341,759	(74)	0.0
Polish Zloty vs Euro	PLN27,563,055	9,575,314	(15)	0.0
Singapore Dollar vs US Dollar	SG$10,345,625	9,616,104	(17)	0.0
South African Rand vs US Dollar	ZAR48,341,330	4,717,712	(121)	0.0
Taiwan Dollar vs US Dollar	TW$273,475,936	11,035,084	(96)	0.0
UK Sterling vs Australian Dollar	£14,530,538	14,779,787	(213)	(0.1)
UK Sterling vs Canadian Dollar	£15,332,500	15,756,949	(425)	(0.1)
UK Sterling vs Euro	£47,558,666	48,091,378	(573)	(0.2)
UK Sterling vs Japanese Yen	£9,922,741	10,283,845	(370)	(0.1)
UK Sterling vs New Zealand Dollar	£3,890,557	3,973,985	(70)	0.0
UK Sterling vs South African Rand	£3,685,000	3,691,408	24	0.0
UK Sterling vs Swiss Franc	£7,353,437	7,367,745	(29)	0.0
UK Sterling vs US Dollar	£10,797,124	11,166,859	(372)	(0.1)
US Dollar vs Chinese Yuan	US$5,320,000	7,095,117	(50)	0.0
US Dollar vs Korean Won	US$9,735,232	12,833,058	39	0.0
US Dollar vs Russian Ruble	US$4,100,000	5,568,670	(112)	0.0
US Dollar vs Singapore Dollar	US$17,376,000	22,770,855	190	0.0
US Dollar vs South African Rand	US$3,650,000	4,741,350	98	0.0
US Dollar vs Taiwan Dollar	US$19,416,000	28,057,208	187	0.0
US Dollar vs Turkish Lira	US$5,320,000	6,987,922	90	0.0
Total			**(2,170)**	**(0.6)**

[1] Gross market exposure is the market value of the underlying shares to which the portfolio is exposed via the contract.

Total	**345,228**	**92.4**

	Market value £'000	Market value as a % of net assets
BlackRock's Institutional Sterling Liquidity Fund[1]	**57,637**	**15.4**
Add: Forward Currency contracts	**2,170**	**0.6**
Add: Derivatives (Options and Futures)	**6,195**	**1.4**
Total investments	**411,230**	**109.8**
Cash and cash equivalents	**31,318**	**8.4**
Net other liabilities	**(67,716)**	**(18.2)**
Net assets	**374,832**	**100.0**

At 30 September 2015, the Company did not hold any equity interests comprising more than 3% of any company's share capital other than as disclosed in the table below:

Company	% owned
Bluecrest Bluetrend	13.3
BlackRock Throgmorton Trust plc[1]	4.2
Blackstone GSO Loan Financing	4.1

[1] BlackRock managed fund. Fees are rebated to ensure that there is no double charging of management fees. Additional information regarding rebates is set out in note 19 on page 70.

Governance

Governance structure and directors' biographies

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management and administration to the Manager and other external service providers.

The Board

Six non-executive Directors (NEDs), five independent of the Investment Manager[1]

Chairman: James Long **5 scheduled meetings per annum**

Objectives:

- To frame and execute the Company's strategy including investment policy and investment guidelines;
- To assess and monitor risk and to safeguard the Company's assets by ensuring a framework of prudent and effective controls are in place to achieve this; and
- To examine and assess the delivery of all outsourced activities to ensure optimal performance.
- To monitor the performance of the company and investment manager, and ultimately be accountable for the Company's performance.

Committees

Audit Committee

2 scheduled meetings per annum

Membership: Ian Russell, Jim Grover, Julian Sinclair

Chairman: Ian Russell

Key objectives:

- To oversee financial reporting;
- To consider the adequacy of the control environment;
- To review and form an opinion on the effectiveness of the external audit process; and
- To review other service providers.

Nomination Committee

1 scheduled meeting per annum

The Board as a whole performs this function

Key objectives:

- To regularly review the Board's structure and composition;
- To make recommendations for any new appointments; and
- To review the Directors' conflicts of interest.

Management Engagement Committee

1 scheduled meeting per annum

The Board as a whole performs this function

Key objective:

- To review the performance of the Manager.
- To review the terms of the Management Agreement and ensure these are competitive, in accordance with industry practice and in the best interests of shareholders.

Directors

James Long

Chairman, Appointed May 2006

formerly Director of Risk and Compliance for AstraZeneca Europe, Corporate Finance Director of Inchcape plc and Managing Director, Asia and Emerging Markets, for the ESAB Group. Mr Long is Chairman of JPMorgan Asian Investment Trust plc.

Attendance record:
Board: 10/10
Audit Committee: 2/2
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Jimmy West

Senior Independent Director, Appointed 22 June 1995

formerly a Managing Director of Lazard Brothers and Co Ltd and Chief Executive of Lazard Asset Management Ltd. He is Chairman of CQS New City High Yield Fund Ltd and a non-executive director of JPMorgan Income & Capital Trust plc, Aberdeen Smaller Companies High Income Trust plc and Threadneedle UK Select Trust plc. He is Chairman of Associated British Foods Pension Fund Ltd.

Attendance record:
Board: 10/10
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Ian Russell

Audit Committee Chairman, Appointed 1 June 2008

formerly Chief Executive of Scottish Power plc. He is currently non-executive Chairman of Johnston Press plc, a non-executive director of British Polythene Industries plc, The Mercantile Investment Trust plc, and HICL Infrastructure Company Limited, and an adviser to the Clyde Bergemann Power Group.

Attendance record:
Board: 10/10
Audit Committee: 3/3
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Jim Grover

Appointed 25 June 2013

he was, until September 2013, Group Strategy Director of Diageo plc and a member of its Executive Committee. He is currently a Senior Adviser to the Consumer Markets group of KPMG LLP.

Attendance record:
Board: 10/10
Audit Committee: 3/3
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Lynn Ruddick

Appointed 1 October 2004

a fellow of the Chartered Association of Certified Accountants. She is non-executive chairman of Fidelity Special Values plc and a non-executive director of BlackRock Frontiers Investment Trust plc and Standard Life UK Smaller Companies Trust plc, a member of the Investment Committee of the Pearson Group Pension Plan and Chairman of the Scottish & Newcastle and Western Provident Association Pension Plans. Before retiring from Merrill Lynch Investment Managers in 2004 she headed their investment trust business unit.

Attendance record:
Board: 10/10
Management Engagement Committee: 1/1
Nomination Committee: 1/1

Julian Sinclair

Appointed 21 July 2015

the Chief Investment Officer at Talisman Global Asset Management Limited. Prior to joining Talisman, he was a Senior Portfolio Manager at BlueBay Asset Management plc and a Partner at Altima Partners LLP. He started his career at Gartmore as an analyst and portfolio manager.

Attendance record:
Board: 3/3
Audit Committee: 1/1
Management Engagement Committee: 0/0
Nomination Committee: 0/0

[1] As Ms Ruddick also serves as a Director of another BlackRock-managed investment trust (the BlackRock Frontiers Investment Trust plc), under the terms of the Listing Rules she is therefore no longer deemed to be independent of the Investment Manager.

Governance

Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 September 2015.

STATUS OF THE COMPANY

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is domiciled in the UK as an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company and has no employees.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund ("AIF") falling within the scope of, and subject to the requirements of the Alternative Investment Fund Managers' Directive. The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers) Regulations 2013 ("The Regulations") and is required to be authorised by the FCA and must comply with a number of new obligations, including the appointment of an Alternative Investment Fund Manager (AIFM) and a depositary to carry out certain functions. The AIFM must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the FCA. Further details are set out on the Company's website at blackrock.co.uk/bist, the Regulatory Disclosures section on page 76 and in the notes to the accounts on pages 51 to 70.

The Company is a qualifying company for the purposes of Stocks & Shares Individual Savings Accounts.

FACILITATING RETAIL INVESTMENTS

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. In the context of the implementation of the Retail Distribution Review and the growing popularity of investment trusts on platforms it is worth noting that the Company's shares are designed for private investors in the UK including retail investors, professionally-advised private clients and institutional investors who aim, over the medium term (5 to 7 years), to aim to preserve capital in real terms and grow the dividend in line with inflation. The Company targets a total portfolio return of UK Consumer Price Index ("CPI") plus 4% per annum (before ongoing charges), over a five to seven year cycle, long-term capital growth, principally by using a flexible multi-asset approach. The Company has not set maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of securities and other assets. It is the current intention that approximately 40% of the portfolio will be invested in UK equity income stocks and the balance of the portfolio will be invested on a tactical asset allocation basis, including in pooled investment funds, but these allocations may change significantly over time. The Company's shares are designed for investors who understand and are willing to accept the risks of exposure to equities.

FUTURE PROSPECTS

Perspectives on future prospects for the Company is set out in both the Chairman's Statement on page 5 and the Investment Manager's Report on pages 14 and 15.

DIVIDENDS

Details of dividends paid and payable in respect of the year are set out in the Strategic Report on page 7.

INVESTMENT MANAGEMENT AND ADMINISTRATION

With effect from 27 February 2015, BlackRock Fund Managers Limited has been appointed as the Company's Alternative Investment Fund Manager in place of F&C Investment Business Limited. The management contract is terminable by either party on six months' notice. BlackRock Investment Management (UK) Limited has been appointed as Company Secretary in place of F&C Investment Business Limited under a delegation agreement with BFM. BFM receives an annual fee at a rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans). As disclosed in note 4 on page 54, BlackRock has agreed to waive its management fee up to an amount equivalent to the transition costs bourne by the Company as a result of the change of manager. In the period from 27 February to 30 September 2015, management fees of £762,000 were waived, and a sum of £227,000 was due to BlackRock in respect of management fees for the period.

During the year the Company also participated in a marketing programme coordinated by BlackRock. Further details are set out in the Strategic Report on page 7.

BFM and BIM (UK) are subsidiaries of BlackRock, Inc. which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm. The PNC Financial Services Group, Inc. has a significant economic interest in BlackRock, Inc. PNC Financial Services Group, Inc. is a U.S. public company.

APPOINTMENT OF THE MANAGER AND THE INVESTMENT MANAGER

The Board considers the arrangements for the provision of management services to the Company on an ongoing basis

Governance

Directors' report continued

and a formal review is conducted annually. As part of the annual review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. The Board believes that the appointment of BFM (the Manager) as AIFM, and the delegation of Investment Management Services to BIM (UK) (the Investment Manager), on the terms disclosed above, is in the interests of all shareholders as a whole given BlackRock's proven track record in the Multi-Asset sector.

DEPOSITARY AND CUSTODIAN

The Company is required under the AIFMD to appoint an AIFM Directive compliant depositary. The Company appointed BNY Mellon Trust & Depositary (UK) Limited ("the Depositary") in this role with effect from 27 February 2015. Their duties and responsibilities are outlined in the investment fund legislation (as defined in the FCA AIF Rulebook). The main role of the Depositary under AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including monitoring cash flows and ensuring that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Depositary receives a fee payable at 0.0115% of the net assets of the Company. The Company has appointed the Depositary in a tripartite agreement, to which BlackRock as AIFM is also a signatory, The Depositary is also liable for the loss of financial instruments held in custody.

Under the depositary agreement, custody services in respect of the Company's assets have been delegated to the Bank of New York Mellon (International) Limited. BNYM receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held. The depositary agreement is subject to 90 days' notice of termination by any party.

REGISTRAR

During the year, and up to 16 November 2015, Equiniti Limited provided registration services to the Company. The principal duty of the Registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to any corporate actions, dividend administration and shareholder documentation. With effect from 13 November 2015, the Company has terminated its arrangements with Equiniti and has appointed Computershare Investor Services PLC as its Registrar (the Registrar).

COUNTERPARTIES

The Company may use derivatives to enhance portfolio returns (of a capital or income nature) and efficient portfolio management, that is, to reduce, transfer or eliminate risk in its investments, including protection against currency risks, or to gain exposure to a specific market. Bank of America, Citigroup, Goldman Sachs, JP Morgan, Morgan Stanley and Société Générale act as derivative counterparties to the Company under separate International Swaps and Derivatives Association ("ISDA") master agreements. The ISDA agreements are terminable subject to 30 days' notice by either party.

CHANGE OF CONTROL

There are no agreements to which the Company is a party that might be affected by a change in control of the Company.

EXERCISE OF VOTING RIGHTS IN INVESTEE COMPANIES

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager by BFM. BIM (UK)'s approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. BIM (UK) believes that sound corporate governance practices by companies contribute to their long term financial performance and thus to better risk-adjusted returns. BIM (UK)'s proxy voting process is led by its Corporate Governance and Responsible Investment team, located in six offices around the world. In addition to its own professional staff, the Corporate Governance and Responsible Investment team draws upon the expertise of BIM (UK)'s portfolio managers, researchers and other internal and external resources globally.

BIM (UK)'s global corporate governance and engagement principles are published on the website blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment/engagement-and-proxy-voting. The principles set out BIM (UK)'s views on the overarching features of corporate governance that apply in all markets. For each region, BIM (UK) also publishes market-specific policies, which are updated every year to ensure that they remain relevant.

The voting guidelines are principles-based and not prescriptive because BIM (UK) believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BIM (UK) believe in their professional judgement will best protect the economic interests of their clients.

PRINCIPAL RISKS

The key risks faced by the Company are set out in the Strategic Report on pages 9 to 11.

GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed on a regular basis throughout the period and the Directors believe that this is the appropriate basis and the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. The Company is able to meet all of its liabilities from its assets and the ongoing charges are approximately 0.7% of the net assets.

DIRECTORS

The Directors of the Company as at 30 September 2015 and their biographies are set out on page 26. Details of Directors' interests in the ordinary shares of the Company are set out on page 34 of the Directors' Remuneration Report. All the Directors held office throughout the year under review. The Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

All Directors, with the exception of Ms Ruddick, are independent. Ms Ruddick is deemed to be non-independent under the Listing Rules by virtue of the fact that she is also a Director of another BlackRock managed investment trust. The Board has considered this and concluded that it does not compromise her independence, and Ms Ruddick demonstrates a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. It is the Board's opinion that all the Directors retiring at the forthcoming AGM bring both extensive knowledge and commercial experience to the Board, and the Board, having considered the retiring Directors' performance within the annual Board performance evaluation process, hereby recommends that shareholders vote in favour of each Director's proposed re-election.

There were no contracts subsisting during the year under review or up to the date of this report in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

DIRECTORS' INDEMNITY

In addition to Directors' and Officers' liability insurance cover, the Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour. The Company has entered into deeds of indemnity with Directors individually which are available for inspection at the Company's registered office and will also be available at the Annual General Meeting.

Conflicts of interest

The Board has put in place a framework in order for Directors to report conflicts of interests or potential conflicts of interest. All Directors are required to notify the Company Secretary of any situations, or potential situations where they consider that they have or may have a direct or indirect interest or duty that conflicted or possibly conflicted with the interests of the Company. The Board has considered that the framework worked effectively throughout the period under review. All such situations were reviewed by the Board and duly authorised. Directors were also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on a regular basis.

Directors' remuneration report

The Directors' Remuneration Report is set out on pages 32 to 34. An ordinary resolution to approve this report will be put to shareholders at the Company's AGM in 2016. More details are given on page 78.

SUBSTANTIAL SHARE INTERESTS

As at 30 September 2015, the Company had received notification in accordance with the FCA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of ordinary shares	% of issued share capital
AXA Framlington Investment Managers	38,590,411	14.1

As at 30 November 2015, the Company had received the following notifications of interests in 3% or more of the voting rights attaching to the Company's ordinary shares.

	Number of ordinary shares	% of issued share capital
Aviva Investors Global Services Limited	35,877,312	13.1

SHARE CAPITAL, ORDINARY SHARE ISSUES AND REPURCHASES

Details of the Company's issued share capital are given in note 16 to the Financial Statements on page 60. Details of shares bought back in the year and shares issued since the year end are given in the Strategic Report on page 9.

No ordinary shares were issued or sold out of treasury during during the year. Subsequent to the year end, and as at the date of this report, the Company had issued 200,000 shares out of treasury at a premium, for proceeds of £271,200. The Directors are seeking renewal of the existing authority to issue shares or sell shares out of treasury up to 5% of issued share capital with pre-emption rights disapplied.

Tender offers

In addition to renewing the share buyback authority, the Board has the authority to implement future tender offers at its absolute discretion, for up to 20% of the shares in issue, if it considers such action to be appropriate taking into account the interests of shareholders as a whole and the market

Governance

Directors' report continued

conditions at the time. This authority was approved by Shareholders at the General Meeting on 4 September 2015. The Board has not exercised its discretion to implement a tender for the period since this authority was approved to 30 September 2015.

The current tender authority will expire on 22 February 2016. The Directors are seeking renewal of the existing authority to tender up to 20% of the Company's share capital (excluding treasury shares) at the AGM in 2016.

TREASURY SHARES

As described above, the Company is authorised to purchase its own ordinary shares to be held in treasury for reissue or cancellation at a future date. The Company bought back 14,975,000 shares into treasury during the year under review and currently holds 16,675,000 ordinary shares in treasury (5.7% of the Company's issued share capital including shares held in treasury).

The Board intends only to authorise the sale of shares from treasury at prices at or above the prevailing NAV per share (plus costs of the relevant sale). This should result in a positive overall effect on existing shareholders.

The Board will continue to limit the number of shares held in treasury to no more than 10% of the issued share capital of the Company.

GLOBAL GREENHOUSE GAS EMISSIONS FOR THE PERIOD 1 OCTOBER 2014 TO 30 SEPTEMBER 2015

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

ARTICLES OF ASSOCIATION

Any amendments to the Company's Articles of Association must be made by special resolution.

ANNUAL GENERAL MEETING

The following information to be discussed at the forthcoming AGM is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM.

Resolution 12 Authority to allot shares

The Directors seek to renew the authority of the Directors to allot ordinary shares for cash up to an aggregate nominal amount of £6,865,932 which is equivalent to 27,463,728 ordinary shares and represents 10% of the Company's issued ordinary share capital (excluding any treasury shares).

Resolution 13 Authority to dis-apply pre-emption rights

Resolution 13 empowers the Directors to allot new shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £3,432,966 which is equivalent to 13,731,864 ordinary shares of 25 pence each and represents 5% of the Company's issued ordinary share capital. The resolution will enable the Directors, at their discretion, to allot a limited number of equity securities for cash and will also provide the Directors with greater flexibility should appropriate business opportunities arise. The Directors have no present intention to exercise this authority.

Resolution 14 Authority to buy back shares

The special resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own ordinary shares. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority the maximum price which can be paid shall be the higher of (i) an amount equal to 5% above the average of the market values of the ordinary shares for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange. The Directors are seeking authority to purchase up to 41,168,128 ordinary shares (being approximately 14.99% of the issued share capital (excluding treasury shares) as at the date of the Notice of Annual General Meeting. This authority, unless renewed at an earlier general meeting, will expire at the conclusion of the next AGM in 2017.

Resolution 15 Tender offers

The special resolution seeks to renew the authority granted to Directors to buy back up to 20% of the shares in issue (excluding any shares held in treasury) through a tender offer(s). The price at which shares will be purchased will be an amount equal to a 2% discount to the diluted cum income NAV per share (debt at market value) on the calculation date(s), as determined by the Board, less a pro rata proportion of the costs and expenses per tendered share of effecting any tender offer(s) (including stamp duty, commission and portfolio realisation costs). Any tender offer will give shareholders an opportunity to sell a fixed number of shares in the Company back to the Company at a fixed price. The Board wishes to maintain flexibility as to how many tender offers are implemented and when they are implemented. Under the proposals, the Board will have discretion to implement one tender offer or multiple tender offers provided that the aggregate size of all tender offers implemented before renewal of the authority does not exceed 20% of the shares in issue as at the date of the General Meeting (excluding shares held in treasury). This resolution, unless renewed at an earlier general meeting, will expire at the conclusion of the next AGM in 2017.

Recommendation

Your Board considers that the resolutions to be proposed at the Annual General Meeting are likely to promote the success of the Company for the benefit of its members as a whole and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each resolution, as they intend to do in respect of their own beneficial holdings.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 35 to 38. The Corporate Governance Statement forms part of this Directors' Report.

AUDIT INFORMATION

As required by section 418 of the Companies Act 2006 the Directors who held office at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

The Auditor, Ernst & Young LLP, has indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be submitted at the AGM.

The Directors' Report was approved by the Board at its meeting on 2 December 2015.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
2 December 2015

Governance

Directors' remuneration report

The Board presents the Directors' remuneration report for the year ended 30 September 2015 which has been prepared in accordance with sections 420-422 of the Companies Act 2006. The future remuneration policy which is subject to a triennial binding vote is set out in the policy table on page 33.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 44 to 46.

STATEMENT BY THE CHAIRMAN

This has been one of the most significant years in the Company's 117 year history, marked by the adoption of a new multi-asset investment approach and a change of investment manager and Company name. The Board also recruited Julian Sinclair, an experienced investment professional with a strong asset allocation background, as a new Director in order to complement the Board's capabilities in overseeing the Company's new investment strategy.

Implementing these changes has placed a substantial additional workload on the Board during the course of 2014 and throughout the current year. In addition to the scheduled meetings set out on page 26, a significant number of additional meetings were also held. In order to compensate the Board for the additional time commitment made, additional payments have been made to each Director as set out in the table on page 33. This is in line with the Board's remuneration policy as set out in the table on page 33, which states that the remuneration of Directors should reflect (amongst other things) the time commitment required and be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances.

In addition to this one off payment, the Board has approved the following increases in fees with effect from 1 October 2015. The Chairman's annual remuneration will increase from £40,500 to £41,250, the remuneration of the Audit Committee Chairman will increase from £27,750 to £28,250 and the remuneration of the Senior Independent Director will increase from £25,750 to £26,250. Each Director will see an increase in annual remuneration from £23,750 to £24,250. The basis for the increase in Directors' remuneration is set out in the policy report below.

REMUNERATION COMMITTEE

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. A separate Committee has therefore not been established. The Company's Directors are all non-executive and are independent of the Investment Manager, with the exception of Ms Ruddick.

POLICY REPORT

The Board considers the level of Directors' fees at least annually. Its policy is that the remuneration of Directors should reflect the experience of the Board as a whole, the responsibilities of the role, the time commitment required, and be fair and comparable to that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. There were no changes to the policy during the year.

REMUNERATION/SERVICE CONTRACTS

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is an aggregate of £300,000 per annum and may not be changed without seeking shareholder approval at a general meeting. The fees are fixed and are payable in cash, quarterly in arrear. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits

The non-executive Directors do not have service contracts, but each Director has a letter of appointment setting out the terms and conditions of his or her appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming Annual General Meeting. The Board has agreed that all Directors will retire annually. There is no notice period and no provision for compensation upon early termination of appointment.

Voting at Annual General Meeting

The Director's Remuneration Policy is subject to a tri-annual shareholder approval vote, and was last approved at the Company's Annual General Meeting held on 27 January 2014. At this meeting, 95.1% of votes were in favour of the resolution and 4.9% were against. The Directors' Remuneration Policy will next be put to shareholders for approval at the Annual General Meeting in 2016.

At the Company's Annual General Meeting in 2015, the Directors' Annual Report on Remuneration was approved by shareholders, with 96.06% votes in favour of the resolution and 3.94% against. The resolution to approve this Remuneration Report is put to shareholders on an annual basis.

An ordinary resolution for the approval of the Annual Report on Directors' Remuneration for the year ended 30 September 2015 will be put to shareholders at the forthcoming Annual General Meeting in 2016.

The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

POLICY TABLE

Purpose and link to strategy		Remuneration of Directors should reflect the experience of the Board as a whole, the responsibilities of the role, the time commitment required, and be fair and comparable to that of other similar companies. The level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances.
Description		Current levels of fixed annual fee: Chairman – £41,250 Audit Committee Chairman – £28,250 Senior Independent Director – £26,250 Directors – £24,250 All reasonable expenses to be reimbursed.
Maximum and minimum levels		Remuneration consists of a fixed fee each year, set in accordance with the stated policies and any increase granted must be in line with the stated policies. The Company's Articles of Association set a limit of £300,000.
Policy on share ownership		Directors are not required to own shares in the Company, although all Directors are currently shareholders.
Operation	Fixed fee element	The Board reviews the quantum of Directors' pay each year to ensure this is appropriate and in line with the policy as set out above.
Operation	Taxable benefits	Taxable benefits comprise expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Company's registered offices in London, and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred.

REMUNERATION IMPLEMENTATION REPORT

A single figure for total remuneration of each Director is set out in the table below for the year ended 30 September 2015:

	Year ended 30 September 2015				Year ended 30 September 2014		
	Base Salary £	Payments for additional transition work £	Taxable benefits[1] £	Total £	Base Salary £	Taxable Benefits[1] £	Total £
James Long (Chairman)[2]	35,188	13,875	713	49,776	26,470	1,212	27,682
Ian Russell[2]	26,083	11,875	8,523	46,481	23,750	2,625	26,375
Jimmy West	25,750	12,875	1,356	39,981	25,750	2,100	27,850
Lynn Ruddick[3]	30,729	20,250	4,452	55,431	40,500	1,638	42,138
Jim Grover	23,750	11,875	–	35,625	23,750	195	23,945
Julian Sinclair[4]	4,620	–	–	4,620	N/A	N/A	N/A
James MacLeod[5]	–	–	–	–	8,952	1,317	10,269
Total	146,120	70,750	15,044	231,914	149,172	7,770	156,942

1 Taxable benefits relate to travel and subsistence costs.
2 James Long was Audit Committee Chairman up until 26 February 2015, when he was appointed Chairman of the Company. Ian Russell took over the role of Audit Committee Chairman on 27 February 2015.
3 Lynn Ruddick stood down as Chairman of the Company on 26 February 2015.
4 Appointed a non-executive Director on 21 July 2015.
5 James MacLeod retired as a Director of the Company on 26 January 2014.

The information in the above table has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors.

At 30 September 2015, fees of £14,000 (2014: nil) were outstanding to Directors in respect of their annual fees.

Governance

Directors' remuneration report continued

RELATIVE IMPORTANCE OF SPEND ON PAY

As the Company has no employees, the table above also comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared to the Company's net profit on ordinary activities after taxation, total operating expenditure and dividend distributions.

	2015	2014	Change
Directors' annual remuneration	£161,164	£156,942	+£4,222
Directors' additional remuneration for extra duties[1]	£70,750	–	+£70,750
Directors' total remuneration	£231,914	£156,942	+£74,972
Total dividends paid and payable	£18,395,000	£18,619,000	-£224,000
Buy back of ordinary shares	£20,256,000	–	+£20,256,000

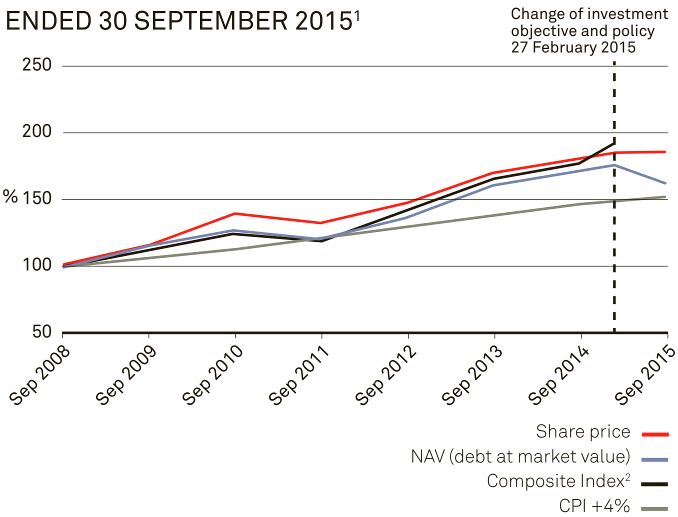
1 Relates to extra duties undertaken relating to the implementation of new investment strategy.

No payments were made in the period to any past Directors (2014: nil).

PERFORMANCE

The graph below compares the Company's NAV and share price total returns with the total return on an equivalent investment in the composite Index for the period from 1 October 2008 to 26 February 2015, and to CPI +4% for the period thereafter up to 30 September 2015. These indices represent the relevant target indices that the Company's performance has been assessed against over the respective periods.

PERFORMANCE FOR THE SEVEN YEARS ENDED 30 SEPTEMBER 2015[1]



1 All performance data with income reinvested where relevant.
2 Composite index comprised of 80% FTSE All-Share index and 20% FTSE World (Ex UK) Index. From the date of transfer of management to BlackRock on 27 February 2015, the Composite index is no longer the benchmark for the Company.
Source: ONSTAT, BlackRock.

SHAREHOLDINGS

The interests of the Directors in the ordinary shares of the Company at 30 September 2015 are set out in the table below. None of the Directors has an interest in any share options in the Company.

	2015	2014
James Long (Chairman)[1]	29,802	16,266
Ian Russell[2]	27,500	20,000
Jimmy West	63,400	38,400
Lynn Ruddick[3] – beneficial	165,482	62,844
– non-beneficial	6,874	5,743
Jim Grover	27,500	20,000
Julian Sinclair[4]	36,200	N/A

1 Appointed Chairman with effect from 26 February 2015; previously Audit Committee Chairman.
2 Appointed Chairman of the Audit Committee with effect from 26 February 2015.
3 Ms Ruddick was Chairman up to 26 February 2015. Her holding includes 63,290 shares held by Ms Ruddick's husband, Mr Dewar.
4 Appointed a non-executive Director on 21 July 2015.

Subsequent to the year end, Mr Long purchased an additional 7,534 shares, bringing his total holding to 37,336 shares. Miss Ruddick purchased an additional 74 shares (as part of a dividend reinvestment plan), bringing her total beneficial holding to 165,482 shares and non-beneficial holding to 6,948 shares.

The information in the table above has been audited.

All of the holdings of the Directors are beneficial unless otherwise disclosed. No changes to these holdings have been notified up to the date of this report.

No Director had an interest in the Company's 6.25% Bonds 2031 during the year ended 30 September 2015 or has acquired an interest since the year end.

RETIREMENT OF DIRECTORS

All Directors retire annually each year and subsequently stand for re-election. Further details are given in the Directors' Report on page 29.

ON BEHALF OF THE BOARD

James M Long
2 December 2015

Governance

Corporate governance statement

CHAIRMAN'S INTRODUCTION

Corporate governance is the process by which the Board seeks to look after shareholders' interests and protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run our Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company and we are committed to maintaining high standards of financial reporting, transparency and business integrity.

The Board is accountable to shareholders for the governance of the Company's affairs. The Directors have considered the principles and recommendations of the 2015 AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2014 UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The AIC Code is available from the Association of Investment Companies (theaic.co.uk). The UK Code is available from the Financial Reporting Council website (frc.org.uk).

COMPLIANCE

Throughout the year, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code. Since the Company has no employees and all Directors are non-executive, the provisions of the UK Corporate Governance Code on the role of a chief executive and on Directors' remuneration, except in so far as they apply to non-executive Directors, are not relevant to the Company and are not reported on further.

BOARD COMPOSITION

At the end of the year the Board consisted of five independent and one non-independent non-executive Directors. James Long is the Chairman and Jimmy West is the Senior Independent Director. All the Directors have been issued with letters of appointment, which are available upon request at the Company's registered office. The Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. The Directors' biographies, on page 26, demonstrate a breadth of investment knowledge, business and financial skills which enables them to provide effective strategic leadership and proper governance of the Company.

All Directors receive relevant training, collectively or individually, as necessary.

PERFORMANCE EVALUATION

During the year the performances of the Board, its committees and individual Directors were evaluated through a review process led by the Chairman. This process involved discussions between the Chairman and individual Directors and feedback from the Chairman to the Board and individual Directors. The performance of the Chairman was evaluated in the same way by the Senior Independent Director. The results of the evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the Board reflected a suitable mix of skills and experience, and that the Board, as a whole, continues to function effectively.

Changes to the Board of Directors

Lynn Ruddick stepped down as Chairman at the conclusion of the Company's AGM on 26 February 2015 and Mr James Long became the new Chairman of the Board, as well as the Chairman of the Management Engagement Committee and the Nomination Committee. Mr Ian Russell became Chairman of the Audit Committee with effect from the same date.

On 21 July 2015, Mr Julian Sinclair joined the Board as a non-executive Director. Mr Sinclair will also serve as a member of the Audit Committee, the Management Engagement Committee and the Nomination Committee. The Company engaged the recruitment consultancy firm, Sheffield Haworth, to assist with the recruitment process. Sheffield Haworth has no other relationship with the Company.

TENURE AND INDEPENDENCE

The Board's independence, including that of the Chairman, has been considered, and all the Directors, with the exception of Ms Ruddick are deemed to be independent in character and have no relationships or circumstances which are likely to affect their judgement. Ms Ruddick was deemed to be independent until 27 February 2015, when BlackRock was appointed as manager. As Ms Ruddick also serves as a Director of another BlackRock-managed investment trust (the BlackRock Frontiers Investment Trust plc), under the terms of the Listing Rules she is therefore no longer deemed to be independent of the Manager. Notwithstanding Ms Ruddick's position on the Board of two BlackRock-managed investment trusts, the Board considers her to be independent in character and does not believe that these circumstances will affect Ms Ruddick's judgement.

The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that the length of a Director's tenure reduces his or her ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed, although the

Governance

Corporate governance statement continued

Board believes in the merits of periodic and progressive refreshment of its composition.

BOARD'S RESPONSIBILITIES

The Board's responsibilities are set out on page 43 along with information on the schedule of meetings held in the year. The Board may have additional meetings to consider strategy and other issues and between meetings there is regular contact with the Investment Manager. A formal schedule of matters specifically reserved for decision by the Board has been defined. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Strategic issues including corporate and gearing strategy, investment and dividend policies and all operational matters of a material nature are determined by the Board. The Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with applicable rules and regulations. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 2006. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports. The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DELEGATION OF RESPONSIBILITIES

The Board has delegated the following areas of responsibility:

Management and administration

The management of the investment portfolio and the administration of the Company have been delegated to BlackRock Fund Managers Limited (BFM) as the Company's AIFM, and BFM (with the permission of the Company) has delegated certain investment management and other ancillary services to BIM (UK) ("the Investment Manager"). The contractual arrangements with, and assessment of the Manager are summarised on pages 27 and 28. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

The assets of the Company have been entrusted to the Depositary for safekeeping. The Depositary is Bank of New York Mellon Trustee & Depositary (UK) Limited. The address at which this business is conducted is given on page 72.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 28.

Much of the Board's corporate governance responsibility is discharged through the Audit, the Management Engagement and the Nomination Committees. These Committees all operate within clearly defined written terms of reference which are available upon request at the Company's registered office. More detail is given below in respect of the individual Committees.

Audit Committee

The Report of the Audit Committee is contained on pages 39 to 42.

Management Engagement Committee

The Management Engagement Committee, chaired by James Long, comprises the full Board. The committee reviews the appropriateness of the Manager's continuing appointment, together with the terms and conditions thereof, on a regular basis. In addition to total return performance, the Manager is also judged in relation to management of the revenue account, the quality of the fund management and administration teams, commitment to their investment trust business, strength of relationships with shareholders and the appropriateness of the management contract, including fees. There was one Management Engagement Committee meeting held during the year.

Remuneration Committee

As stated in the Directors' Remuneration Report on pages 32 to 34, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

Nomination Committee

The Nomination Committee, chaired by James Long, comprises the full Board. The committee is convened for the purpose of considering the appointment of additional Directors as and when appropriate. Any appointments to the Board are based on merit, but in considering appointments, the Nomination Committee also takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the Company within the Board. The Directors have not set any measureable objectives in relation to the diversity of the Board. New Directors receive an induction from the Managers on joining the Board. The Nomination Committee met once during the year.

The Company maintains appropriate Directors' and Officers' liability insurance.

INTERNAL CONTROLS

The Board is responsible for establishing and maintaining the Company's systems of internal controls and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. This is achieved through a Risk Register, which sets out the risks relevant to the Company and describes the controls that the Board has in place as well as the internal controls that are in place at the AIFM, the Investment Manager and other third party service providers to mitigate these risks. The Board has delegated the review of this register to the Audit Committee, who review the effectiveness of the internal control systems on an ongoing basis to identify, evaluate and manage the Company's significant risks.

As part of that process, there are procedures designed to capture and evaluate any failings or weaknesses. Should a significant Issue be identified, procedures exist to ensure that necessary action is taken to remedy the failings. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by the Manager's corporate audit department. This accords with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the UK Corporate Governance Code'.

The Company's risk register sets out the risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third party service providers to mitigate these risks. The Audit and Management Engagement Committee (the Committee) formally review this register on a semi-annual basis and BFM as the Company's AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock's internal audit department report to the Committee on a semi-annual basis on the results of testing performed in relation to BlackRock's internal control processes. The Depositary also reviews the control processes in place at the custodian, the fund administrator and the AIFM and reports formally to the Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Committee outside of these meetings on an ad hoc basis to the extent this is required. The Committee also receives annual and quarterly Service Organisation Control (SOC 1) Reports respectively from BlackRock and Bank of New York Mellon on the internal controls of their respective operations, together with the opinion of their reporting accountants.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Investment Manager and BNYM. The Investment Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance. The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting. These reports form part of the documentation used by the Board to determine the appropriateness of adopting the going concern basis for the production of the Company's annual report and accounts. Conclusions on going concern and the Company's longer term viability are set out on pages 11 to 12 and on page 28 respectively.

The Company does not have its own internal audit function, as all the administration is delegated to the Manager. The Board monitors the controls in place through BlackRock's internal audit department and feels that there is currently no need for the Company to have its own internal audit function although this matter is kept under review.

There are no agreements between the Company and its Directors concerning compensation for loss of office. Powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles of Association require a special resolution to be passed by shareholders.

FINANCIAL REPORTING

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 43, the Independent Auditor's Report on pages 44 to 46 and the statement of Going Concern on page 28.

SOCIALLY RESPONSIBLE INVESTMENT

Investment trusts do not employ staff and accordingly have no direct impact on social matters but can be significant investors in the economies of the regions in which they invest. The Company invests globally using a flexible multi-asset approach and may consequent have portfolio exposure to a wide range of countries with varying degrees of political and corporate governance standards. The Company has not set maximum or minimum exposures for any geographical regions or sectors, but it is the current intention that approximately 40% of the portfolio will be invested in UK equity income stocks and the balance of the portfolio will be invested on a tactical asset allocation basis, including in pooled investment funds. BlackRock's evaluation procedures and financial analysis of the companies within the portfolio take into account environmental policies and other business issues. The Company invests primarily on financial grounds to meet its stated objectives. The Investment Manager's policies on Socially Responsible Investment and Corporate Governance are detailed on the website at blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment-reports. The Investment Manager is supportive of the UK Stewardship Code, which is voluntary and operates on a "comply or explain basis".

Governance

Corporate governance statement continued

BRIBERY PREVENTION POLICY

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Manager on its behalf very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

COMMUNICATION WITH SHAREHOLDERS

All shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of Annual General Meeting which is sent out at least 20 working days in advance of the meeting sets out the business of the Meeting and any item not of an entirely routine nature is explained in the Directors' Report on pages 30 and 31. Separate resolutions are proposed for substantive issues. Tea and biscuits will be provided for shareholders after the AGM, which is scheduled to start at 11. 00 a.m.

In addition, regular updates on performance are available to shareholders and can be accessed on the Company's website at blackrock.co.uk/bist. The Portfolio Managers review the Company's portfolio and performance at the Annual General Meeting, where the Board and representatives of the Manager will be available to answer shareholders' queries. Proxy voting figures will be announced to shareholders at the Annual General Meeting and will be made available on the Investment Manager's website shortly after the meeting.

The Company's willingness to enter into discussions with institutional shareholders is also demonstrated by the programmes of institutional presentations made by the Investment Manager. The Board discusses with the Investment Manager at each Board meeting any feedback from meetings with shareholders and it also receives reports from its corporate broker. The Board is also available to meet shareholders without the Manager being present.

There is a section within this report entitled "Shareholder Information", on pages 73 to 75 which provides an overview of useful information available to shareholders.

The Company's accounts, regular factsheets and other information are also published on the BlackRock website at blackrock.co.uk/bist. The work undertaken by the auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 27 to 31 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

- Substantial share interests;
- Share capital;
- Share issues,
- Share repurchases; and
- Greenhouse gas emissions.

In addition, information on Directors' shareholdings is given on page 34 in the Directors' Remuneration Report.

FOR AND ON BEHALF OF THE BOARD

JAMES M LONG
Chairman
2 December 2015

Governance

Report of the audit committee

As Chairman of the Audit Committee I am pleased to present the Committee's report to shareholders for the year ended 30 September 2015.

ROLE AND RESPONSIBILITIES

The Company has established a separately chaired Audit Committee ("the Committee") which meets at least twice a year and whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements, and providing an opinion as to whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee also reviews the external Auditor's reporting thereon and is responsible for forming an opinion on the effectiveness of the external audit process and quality of the audit. Other duties include reviewing the appropriateness of the Company's accounting policies, ensuring the adequacy of the internal control systems and reviewing the terms of the investment management agreement, as well as other service provider contracts. The Committee operates within written terms of reference detailing its scope and duties and these are available on the Company's website at blackrock.co.uk/bist.

The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results, including the valuation of any unquoted investments, and the Committee receives information from BlackRock's corporate audit and compliance departments. In addition, for the year under review, the Company held one additional Audit Committee meeting in order to review in greater detail the principal risks facing the Company and the controls in place to mitigate these risks, following the change in the Company's investment policy and objective, and the change of Investment Manager.

The review of the external audit process involves considering the scope, quality of performance, cost effectiveness and independence of the external auditors. The Committee reviews and approves the external audit plan in advance of the audit and throughout the year, any non-audit services proposed to be performed by the external auditor. The external audit plan includes an analysis of the key audit risks and calculations of audit materiality, which the Committee considers in forming our own assessment of key risks to the Company's financial statements. For the period under review, the Committee requested that the auditors perform an additional review of the transition of financial records as a result of the change in Investment Manager on 27 February 2015.

The Committee considers the quality of the audit plan, and the plan for any interim or additional review outside the scope of the main audit. They also review the composition of the audit team and the effectiveness of the audit process and completion of the audit in formulating its recommendation to the Board regarding the reappointment of the external Auditor. Length of tenure and independence (with due regard to the level of non-audit services) are considerations underpinning this assessment, which is carried out within the framework laid down by EU legislation on auditor rotation that is supplemented by application guidance from the UK's Financial Reporting Council.

The Committee has also reviewed and accepted the "whistleblowing" policy that has been put in place by the Investment Manager under which its staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, in so far as they affect the Company.

SIGNIFICANT ISSUES CONSIDERED REGARDING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

During the year, the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified in the audit plan and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table on page 40 sets out the key areas of risk identified and also explains how these were addressed by the Committee.

Governance

Report of the audit committee continued

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	Listed investments are valued using stock exchange prices provided by third party vendors. Unquoted or illiquid investments, if any, are valued by the Directors based on recommendations from BlackRock's Pricing Committee. The Board reviews detailed portfolio valuations on a regular basis throughout the year and receives confirmation from the Manager that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company, and that the carrying values are materially correct. The Board also relies on the Manager's and Fund Accountant's controls which are documented in annual internal control reports and reviewed by the Committee. The valuation basis for derivative instruments, including the basis for allocating returns between income and capital, is agreed with the Company's auditors and approved by the Board in advance.
The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income	The Committee reviews income forecasts, including special dividends, and receives explanations from the Investment Manager for any variations or significant movements from previous forecasts and prior year figures. The Committee also reviews a summary of option transactions and receives confirmation from the portfolio manager for the rationale behind entering into each option transaction, to ensure that returns are allocated appropriately. The valuation basis for derivative instruments, including the basis for allocating returns between income and capital, is agreed with the Company's Auditor and approved by the Board in advance. The audit includes checks on the completeness and accuracy of income, and also checks that this has been recognised in accordance with stated accounting policies.
The risk of misappropriation of assets and unsecured ownership of investments	The Depositary is responsible for financial restitution for loss of financial investments held in custody. The Committee reviews reports from its Manager, Custodian and Registrar on key controls over the assets of the Company. Any significant issues are reported by the Manager to the Committee. The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.

With effect from 27 February 2015, the provision of portfolio valuation, fund accounting and administration services has been delegated to BIM (UK), which sub-delegates fund accounting to a third party service provider, and the provision of Depositary services is contracted to Bank of New York Mellon Trust & Depositary (UK) Ltd (BNYMTD). The Committee has reviewed the Service Organisation Control Reports (SOC) prepared by BlackRock, the Custodian and the Fund Accountants to ensure that the relevant control procedures are in place to cover these areas of risk as identified above and are adequate and appropriate and have been designated as operating effectively by the reporting auditor.

For the period from 1 October 2014 to 26 February 2015, the provision of portfolio valuation, fund accounting and administration services was delegated to F&C Investment Business Ltd, depositary services were delegated to JPMorgan Europe Limited and custody services were provided by JP Morgan Chase Bank. The Committee has also reviewed F&C's relevant "Report on Policies and Procedures in Operation and Tests in accordance with AAF (01/06)" for the period to 31 December 2013 which sets out the Managers' control policies and procedures with respect to the management of F&C's clients' investments. The effectiveness of these controls is monitored by F&C's group audit committee which receives regular reports from F&C's compliance department. Procedures were in place for the relevant period to capture and evaluate failings and weaknesses and to ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. F&C also provided a confirmation letter as at 14 November 2014 which confirmed that there had been no material changes in the control environment of significant issues to be brought to the Board's attention. No significant failings or weaknesses were identified during the period from 1 October 2014 to 26 February 2015. The Audit Committee also considered internal control reports issued by other service providers during the period.

AUDITORS AND AUDIT TENURE

The Company's current auditor, Ernst & Young LLP, has acted in this role for more than twenty years. The Audit Committee review the performance of the auditor on a regular basis, taking into consideration the services and advice provided to the Company and the fees charged for these services. Following professional guidelines, the audit partner rotates after five years, and the current partner is in the second year of his appointment. On the basis of the Auditor's performance, the Audit Committee has recommended its continuing appointment to the Board.

The EU has recently implemented regulations on mandatory auditor rotation which require the appointment of a new auditor every ten years, although this can be extended by up to ten additional years if tenders are carried out at the decade mark or another audit firm is appointed to do a joint audit. In view of this change, the Company will put its audit contract out to tender by no later than 2020. The EU legislation also prohibits certain non-audit consulting services and caps the amount of additional fees auditors can charge their clients. The Audit Committee also considers the risks associated with audit firms withdrawing from the market and the relationship with the Company's auditor.

There are no contractual obligations that restrict the Company's choice of auditor. The Audit Committee monitors the level of non-audit work carried out by the Auditor and seeks assurances from the auditor that they maintain suitable policies and processes ensuring independence and monitors compliance with the relevant regulatory requirements on an annual basis. The Company operates on the basis whereby the provision of non-audit services by the Auditor is permissible where no conflict of interest arises, where the independence of the auditor is not likely to be impinged by undertaking the work and the quality and objectivity of both the non-audit work and audit work will not be compromised.

The non-audit work carried out during the year and the fees paid in relation to this are summarised in the table below.

	2015 £	2014 £
Interim review of half yearly report	6,500	N/a
Review of transition of financial records as a result of the change of Manager	5,000	N/a
Provision of tax compliance services and certification of Bond compliance certificate	1,000	11,000

The Audit Committee does not consider that the provision of such non-audit services compromises the independence and objectivity of the conduct of the audit.

The Auditor has indicated its willingness to continue in office and resolutions proposing its reappointment and authorising the Directors to determine its remuneration for the ensuing year will be proposed at the AGM.

ASSESSMENT OF THE EFFICIENCY OF THE EXTERNAL AUDIT PROCESS

To assess the effectiveness of the external audit, members of the Committee work closely with the Manager to obtain a good understanding of the progress and efficiency of the audit. The Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- the quality of the audit engagement partner and the audit team;
- the expertise of the audit firm and the resources available to it;
- identification of areas of audit risk;
- planning, scope and execution of the audit;
- consideration of the appropriateness of the level of audit materiality adopted;
- the role of the Committee, the Manager and third party service providers in an effective audit process;
- communications by the Auditor with the Committee;
- how the Auditor supports the work of the Committee and how the audit contributes added value;
- a review of the independence and objectivity of the audit firm; and
- the quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit partner and team. The external Auditor attends the Committee meetings on at least one occasion at which they have the opportunity to meet with the Committee without representatives of the Manager being present. The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Investment Manager's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the Auditor and the Committee.

To form a conclusion with regard to the independence of the external Auditor, the Committee considers whether the skills and experience of the Auditor make them a suitable supplier of non-audit services and whether there are safeguards in place to ensure that there is no threat to their objectivity and independence in the conduct of the audit resulting from the provision of any such services. On an annual basis, Ernst & Young LLP review the independence of their relationship with the Company and report to the Committee, providing details of any other relationship with the Manager. As part of this review, the Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's Auditor, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, and the level of related fees, details of any relationships between the audit firm and its staff and the Company as well as an overall confirmation from the Auditor of their independence and objectivity. As a result of their review, the Committee has concluded that Ernst & Young LLP is independent of the Company.

CONCLUSIONS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Committee advise on

Governance

Report of the audit committee continued

whether these criteria are satisfied. In so doing, the Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process by the Manager, the Depositary and the Committee;
- the controls that are in place at the Manager (being F&C for the period from 1 October 2014 to 27 February 2015, and BlackRock thereafter) and relevant third party service providers for the period under review to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory Service Organisation Control Reports that have been reviewed and reported on by external auditors to verify the effectiveness of the internal controls of BlackRock, the Depositary, the Custodian and the Fund Accountants.

In addition to the work outlined above, the Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry. The Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements on page 44.

IAN RUSSELL
Chairman
Audit Committee
2 December 2015

Governance

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the financial statements under UK Generally Accepted Accounting Practice (UK 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:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- 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 are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules. The Directors have delegated responsibility to the Investment Manager and the AIFM for the maintenance and integrity of the Company's corporate and financial information included on BlackRock's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 26 of the Annual Report, confirm to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position, net return and cash flows of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2014 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Accounts are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit and Management Engagement Committee advise on whether it considers that the Annual Report and Accounts fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report on pages 39 to 42 of the Annual Report. As a result, the Board has concluded that the Annual Report for the year ended 30 September 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

FOR AND ON BEHALF OF THE BOARD
JAMES M LONG
Chairman
2 December 2015

Financial statements

Independent auditor's report to the members of BlackRock Income Strategies Trust plc

OPINION ON FINANCIAL STATEMENTS

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of the Company's return for the period 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.

WHAT WE HAVE AUDITED

We have audited the financial statements of BlackRock Income Strategies Trust plc for the period ended 30 September 2015 which comprises the Income Statement, Reconciliation of Movement in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 43 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy: the allocation of resources in the audit; and directing the efforts of the engagement team. The risks that we have identified are consistent with those risks that were identified in the prior year. The Audit Committee have set out their assessment of the significant issues in relation to the financial statements on pages 39 to 41. The table below includes our responses to the risks:

Risk Identified	Our response
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. Due to the change in income streams during the year as a result of the introduction of derivatives to the investment portfolio, including option premium income and potential transfers between income and capital, we consider revenue recognition to be a significant and fraud risk during this financial year.	We performed the following procedures: ▸ Agreed a sample of dividends received from the income report to an independent pricing source. ▸ Agreed a sample of dividends paid on investments held from an independent pricing source to the income report. ▸ Agreed 100% of accrued dividends to an independent source. ▸ Reviewed and agreed the classification of option premium income between income and capital. ▸ For a sample of option premium income items agreed these to broker statements and confirmed that the income was amortised over the correct period. ▸ Agreed the exchange rates used to translate a sample of income received in foreign currencies during the year.
Incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements. The change in the investment strategy of the Company had led to a change in portfolio structure and size for the current year, with the introduction of a range of derivatives to the portfolio, increasing the number of securities from approximately 140 securities at 30 September 2014 to approximately 250 securities at 30 September 2015	We performed the following procedures: ▸ Independently revalued all investment positions in the portfolio using our proprietary pricing tool. ▸ Our specialist valuation team sourced pricing data from multiple market sources (Bloomberg, Datalink, Standard & Poors and Markit) in order to identify the most appropriate market price for a particular security. ▸ Agreed 100% of exchange rates to a relevant independent source. ▸ Reviewed pricing exception reports and investigated differences outside of our tolerable variance.

OUR APPLICATION OF MATERIALITY

We determined planning materiality for the Company to be £3,748,000 (2014: £4,268,000), which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50% of planning materiality, being £1,874,000 (2014: 75% of planning materiality, £3,201,000). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level. Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing materiality of £1,005,000 (2014: £1,036,000) for the revenue column of the Income Statement, being 5% of the return on ordinary activities before taxation.

We agreed with the Audit Committee that we would report all audit differences in excess of £187,000 (2014: £213,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Financial statements

Independent auditor's report continued

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

In addition we have not identified anything material to add or to draw attention to in relation to:

- The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- The directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern, set out on page 28 and longer-term viability statements, set out on pages 11 and 12; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

ASHLEY COUPS (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP
Statutory Auditor
London
2 December 2015

Financial statements

Income Statement for the year ended 30 September 2015

	Notes	Revenue 2015 £'000	Revenue 2014 £'000	Capital 2015 £'000	Capital 2014 £'000	Total 2015 £'000	Total 2014 £'000
(Losses)/gains on investments held at fair value through profit or loss	11	–	–	(33,380)	9,596	(33,380)	9,596
Exchange gains		–	–	4,306	969	4,306	969
Income from investments held at fair value through profit or loss	3	23,024	23,549	–	–	23,024	23,549
Other income	3	96	59	–	–	96	59
Investment management fees	4	(624)	(700)	(1,159)	(1,301)	(1,783)	(2,001)
Other operating expenses	5	(957)	(711)	(24)	–	(981)	(711)
Net return before finance costs and taxation		21,539	22,197	(30,257)	9,264	(8,718)	31,461
Finance costs	7	(1,410)	(1,460)	(2,616)	(2,711)	(4,026)	(4,171)
Net return on ordinary activities before taxation		20,129	20,737	(32,873)	6,553	(12,744)	27,290
Taxation on ordinary activities	8	34	(439)	–	–	34	(439)
Net return on ordinary activities after taxation	10	20,163	20,298	(32,873)	6,553	(12,710)	26,851
Return per ordinary share	10	7.07p	7.01p	(11.52p)	2.26p	(4.45p)	9.27p

The total column of this statement represents the profit or loss of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies. The Company had no recognised profits or losses other than those disclosed in the Income Statement. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

The notes on pages 51 to 70 form part of these financial statements.

Financial statements

Reconciliation of Movement in Shareholders' Funds for the year ended 30 September 2015

	Notes	Called up share capital	Capital redemption reserve	Capital reserves	Revenue reserve	Total
		£'000	£'000	£'000	£'000	£'000
For the year ended 30 September 2015						
At 30 September 2014		72,778	15,563	302,990	35,534	426,865
Return for the year		–	–	(32,873)	20,163	(12,710)
Ordinary shares purchased into treasury		–	–	(20,256)	–	(20,256)
Tender offer costs		–	–	(50)	–	(50)
Dividends paid*	9	–	–	–	(19,017)	(19,017)
At 30 September 2015		72,778	15,563	249,811	36,680	374,832
For the year ended 30 September 2014						
At 30 September 2013		72,778	15,563	296,437	33,567	418,345
Return for the year		–	–	6,553	20,298	26,851
Dividends paid**	9	–	–	–	(18,331)	(18,331)
At 30 September 2014		72,778	15,563	302,990	35,534	426,865

* Third quarterly interim dividend of 1.53p per share for the year ended 30 September 2014, paid on 10 October 2014. Final dividend of 1.895p per share for the year ended 30 September 2014, paid on 30 January 2015. First quarterly dividend of 1.50p per share for the year ended 30 September 2015, paid on 10 April 2015. Second quarterly dividend of 1.67p per share for the year ended 30 September 2015, paid on 10 July 2015.

** Third quarterly interim dividend of 1.4853p per share for the year ended 30 September 2013, paid on 11 October 2013. Final dividend of 1.8396p per share for the year ended 30 September 2013, paid on 31 January 2014. First quarterly interim dividend of 1.485p per share for the year ended 30 September 2014, paid on 11 April 2014. Second quarterly interim dividend of 1.53p per share for the year ended 30 September 2014, paid on 11 July 2014.

The notes on pages 51 to 70 form part of these financial statements.

Financial statements

Balance Sheet as at 30 September 2015

	Notes	30 September 2015 £'000	30 September 2014 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	411,230	490,690
Current assets			
Debtors	12	4,546	5,420
Derivative financial instruments	11	3,374	–
Collateral pledged with brokers		17,524	–
Cash		14,678	14,790
		40,122	20,210
Creditors – amounts falling due within one year			
Collateral received from brokers		(884)	–
Derivative financial instruments	11	(9,569)	–
Other creditors	14	(6,488)	(24,482)
		(16,941)	(24,482)
Net current assets/(liabilities)		23,181	(4,272)
Total assets less current liabilities		434,411	486,418
Creditors – amounts falling due after more than one year	15	(59,579)	(59,553)
Net assets		374,832	426,865
Capital and reserves			
Called up share capital	16	72,778	72,778
Capital redemption reserve	17	15,563	15,563
Capital reserves	17	249,811	302,990
Revenue reserve	17	36,680	35,534
Total shareholders' funds	10	374,832	426,865
Net asset value per ordinary share (debenture at par value)	10	136.58p	147.49p
Net asset value per ordinary share (debenture at fair value)	10	131.00p	143.30p

The financial statements were approved by the Board of BlackRock Income Strategies Trust plc on 2 December 2015 and were signed on its behalf by James M Long, Chairman.

BlackRock Income Strategies Trust plc.

Registered in Scotland, No. 3721.

The notes on pages 51 to 70 form part of these financial statements.

Financial statements

Cash flow statement for the year ended 30 September 2015

	Notes	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Net cash inflow from operating activities	5(b)	6,812	21,217
Servicing of finance		(3,987)	(4,152)
Capital expenditure and financial investment			
Purchase of investments		(550,639)	(351,175)
Proceeds from sale of investments		602,681	356,482
Net cash inflow from capital expenditure and financial investment		52,042	5,307
Equity dividends paid	9	(19,017)	(18,331)
Net cash inflow before financing		35,850	4,041
Financing			
Shares purchased to be held in treasury		(20,256)	–
Tender offer costs paid		(50)	–
Outflow from repayment of revolving loan facility		(19,962)	(5,023)
Net cash outflow from financing		(40,268)	(5,023)
Decrease in cash in the year	13(a)	(4,418)	(982)

The notes on pages 51 to 70 form part of these financial statements.

Financial statements

Notes to the financial statements

1. PRINCIPAL ACTIVITY
The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

2. ACCOUNTING POLICIES
(a) Basis of preparation
The Company's financial statements have been prepared on a going concern basis and on the historical cost basis of accounting, except for investments which are managed and evaluated on a fair value basis in accordance with the provisions of the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice ("SORP") for investment trusts and venture capital trusts issued by the Association of Investment Companies ("AIC"), issued in January 2009.

Expenses which are allocated to capital are available to reduce the Company's liability to corporation tax. The SORP recommends that the benefit of that tax relief should be allocated to capital and a corresponding charge made to revenue. This is known as the 'marginal method' of allocating tax relief between capital and revenue. The Company does not adopt the marginal method for two reasons. Firstly, the Company has only one class of share and any allocation of tax relief between capital and revenue would have no impact on shareholders' funds. Secondly, the significant unutilised management expenses and interest carried forward make it unlikely that the Company will be liable to corporation tax in the foreseeable future. Had this allocation been made, the charge to revenue and corresponding credit to capital for the year ended 30 September 2015 would have been £1,403,000 (2014: £102,000).

The principal accounting policies adopted by the Company are set out below. The policies have been applied consistently throughout the year and are consistent with those applied in the preceding year. All of the Company's operations are of a continuing nature.

The Company's financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

(b) Presentation of Income Statement
In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and a capital nature has been presented alongside the Income Statement.

(c) Segmental reporting
The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

(d) Income
Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provisions are made for dividends not expected to be received. Fixed returns on non-equity securities are recognised on a time apportionment basis. Interest income is accounted for on an accruals basis.

Special dividends are treated as a capital receipt or a revenue receipt depending on the facts or circumstances of each particular case.

Dividends are accounted for in accordance with Financial Reporting Standard 16 'Current Taxation' (FRS 16) on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies continue to be shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserve.

Options may be written over securities held in the portfolio for generating or protecting capital returns, or for generating or maintaining revenue returns. Where the purpose of the option is the generation of income, the premium is treated as a revenue item. Where the purpose of the option is the maintenance of capital, the premium is treated as a capital item. The value of the option is subsequently marked to market to reflect the fair value of the option based on traded prices.

Financial statements

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

(d) Income continued

Option premium income is recognised as revenue evenly over the life of the option contract and included in the revenue column of the Income Statement unless the option has been written for the maintenance and enhancement of the Company's investment portfolio and represents an incidental part of a larger capital transaction, in which case any premia arising are allocated to the capital column of the Income Statement. Where the premium is taken to revenue, an appropriate amount is shown as capital return such that the total return reflects the overall change in the fair value of the option. When an option is closed out or exercised the gain or loss is accounted for as capital.

Credit Default Swaps (CDS) may be held in the portfolio for generating or protecting capital returns, or for generating or maintaining revenue returns. Where the purpose of the CDS is the generation of income (i.e. sell protection), the premium received is treated as a revenue item. Where the purpose of the CDS is the maintenance of capital (buy protection), the premium paid is treated as a capital item. The value of the CDS is subsequently modelled to reflect the fair value of the CDS option based on available financial sources.

CDS premium income is recognised as revenue evenly over the life of the CDS contract and included in the revenue column of the Income Statement unless the CDS has been written for the maintenance and enhancement of the Company's investment portfolio, in which case any premia arising are allocated to the capital column of the Income Statement. When a CDS is closed out the gain or loss is accounted for as capital.

Collateralized Loan Obligations (CLO) may be held in the portfolio for generating or maintaining revenue returns. The income stream is treated as a revenue item and is recognised evenly over the life of the instrument and is included in the revenue column of the Income Statement. The value of the CLO is subsequently marked to market to reflect the fair value of the CLO based on traded prices.

Total Return Swaps (TRS) may be held in the portfolio for generating or protecting capital returns, or potentially for generating or maintaining revenue returns. Where the purpose of the TRS is the generation of income, the premium received is treated as a revenue item. Where the purpose of the TRS is the maintenance of capital, the premium paid is treated as a capital item. The value of the TRS is subsequently marked to market to reflect the fair value of the TRS based on traded prices.

The Company also invests in Equity Index Futures and Forward Currency Contracts but no income component can be derived in these instruments and, as such, they are marked to market to reflect their fair value with the gains and losses taken to the capital column of the Income Statement as per policy (h).

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses have been treated as revenue except as follows:

- expenses including flnance costs which are incidental to the acquisition or disposal of investments are included within the cost of the investments. Details of transaction costs on the purchases and sales of investments are disclosed in note 11 on page 58;

- the investment management fee has been allocated 65% to the capital column and 35% to the revenue column of the Income Statement in line with the Board's expected long term split of returns, in the form capital gains and income respectively, from the investment portfolio. BlackRock has agreed to waive the management fees payable to the Company in 2015 up to the level of transition and restructuring costs, which are estimated to be in the region of £762,000 (additional fees are given in note 4). As a result the cost of the transition of Manager was fully offset and did not result in any increase to the Company's net operating costs.

(f) Borrowings and finance costs

Borrowings are measured initially at the fair value of proceeds received less transaction costs and subsequently at amortised cost using the effective interest rate. Finance costs are accounted for on an accruals basis. Finance costs are allocated, insofar as they relate to the financing of the Company's investments, 65% to the capital column and 35% to the revenue column of the Income Statement, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio.

(g) Taxation

Where expenses are allocated between capital and revenue any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation taxation for the accounting period.

Deferred taxation is recognised in respect of all timing differences at the financial reporting date, where transactions or events that result in an obligation to pay more taxation in the future or right to less taxation in the future have occurred at the balance sheet date. This is subject to deferred taxation 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 timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(h) Investments designated as held at fair value through profit or loss

The Company's investments are classified as held at fair value through profit or loss in accordance with FRS 26 - 'Financial Instruments: Recognition and Measurement' and are managed and evaluated on a fair value basis in accordance with its investment strategy.

All investments are designated upon initial recognition as held at fair value through profit or loss. The sales of assets are recognised at the trade date of the disposal. Proceeds will be measured at fair value which will be regarded as the proceeds of sale less any transaction costs.

The fair value of the financial investments is based on their quoted bid price at the balance sheet date, on the exchange on which the investment is quoted, without deduction for the estimated future selling costs.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments.

In order to improve the disclosure of how companies measure the fair value of their financial investments, the disclosure requirements in FRS 29 have been extended to include a fair value hierarchy. The fair value hierarchy consists of the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability

Level 3 – inputs for the asset or liability that are not based on observable market data

Unquoted investments are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines. This policy applies to unquoted fixed asset investments held by the Company.

(i) Valuation of derivative financial instruments

Derivatives are classified as fair value through profit or loss – held for trading, and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the Income Statement. The sources of the return under the derivative contract (e.g. notional dividends, financing costs, interest returns and capital charges) are allocated to the revenue and capital columns of the Income Statement in alignment with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP.

(j) Dividends payable

Under FRS 21 dividends proposed after the balance sheet date should not be accrued in the financial statements unless they have been approved by shareholders before the balance sheet date.

Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders and have become a liability of the Company.

(k) 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 exchange rates ruling at that date. Exchange differences arising on the revaluation of investments held as fixed assets are included in the capital column of the Income Statement. Exchange differences arising on the translation of foreign currency assets and liabilities are taken to the capital column of the Income Statement. Other foreign exchange differences arising on translation are recognised in the Income Statement as either a revenue or capital item depending on the nature of the income or expense to which they relate.

Financial statements

Notes to the financial statements continued

2. ACCOUNTING POLICIES continued

(l) Shares repurchased and held in treasury

The full cost of shares repurchased and held in treasury is charged to capital reserves. Where treasury shares are subsequently reissued, any surplus is taken to the share premium account.

(m) Debtors

Debtors include sales for future settlement, other debtors, pre-payments and accrued income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets. If not, they are presented as non-current assets. Debtors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

(n) Creditors

Creditors include purchases for future settlements, interest payable, share buyback costs and accruals in the ordinary course of business. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Creditors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

3. INCOME

	2015 £'000	2014 £'000
Investment Income:		
UK listed dividends	10,619	15,869
Overseas listed dividends	3,522	4,402
Fixed interest income	2,566	3,164
Derivative income	6,317	114
	23,024	23,549
Other income:		
Deposit interest	77	32
Underwriting commission	19	27
	96	59
Total	23,120	23,608

Special dividends of £364,000 have been recognised in capital (2014: nil).

4. INVESTMENT MANAGEMENT FEES

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee – F&C	287	523	810	700	1,301	2,001
Investment management fee – BlackRock	337	636	973	–	–	–
Total	624	1,159	1,783	700	1,301	2,001

With effect from 27 February 2015, BlackRock Fund Managers Limited has been appointed as the Company's Alternative Investment Fund Manager in place of F&C Investment Business Limited. There has been no change to the investment management fee, which contines to be levied at a rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans) and is allocated 35% to the revenue column and 65% to the capital column of the income statement.

BlackRock has agreed to waive the management fees payable to the Company up to the level of transition and restructuring costs, which are estimated to be in the region of £762,000. The fees in the above table that are shown as accrued to BlackRock have been credited to a payables account on the Company's balance sheet, offsetting amounts debited to the same account in respect of transition costs. As at 30 September 2015 management fees totalling £973,000 had been accrued and costs of £762,000 had been offset on this account, leaving a payable balance due to BlackRock of £211,000.

The Company also receives a rebate on the management fees levied on its underlying investments in other BlackRock managed funds in the normal course of business to ensure that no double counting occurs. These are recognised on an accruals basis and are treated as reduction in management fee expense and allocated between revenue and capital in accordance with the Company's policy for allocation of management fees. Additional information is given in note 19.

5. OPERATING ACTIVITES

	2015 £'000	2014 £'000
(a) Other operating expenses:		
Custody fee	12	110
Auditor's remuneration:		
– statutory audit	34	27
– taxation compliance services	1	10
– other services:		
Review of Bond compliance certificate	1	1
Review of transition	5	–
Review of interim report	7	–
Depositary fees	47	8
Registrar's fees	98	71
Marketing fees	107	75
Directors' emoluments	232	157
Other administrative expenses	413	252
	957	711
Transaction costs – capital	24	–
	981	711
The Company's ongoing charges - calculated as a percentage of average shareholders' funds and using operating expenses, excluding finance costs and taxation were:	0.68%	0.65%

	£'000	£'000
(b) Reconciliation of net return before finance costs and taxation to net cash flow from operating activities		
Total return before finance costs and taxation	(8,718)	31,461
Less losses/(gains) on investments held at fair value through profit or loss	33,380	(9,596)
	24,662	21,865
Exchange gains of a capital nature	(4,320)	(969)
Decrease in other debtors	387	853
Movement in forward currency contracts	2,138	32
Increase/(decrease) in other creditors	585	(36)
Net movement in collateral pledged in respect of derivatives	(16,640)	–
Tax on investment income included within gross income	–	(528)
Net cash inflow from operating activities	6,812	21,217

6. DIRECTORS' EMOLUMENTS

Details of the directors emoluments are given in the Directors' Remuneration Report on page 33.

7. FINANCE COSTS

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Debt repayable within 5 years						
– Revolving advance facility	80	148	228	138	257	395
– Overdraft interest	8	14	22	–	–	–
Debt repayable in more than 5 years						
– 6.25% Bonds 2031	1,322	2,454	3,776	1,322	2,454	3,776
	1,410	2,616	4,026	1,460	2,711	4,171

Finance costs have been allocated in the ratio 35% to revenue and 65% to capital.

Financial statements

Notes to the financial statements continued

8. TAXATION

a) Analysis of charge in year

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax:						
Corporation tax	–	–	–	439	–	439
Irrecoverable overseas tax	209	–	209	–	–	–
Overseas tax recovered	(243)	–	(243)	–	–	–
Total taxation (note 8(b))	(34)	–	(34)	439	–	439

b) Factors affecting current taxation charge for the year

The tax assessed for the year is lower than the standard rate of corporation taxation in the UK for a large company of 20.50% (2014: 22.00%). The differences are explained below:

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return/(loss) on ordinary activities before taxation	20,129	(32,873)	(12,744)	20,737	6,553	27,290
Return/(loss) on ordinary activities multiplied by standard rate of corporation tax of 20.50% (2014: 22.00%)	4,126	(6,739)	(2,613)	4,562	1,442	6,004
Effects of:						
Non taxable losses on investments held at fair value through profit or loss	–	6,843	6,843	–	(2,111)	(2,111)
Exchange gain not taxable	–	(883)	(883)	–	–	–
Non taxable UK dividend income	(2,177)	–	(2,177)	(3,491)	–	(3,491)
Non taxable overseas dividend income	(546)	–	(546)	(968)	–	(968)
Disallowable expenses	–	5	5	–	–	–
Irrecoverable overseas tax	209	–	209	439	–	439
Overseas tax recovered	(243)	–	(243)	–	–	–
Utilisation of excess management expenses brought forward	–	(629)	(629)	198	368	566
Effect of not applying the marginal method of allocation of tax relief	(1,403)	1,403	–	(301)	301	–
	(4,160)	6,739	2,579	(4,123)	(1,442)	(5,565)
Current corporation tax charge (note 8(a))	(34)	–	(34)	439	–	439

Investment trusts are exempt from corporation tax on capital gains provided the Company obtains agreement from HMRC that the tests in section 1158 of the Corporation Tax Act 2010 have been met.

At 30 September 2015 the Company had net surplus management expenses of £16,939,000 (2014: £20,005,000), and a non-trade loan relationship deficit of £36,744,000 (2014: £36,744,000). A deferred tax asset has not been recognised in respect of these losses as the Company is not expected to generate taxable income in the future in excess of the deductible expenses of that future period and, accordingly, it is unlikely the Company will be able to reduce future tax liabilities through the use of the existing excess expenses and loan relationship deficits. There was an unrecognised tax asset of £10,737,000 at the reporting date (2014: £11,350,000).

9. DIVIDENDS

Dividends paid on equity shares	Record date	Payment date	2015 £'000	2014 £'000
– third quarterly dividend of 1.530p (2013: 1.4853p)	12 September 2014	10 October 2014	4,428	4,299
– fourth quarterly dividend of 1.895p (2013: 1.8396p)	30 December 2014	30 January 2015	5,465	5,324
– first quarterly dividend of 1.50p (2014: 1.485p)	13 March 2015	10 April 2015	4,326	4,298
– second quarterly dividend of 1.67p (2014: 1.53p)	12 June 2015	10 July 2015	4,817	4,428
– unclaimed dividends from previous years			(19)	(18)
			19,017	18,331

The total dividends payable in respect of the year which form the basis of determining retained income for the purposes of section 1158 of the Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amounts proposed meet the relevant requirements as set out in this legislation.

Dividends paid or proposed on equity shares:	2015 £'000	2014 £'000
First quarterly dividend of 1.50p (2014: 1.485p)	4,326	4,298
Second quarterly dividend of 1.67p (2014: 1.53p)	4,817	4,428
Third quarterly dividend of 1.67p (2014: 1.530p)	4,583	4,428
Fourth quarterly dividend of 1.70p* (2014: 1.895p)	4,669	5,465
	18,395	18,619

* Based upon 274,637,282 ordinary shares (excluding treasury shares) in issue on 2 December 2015.

10. RETURN AND NET ASSET VALUE PER ORDINARY SHARE

Revenue and capital earnings per share are shown below and have been calculated using the following:

	2015	2014
Net revenue attributable to ordinary shareholders (£'000)	20,163	20,298
Net capital return attributable to ordinary shareholders (£'000)	(32,873)	6,553
Total return (£'000)	(12,710)	26,851
Total equity shareholders' funds (£'000)	374,832	426,865
The weighted average number of ordinary shares in issue during the year, on which the earnings per ordinary share was calculated, was:	285,283,310	289,412,282
The actual number of ordinary shares in issue at the end of the year, on which the net asset value per ordinary share was calculated, was:	274,437,282	289,412,282
The number of ordinary shares in issue, including treasury shares, at the year end, was:	291,112,282	291,112,282

	2015			2014		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
Return per share						
Calculated on weighted average number of ordinary shares	7.07	(11.52)	(4.45)	7.01	2.26	9.27
Calculated on actual number of ordinary shares at 30 September	7.35	(11.98)	(4.63)	7.01	2.26	9.27
Net asset value per share (debenture at par value)			136.58			147.49
Net asset value per share (debenture at market value)*			131.00			143.30

* The market value of the 6.25% bond using the last available quoted offer price from the London Stock Exchange as at 30 September 2015 was 124.84p per bond, a total of £74,904,000 (30 September 2014: 119.45p, a total of £71,670,000).

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11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 £'000	2014 £'000
UK equity listed investments held at fair value	207,919	318,520
Overseas equity listed investments held at fair value	61,320	122,868
Fixed interest investments held at fair value	84,354	49,302
BlackRock's Institutional Sterling Liquidity Fund	57,637	–
	411,230	490,690
Total Return Swaps – assets	310	–
Other derivative investments held at fair value – assets	3,064	–
Derivative investments held at fair value – assets	3,374	–
Credit Default Swap – liability	(321)	–
Total Return Swap – liabilities	(4,561)	–
Other derivative investments held at fair value – liabilities	(4,687)	–
Derivative investments held at fair value – liabilities	(9,569)	–
Total investments	405,035	490,690
Valuation brought forward	490,690	488,278
Investment holding gains	(28,718)	(42,520)
Opening cost of investments	461,972	445,758
Additions at cost	549,467	332,534
Disposals	(573,789)	(316,320)
Cost carried forward	437,650	461,972
Closing investment holding (losses)/gains	(32,615)	28,718
Closing valuation of investments	405,035	490,690

During the year, the Company incurred purchase transaction costs of £1,061,000 (2014: £1,043,000) and sale transaction costs of £425,000 (2014: £439,000).

Gains/(losses) on investments held at fair value through profit or loss

	2015 £'000	2014 £'000
Realised gains on sales	27,953	23,398
Changes in investment holding (losses)/gains	(61,333)	(13,802)
	(33,380)	9,596

12. DEBTORS

	2015 £'000	2014 £'000
Sales for future settlement	2,519	3,458
Prepayments and accrued income	1,470	1,857
Forward currency contracts	418	–
Other debtors	139	105
	4,546	5,420

13. MOVEMENT IN NET DEBT

	2015 £'000	2014 £'000
(a) Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the year	(4,418)	(982)
Repayment of revolving advance facility	19,962	5,023
Exchange movement	4,320	1,132
Amortised debenture stock issue expenses	(26)	(26)
Change in net debt	19,838	5,147
Net debt at the beginning of the year	(64,739)	(69,886)
Net debt at the end of the year	(44,901)	(64,739)

	At 1 October 2014 £'000	Cash flow £'000	Exchange movements £'000	Amortised issue expenses £'000	At 30 September 2015 £'000
(b) Analysis of change in net debt					
Cash and overdrafts	14,790	(4,418)	4,306	–	14,678
Debt due after more than one year	(59,553)	–	–	(26)	(59,579)
Debt due within one year	(19,976)	19,962	14	–	–
Net debt at the end of the year	(64,739)	15,544	4,320	(26)	(44,901)

14. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Revolving advance facility	–	19,976
Purchases for future settlement	2,870	4,042
Interest on 6.25% Bonds 2031	204	207
Finance charges	39	23
Forward currency contracts	2,588	32
Other creditors	787	202
	6,488	24,482

The Company has a £50 million committed unsecured multi-currency revolving advance facility which matures in March 2016. On 30 September 2015, no amounts had been drawn down (2014: £20 million in various currencies).

The principal covenant relating to this loan requires the Company to ensure that at all times its total borrowings (including the 6.25% Bonds 2031) do not exceed 45% of the Adjusted Net Asset Value (as defined by the loan agreement).

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15. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
6.25% Bonds 2031*	59,579	59,553
	59,579	59,553

* The market value of the 6.25% Bonds using the last available quoted offer price from the London Stock Exchange as at 30 September 2015 was 124.84p per bond, a total of £74,904,000 (30 September 2014: 119.45p, a total of £71,670,000.)

The Company has in issue £60 million Bonds 2031 which was issued at 99.343%. The bonds have been accounted for in accordance with accounting standards, which require any discount or issue costs to be amortised over the life of the bonds. The bonds are secured by a floating charge over all of the assets of the Company.

Under the covenants relating to the bonds, the Company is to ensure that, at all times, the aggregate principal amount outstanding in respect of monies borrowed by the Company does not exceed an amount equal to its share capital and reserves.

16. CALLED UP SHARE CAPITAL

	Ordinary shares (number)	Treasury shares (number)	Total shares (number)	£'000
Allotted, called up and fully paid share capital comprised: Ordinary shares of 25p each				
At 30 September 2014	289,412,282	1,700,000	291,112,282	72,778
Shares purchased and held in treasury	(14,975,000)	14,975,000	–	–
At 30 September 2015	274,437,282	16,675,000	291,112,282	72,778

During the year 14,975,000 ordinary shares were purchased and placed in treasury (2014: nil). The number of ordinary shares in issue at the year end, excluding treasury shares, was 274,437,282 (2014: 289,412,282). Subsequent to the year end, and as at the date of this report, 200,000 shares were issued at a premium, for proceeds of £271,200.

The ordinary shares (excluding any shares held in treasury) carry the right to receive any dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the ordinary shares or on the transfer of ordinary shares.

17. RESERVES

	Capital redemption reserve £'000	Capital reserve (arising on investments sold) £'000	Capital reserve (arising on revaluation of investments held) £'000	Revenue reserve £'000
At 1 October 2014	15,563	274,626	28,364	35,534
Movement during the year:				
Revenue return for the year	–	–	–	20,163
Gains on realisation on investments	–	27,953	–	–
Exchange movements	–	6,030	(1,724)	–
Change in investment holding gains	-	–	(61,333)	–
Ordinary shares purchased into treasury	–	(20,256)	–	–
Tender offer costs	–	(50)	–	–
Finance costs, transaction costs, investment management fee charged to capital	–	(3,799)	–	–
Dividends paid during the year	–	–	–	(19,017)
At 30 September 2015	15,563	284,504	(34,693)	36,680

18. RISK MANAGEMENT POLICIES AND PROCEDURES

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and shareholders should refer to the Alternative Investment Fund Managers' Directive Fund 3.2.2R Disclosures which can be found at blackrock.co.uk/bist for a more detailed discussion of the risks inherent in investing in the Company.

Risk management framework

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFMD); however, as disclosed in the Corporate Governance Statement on pages 35 to 37 and in the Statement of Director's Responsibilities on page 43, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for reviewing whether the relevant parties are discharging their duties in accordance with the terms of relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the Alternative Investment Fund Manager (AIFM) review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive Fund 3.2.2R Disclosures which can be found at blackrock.co.uk/bist.

The AIFM is responsible for the investment performance, product risk monitoring and oversight and has the responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have appointed a Risk Manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the Risk and Quantitative Analysis Group (RQA Group) which is a centralised group within BlackRock which performs an independent risk management function. The RQA Group independently identifies, measures and monitors investment risk and monitors the risk management practices being deployed across the Company. The RQA Group has the ability to determine if the appropriate risk management processes are in place across the Company including the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The AIFM reports to the Board at each meeting on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit Committee. Any significant issues are reported to the Board on an ad hoc basis as they arise.

Risk exposures

The risk exposures of the Company are set out as follows:

a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in financial instruments in the face of market movements.

Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables (including other price risk, foreign currency risk, interest rate risk), unlike a traditional sensitivity analysis.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 day and a historical observation period of not less than 2 years (500 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% 1 day VaR means that the expectation is that 99% of the time over 1 day the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one-day VaR as of 30 September 2015 (based on a 99% confidence level) was 3.59%.

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18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

(i) Market risk arising from other price risk

Exposure to other price risk

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

The Company is exposed to market price risk arising from its equity investments, written and purchased options, total return swaps and futures. The movements in the prices of these investments result in movements in the performance of the Company.

Management of other price risk

By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a price change of a particular investment will have a material impact on the NAV of the Company is minimised which is in line with the investment objectives of the Company.

(ii) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency sensitivity risk has been covered by the VaR analysis under the market risk section.

The fair values of the Company's monetary items which have foreign currency exposure at 30 September 2015 and 30 September 2014 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2015 Euro £'000	2015 USD £'000	2015 Other £'000	2014 Euro £'000	2014 USD £'000	2014 Other £'000
Debtors (due from brokers, dividends and other income receivable)	670	2,347	206	266	491	2,742
Cash at bank and on deposit	562	10,635	2,197	57	(623)	16
Creditors	(811)	(2,059)	–	–	(1,759)	–
Revolving advance facility	–	–	–	(1,975)	(2,509)	(992)
Total foreign currency exposure on net monetary items	421	10,923	2,403	(1,652)	(4,400)	1,766
Investments at fair value through profit or loss that are equities	17,244	26,716	–	31,503	56,720	36,594
Investments at fair value through profit or loss that are fixed interest	24,359	991	20,707	11,359	7,712	–
Derivatives:						
Options	(1,091)	503	(134)	–	–	–
Total return swaps	(1,738)	(2,513)	–	–	–	–
Credit default swap	(321)	–	–	–	–	–
Forward currency contracts	(683)	–	(1,115)	19	(51)	–
Futures	–	(30)	(847)	–	–	–
Total net foreign currency exposure	38,191	36,590	21,014	41,229	59,981	38,360

Management of foreign currency risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board of the Company on a regular basis.

The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowing facilities are available in the form of a multi-currency overdraft facility to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. The Company uses currency forwards to mitigate the currency exposure of the majority of unintended foreign currency risk.

Consequently, the Company is exposed to risks that the exchange rate of its reporting currency relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than the reporting currency.

(iii) Market risk arising from interest rate risk

Exposure to interest rate risk

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

The Company is exposed to interest rate risk specifically through its cash holdings, its fixed and floating interest rate investments and its borrowing facilities for investment purposes. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

Interest rate exposure

The Company's exposure at 30 September 2015 and 30 September 2014 of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be reset; and
- fixed interest rates – when the financial instrument is due for repayment

	2015			2014		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to fixed interest rates:						
– Fixed interest investments	4,295	41,372	45,667	–	49,302	49,302
– 6.25% Bonds 2031	–	(59,579)	(59,579)	–	(59,553)	(59,553)
Exposure to floating interest rates:						
– Fixed interest investments	–	38,687	38,687	–	–	–
– Cash at bank and in hand	14,678	–	14,678	14,790	–	14,790
– Net collateral pledged with brokers	16,640	–	16,640	–	–	–
– Multi-currency revolving advance facility	–	–	–	–	(19,976)	(19,976)
– BlackRock's Institutional Sterling Liquidity Fund	57,637	–	57,637	–	–	–
Total exposure to interest rates	93,250	20,480	113,730	14,790	(30,227)	(15,437)

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

The Company finances part of its activities through borrowings at levels approved and monitored by the Board of the Company. The Company, generally does not hold significant overdrawn balances, with short term borrowing used when required. Derivative contracts are not currently used to hedge against the exposure to interest rate risk.

The Company's 2031 Bonds accrue interest at a fixed rate of 6.25% per annum. The Company expects to hold this stock to maturity, therefore it is not exposed to variations in interest rates.

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18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

b) Counterparty credit risk

Credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell investments.

Depositary

With effect from 27 February 2015, the Company's Depositary is BNY Mellon Trust & Depositary (UK) Limited (the "Depositary") (Moody's long term credit rating as at 30 September 2015: Aa2). All of the equity assets, fixed income assets and cash of the Company are held within the custodial network of the Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk at 30 September 2015 is the total value of investments held with the Depositary and cash and cash equivalents in the Balance Sheet.

In accordance with the requirements of the depositary agreement, the Depositary will ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depositary, the Company's non-cash assets are segregated and this reduces counterparty credit risk. The Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited as the Company's custodian. Bankruptcy or insolvency of the custodian may also cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

The Company will also be exposed to the counterparty credit risk of the Depositary in relation to the Company's cash held by the Depositary. In the event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company.

Counterparties/Brokers

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

Counterparty credit risk also arises on transactions with the broker in relation to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the broker used.

Cash held as security by the counterparty of financial derivative contracts is subject to the credit risk of the counterparty. The following table details the total number of counterparties to which the Company is exposed, the maximum exposure to any one counterparty, the collateral held by the Company against this exposure, the total exposure to all other counterparties and the lowest long term credit rating of any one counterparty (or its ulitmate parent if unrated).

	Total number of counterparties	Maximum exposure to any one counterparty* £'000	Collateral Held* £'000	Total exposure to all other counterparties £'000	Lowest credit rating of any one counterparty
2015	6	2,071	11,810	4,127	A1
2014	nil	nil	nil	nil	nil

* Calculated on a net basis.

The Company may also be exposed to counterparty risk should there be any rehypothecation of pledged collateral. Collateral is received/paid where the client service agreement states that there should be collateral movements agreed with the counterparty, where there is a requirement for a mark-to-market process or collateralisation to ensure that the Company is protected against any counterparty default.

Counterparty credit risk is managed as set out below.

- BlackRock's RQA Counterparty & Concentration Risk team (RQA CCR) is headed by BlackRock's Chief Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Credit Officer. The following procedures and controls are in place:

  – transactions are entered into only with those counterparties approved by the RQA CCR team, with a formal review carried out for each new counterparty and counterparties are selected by the RQA CCR team on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default;

  – the RQA CCR team monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures and the collateral management process;

  – the creditworthiness of financial institutions with whom cash is held is reviewed regularly by RQA CCR team;

  – all transactions in quoted securities are settled on a payment against delivery basis using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meets its obligation. The RQA CCR team review the credit standard of the Company's brokers on a periodic basis, and set limits on the amount that may be due from any one broker;

  – amounts due from debtors as disclosed on the Balance Sheet are subject to the same scrutiny by the BlackRock RQA CCR team and BlackRock's Fund administration team monitors the ageing of debtors to mitigate the risk of balances becoming overdue.

- The Board monitors the Company's counterparty risk by reviewing:

  – the semi-annual report from the Depositary, which includes the results of periodic site visits to the Company's custodian where controls are reviewed and tested;

  – the custodian's Service Organisation Control (SOC 1) reports which include a report by the custodian's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the custodians control processes;

  – the Manager's SOC 1 reports which include a report by the Manager's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Manager's control processes;

  – in addition the Depositary and the Manager report any significant breaches or issues arising to the Board as soon as these are identified.

Over-the-counter ("OTC") financial derivative instruments

The Company may write and purchase both exchange traded and over-the-counter derivative contracts as part of its investment policy. During the year ended 30 September 2015, the Company wrote covered call and put option contracts to generate revenue income for the Company and for efficient portfolio management. As the call and put options are covered by dedicated cash resources and no call and put option contracts were written to manage price risk, there is no impact on the Company's exposure to gearing or leverage as a result of writing covered call and put options. The notional amount of put/call options transacted that were open at 30 September 2015 was £76,807,000 (2014: nil).

The Company may purchase over-the-counter total return swaps and credit default swaps. Where an income stream can be determined on total return instruments the gain or loss will be included in the revenue column of the Income Statement.

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18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Management of OTC financial derivative instruments

Exposures are monitored daily by the Investment Manager and its independent risk management team. The Company's Board also reviews the exposures regularly.

The derivative positions are diversified across geographical regions comprising 23 option positions, 9 total return swap positions, 4 futures and 22 forward currency contracts as at 30 September 2015 (2014: nil).

The economic exposures can be closed out at any time by the Company with immediate effect.

The gross underlying notional exposures within the derivatives portfolio at 30 September 2015 were:

	2015 £'000	% of gross assets	2014 £'000	% of gross assets
Options – gross exposure relating to short positions	43,398	10.0	–	–
Options – gross exposure relating to long positions	33,409	7.7	–	–
Credit default swap – gross exposure relating to short positions	25,446	5.9	–	–
Total return swaps – gross exposure relating to long positions	76,091	17.5	–	–
Forward currency contracts – gross exposure relating to short positions	210,214	48.4	–	–
Forward currency contracts – gross exposure relating to long positions	96,968	22.3	–	–
Futures – gross exposure relating to short positions	39,960	9.2	–	–
Futures – gross exposure relating to long positions	17,351	4.0	–	–
Gross economic exposure	542,837	125.0	–	–
Net market exposure	(95,199)	(21.9)	–	–

Collateral

The Company engages in activities which may require collateral to be provided to a counterparty ("pledged collateral") or may hold collateral received ("inbound collateral") from a counterparty. The Company uses inbound collateral received from a counterparty to reduce the counterparty credit risk associated with any trading activity in which the Company has engaged.

Cash collateral pledged by the Company is separately identified as an asset in the Balance Sheet and is not included as a component of cash and cash equivalents.

Inbound cash collateral received by the Company is reflected as a liability on the Balance Sheet as collateral received from brokers. The cash is subject to certain counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt. Collateral given/received in the form of securities is not reflected on the Balance Sheet. The Company has the right to sell or re-pledge collateral received in the form of securities in circumstances such as default.

The fair value of inbound securities collateral and securities collateral pledged is reflected in the table below:

	Pledged collateral		Inbound collateral	
	30 September 2015 £'000	30 September 2014 £'000	30 September 2015 £'000	30 September 2014 £'000
Cash collateral	17,524	nil	(884)	nil

Receivables
Amounts due from brokers are disclosed on the Balance Sheet as receivables. The counterparties included in debtors are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty & Concentration Risk Team. The Company monitors the ageing of receivables to mitigate the risk of debtors balances becoming overdue.

In summary, the exposure to counterparty credit risk at 30 September 2015 was as follows:

	2015 3 months or less £'000	2014 3 months or less £'000
BlackRock's Institutional Sterling Liquidity Fund	57,637	–
Cash at bank and on deposit	14,678	14,790
Collateral pledged with brokers	17,524	–
Other receivables (amounts due from brokers, dividends, and interest receivable)	4,546	5,420
	94,385	20,210

Management of counterparty credit risk
RQA are responsible for the risk management of the Company, with duties comprising of identifying, monitoring and managing risk, including counterparty credit risk. RQA are supported in this role by the Investment Manager.

The Company has a low level of counterparty/credit risk, which is managed as follows:

- investment transactions are carried out with a number of brokers, whose credit standard is reviewed periodically by the investment manager, and limites are set on the amount that may be due from any one broker;

- the Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited as the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the Custodian's internal controls;

- transactions involving derivatives are either exchange traded where the relevant exchange guarantees settlement or on an over-the-counter basis. Transactions are entered into with those counterparties approved by the credit department of the investment manager. Counterparties are selected on the basis of a number of risk mitigation criteria designed to reduce the risk to the Company of default;

- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by the investment manager; and

- all transactions in quoted securities are settled on a payment against delivery basis using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meets its obligation.

c) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company is also exposed to the liquidity risk for margin calls on derivative instruments. At the year end, the Company has an uncommitted overdraft facility for up to £50 million from State Street.

Financial statements

Notes to the financial statements continued

18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Liquidity risk exposure

The remaining undiscounted gross cash outflows of the financial liabilities as at 30 September 2015 and 2014, based on the earliest date on which payment can be required, were as follows:

	2015			2014		
	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Within 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Creditors: amounts falling due in more than one year:						
Debenture stock[1]	–	–	59,579	–	–	59,553
Creditors: amounts falling due within one year:						
Bank loan	–	–	–	19,976	–	–
Amounts due to brokers, accruals and provisions	6,488	–	–	4,506	–	–
Amounts due to derivative counterparty in respect of collateral held on account	884	–	–	–	–	–
Derivative financial liabilities held at fair value through profit or loss	4,687	–	–	–	–	–
	12,059	–	59,579	24,482	–	59,553

[1] The future undiscounted cash flows due in respect of the 2031 6.25% Debenture stock which are not yet recognised in the Balance Sheet are as follows: Within 1 Year – £3,750,000; Between 1 and 5 Years – £15,000,000; More than 5 Years – £41,045,000.

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. Asset disposals may also be required to meet liquidity needs. However, the timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company may experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is not significant as the majority of the Company's assets are investments in listed securities that are readily realisable.

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

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

d) Valuation of financial instruments

FRS 29 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 Company's accounting policies on fair value measurements are discussed in the accounting policies on valuation of investments in note 2(h) on page 53.

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 derivatives. 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. This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Valuation techniques used for non-standardised financial instruments such as 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 and relying as little as possible on entity specific inputs.

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 in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the investment manager. 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.

The table below sets out fair value measurements using the FRS 29 fair value hierarchy.

Financial assets and financial liabilities at fair value through profit or loss at 30 September 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	269,239	–	–	269,239
Fixed interest instruments	84,354	–	–	84,354
Options – Financial assets	–	2,759	–	2,759
Options – Financial liabilities	–	(3,810)	–	(3,810)
Forward – currency contracts – Financial assets	–	418	–	418
Forward currency contracts – Financial liabilities	–	(2,588)	–	(2,588)
Futures – Financial assets	–	305	–	305
Futures – Financial liabilities	–	(877)	–	(877)
Total return swaps	–	(4,251)	–	(4,251)
Credit default swap	–	–	(321)	(321)
BlackRock's Institutional Sterling Liquidity Fund	57,637	–	–	57,637
Total	411,230	(8,044)	(321)	402,865

Financial assets and financial liabilities at fair value through profit or loss at 30 September 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	441,388	–	–	441,388
Fixed interest investments	49,302	–	–	49,302
Forward currency contracts	–	(32)	–	(32)
Total	490,690	(32)	–	490,658

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 30 September 2015 and 30 September 2014.

For all other assets and liabilities (i.e. those not included in the hierarchy table) carrying value approximates to fair value.

e) Leverage

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. The Company may also employ leverage in its investment programme through various means including the use of contracts for difference and through other financial derivative instruments. The use of borrowings and leverage has associated risks and can, in certain circumstances, substantially increase the adverse impact of which the fund's investment portfolio may be subject.

For the purposes of disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowings of cash and securities, or leverage embedded in derivative positions, or by any other means. The AIFMD requires that the leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology, for calculating such exposure.

Financial statements

Notes to the financial statements continued

Using the methodologies prescribed under the AIMFD, the leverage of the Company is disclosed in the table below:

	Commitment Leverage*	Gross Leverage*
Derivatives	30 September 2015	30 September 2014
Leverage ratio	2.07	2.67

* Further explanations regarding the basis of these calculations are given in the glossary on page 82.

f) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- secure long term capital growth primarily through investing globally using a flexible multi-asset approach.

This is to be achieved through an appropriate balance of equity capital and gearing. The policy is that borrowings should not exceed 20% of net assets.

The Company's total capital at 30 September 2015 was £374,832,000 (2014: £426,865,000), £nil (2014: £19,976,000) of bank loans, £59,579,000 (2014: £59,553,000) of debenture stock at par value and £434,411,000 (2014: £506,394,000) of equity share capital and other reserves.

19. TRANSACTIONS WITH THE AIFM AND MANAGER

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 27 February 2015. BIM (UK) acts as the Company's Investment Manager under a delegation agreement with BFM. Further details of the investment management contract are disclosed in the Directors' Report on pages 27 and 28.

The management fee for the year was £1,783,000 (2014: £2,001,000), as disclosed in note 4 to the Financial Statements on page 54. At the year end, an amount of £227,000 was outstanding in respect of these fees (2014: £nil).

In addition to the above services, BlackRock has provided the Company with marketing services. The total fees paid or payable for these services for the year ended 30 September 2015 amounted to £107,000 including VAT of which £107,000 was outstanding at year end.

The Company also has investments in several funds managed by BlackRock and details of the amounts invested as at 30 September 2015 are set out in the table below. As disclosed in note 4 on page 54, management fees may be levied on some of these investments. To the extent that any such management fees have been charged in respect of these holdings, the Company is rebated these management fees on a regular basis to ensure that no double charging occurs. For the period from 27 February 2015 to 30 September 2015, fees of £180,000 were levied in respect of the BGF Global Equity Income Fund, the BGF Emerging Markets Equity Income Fund, BlackRock Throgmorton Trust plc and the iShares UK Property Fund and were rebated in full to the Company.

Fund	Value at 30 September 2015 £'000
BlackRock's Institutional Sterling Liquidity Fund	57,637
BGF Global Corporate Bond Fund	23,782
BGF Global Equity Income Fund	22,881
BlackRock Throgmorton Trust plc	10,315
BGF Emerging Markets Equity Income Fund	6,372
iShares UK Property Fund	4,997
BGF Asian Dragon Fund	4,076
BGF ASEAN Leaders Fund	1,760

20. RELATED PARTY DISCLOSURE

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are given in the Directors' Remuneration Report on pages 33 and 34.

21. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2015 (2014: nil).

Additional information

Analysis of ordinary shareholders as at 30 September 2015

BY TYPE OF HOLDER

Party type	Number of holders	% of holders within type	Balance	% issued capital
Nominee	381	5.69	202,159,634	69.44
Limited Company	1,428	21.32	35,314,168	12.13
Direct Private Investors	4,806	71.70	29,195,652	10.4
Bank	1	0.01	9,805	0.00
Other	83	1.28	24,433,023	8.39
Total	6,699	100.00	291,112,282	100.00

BY SIZE OF HOLDING

Range	Number of shareholders	%	Number of shares	%
1-1,000	837	12.49	426,553	0.15
1,001-5,000	3,014	44.99	8,815,986	3.03
5,001-10,000	1,538	22.96	11,252,055	3.87
10,001-100,000	1,147	17.13	27,298,979	9.38
100,001-500,000	86	1.28	19,980,591	6.86
500,001-1,000,000	27	0.40	19,129,646	6.57
1,000,001 and above.	50	0.75	204,208,472	70.15
Total	6,699	100.00	291,112,282	100.00

Additional information

Directors, management and other service providers

Directors
James Long (Chairman)
Jim Grover
Lynn Ruddick
Ian Russell (Chairman of the Audit Committee)
Julian Sinclair
Jimmy West (Senior Independent Director)

Registered Office
(Registered in Scotland, No. 3721)
Exchange Place One
1 Semple Street
Edinburgh EH3 8BL

Alternative Investment Fund Manager
BlackRock Fund Managers Limited[1]
12 Throgmorton Avenue
London EC2N 2DL

Investment Manager & Secretary
BlackRock Investment Management (UK) Limited[1]
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Depositary
BNY Mellon Trust & Depositary (UK) Limited[1]
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Registrars' Shareholder Helpline:
0330 303 1184

Auditor
Ernst & Young LLP
Chartered Accountants and Statutory Auditors
25 Churchill Place
Canary Wharf
London E14 5EY

Stockbrokers
Cenkos Securities plc[1]
6.7.8 Tokenhouse Yard
London EC2R 7AS

Solicitors
Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Savings Plan and NISA Administrator
BlackRock Investment Management (UK) Limited[1]
Freepost RLTZ-KHUH-KZSB
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

[1] Authorised and regulated by the Financial Conduct Authority.
[2] Computershare Investor Services PLC was appointed as the Company's registrar with effect from 16 November 2015. Prior to this date, registrar services were provided by Equiniti Limited.

Additional information

Shareholder information

FINANCIAL CALENDAR

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

November/December

Annual results announced. Annual Report and Financial Statements published.

January

Fourth quarterly interim dividend paid.

January/February

Annual General Meeting.

April

First quarterly interim dividend paid.

May

Half yearly figures to 31 March announced and half yearly financial report published.

July

Second quarterly interim dividend paid.

October

Third quarterly interim dividend paid.

Ordinary share price

The Company's mid-market ordinary share price is quoted daily in The Financial Times and The Times under "Investment Companies" and in The Daily Telegraph under "Investment Trusts". The share price is also available on the BlackRock website at blackrock.co.uk/bist.

Payment of dividends

Ordinary dividends are paid quarterly in April, July, October and January each year. Cash dividends will be sent by cheque to the first-named shareholder at their registered address.

Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service – Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, on 0330 303 1184 or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Mandates may also be obtained from Computershare Investor Services PLC, The Pavilions, Bridgwater Road Bristol BS99 6ZZ. Tax vouchers will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

Dividend Reinvestment Plan

Shareholders who wish to use their dividends to purchase further shares in the Company by participating in the Company's Dividend Reinvestment Plan can complete a mandate form which may be obtained from Computershare at the above address. Shareholders who have already joined the Company's Dividend Reinvestment Plan have been sent a new set of terms and conditions.

DIVIDEND – 2015

The fourth quarterly interim dividend in respect of the year ended 30 September 2015 is 1.70 pence per share. The dividend will be paid on 29 January 2016 to shareholders on the register on 4 January 2016. The Board also declared the following dividends in the year:

First quarterly interim dividend	Dividend rate	Record date	Pay date
First quarterly interim dividend	1.50p	13 March 2015	10 April 2015
Second quarterly interim dividend	1.67p	12 June 2015	10 July 2015
Third quarterly interim dividend	1.67p	11 September 2015	9 October 2015

ISIN/SEDOL NUMBERS

The ISIN/SEDOL numbers and mnemonic codes for the Company's shares are:

ISIN	GB0001297562
SEDOL	0129756
Bloomberg code	BIST LN Equity
Ticker	BIST

SHARE DEALING

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. For existing shareholders the Company's registrar, Computershare Investor Services PLC, has both internet and telephone share dealing services. To access the internet share dealing service, log on to computershare.com/sharedealingcentre. The telephone share dealing service is available 0370 703 0084. To use these services, you will need your shareholder reference number, which is detailed on your form of proxy.

Internet dealing – The fee for this service is 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

Telephone dealing – The fee for this service will be 1% of the value of the transaction plus £35. Stamp duty of 0.5% is payable on purchases.

Additional information

Shareholder information continued

CREST
The Company's shares may be held in CREST, an electronic system for uncertificated securities trading. Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

ELECTRONIC PROXY VOTING
Shareholders are able to submit their proxy votes electronically via Computershare's internet site at eproxyappointment.com using their shareholder reference number, control number and a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the Form of Proxy and the Notice of Annual General Meeting.

NOMINEE CODE
Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available; and
- that investors in the BIM (UK) Investment Trusts Savings Plan and NISA are automatically sent shareholder communications, including details of general meetings, together with a Form of Direction to facilitate voting and to seek authority to attend.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

PUBLICATION OF NET ASSET VALUE/PORTFOLIO ANALYSIS
The net asset value (NAV) per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly. The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at blackrock.co.uk/bist and through the Reuters News Service under the code "BLRKINDEX", on page 8800 on Topic 3 (ICV terminals) and under "BLRK" on Bloomberg (monthly information only).

ONLINE ACCESS
Other details about the Company are available on the BlackRock website at blackrock.co.uk/bist. The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction. Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at investorcentre.co.uk. To access Computershare's website you will need your shareholder reference number (SRN) which can be found on your form of proxy. Listed below are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.
- Payments enquiry – view your dividends and other payment types.
- Address change – change your registered address.
- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.
- e-Comms sign-up – choose to receive email notification when your shareholder communications become available instead of paper communications.
- Outstanding payments – reissue payments using the online replacement service.
- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

SAVINGS PLAN
The Company participates in the BIM (UK) Investment Trust Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call BIM (UK) free on 0800 44 55 22.

STOCKS AND SHARES INDIVIDUAL SAVINGS ACCOUNTS (NISA)
ISAs are a tax-efficient method of investment and the Company's shares are eligible investments within the BIM (UK) Investment Trust Stocks and Shares NISA. In the 2015/2016 tax year investors will be able to invest up to £15,240 in New ISAs either as cash or shares. Details are available from BlackRock by calling free on 0800 44 55 22.

SHAREHOLDER ENQUIRIES

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from your form of proxy, share certificate, tax voucher or other electronic communications you have previously received from Computershare. The address of the Computershare website is investorcentre.co.uk. Alternatively, please contact the registrar on 0330 303 1184.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

GENERAL ENQUIRIES

Enquiries about the Company should be directed to:

The Secretary
BlackRock Income Strategies Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Enquiries about the Savings Plan or NISA should be directed to:

BlackRock Investment Management (UK) Limited
Freepost RLTZ-KHUH-KZSB
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

Regulatory disclosures

AIFMD disclosures

REPORT ON REMUNERATION

The Alternative Investment Fund Managers' Directive (the AIFMD) requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the BlackRock AIFM Remuneration Policy are disclosed on the website at blackrock.co.uk/bist and have applied to the Manager since 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as an AIFM.

QUANTITATIVE REMUNERATION DISCLOSURE

Appropriate disclosures will be made in due course in accordance with FUND 3.3.5, Article 22(2)e and 22(2)(f) of the AIFMD and Article 107 of the Delegated Regulation.

LEVERAGE

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. Consistent with its investment objectives and policy, the Company may utilise derivative instruments as part of its investment policy.

The use of derivatives may expose the Company to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase the Company's volatility. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject. No derivatives were used for leverage purposes during the year.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment Leverage as at 30 September 2015	Gross Leverage as at 30 September 2015
Leverage ratio	2.07	2.67

Further information on the calculation of leverage ratios is given in the glossary on page 83.

Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 18 to the notes to the financial statements on pages 61 to 70.

PRE INVESTMENT DISCLOSURES

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at blackrock.co.uk/bist.

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

BlackRock Investment Management (UK) Limited
Company Secretary
2 December 2015

Regulatory disclosures

Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long term incentive schemes in operation.

9.8.4 (5) and (6) No director of the Company has waived or agreed to waive any current or future emoluments from the Company or any subsidiary undertaking.

9.8.4 (7) The Company has not allotted any equity securities during the year.

Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

BlackRock Investment Management (UK) Limited
Company Secretary
2 December 2015

Annual general meeting

Notice of annual general meeting

Notice is hereby given that the next Annual General Meeting of the BlackRock Income Strategies Trust plc ("the Company") will be held at the offices of BlackRock Investment Management (UK) Limited, at 12 Throgmorton Avenue, London EC2N 2DL on Monday 22 February 2016 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 12, as ordinary resolutions and, in the case of resolutions 13 to 15, as special resolutions).

ORDINARY BUSINESS

Ordinary Resolutions

1. To receive the report of the Directors of the Company and the Financial Statements for the year ended 30 September 2015 together with the report of the Auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2015.

3. To approve the Company's dividend policy to continue to pay four quarterly interim dividends, which in the year under review have totalled 6.54 pence per share.

4. To re-elect Jim Grover, who retires annually, as a Director.

5. To re-elect Ian Russell, who retires annually, as a Director.

6. To re-elect James Long, who retires annually, as a Director.

7. To re-elect Jimmy West, who retires annually, as a Director.

8. To re-elect Lynn Ruddick, who retires annually, as a Director.

9. To elect Julian Sinclair, who retires annually, as a Director.

10. To reappoint Ernst & Young LLP as Auditor to the Company to hold office from the conclusion of the Annual General Meeting of the Company on 22 February 2016 until the conclusion of the next general meeting at which financial statements and reports are laid before the Company.

11. To authorise the Audit Committee to determine the Auditor's remuneration.

SPECIAL BUSINESS

Ordinary Resolution

12. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities"), up to an aggregate nominal amount of £6,865,932 (being 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice excluding treasury shares) provided this authority shall expire at the earlier of 31 March 2017 and the conclusion of the annual general meeting to be held in 2017 but so that the Company may, before such expiry, make any offer or agreement which would or might require Securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

Special Resolutions

To consider and, if thought fit, pass the following resolutions as special resolutions:

13. That, in substitution for all existing authorities and subject to the passing of resolution numbered 12 above, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot and make offers or agreements to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority granted by the resolution numbered 12 above, or by way of a sale of equity securities held by the Company as treasury shares (as defined in section 724 of the Act) as if section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

    (a) shall expire at the earlier of 31 March 2017 and the conclusion of the annual general meeting of the Company to be held in 2017, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements;

    (b) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of £3,432,966 (representing approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice excluding treasury shares); and

    (c) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury at a price of not less than the net asset value per share.

14. That, in substitution for all existing authorities the Company be and it is hereby authorised in accordance with section 701 of the Act to make market purchases within the meaning of section 693(4) of the Act of ordinary shares of 25 pence each in the capital of the Company provided that:

    (a) the maximum number of ordinary shares hereby authorised to be purchased is 41,168,128 ordinary shares (being approximately 14.99% of the issued share capital (excluding treasury shares) as at the date of the Notice of Annual General Meeting).

(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 25 pence, being the nominal value per share;

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the higher of

(i) 5% above the average of the market value of a Share for the five business days immediately preceding the date of the purchase as derived from the Daily Official List of the London Stock Exchange and

(ii) the higher of the price quoted for (a) the last independent trade of and (b) the highest current independent bid (as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (No. 2273/2003)) for, any number of ordinary shares on the trading venue where the purchase is carried out;

and

(d) the authority hereby conferred shall expire at the earlier of 31 March 2017 and the conclusion of the annual general meeting of the Company in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

All ordinary shares purchased pursuant to the above authority shall be either:

(a) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or

(b) cancelled immediately upon completion of the purchase.

15. That, without prejudice to and in addition to any existing authorities and in accordance with the terms and conditions of the tender offer(s) (the "Tender Offer(s)"), which will be set out in circular(s) to Shareholders in due course (the "Circular(s)"), the Company be and is hereby authorised for the purpose of section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of its issued ordinary shares of 25 pence each (the "Ordinary Shares") provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased pursuant to the Tender Offers is 54,927,456 ordinary shares (being approximately 20% of the issued share capital (excluding treasury shares) as at the date of the Notice of Annual General Meeting);

(ii) the price which shall be paid for an ordinary share shall be equal to the cum income net asset value per ordinary share (debt at market value) on a date or dates to be determined by the Directors less a 2% discount and the costs and expenses per tendered ordinary share of effecting the Tender Offer (which shall be both the maximum and the minimum price for the purposes of section 701 of the Act);

(iii) unless renewed, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company to be held in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under the authority hereby conferred which will or may be completed or executed wholly or partly after such expiry; and

(iv) any ordinary shares so purchased will be cancelled or held in treasury.

BY ORDER OF THE BOARD
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
2 December 2015

Registered Office:
12 Throgmorton Avenue
London EC2N 2DL

Annual general meeting

Notice of annual general meeting continued

Notes:

1. A member entitled to attend, speak and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
2. To appoint a proxy you may use the form of proxy enclosed with this Annual Report. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions printed thereon as soon as possible and in any event by 11.00 a.m. on 18 February 2016 (excluding non-working days). Amended instructions must also be received by the Company's registrar by the deadline for receipt of proxies. Alternatively you can vote or appoint a proxy electronically by visiting eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 11.00 a.m. on 18 February 2016 (excluding non-working days).
3. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
4. Any person (a "Nominated Person") receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (the "Act") should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
5. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
6. Only shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the date fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days (excluding non-working days) prior to the date of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Holders of shares through the Savings Schemes are entitled to attend and vote at the meeting if the voting instruction form, which is enclosed with this document, is correctly completed and returned in accordance with the instructions printed thereon.
9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar by 11.00 a.m. on 18 February 2016 (excluding non-working days). Instructions on how to vote through CREST can be found by accessing the following website: euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) by 11.00 a.m. on 18 February 2016 (excluding non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.
14. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are laid before the meeting; or
    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting such

website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

15. Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
    (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or
    (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:
    (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
    (b) it is defamatory of any person; or
    (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 11 January 2016, being the date six weeks clear before the meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
16. Further information regarding the meeting which the Company is required by section 311A of the Act to publish on a website in advance of the meeting (including this Notice), can be accessed at blackrock.co.uk/bist.
17. As at the date of this report, the Company's issued share capital comprised 274,637,282 ordinary shares of 25 pence each (16,475,000 of which are held in treasury). Each ordinary share carries the right to one vote at general meetings. Therefore the total number of voting rights in the Company on 2 December 2015 is 274,637,282.
18. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association. Copies of the Directors' letters of appointment will be available for inspection at the Company's registered office from 2 December 2015 until the time of the meeting and at the meeting venue itself for at least 15 minutes prior to the meeting until the end of the meeting.

Glossary

ALTERNATIVE ASSETS

Alternative investments include real estate, hedge funds, private equity and commodities. They are bought in order to enhance expected return and diversify a portfolio. Alternative assets are usually unquoted and therefore less liquid than equities and bonds.

ALTERNATIVE INVESTMENT FUND MANAGER

An Alternative Fund Manager is a term defined under the Alternative Investment Fund Managers Directive (AIFMD), a European financial directive which came into force in July 2011, and which was introduced in the aftermath of the 2008 credit crisis, to improve regulation of the management of pools of "alternative" assets such as hedge funds, real estate or private equity. The AIFMD applies to hedge fund managers, private equity fund managers, real estate fund managers, and managers of other alternative investments operating within, or marketing to investors in, the European Union. Nearly all financial vehicles, including UK listed investment trusts such as BlackRock Income Strategies Trust plc, fall into the technical definition of Alternative Investment Funds (AIFs) which have to be registered and managed by an AIF Manager (AIFM). As disclosed in the Director's Report on pages 27 and 28, the Company's AIFM is BlackRock Fund Managers Limited.

BETA

The Beta of a portfolio is a number describing the relation of the portfolio's returns with those of the financial market as a whole. A portfolio has a Beta of zero if its returns change independently of changes in the market's returns. A positive Beta means that the portfolio's returns have a degree of correlation to the market's returns. A negative Beta means that the portfolio's returns are negatively correlated to the market's returns.

CORRELATION

In portfolio management terms, correlation is a statistical measure of how two securities move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation co-efficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random.

CONSUMER PRICE INDEX (CPI)

The main measure of UK inflation. It forms the basis for the Government's inflation target.

DISCOUNT

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price (based on mid-market share prices) and the NAV, expressed as a percentage of the NAV. For example, if the share price was 90 pence and the NAV 100 pence, the discount would be 10%.

DIVIDEND YIELD

The annual dividend on a share divided by the share price.

DURATION

The (Macaulay) duration is a measure of the average time until a bond's cash flows occur, and of the sensitivity of its price to interest rate changes. Technically speaking, the Macaulay duration is the sum of the time weighted discounted payments (coupons and principal) of a bond. Another way to think about duration is the average time period over which you will receive your payments. Hence, if two bonds have the same maturity, the bond with the higher coupon will have a shorter duration (the average time of repayment is less heavily weighted to the repayment of capital (principal) at maturity).

GEARING

When an investor has more than a 100% exposure to a market, or part of a market, typically resulting from the use of debt or derivatives (futures and options).

GROSS AND NET EXPOSURE

Market exposure gained through total return swaps, swaptions or other derivative instruments refers to the gross market value of the underlying securities to which the investor is exposed through the relevant instrument. Gross exposure refers to the total exposure the investor has through both long and short positions added together. For example, an investor who has 110% long market exposure through derivative instruments and 20% short market exposure through derivative instruments has gross market exposure of 130%.

Net exposure refers to the exposure the investor has through long positions less any short positions. For example, an investor who has 110% long market exposure through derivative instruments and 20% short market exposure through derivative instruments has net market exposure of 90%; this method of measurement is looking at the net directional market exposure and takes into account the fact that long and short positions theoretically offset one another when the market moves in a particular direction.

LEVERAGE

Leverage is defined in the AIFM Directive as *"any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means"*.

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

Leverage ratio = exposure: net asset value

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except that, where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the entity's exposure is effectively reduced.

NET ASSET VALUE PER SHARE ("NAV")

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue. For example, as at 30 September 2015 equity shareholders' funds were worth £374,832,000 and there were 274,637,282 ordinary shares in issue (excluding treasury shares); the undiluted NAV (with debt at par) was therefore 136.58 pence per ordinary share. Equity shareholders' funds are calculated by deducting from the Company's total assets its current and long-term liabilities and any provision for liabilities and charges.

OPTION

An option is a contract which gives the buyer the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date. The seller has the corresponding obligation to fulfill the transaction – that is to sell or buy – if the buyer 'exercises' the option. The buyer pays a premium to the seller for this right. An option that conveys to the owner the right to buy something at a specific price is referred to as a call; an option that conveys the right of the owner to sell something at a specific price is referred to as a put.

PREMIUM

A premium occurs when the share price is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price (based on mid-market share prices) was 100 pence and the NAV 90 pence, the premium would be 11.1%. Discounts and premia are mainly the consequence of supply and demand for the shares on the stock market.

SHORT AND LONG EXPOSURES

Derivative instruments enable an investor to benefit from the price of a stock falling as well as rising. This enables the investor to benefit from negative as well as positive views on individual stocks. Entering into a derivative contract that results in a profit where the share price movement falls is referred to as taking a short position. Entering into a derivative instrument that results in a profit if the price of the stock rises is referred to as taking a long position.

SWAPTION

A swaption is an option on a swap (usually an interest rate swap) which provides the purchaser the right to either pay or receive a fixed rate. A buyer of a swaption who has the right to pay fixed and receive floating is said to have purchased a "payers swaption". Alternatively, the right to exercise into a swap whereby the buyer receives fixed and pays floating is known as a "receivers swaption".

TOTAL RETURN

The income on an asset together with its capital appreciation, expressed as a proportion of the asset's initial price.

TOTAL RETURN SWAP

A swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. This is owned by the party receiving the set rate payment.

Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without actually having to own it. These swaps are a useful investment instrument because they enable the investor to obtain significant market exposure with a minimal cash outlay.

VALUE AT RISK (VAR)

VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

For a given probability and a given time horizon, VaR indicates the maximum amount the portfolio will lose. For example, using a set probability of 99% and a defined historical observation period of 1 year, a VaR of £5m means that 99% of the time over a 1 year period the portfolio will fall by less than this amount.

Glossary continued

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

VOLATILITY

Volatility refers to the amount of uncertainty or risk about the size of changes in a security's value. A higher volatility means that a security's value can potentially be spread out over a larger range of values. This means that the price of the security can change dramatically over a short time period in either direction. A lower volatility means that a security's value does not fluctuate dramatically, but changes in value at a steady pace over a period of time. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index.

A full glossary of definitions is available at blackrock.com/institutions/en-gb/resources/education/glossary.

Financial Conduct Authority

FCA FINANCIAL CONDUCT AUTHORITY

Be ScamSmart

Investment scams are designed to look like genuine investments.

In association with the Institute of Chartered Secretaries and Administrators Registrars Group

Spot the warning signs.

Have you been...

- **contacted out of the blue**
- **promised tempting returns and told the investment is safe**
- **called repeatedly, or**
- **told the offer is only available for a limited time?**

If so, you might have been contacted by fraudsters.

How to avoid share fraud

1. **Reject cold calls**
   If you've been cold called with an offer to buy or sell shares, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2. **Check the firm on the FS register at www.fca.org.uk/register**
   The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

3. **Get impartial advice**
   Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk.

Find out more at **www.fca.org.uk/scamsmart**

April 2015

blackrock.co.uk/bist

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