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MERRILL LYNCH WORLD MINING TRUST PLC

ANNUAL REPORT 31 DECEMBER 2005

The Company's objective is to maximise total returns to shareholders through a world-wide portfolio of mining and metal securities.
Up to 10% of the assets may be invested in physical metals.

A MEMBER OF THE ASSOCIATION OF INVESTMENT TRUST COMPANIES

Details about the Company are available on the Merrill Lynch Investment Managers website at www.mlim.co.uk/its

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Performance Record

Performance record

Year ended 31 Dec	Ordinary Shares in issue '000	Net Assets attributable to Ordinary Shareholders £'000	Undiluted Net Asset Value per Ordinary Share p	Diluted Net Asset Value per Ordinary Share p	Gearing %	Ordinary Share Price p	Gross Revenue £'000	Revenue available for Ordinary Shareholders £'000	Earnings per Ordinary Share p	Dividends per Ordinary Share p
1994	425,790	446,816	104.94	104.12	–	93.50	12,077	3,642	0.86	0.77
1995	426,041	452,762	106.27	105.23	0.1	93.00	15,758	5,637	1.32	1.00
1996	426,053	424,774	99.70	n/a	–	86.50	14,977	5,082	1.19	1.15
1997	426,067	318,494	74.75	n/a	–	59.50	11,163	3,894	0.91	0.85
1998	377,986	230,284	60.92	–	–	55.75	11,442	5,619	1.43	1.20[1]
1999	190,949	223,397	116.99	–	11.2	100.75	6,430	2,238	1.00	1.20
2000	177,099	186,022	109.36	–	8.3	91.50	7,970	2,939	1.63	1.30
2001	166,045	196,726	118.48	–	–	96.50	11,650	6,434	3.82	1.45[2]
2002	162,800	243,350	149.48	–	–	131.75	8,484	4,110	2.52	1.60[3]
2003	162,800	389,244	239.09	–	8.8	217.00	7,657	2,816	1.73	1.70
2004[6]	162,800	398,129	244.55	240.29	6.0	218.00	12,672	4,899	3.01	1.75[4]
2005	**168,299**	**668,202**	**397.03**	–	**0.7**	**351.50**	**16,097**	**5,642**	**3.39**	**1.80**[5]

1. Excluding a special dividend of 1.15p per share.
2. Excluding a special dividend of 1.70p per share.
3. Excluding a special dividend of 0.50p per share.
4. Excluding a special dividend of 0.75p per share.
5. Excluding a special dividend of 1.00p per share.
6. Prior to 2004, financial information has been prepared under UK GAAP. From 2004 all information is prepared under IFRS as set out in notes 22 and 23.

Portfolio performance from launch on 15 December 1993 to 31 December 2005

Prior to 30 December 2005 performance was on a mid-to-mid basis, in sterling terms rebased to 100. From 31 December 2005 performance is on a bid basis.
Sources: Merrill Lynch Investment Managers, Datastream.

Chairman's Statement

Performance
It gives me considerable pleasure in my final report to you as Chairman to record that the Net Asset Value of your Company on a total return basis has risen by 48.6% since the interim stage, making for an increase over the full reporting year of 63.9%. This is our fifth consecutive year of growth, with the share price rising by 63% over the period on a total return basis. By comparison, the benchmark index appreciated by 58.6%. The two most significant countries for commodities demand, the USA and China, continued to experience strong economic growth throughout 2005, leading to further upward pressure in the metals and minerals markets. Additional support came through investors generally increasing their appetite for this asset class.

Financial statements
For accounting periods commencing on or after 1 January 2005, all UK listed groups are required by EU law to present their financial statements in accordance with International Financial Reporting Standards ('IFRS'). Consequently these are the first annual results for the Company prepared under IFRS, and the most significant change is the movement from mid to bid price for the valuation of investments. The net impact of this on the Company's net asset value at 31 December 2005 was a decrease of 0.8p. Further information and full reconciliations between the restated comparative numbers and the previously reported UK GAAP amounts are given in the notes to the financial statements. IFRS will not make any difference to the operating practices of the Company.

Earnings
Revenue return per share amounted to 3.39p as against 3.01p for the previous year, an uplift of 12.6%. These have once again profited from some investment trading. The dividend, which has increased for each of the last 7 years, will this year rise to 1.80p plus a special dividend of 1.00p. I am also very pleased to note that since the inception of the Company in 1993 and my appointment as its Chairman, ordinary dividends have increased by 134% and if special dividends are included, by a massive 264%.

Discount, warrant issues
During the year the shares traded at a discount to NAV of between 16.8% and 8%, ending the year at 11.5%. Your Board continues to be mindful of the discount, which it believes would be diminished through a higher capital base. As I mentioned in my interim statement, it was very disappointing that given market circumstances shareholders largely declined to exercise their warrants last April at a share price of 219p. Despite the very significant increase from that level, the outlook for the sector remains favourable, as discussed in the Investment Manager's Report. Merrill Lynch Investment Managers has submitted a proposal for a further bonus warrant issue, albeit one with different characteristics from its predecessor. The Board is in favour of the proposal, details of which are set out in the circular enclosed with this report. The issue is subject to shareholder approval and you will have the opportunity to vote upon it at the Extraordinary General Meeting to be held immediately following the conclusion of the Annual General Meeting.

Award
We were especially pleased that the Company was recently honoured as the Bloomberg Money Specialist Investment Trust of the year.

Board changes
Having reached 70, I will be stepping down as Chairman immediately on the conclusion of the forthcoming Annual General Meeting. It is with more than a little satisfaction that I consider your Board to be of such strength that any member would make an excellent successor.

I discussed the situation individually with all the Directors and I decided that the consensus of opinion was that we should invite Tony Lea to take on this role. He has just retired as the Finance Director of Anglo American plc and has already proved a great asset on this Board to which he was appointed at the end of July 2005. I am delighted to report that he has agreed to accept this invitation and I wish him every success. I hope he enjoys it as much as I have done these past 12 years. Shareholders, Directors and fund managers have all shown me great courtesy and support throughout this time, for which I will remain profoundly grateful.

Outlook
The outlook appears to be more of the same – China will be key for the fifth consecutive year and US growth should continue to hold up. With the prospects of higher dividends, further share buy backs and continued corporate activity, the sector may well maintain its outperformance of the global equity indices.

P S Wilmot-Sitwell
9 February 2006

Investment Manager's Report

Portfolio Performance

As set out in the Chairman's Statement, we are pleased to report that the Company enjoyed a very good second half performance and finished the year with the shares standing at an all-time high. For the year ended December 2005 the Company's net asset value ('NAV') and share price (with net income reinvested) rose by 63.9% and 63% respectively. In 'capital' only terms the NAV rose by 62.4% and the share price by 61.2%. This compares with the HSBC Global Mining Index (sterling terms) which rose by 55.3% (capital only) and 58.6% (with income reinvested).

This performance is the second best annual return since the inception of the Company in 1993, narrowly beating the return of 2003 and second only to the 'recovery year' of 1999 when mining equities bounced back strongly in the aftermath of the Asian crisis.

Mining Share Overview

The global economic backdrop was positive in 2005 with lacklustre economic activity in 'core Europe' more than offset by continuing robust growth in China and the USA, the two most important commodity consuming countries in the world. Despite headwinds from a stronger dollar, a high oil price and the ongoing political and military problems in Iraq the Morgan Stanley Capital International World Index ('MSCI World Index') ended 2005 up 20.3% in sterling terms and 23.9% in Euros. Currency effects have again been important for investors in world equities and a US dollar based investor will have found the returns from the MSCI World Index less appealing at 7.6%.

In comparison with world equities the mining sector had an even better year, continuing the record of sustained outperformance which commenced in 2000. The mining sector has now fully retraced the underperformance suffered during the second half of the 1990s when it was impacted by the twin effects of the Asian crisis and the technology boom. All of the main sub-sectors of the mining industry comfortably beat the broad market in 2005, with the year finishing on an all-time high.

Index (sterling terms)	Change 01/01/05 to 31/12/05
MSCI World Index	+20.3%
FTSE 100 Index	+16.7%
HSBC Global Mining Index	+55.3%
– Gold Sub Index	+44.6%
– Base Metals Sub Index	+36.6%
– Diversified Mining Sub Index	+64.8%
Gold Bullion	+30.8%
MG Base Metals Basket Index	+39.8%

The favourable moves in commodity and mining share prices occurred despite a sizeable rebound in the value of the dollar. This strengthening of the dollar in 2005 came as a surprise for many investors, as currency market commentators had started out the year almost universally bearish. In 2004 the dollar had come under pressure due to deep seated concerns about the sustainability of the United States' large current account deficit. However, a monthly diet of interest rate rises from the Federal Reserve resuscitated the dollar and encouraged investors to shrug off the persistent negatives.

As commodities are priced in dollars one might have expected dollar strength to translate into weaker metal prices. This self evidently did not occur and commodity prices have, for now at least, decoupled somewhat from currency markets. We believe that this de-coupling has two main causes:

- commodity markets in general are favourably balanced from a supply/demand perspective and are characterised by modest inventories, keeping market conditions tight

- there has been an increase in investor demand for commodities as an asset class

This latter point may prove to be particularly important. Over most of the last two decades large institutional investors such as pension funds and insurance companies have allocated only very modest sums to the commodity markets. If, as seems possible, we are in the midst of an upsurge of investor interest in commodities then this has positive implications for the strength and duration of the current cycle. Evidence of this changing pattern of asset allocation can be seen in the charts overleaf which illustrate the fund flows into commodity index funds, principally the Goldman Sachs Commodity Index ('GSCI'), and the aggregate holdings of gold in the bullion Exchange Traded Funds. Although by these measures investment in commodities has never been higher it should be remembered that such sums still represent only a tiny part of the global capital markets.

Investment in Commodity Index Funds

Growth in ETFs (troy ounces)

The inflows into commodity funds such as the GSCI have helped to silence the debate we referred to in the Company's interim report, namely is this a 'normal cycle' or a 'super cycle'? Following on from yet another year of strong Chinese demand it is now clear even to the most sceptical commentator that the massive growth in China's share of global commodity demand is a trend which is both persistent and self reinforcing. For many commodities, China's own domestic productive capacity is unlikely to be able to keep up with this growth, implying ongoing import requirements. With each passing month of high prices and stubborn demand strength, analysts were forced to revise upwards their earnings expectations for the major companies in the sector. Furthermore the anticipated flood of new supply for the most part failed to materialise with many new projects subject to delay, encouraging analysts to the view of the cycle being 'stronger for longer'. The net result, especially in the second half of the year, was a pronounced upward momentum in share prices, although price/earnings multiples have remained static, as earnings have risen equally fast.

While the year as a whole was satisfyingly positive, we should not forget that this is and will always be a volatile sector. As is usual, we saw episodic changes in sentiment which led to violent movements in the markets. Interestingly, 2005 saw a virtually exact repetition of the market patterns seen in 2004, with a spring sell-off starting and finishing on almost the same day.

We think that these unsettling spring sell-offs were caused by analysts trying to 'second guess' the peak of the commodity cycle. It has been a characteristic of this cycle that commodity analysts have been consistently too pessimistic and are on the look out for its demise. The period between the disclosure of strong year end/Q1 corporate results and the onset of seasonally weak summer markets is when the stockmarket is the most vulnerable to this – something which we might easily see again in 2006.

Our strategy has been to 'look through' these market gyrations. As we have stated in previous reports, we have leaned towards the super cycle idea and chosen a sanguine view of the potential returns achievable from mining equities. As a result, for virtually the whole of 2005 we maintained a relatively aggressive portfolio stance, including the use of tactical gearing. It was only at the very end of 2005, with markets at all time highs, that we felt inclined to be more cautious and repaid most of the Company's bank overdraft.

A particular focus of the portfolio has been on those companies that are best placed to benefit from the changing shape of global demand. The largest portfolio investments are in companies which produce the metals and minerals that China needs to import to satisfy its economic growth requirements. These are commodities like iron ore, coal, copper, zinc, alumina, platinum, gold and even diamonds. Our top ten holdings produce a combination of these materials, and this strategy together with our tactical gearing has helped generate 'out performance' against our benchmark index.

The table opposite shows the price movements (US dollar terms) of some of the metals and minerals that are most important to the Company's portfolio. Not surprisingly, the favourable pricing

Investment Manager's Report continued

environment showed through in some good earnings numbers for the leading companies in the mining industry. Despite mounting pressure on production costs, many of the companies in the portfolio will have achieved record earnings for the year and will also be making record returns to shareholders.

	Price 31/12/05	Change 12 month	Change Average '04/'03
Gold (US$/troy oz)	512.55	17.0%	8.7%
Platinum (US$/troy oz)	964.00	12.0%	6.1%
Nickel (US$/tonne)	13,377.50	–12.0%	6.5%
Copper (Cents/lb)	2.08	39.8%	28.5%
Aluminium (US$/tonne)	2284.75	16.4%	10.7%
Zinc (US$/tonne)	1914.75	50.8%	31.9%
Iron ore – lump (US$/tonne)	80.00	71.5%	71.5%
Coking Coal – hard (US$/tonne)	125.00	119.3%	119.3%

Gold and precious commodities

Gold equities performed well in 2005 as a whole, although the first half of the year was weak. In absolute terms gold did well rising by 30.8% in sterling, its best year since 1979. In US dollar terms gold touched $540.90/oz, its highest level since 1980.

Gold's good performance came despite a rebound in the value of the dollar and a steady tightening of US monetary policy; factors which would normally suppress the price. The key to gold's positive returns was the continuation of favourable 'supply/demand' balances. Global mine output has been stagnant for several years due to a lack of exploration success while jewellery demand is robust and investment demand is surging. With Central Bank sellers sidelined by the Central Bank Gold Agreement this creates an environment of upwards pricing pressure, especially given the strength of other commodities. In our view the main catalyst which sparked off the increase in investment demand was the 'non' vote by the French in their Constitutional Referendum. This highlighted the risks present in the global currency markets and set back the aspirations of the European Central Banks which have been making the case for the Euro as a core reserve asset. Furthermore, with oil prices high, there has been more than a whiff of incipient inflation in global capital markets.

Despite the positive tone to the gold market, investment in gold shares has again not been a major feature of the portfolio strategy in 2005. At the year ended 2004 gold exposure in the portfolio stood at 11.3% and at the end of 2005 it stood at 9.3%. This unenthusiastic stance towards the major gold equities stems from their seeming inability to translate the higher gold price into higher earnings and dividends. Costs seem to have risen in lock-step with revenues; put simply, the economics of the gold sector have not been sufficiently attractive in comparison with other parts of the mining industry. Nonetheless gold remains an important element in the portfolio.

We have been pleased by the recovery in 2005 of the two South African producers in the portfolio Harmony Gold Mining (1.6% of the portfolio) and Gold Fields (2.7%). Harmony rose 64.7% during the year (in sterling terms) and Gold Fields rose 59.8%, making these two of the best performing major gold shares in the world. Both of these companies have benefited from the sharp rise in the rand denominated gold price during the year and, in addition, have been helped by the cessation of hostilities between the two companies (following the failure of Harmony's bid for Gold Fields). We voted the Company's shares against this transaction as we were unconvinced of the argument that shareholder value would be created.

The largest gold holding in the portfolio, Minas Buenaventura (4.0% of the portfolio), had a difficult year from a political perspective (local villagers have campaigned against mining) but performed very well operationally – rising 41.5% over the year. The best performing major gold share in 2005 was the Chinese company, Zijin Mining. We have taken profits in the stock and no longer hold the shares.

Platinum remained 'steadily firm' in 2005 and in December surpassed $1000/oz for the first time. This strength can be attributed to continuing slow ramp-up of production in South Africa together with buoyant demand from the autocatalyst market. There are signs that the jewellery industry is resistant to paying such highly elevated prices for metal (and switching to cheaper palladium) but in view of the new regulations for diesel catalysts coming into force most analysts believe that the market will remain favourably balanced. The Company's portfolio currently holds three platinum equities; Impala Platinum (4.5% of the portfolio), Aquarius Platinum (0.6%) and we recently acquired a small holding in Ridge Mining (0.2%). These companies have assets based in South Africa and have thus benefited from the somewhat weaker tone to the rand in 2005. The South African platinum companies have also mostly benefited from a sharp increase in so-called by-product revenues especially Rhodium (up by 125.6% in 2005 – US$ terms) and Palladium (up by 37.5% in US dollar terms). We expect strong earnings momentum to continue into 2006 as platinum has moved to fresh all-time highs in January.

The diamond market was rather dull in 2005 with De Beers implementing two price rises during the year of 3% each. Our largest diamond equity holding remains Aber Diamond (3.2% of the portfolio) which owns a 40% stake in the Diavik mine in Canada with Rio Tinto holding 60%. This mine continues to deliver on its promise and Aber has now begun paying strong dividends to shareholders although the lacklustre diamond market backdrop meant that the shares stagnated for much of the year.

Base Metals

Base metals had another excellent year with requirements from China again underpinning demand. Overall, inventories in London Metal Exchange ('LME') warehouses remained low reflecting broadly satisfactory supply and demand trends. For all of the base metals, inventories are close to levels where we would normally expect to see price strength and volatility. The MG Base Metals Index, which represents a basket of metals, rose by 25.0% during the year and the average price was up nearly 18% in comparison with the average for 2004. After a disappointing performance in 2004, base metal equities roared into life in 2005, with the base metals sub index of the HSBC Global Mining Index up by 36.6% in sterling terms.

Nickel proved to be one of the weakest metals in 2005, declining from US$6.90/lb to US$6.07/lb over the course of the year. Nickel was impacted by deterioration in demand from the stainless steel industry which has been suffering from the legacy of over investment in new capacity. Most analysts expect the growth in world demand to catch up in 2006, so a better year is in prospect. Even though the nickel price was lower, it still surpassed the bearish expectations of many analysts and as a result nickel equities finished the year higher. The main nickel producers in the Company's portfolio are Inco (1.3% of the portfolio) which posted a rise of 32.5% (sterling terms), Falconbridge (6.3%)* which rose 40.2%, and Eramet (0.7% of the portfolio) which rose 18.8%.

At the time of writing we still await the outcome of Inco's agreed bid for Falconbridge. This deal, if successful, would reinforce Inco's leadership position in the market and in addition has the potential to unlock considerable operating synergies in the Sudbury basin as well as New Caledonia where Falconbridge is planning the development of the Koniambo project. At the year end, nickel exposure in the portfolio (including Falconbridge) stood at 8.5% compared to 8.9% at the end of 2004.

* In the portfolio breakdown we have reclassified Falconbridge as diversified following its merger with Noranda.

Copper continued its strong run in 2005, starting the year at $1.49/lb and finishing at $2.08/lb for a year on year gain of 39.8%. The average for the year exceeded the average for 2004 by 28.5%. The price strength resulted from a combination of good underlying demand, especially in China, and supply disruptions. The most visible production side problem came from a series of strikes at Asarco and Grupo Mexico. However, throughout much of the year, copper markets were also buoyed by a 'smelter bottleneck' which constrained supply of refined metal to the market and therefore led to a much tighter copper market than most analysts predicted. Towards the end of 2005, copper surged to an all time high of $2.10/lb, spurred on by news of a Chinese rogue trader who had accumulated a sour 'short' position in copper. In 2005, in addition to the high copper price, many copper mining companies also received a boost from by-product molybdenum which averaged $32.70/lb during the year, its highest average ever, confounding pundits who expected much lower prices.

First Quantum Minerals (3.3% of the portfolio) had another excellent year with the shares rising by 129.1% in sterling terms. First Quantum has successfully commissioned the Kansanshi copper mine in Zambia and also enjoyed continuing exploration success on its extensive exploration properties on the border between the DRC and Zambia. Earnings and dividends at First Quantum are now rising at a rapid rate and the shares were one of the most important contributors to portfolio returns during the year.

Another exceptional performer was Oxiana (1.0% of the portfolio) which rose by 83.9% in sterling terms. Oxiana successfully commissioned its Sepon copper mine in Laos and also acquired the Golden Grove mine and Prominent Hill prospect in Australia at favourable prices.

Most other copper equities in the portfolio such as Antofagasta (1.7% of the portfolio), Southern Peru Copper (1.1%), Jiangxi Copper (1.1%) and Amerigo Resources (1.3%) reported excellent earnings and sharp share price gains. Even Palabora Mining (1.0%), the perennial laggard, rose in 2005 having begun to show signs of operational turnaround. In October we bought shares in the flotation of Kazakhyms, a Kazakh copper mining company.

Thanks to the strong cash flows, dividend flow from copper companies picked up sharply in 2005. Southern Peru more than doubled its payout, having tripled it in 2004 and is currently trading on a historic dividend yield of 9.5%. Freeport McMoRan also lifted its total dividend by over 100% paying seven separate dividends instead of the usual four. Cerro Verde, a Peruvian copper mining company, paid a dividend which exceeded the book cost of stock added to the portfolio as recently as 2003. At the year end copper exposure in the portfolio was about 12.8%, compared with 9.9% at the end of 2004.

In the Company's interim report we expressed the view that there was limited downside risk for aluminium and this proved to be correct. The second half of the year saw the aluminium price rise by 16.4%, spurred on by falling inventories and energy price related production cuts. This strength seems set to continue through 2006. Despite this, aluminium shares did not really perform, and market leader Alcoa continued to lag badly, rising by only 5.3% in sterling over the year. The reason why aluminium shares have tended to disappoint is related to the high cost of energy as a component of their production cost. As a result of this, the positive effects of the higher metal price have been offset by escalating input costs.

At current price levels Alcoa is, in our view, an increasingly attractive investment and over the year we slowly increased the size of the holding. Alcoa's fourth quarter earnings release showed a steadily strengthening balance sheet and moderating cost inflation. Furthermore, the positive effects of higher aluminium prices only appear with a lag, a factor which will help returns in the first half of 2006.

The best performing aluminium share in the portfolio was the Australian company Alumina (3.8% of the portfolio) which rose by 30.7%. Alumina is not quite so vulnerable to higher raw materials costs and has the benefit of a robust alumina price. We like Alumina because of its high quality long life assets and its dominant market position; it is well placed to 'grow' into the expanding demand from smelters. Overall, the portfolio's exposure to aluminium/alumina closed the year at 5.9% compared to 8.9% at the end of 2004.

The other base metals continued to do well with lead going to a 26 year high of US$1,157/tonne and zinc moving to a 16 year high of US$1,915/tonne. The stronger performance of zinc is particularly encouraging as inventories are declining steadily and China is set to remain a net importer for the medium-term. This suggests that zinc might see another sizeable deficit of supply in comparison with demand in 2006. If this occurs then we expect that zinc prices could remain buoyant. The Australian miner Zinifex (3.2% of the portfolio) was the biggest beneficiary of the higher zinc price, with a maiden dividend declared and the share price rising by 207.7% over the year (sterling terms). This exceptionally strong performance made Zinifex one of the most important contributors to capital returns in the portfolio.

Tin was a disappointing metal during the year with the price falling by 15.1% in US dollar terms. Our investment in the Peruvian tin miner Minsur (0.7% of the portfolio) was therefore one of the few shares in the portfolio which delivered negative returns, a result compounded towards the end of the year by worries in the local Peruvian market about the outlook for elections in 2006. Bluestone Tin, an Australian development company also struggled in the poor pricing environment, and we sold the bulk of the holding in this company.

Energy Commodities

Given the strong oil price it is perhaps not surprising that excepting seaborne thermal coal (where the portfolio has no exposure apart from through the UK Diversified stocks (see below)) other energy commodities also did well during 2005. Uranium was particularly buoyant, rising from $20.70/lb at the start of the year to $36.25/lb at the end. The main uranium holdings in the fund are the Canadian listed stocks Uranium Participation (0.5% of the portfolio) and Cameco (1.4% of the portfolio). Towards the end of the year we initiated a small position in the Australian uranium miner Energy Resources (0.2% of the portfolio). We like the outlook for uranium as there is every chance that a shortage will develop in the coming years. Having demonised uranium and nuclear power for many years, the politicians in the developed world are now beginning to comprehend that nuclear will have to play a major role if carbon dioxide emissions are to be reduced.

The high oil price has also encouraged utilities to maximise their coal burn, as this is for many companies by far the cheapest fuel. In the USA thermal coal contract prices have been rising in line with natural gas prices and this has been reflected by a sizeable positive re-rating of the domestic coal producers. Peabody Energy (1.2% of the portfolio) rose by 127.8% during the year (sterling terms) and this strength caused us to trim back the holding and lock in some profits.

In June 2005 we participated in the flotation of Shenhua Energy, China's largest domestic coal miner (1.0% of the portfolio). We like Shenhua because of its dominant reserve position (one of the largest in the world) and its access to transport infrastructure. Shenhua is poised to grow its business at a rapid rate in future years as China's economy grows and the Government discourages small scale coal mining.

Another result of the high oil price has been increased interest in the Canadian oil sands industry. We have initiated a small holding in the Canadian Oil Sands Trust.

Diversified mining companies and industrial commodities

The UK listed diversified mining companies had a superb year, buoyed up by record breaking bulk commodity prices and strong base metals markets. Robust demand from the Chinese steel industry was again the reason why iron ore and coking coal moved higher with record price rises achieved by producers. Although thermal and metallurgical coal are likely to be weaker this year there is every indication that the iron ore market will strengthen further in 2006 and more records seem set to be broken.

The best performing UK listed stock was Vedanta Resources, the only sizeable quoted mining company with significant exposure to the fast growing Indian economy, which more than doubled in sterling terms. Vedanta Resources (2.4% of the portfolio) developed its business across a broad front in 2005, finally commissioning its Tuticorin copper smelter and giving the go ahead for the Orissa alumina project. Vedanta's share price performance after its December 2003 listing was initially lacklustre and the strong returns in 2005 could therefore be seen as a 'catch-up' with the UK investors beginning to better understand the nature of the company. Towards the end of 2005 we began to take some profits and reduced the size of the holding in Vedanta.

BHP Billiton (5.5% of the portfolio) had another excellent year and achieved record earnings and cash flow. The company had a perfect product mix and was able to take advantage of stronger iron ore, coal, base metals and oil/gas markets. BHP Billiton has led the way in demonstrating commitment to shareholder value by returning $1.78 billion through a stock buyback and $1.4 billion through dividends. The shares rose by 55.5% in sterling terms during the year. BHP also completed the purchase of WMC Resources, with its cash bid topping that made by Xstrata. So far, BHP is likely to be pleased by its purchase as the nickel, copper and uranium prices have exceeded expectations.

Anglo American and Rio Tinto, the laggards in the 'UK group' during 2004, performed much better in 2005 rising by 60.6% and 73.2% in sterling terms respectively. Anglo American (2.9% of the portfolio) performed particularly well in the light of a strategic review presented to the market in the latter part of the year. This review will ultimately see the company reducing its gold and pulp/paper exposure and refocus attention on the other parts of its mining business with better long term growth potential. Rio Tinto (8.7% of the portfolio) benefited from strong pricing across virtually all of the product range. Rio also enjoyed something of a 'bounce back' from 2004, which had been adversely impacted by 'one-off' problems such as the pit slippage at Grasberg copper-gold mine and inclement weather in Australia. As we predicted this time last year, Rio Tinto implemented a major capital return in 2005, buying back nearly $1 billion of stock and increasing its dividend.

Poorest performer amongst the 'UK Diversifieds' was Xstrata which rose by 'only' 45.9%. Although operationally Xstrata had a good year in 2005, the shares have been held back by a perception that the company 'needs' to do a corporate deal and that this deal might not be accretive to shareholder value. Certainly Xstrata is developing a reputation as a jilted bride having had its hostile bid for WMC Resources trumped by BHP Billiton and now seeing its plans for a business combination with Falconbridge torpedoed by Inco's friendly bid for that company. As we have mentioned to you in previous reports, we had built up a sizeable holding in Falconbridge and the de facto 'auction' for this asset made it one of the largest contributors to the portfolio returns in 2005.

The large portfolio position in Teck Cominco (5.0% of the portfolio) paid off handsomely in 2005. Teck Cominco enjoyed the benefit of the sharply higher base metals prices (especially zinc and copper) as well as the buoyant coking coal price. As a result, Teck's balance sheet is now exceptionally strong and we anticipate that it will either engage in a significant acquisition or further increase its dividend, which it doubled in 2005.

CVRD as the world's premier iron ore producer is also in the 'sweet spot' of this commodity cycle and the company enjoyed an excellent year with the share price rising by 66.3%. This meant that CVRD was not only the largest single investment in the portfolio (10.2%) but also the biggest contributor to the positive shareholder returns. CVRD though is not just about movements in the iron ore price. We like the company because of its superb ore reserve position and its growth potential outside iron ore. Indeed we believe that CVRD has perhaps the strongest new project pipeline of any company in the mining sector. Its strong cash generation has enabled it to both grow strongly and make big dividend payments, hence our heavy weighting in the stock.

In the last Annual report we mentioned that Iluka, the Australian minerals sands company had made a zircon exploration

Investment Manager's Report continued

discovery, known as Jacinth, in South Australia. Subsequent work has confirmed the promise of this discovery and materially adds to Iluka's production profile and valuation. As a result, Iluka's share price enjoyed a re-rating in 2005 rising by 30.4%.

Derivatives activity
The Group sometimes trades in derivatives options contracts, with virtually all of the activity focused on selling either puts or calls in order to generate option premium revenues. These positions, which are always small in comparison with the total size of the Group, usually have the effect of obliging us to buy or sell stock or futures at levels which we believe are attractive. At 31 December the Group had minimal open derivatives positions.

Gearing
At 31 December, the Group was utilising just £4.9 million of its £40 million overdraft facility. Net gearing is equivalent to 0.7% of net asset value and peaked at 8.4% during the year. The year end gearing, which can be repaid at any time, is significantly lower than the typical levels during 2005 and this reduction reflects the strong gains achieved in the portfolio during the fourth quarter.

Outlook and Strategy for 2006
At the interim stage last year we argued that 2005 would be another record year for the mining industry and this has proved to be the case. 2006 has started off well and commodity price averages so far this year point to more records being broken in due course.

Scarcity of capital equipment, together with skills shortages and higher funding requirements, have delayed the supply-side response to higher commodity prices that many analysts predicted. As a result, we believe that global economic growth in 2006 will be sufficiently robust to ensure that supply/demand balances in the metals and minerals markets remain favourable, with positive implications for the duration and magnitude of the current commodity cycle. If we are right about the pricing environment then most companies in the portfolio will see cash accumulate on the balance sheet at a quicker rate than it can be deployed on new projects. Given that balance sheets had already strengthened markedly during 2005 there is a likelihood that these strong cash flows will translate into another year of higher dividends and more share buy backs. There is also the possibility of additional 'corporate activity' providing further support for the market as, despite the price rises in mining equities, the cash flow multiples remain modest.

For the fifth year running we expect China to be a key theme in the commodity markets. Although economists often question the economic growth assumptions for China there is little doubt that its rank in the global economy will continue to increase. There is a possibility that China will enter the market as a strategic buyer of commodities as a part of its reserves diversification strategy.

The other key market for commodities will be the USA where despite the interest rate rises of 2005 growth remains robust. If, as seems possible, the US dollar weakens in 2006 then this will help to reinforce the positive trend of headline commodity prices, perhaps attracting fresh investment demand from institutional investors.

We expect to see a continuation of the uptrend in gold. Mine supply is likely to remain stagnant while investment demand is growing and net Central Bank sales may even decline. This is a good environment for gold especially if the dollar weakens again and the Federal Reserve decides that it has raised rates enough.

The main risks to this rosy scenario in the short-term are either economic deceleration (especially in China and the USA) or an external shock to the global economy such as one might see if 'bird flu' was to take hold or there were a major terrorist atrocity. These uncertainties always help to create the volatility characteristic of the sector.

Our portfolio strategy at the start of 2006 is three pronged:

1) Fully invested portfolio. Continuing emphasis on companies with strong cash flow and the potential to lift returns to shareholders through higher dividends and share buy backs.

2) Continuing emphasis on companies producing those commodities in short supply in China i.e. iron ore and base metals.

3) Tactical use of gearing.

While we are not brave enough to predict that returns in 2006 will match the very strong out-turn of 2005, we would not be surprised to see the mining sector continue its outperformance against broader global equities.

Graham Birch & Evy Hambro
Merrill Lynch Investment Managers Limited
9 February 2006

Ten Largest Investments

31 December 2005

Set out below is a brief description by the Investment Manager of the Company's ten largest investments.

CVRD
Share price performance*

CVRD – 10.2% (2004: 10.2%) is the world's largest producer of iron ore. Based in Brazil, the company also has significant interests in other commodities such as aluminium, copper and gold. The company is actively seeking to diversify, as illustrated by its acquisition of Canico Resources in November 2005 which owned the Onça Puma nickel deposit in Brazil. In addition to its mining interests, CVRD owns and operates transport infrastructure.

Rio Tinto
Share price performance*

Rio Tinto – 8.7% (2004: 7.2%) is one of the most successful major mining companies and arguably sets the standard to which the industry aspires. The company has interests over a broad range of metals and minerals including iron ore, copper, coal, industrial minerals and gold.

Falconbridge
Share price performance*

Falconbridge – 6.3% (2004: 4.8%) is one of Canada's most well-known mining companies. Although it is best known for its nickel business, the company also produces important quantities of copper and zinc. In 2005 Falconbridge merged with its largest shareholder, Noranda, removing what had been a possible 'poison pill' to potential acquirers. This paved the way for a friendly takeover bid by Inco in October 2005. The combined entity will become one of the largest base metal producers in the world.

BHP Billiton
Share price performance*

BHP Billiton – 5.5% (2004: 6.5%) is one of the world's largest diversified natural resource companies, formed in 2001 from the merger of BHP and Billiton. The company is an important global player in a number of commodities including aluminium, iron ore, copper, coal, manganese and diamonds. In addition, the company is the only sizeable holding in the portfolio with significant oil and gas assets. In 2005, BHP Billiton purchased WMC Resources, adding uranium to its suite of commodities.

Teck Cominco
Share price performance*

Teck Cominco – 5.0% (2004: 3.2%) is a Canadian diversified miner and a leader in the production of metallurgical coal through its 41% stake in Elk Valley Coal, the world's premier metallurgical coal operation. Teck owns Red Dog, the largest zinc mine in the world, as well as one of the world's largest zinc-lead refining and smelting facilities. The company is also a significant producer of copper and gold. In 2005 it made its first investment in the oil sands industry.

*Sterling adjusted – year to 31 December 2005. Source: Datastream.

Investment	Date holding first acquired	Book cost £'000	Market value at 31 Dec 2005 £'000	% of investments	Historic yield %
CVRD	Jul-97	25,076	68,583	10.2	2.7
Rio Tinto	Dec-93	30,455	58,410	8.7	1.7
Falconbridge	Jun-94	11,816	42,009	6.3	1.4
BHP Billiton	Dec-93	13,667	37,031	5.5	1.7
Teck Cominco	Dec-93	9,845	33,262	5.0	1.2

Ten Largest Investments continued

31 December 2005

Impala Platinum
Share price performance*

Impala Platinum – 4.5% (2004: 4.6%) is the world's second largest producer of platinum group metals, with mining and refining operations in South Africa. The company also owns a number of substantial assets in Zimbabwe and is a major shareholder in Aquarius Platinum.

Buenaventura
Share price performance*

Minas Buenaventura – 4.0% (2004: 5.1%) is South America's premier precious metals company. Its main asset is a stake in the Yanacocha gold mine in Peru, which it jointly owns with Newmont. Yanacocha is, we believe, the most profitable gold mine in the world. Buenaventura also has interests in a number of other mines and exploration projects throughout Peru.

Alumina
Share price performance*

Alumina – 3.8% (2004: 4.0%) was spun out from the old Western Mining Corporation in 2002. It owns a 40% stake in AWAC, the alumina/chemicals business managed by Alcoa. These predominantly Australian assets are 'low cost' and have a large resource base and strong market position.

First Quantum Minerals
Share price performance*

First Quantum Minerals – 3.3% (2004: 2.2%) is a new entrant into the 'Top Ten'. It is a fast growing integrated copper producer, focused on the copper-cobalt belt in the DRC and Zambia. The company has benefited from high copper prices, an aggressive growth strategy, and a strong control of costs, in addition to being small enough to manoeuvre through the highly sensitive political environs in which it operates.

Zinifex
Share price performance*

Zinifex – 3.2% (2004: 1.9%) is also a new entrant to the 'Top Ten'. It is one of the world's largest integrated zinc and lead producers. The company was formed from the ashes of Pasminco, which declared bankruptcy in 2001. Zinifex owns and operates two mines in Australia, including the world-class Century mine, and four smelters in Australia, the Netherlands and USA.

*Sterling adjusted – year to 31 December 2005. Source: Datastream.

Investment	Date holding first acquired	Book cost £'000	Market value at 31 Dec 2005 £'000	% of investments	Historic yield %
Impala Platinum	Sep-94	9,118	30,236	4.5	2.5
Minas Buenaventura	May-94	3,937	26,558	4.0	1.2
Alumina	Jan-95	16,635	25,709	3.8	2.7
First Quantum Minerals	Oct-03	5,445	22,290	3.3	0.2
Zinifex	Apr-04	6,519	21,666	3.2	0.6

Investments

31 December 2005

	Main geographic exposure	Market value £'000	% of investments
Diversified			
CVRD	Latin America	68,583	10.2
Rio Tinto	Global	58,410	8.7
Falconbridge[1]	Canada	42,009	6.3
BHP Billiton	Global	37,031	5.5
Teck Cominco	Canada	33,262	5.0
Anglo American	Global	19,790	2.9
Xstrata	Global	19,516	2.9
Vedanta Resources	India	16,284	2.4
African Rainbow Minerials	South Africa	3,185	0.5
		298,070	44.4
Copper			
First Quantum Minerals	Zambia	22,290	3.3
Antofagasta	Latin America	11,214	1.7
Amerigo Resources	Latin America	8,716	1.3
Kazakhmys	Kazakhstan	7,735	1.2
Southern Peru Copper	Latin America	7,472	1.1
Jiangxi Copper	China	7,115	1.1
Palabora Mining (inc. convertible bonds)	South Africa	6,497	1.0
Freeport McMoRan	Indonesia	6,268	0.9
AUR Resources	Latin America	3,084	0.4
Cerro Verde	Latin America	2,748	0.4
Ivanhoe Mines	Mongolia	2,498	0.4
Constellation Copper	USA	244	–
		85,881	12.8
Gold			
Minas Buenaventura, 'B' shares	Latin America	26,558	4.0
Gold Fields	South Africa	18,217	2.7
Harmony Gold Mining	South Africa	10,608	1.6
Oxiana	Laos	7,063	1.0
AngloGold Ashanti	South Africa	17	–
		62,463	9.3
Aluminium			
Alumina	Australia	25,709	3.8
Alcoa	USA	13,777	2.1
Global Aluminium Products	Guinea	122	–
		39,608	5.9
Platinum			
Impala Platinum	South Africa	30,236	4.5
Aquarius Platinum	South Africa	4,226	0.6
Ridge Mining	South Africa	1,272	0.2
		35,734	5.3

[1] Falconbridge has been reclassified from nickel following its merger with Noranda.

Investments continued
31 December 2005

	Main geographic exposure	Market value £'000	% of investments
Silver & Diamonds			
Aber Diamond	Canada	21,427	3.2
Industrias Penoles	Latin America	9,125	1.4
RioZim	Zimbabwe	–	–
		30,552	4.6
Coal			
Peabody Energy	USA	8,258	1.2
China Shenhua Energy	China	6,386	1.0
Fording Canadian Coal	Canada	1,504	0.2
Riversdale Mining	South Africa	788	0.1
		16,936	2.5
Nickel			
Inco	Canada	8,629	1.3
Eramet	Europe	5,000	0.7
Lionore Mining	Australia	1,234	0.2
Minara Resources	Australia	200	0.0
Bindura Nickel	Zimbabwe	–	–
Knight Resources	Canada	–	–
		15,063	2.2
Other			
Zinifex	Australia	21,666	3.2
Iluka Resources	Australia	17,854	2.7
EM Resources*	Russia	10,114	1.5
Cameco	Canada	9,199	1.4
Caemi Mineracao	Latin America	8,122	1.2
Minsur	Latin America	4,993	0.7
Canadian Oil Sands	Canada	4,712	0.7
Uranium Participation	Canada	3,266	0.5
Griffin Mining	China	1,873	0.3
Energy Resources	Australia	1,641	0.2
Denison Mines	Canada	1,100	0.2
Quay Magnesium	China	743	0.1
Murchison Metals	Australia	676	0.1
Aricom	Russia	654	0.1
Volcan	Latin America	384	0.1
Marakand Minerals	Russia	176	–
Adelaide Resources	Australia	114	–
Bluestone Tin	Australia	42	–
LME Tin Jan 06 Put	USA	(21)	–
		87,308	13.0
Portfolio (including subsidiary company investments)		**671,615**	**100.0**

* Unquoted investment at directors' valuation

All investments are in ordinary shares with the exception of the Palabora Mining convertible bond valued at £3,338,000 and the LME Tin Jan 06 Put. The total number of investments held at 31 December 2005 was 64 (31 December 2004: 60).

Portfolio Analysis

31 December 2005

Commodity exposure*

Geographic exposure*

* Based on the principal commodity exposure and place of operation of each investment.

** Consists of Indonesia, India, Guinea, Zambia and Laos.

*** Consists of Indonesia, India, Guinea, Kazakhstan, Mongolia, Zambia and Laos.

Directors

Peter S Wilmot-Sitwell*
(Chairman)
Aged 70, has been the Chairman of the Company since its launch in December 1993. He was executive chairman of S.G. Warburg Securities until his retirement in 1994 and has been a non executive director of several quoted companies.

Ian C S Barby
Aged 61, was appointed to the Board in December 2003. He is non-executive chairman of Ecofin Water and Power Opportunities plc and INVESCO Perpetual UK Smaller Companies Investment Trust plc, and a non-executive director of Pantheon International Participations PLC and Schroder Income Growth Fund PLC. He was managing director of Merrill Lynch Investment Managers' Investment Trusts division until June 2003.

Oliver A G Baring*
Aged 61, was appointed to the Board on 4 November 2004. He is chairman of First Africa Ltd and holds non executive chairmanships of Ridge Mining plc (formerly Cluff Mining plc) and Mwana Africa plc as well as directorships in Robert Fox Limited, Tilley International plc and Tiedemann Trust Company.

Colin A M Buchan*
Aged 51, was appointed to the Board in July 2001. He was Global Head of Equities at UBS Warburg before his retirement in March 2001. He is a non-executive director of Standard Life Investments, National Westminster Bank plc, The Royal Bank of Scotland plc, The Royal Bank of Scotland Group plc, The Fettes Foundation and The Royal Scottish National Orchestra.

Anthony W Lea*
Aged 57, was appointed to the Board in July 2005. He was the finance director of Anglo American plc in London from 1999 to 2005, one of the world's leading mining and natural resources companies. He was also a non-executive director of AngloGold Ashanti Limited, the world's second largest gold producer, and De Beers Investments SA.

Gordon H Sage*
Aged 58, was appointed to the Board in July 2001. He was an executive director of Rio Tinto plc until his retirement early in 2001 and is deputy chairman of ERM Holdings Limited, an environmental consulting concern. He is also a director of Balfour Beatty plc.

All the Directors are non-executive.
*Independent Director and a member of the Audit & Management Engagement Committee.

Directors' Report

The Directors present the annual report and financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2005.

Principal activity and business review

The Company carries on business as an investment trust. Its principal activity is portfolio investment and that of its two subsidiary undertakings, Merrill Lynch Gold Limited and World Mining Investment Company Limited, is investment dealing.

A review of the business is given in the Investment Manager's Report and the Chairman's Statement.

Status of the Company

In the opinion of the Directors, the Company has conducted its affairs during the year under review, and subsequently, so as to qualify as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988 ("ICTA"). The last accounting period for which the Company has been treated as approved as an investment trust by the Inland Revenue was for the year ended 31 December 2004. It is the Company's intention to continue to seek approval under section 842 of ICTA.

The Company is an investment company and can take advantage of section 265 of the Companies Act 1985 (which allows an investment company to disregard losses on the capital account when paying dividends out of the revenue account).

The Company is not a close company within the meaning of the provisions of ICTA.

The Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

Continuation of the Company

As agreed by shareholders in 1998, an ordinary resolution for the continuance of the Company is proposed at each Annual General Meeting.

Going concern

The financial statements of the Company have been produced on a going concern basis. The Directors believe that this is the most appropriate basis as the continuation vote, being an annual event, is considered to be a routine item, and the majority of the Company's assets are readily realisable quoted securities. The Company is able to meet all of its liabilities from its assets and the on-going expenses are less than 2% of the net assets.

Results and dividends

The consolidated profit for the year was £262,101,000 (2004: £10,063,000, as restated) of which £5,642,000 (2004: £4,899,000) is the revenue profit. The results for the Group are set out in the Consolidated Income Statement on page 29.

The Directors recommend the payment of a final dividend of 1.80p per share and have also declared a special dividend of 1.00p per share in respect of the year ended 31 December 2005 (2004: 1.75p and 0.75p respectively). The dividends will be paid on 24 March 2006 to shareholders on the register of members at close of business on 24 February 2006. The cost of the dividends amount to £4,712,000.

Share capital

Details of the Company's share capital are given in note 16 on page 41.

Derivative transactions

Details of the Group's derivative transactions are given in the Investment Manager's Report on page 11 and in note 20 on pages 43 and 44.

Directors

The Directors of the Company on 31 December 2005, all of whom held office at any time during the year under review, and their interests in the ordinary shares of the Company, are shown in the table below.

As reported in the interim report, Mr A E Buxton retired as a Director on 17 March 2005.

	1 January 2005	31 December 2005
P S Wilmot-Sitwell	45,000	54,000
I C S Barby	5,000	5,000
O A G Baring	–	–
C A M Buchan	20,000	20,000
A W Lea (appointed 29 July 2005)	–	5,000
G H Sage	10,000	10,000

All of the holdings of the Directors are beneficial. No changes to these holdings had been notified up to the date of this report.

Directors' Report continued

In accordance with the Company's Articles of Association, Mr Wilmot-Sitwell will retire by rotation but will not offer himself for re-election. Mr Wilmot-Sitwell will be retiring as Chairman and a Director of the Company at the conclusion of the forthcoming Annual General Meeting on 17 March 2006, as he will have attained the age of 70 by that date and this would be in accordance with the Company's established practice. The Board has agreed that Mr Lea will succeed Mr Wilmot-Sitwell as Chairman.

Mr A W Lea, having been appointed as a Director on 29 July 2005, retires and offers himself for election in accordance with the Articles of Association. He brings to the Board his extensive knowledge of the mining sector, as well as wider corporate finance and commercial experience. His election is recommended to shareholders.

None of the Directors has a service contract with the Company.

Directors' remuneration report
The Directors' remuneration report is set out on page 22. An ordinary resolution to approve this report will be put to members at the forthcoming Annual General Meeting. No Director's entitlement to remuneration is conditional upon the resolution being approved.

Substantial share interests
The Company has been advised that the following shareholders owned 3% or more of the ordinary shares of the Company on 3 February 2006.

	Number of Ordinary Shares	% of Issued Ordinary Share Capital
Lazard Asset Management	11,381,032	6.8
Legal & General Investment Management Limited*	7,083,390	4.2
Merrill Lynch Investment Managers Limited**	6,806,463	4.0
Reed Elsevier Ltd Pension Scheme	5,700,000	3.4

* 0.4% held on behalf of clients.
** 3.0% held on behalf of discretionary clients and 1.0% held on behalf of non-discretionary clients and staff.

Investment policy
The Company's investment objective is to maximise total returns to shareholders through a worldwide portfolio of mining and metal securities. Up to 10% of the assets may be invested in physical metals. The financial instruments held by the Company are detailed in note 20. No material change will be made to the objective without shareholder approval.

While the Company may hold shares in other listed investment companies (including investment trusts), the Board has agreed that the Company will not invest more than 15% of its gross assets in other UK listed investment companies.

Investment management and administration
Merrill Lynch Investment Managers Limited ("MLIM") is the Investment Manager of the Company under a contract terminable on six months' notice. During the year the Directors considered a submission by the Investment Manager for an annual increase in the annual management charge. Having taken into account the long-term investment performance, the competitor position, and other similar funds managed by MLIM's Natural Resources Team, the management fee was increased from 0.95% to 1.25% per annum of gross assets with effect from 1 May 2005. The value of any investment in MLIM managed funds is excluded when calculating the management fee.

No penalty on termination of the investment management contract would be payable by the Company in the event that six months' written notice is given to MLIM. There are no provisions relating to payment of fees in lieu of notice.

Merrill Lynch Investment Managers Group Services Limited ("MLIMGS") acts as the secretary and administrator of the Company and receives an annual fee of 0.05% of gross assets. The Bank of New York Europe Limited ("BNYE") is the custodian of the Company's assets. The BNYE fee is payable at rates depending on the number of trades effected and location of securities held. The custodian agreement is subject to six months' notice by either party.

Both MLIM and MLIMGS are subsidiaries of Merrill Lynch & Co., Inc.

Appointment of the Investment Manager
The Board keeps the resources and performance of the Investment Manager under review, and a review of the terms of the contract is undertaken annually.

The Board believes that the continuing appointment of the Investment Manager, on the terms disclosed above, is in the interests of all shareholders. The specialist nature of the

Directors' Report continued

Company's investment remit is, in the Board's view, best served by the Natural Resources Team at MLIM, who have a proven track record in successfully investing in the mining sector.

Gearing policy

The Investment Manager believes that tactical use of gearing can add value from time to time. This gearing typically is in the form of an overdraft or short-term facility, which can be repaid at any time. The level and benefit of gearing is discussed and agreed with the Board regularly.

The Investment Manager generally aims to be fully invested. The gearing limit is currently 15% of the Company's net assets.

Voting policy

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager. However, the consent of the Chairman of the Board is sought prior to the Investment Manager voting against incumbent management in respect of any stock held in the portfolio.

The Investment Manager's voting policy states:

- We will vote in favour of proposals which we expect to enhance shareholder value and on routine issues where we are generally supportive of a company's management;

- We will vote against proposals which we believe may damage shareholders' rights or economic interests; in these situations we would normally have raised our concerns with management in advance;

- We will abstain on proposals which we feel unable to support but believe it would be against our clients' interests to oppose publicly; and

- In all situations the economic interests of our clients will be paramount.

Donations

The Company made no political or charitable donations during the year.

Payment of suppliers

It is the policy of the Company and its subsidiaries to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. Suppliers of goods and services are generally paid within 30 days of the date of any invoice. The Company has no trade creditors.

Share Repurchases

A total of 98,490,586 ordinary shares have been purchased and cancelled up to 9 February 2006, although no shares have been bought back since October 2002. The latest authority to purchase ordinary shares for cancellation was granted to the Directors on 17 March 2005 and expires on 16 September 2006. The Directors considered it was unnecessary to buy back any shares in 2005 as there was continuing demand for the Company's shares in the market, and the discount at which the shares traded to their underlying Net Asset Value remained narrow compared with historic levels and the investment trust sector as a whole. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting.

Although the Investment Manager initiates the buy backs, the policy and parameters are set by the Board and reviewed at regular intervals. The Company intends to raise the cash needed to finance the purchase of ordinary shares either by selling securities in the Company's portfolio or by short-term borrowing.

Treasury Shares

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations came into force on 1 December 2003 and allow companies to hold shares acquired by market purchase as treasury shares, rather than having to cancel them. Up to 10% of the issued shares may be held in treasury and may be subsequently cancelled or sold for cash in the market. This would give the Company the ability to reissue shares quickly and cost efficiently, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

The Board currently intends only to authorise the sale of shares from treasury at prices at or above the prevailing net asset value per share (plus costs of the relevant sale). This should result in a positive overall effect on shareholders if shares are bought back at a discount and then sold at a price at or above the net asset value per share (plus costs of the relevant sale).

In the interests of all shareholders, the Board will keep the matter of treasury shares under review.

Annual General Meeting

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 7 Continuation of the Company as an investment trust:

The resolution to be proposed will seek shareholders authority that the Company shall continue in being as an investment trust.

Resolution 8 Authority to disapply pre-emption rights:

By law, Directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 8 empowers the Directors to allot new shares for cash or to sell shares which are held by the Company in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £420,747 which is equivalent to 8,414,945 ordinary shares of 5p each and 5% of the Company's issued ordinary share capital. Unless renewed, this authority will expire on 16 September 2007.

Resolution 9 Authority to buy back shares:

The resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own shares.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing Net Asset Value per ordinary share. Under the Listing Rules of the Financial Services Authority, the maximum price which can be paid is 5% above the average of the market values of the ordinary shares for the five business days before the purchase is made. 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 25,228,000 ordinary shares (being 14.99% of the issued share capital). Such authority will expire on 16 September 2007.

Auditor

The auditor, Ernst & Young LLP, 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 submitted at the Annual General Meeting.

By order of the Board

Merrill Lynch Investment Managers Group Services Limited
Secretary
9 February 2006

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31 December 2005 which has been prepared in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting.

Directors' Remuneration Committee

The Board, with the exception of Mr Barby who is deemed to be non-independent, fulfils the function of the Directors' Remuneration Committee, and meets when necessary to consider any change in Directors' remuneration policy. A separate Committee has therefore not been established. The Company has no employees other than its Directors, all of whom are non-executive and the majority of whom are independent of the Investment Manager. The Secretary (whose duties are set out elsewhere in this report, and who is not appointed by the Remuneration Committee) provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary.

Performance

The graph below compares the Company's mid-market share price (with net income re-invested) with the HSBC Global Mining Index (income re-invested). This Index is deemed to be the most relevant to the Company's investment objective and is the benchmark used when reporting to shareholders.

Portfolio performance from 1 January 2001 to 31 December 2005

Prior to 30 December 2005 performance was on a mid-to-mid basis, in sterling terms rebased to 100. From 31 December 2005 performance is on a bid basis.
Sources: Merrill Lynch Investment Managers, Datastream.

Remuneration/Service Contracts

The maximum remuneration of the Directors is determined within the limits of the Company's Articles of Association which amounts to £125,000. No element of the Directors' remuneration is performance related. The Company has not awarded any share options or long-term performance incentives to any of the Directors. None of the Directors have service contracts with the Company or receives any non-cash benefits or pension entitlements. 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.

Directors' remuneration

Director	2005 £	2004 £
Peter Wilmot-Sitwell (Chairman)	22,000	18,000
Ian Barby	15,000	12,000
Oliver Baring	15,000	2,000
Colin Buchan	15,000	12,000
Andrew Buxton (retired 17/03/05)	3,750	12,000
Adam Fleming (resigned 17/06/04)	–	5,600
Anthony Lea (appointed 29/07/05)	6,307	–
Gordon Sage	15,000	12,000

The information in this table and in the paragraphs below have been audited.

The remuneration paid to the Chairman and the Directors was increased from £18,000 and £12,000 to £22,000 and £15,000 respectively, on 1 January 2005. Prior to this increase, the remuneration was last reviewed and increased with effect from 1 June 2002. The Board believes this increase is justifiable with reference to the increasing responsibilities placed on Directors as a result of greater corporate governance requirements and that the level of remuneration is in line with comparable trusts.

Compensation for loss of office

No past Director has been compensated for loss of office.

Retirement of Directors

All of the Company's Directors are subject to retirement by rotation as per the Company's Articles of Association.

By order of the Board

Merrill Lynch Investment Managers Group Services Limited
Secretary
9 February 2006

Corporate Governance & Directors' Responsibilities

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enables the Company to comply with the 2003 Combined Code on Corporate Governance (the "Combined Code") and the AITC Code of Corporate Governance. The Financial Services Authority issued the Investment Entities (Listing Rules and Conduct of Business) Instrument 2003 in September 2003. The Board has made the appropriate disclosures in this report to ensure the Company meets its continuing obligations.

The Board considers that the Company has complied with the provisions contained within Section 1 of the Combined Code throughout this accounting period and this statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of six non-executive Directors, all but one of whom are independent of the Company's Investment Manager. This, in the Board's opinion, includes Mr Wilmot-Sitwell, despite his length of service as he is independent of management and free from any business or other relationship which could materially interfere with the exercise of his judgement. This independence allows all of the Directors, with the exception of Mr Barby, to sit on the Company's various committees. Mr Barby, as a non-independent Director, does not sit on the Audit & Management Engagement Committee or the Remuneration Committee. He is considered to be non-independent due to his employment by the Investment Manager, from whom he retired in December 2003. However, the rest of the Board agrees that this relationship does not affect his judgement in discussions relating to the Investment Manager and that his extensive experience of the investment trust sector is of material value to the Company.

Mr Sage has acted as the Senior Independent Director throughout 2005. The Directors' biographies, on page 17, demonstrate a breadth of investment and business experience.

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. The Board determines strategic issues and all operational matters of a material nature.

The Directors retire by rotation at every third Annual General Meeting and any Directors appointed to the Board since the previous Annual General Meeting also retire and stand for election. Directors retire at the first Annual General Meeting after they reach the age of 70 and are generally not expected to seek re-election.

The Director retiring by rotation in accordance with the Company's Articles of Association is Mr Wilmot-Sitwell who will not offer himself for re-election. Mr Wilmot-Sitwell is retiring as Chairman and a Director at the conclusion of the Annual General Meeting in March 2006, as he will be 70 by that date.

Any Director who has served on the Board for more than nine years will be subject to annual re-election. The Directors support a planned and progressive renewing of the Board.

Mr Lea is standing for election to the Board, having been appointed on 29 July 2005 to fill the vacancy caused by the retirement of Mr Buxton. Mr Lea's appointment was fully debated by all the Directors. No executive search firm was used as, due to the Company's specialist nature, the Board believes it is familiar with most of the suitable candidates based in the UK.

The Board meets at least five times a year and between these meetings there is regular contact with the Investment Manager. The Board reserves to itself decisions relating to the determination of investment policy, any change in investment strategy, strategic gearing policy, policy on the buy back of shares, whether to hold shares in treasury, and entering into any material contracts. The Board also sets investment parameters, such as the acquisition or disposal of substantial interests and the maximum amount that can be invested in unquoted investments. In addition, changes relating to the Group's capital structure, approval of circulars to shareholders and listing particulars, relevant press releases and any significant change in accounting policies or practices must also be approved 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 1985. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports.

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.

The Company has maintained appropriate Directors' Liability Insurance cover throughout the year.

The Board is also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board/Audit and Management Engagement Committee/Director ongoing evaluation
The Board formally reviews its performance on a regular basis, together with that of the Audit & Management Engagement Committee.

An appraisal system has been agreed by the Board for evaluation of the Board, its Committees and individual Directors, including the Chairman. The evaluation for the year ended 31 December 2005 has been carried out. The Board assessed its performance through discussions to identify how the effectiveness of its activities, including its Committees, policies or processes might be enhanced. 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, was functioning effectively.

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 the Investment Manager and its subsidiary companies. The Board has final investment authority on unquoted investments. Custody and settlement services are provided by The Bank of New York Europe Limited ('BNYE'), a subsidiary of The Bank of New York.

The Board has delegated the exercise of voting rights attached to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 20.

Board Committees
As the Board is small it fulfils the function of the Nomination Committee, which will meet when necessary, to select and propose suitable candidates for appointment. When looking for a new Director, the Board will take into account the size, balance and profile of the Board as a whole, to identify any areas that need strengthening. Due to the specialist nature of the investment mandate, and the difficulty in finding new Directors with knowledge of the mining sector, the existing Directors will try to identify suitable individuals from their range of contacts, although other sources, including external search consultants, may also be used as required.

Audit Committee
The Audit & Management Engagement Committee is chaired by Colin Buchan and is made up of the independent Directors, including the Chairman of the Company. The Board considers that at least one member of the Audit Committee has sufficient recent and relevant financial experience for it to discharge its function effectively. The Committee meets at least twice a year and, amongst other things, examines the effectiveness of the control systems. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise. The terms of reference of this Committee are available on request and will also be available at each Annual General Meeting. The two planned meetings are held prior to the Board meeting to approve the interim and annual results, including the valuation of any unquoted investments. The Committee does not consider that as an investment trust company it needs to hold an additional meeting, although this is kept under review. The Committee also reviews the interim and annual reports, receives information from the Investment Manager's corporate audit and compliance departments and regularly reviews the terms of the investment management and administration contracts. The Committee reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor.

Non audit fees of £9,000 were paid to Ernst & Young LLP for the provision of taxation services and a further £3,000 for their review of the interim financial statements. In addition, a one-off fee of £15,000 was paid for services relating to the Company's conversion to International Financial Reporting Standards

('IFRS'). The Board considers the services provided are non-material and cost efficient. On an annual basis Ernst & Young LLP reviews the independence of their relationship with the Investment Manager and reports to the Board, providing details of any other relationship with the Investment Manager. The Board has concluded that Ernst & Young LLP is independent of the Company and the Investment Manager.

The external auditor is invited to attend the Audit & Management Engagement Committee meeting at which the annual accounts are considered and, at which they have the opportunity to meet with the Committee without representatives of the Investment Manager being present. Remuneration of Directors is determined by the Board, with the exception of Mr Barby, who is considered non-independent. The remuneration of the Chairman and Directors is reviewed against the fees paid to directors of other specialist investment trusts and investment trusts of a comparable size, as well as taking account of any data published by the AITC.

Membership of the Board Committees

Audit & Management Engagement Committee
Colin Buchan (Chairman)
Oliver Baring
Anthony Lea
Gordon Sage
Peter Wilmot-Sitwell

Attendance record

	Number of Meetings attended	
	Board	Audit
Number of Meetings held	6	2
Peter Wilmot-Sitwell	6	2
Ian Barby	6	N/A
Oliver Baring	5	1
Colin Buchan	5	1
Andrew Buxton (retired 17/3/05)	2	1
Anthony Lea (since appointment)	3	1
Gordon Sage	5	2

Internal controls

The Board is responsible for the internal controls of the Group 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. The Board reviews the effectiveness of the internal control system, on an ongoing basis to identify, evaluate and manage the Group's significant risks. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Investment Manager and BNYE. 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 Investment Manager's corporate audit department. This accords with the guidance in the Turnbull Report.

The Investment Manager reports to the Group on its review of internal controls, formally on a semi-annual basis and verbally at each Board and Audit Committee meeting. The Audit Committee also receives a report from BNYE on the internal controls of its custodial operations. The Group does not have its own internal audit function, as all the administration is delegated to the Investment Manager and its subsidiaries. This matter is kept under review.

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 BNYE.

The Investment Manager prepares revenue forecasts and management accounts which allow the Board to assess the Group'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.

Financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- 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;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. 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.

Socially Responsible Investment

The Company invests in mining companies around the world. The Investment Manager's evaluation procedure and financial analysis of the companies within the portfolio includes research and appraisal, and also takes 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 in the UK are detailed on their website (www.mlim.co.uk/its), in the Investment Trust Literature section under Corporate Literature; Investment Statement.

Relations with shareholders

All ordinary shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of the Annual General Meeting sets out the business of the Meeting and any item not of an entirely routine nature is explained in the Directors' Report. The Notice of Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. Separate resolutions are proposed for substantive issues.

In addition, regular updates on performance are sent to shareholders and the Investment Manager reviews the Company's activities at the Annual General Meeting, where the Chairman of the Board and the Chairman of the Audit & Management Engagement Committee and representatives of the Investment Manager are available to answer shareholders' queries. Proxy voting figures are announced to the shareholders at the Annual General Meeting.

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 brokers.

There is a section within this report entitled 'Shareholder Information', on pages 50 to 52, which provides an overview of useful information available to shareholders.

Report of the Independent Auditor

to the members of Merrill Lynch World Mining Trust plc

We have audited the Group and Company financial statements for the year ended 31 December 2005, which comprise the Consolidated Income Statement, Group and Company Balance Sheets, Group and Company Statements of Changes in Equity, Group and Company Cash Flow Statements, and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 the auditor
The Directors are responsible for preparing the Annual Report, including the Directors' Remuneration Report and the financial statements which are required to be prepared in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union, as set out in the Statement on Corporate Governance & Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, International Standards on Auditing (UK & Ireland) and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed. We review whether the statement on Corporate Governance and Directors' Responsibilities reflects the Group's compliance with the nine provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Performance Record, Chairman's Statement, Investment Manager's Report, Ten Largest Investments, Investments, Portfolio Analysis, Directors' Report, the unaudited part of the Directors' Remuneration Report, Corporate Governance & Directors' Responsibilities, Analysis of Ordinary Shareholders, Base Cost, Management & Administration, Shareholder Information, Notice of Annual General Meeting and Glossary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Report of the Independent Auditor continued

Opinion

In our opinion:

i) the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the Company and of the Group as at 31 December 2005 and of the revenue of the Group for the year then ended; and

ii) the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligations to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board.

In our opinion, the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2005 and of its revenue for the year then ended.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
9 February 2006

Consolidated Income Statement

for the year ended 31 December 2005

	Notes	Revenue return 2005 £'000	Revenue return 2004 £'000	Capital return 2005 £'000	Capital return (Restated see note 23) 2004 £'000	Total 2005 £'000	Total (Restated see note 23) 2004 £'000
Income from investments held at fair value through profit or loss	3	13,620	8,813	–	–	13,620	8,813
Other income	3	2,477	3,859	–	–	2,477	3,859
Total revenue		16,097	12,672	–	–	16,097	12,672
Gains on investments held at fair value through profit or loss	10	–	–	257,320	4,664	257,320	4,664
Realised (losses)/gains on foreign exchange		–	–	(861)	500	(861)	500
		16,097	12,672	256,459	5,164	272,556	17,836
Expenses							
Management fees	4	(6,841)	(3,797)	–	–	(6,841)	(3,797)
Other expenses	5	(797)	(697)	–	–	(797)	(697)
Profit before finance costs and tax		8,459	8,178	256,459	5,164	264,918	13,342
Finance costs	6	(1,509)	(1,817)	–	–	(1,509)	(1,817)
Profit before tax		6,950	6,361	256,459	5,164	263,409	11,525
Tax	7	(1,308)	(1,462)	–	–	(1,308)	(1,462)
Profit for the year		5,642	4,899	256,459	5,164	262,101	10,063
Return per ordinary share – basic and diluted	9	3.39p	3.01p	154.02p	3.17p	157.41p	6.18p

The total column of this statement represents the Group's Consolidated Income Statement, prepared in accordance with International Financial Reporting Standards ('IFRSs'). The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the Merrill Lynch World Mining Trust plc. There are no minority interests.

The notes on pages 33 to 47 form part of these financial statements.

Balance Sheets

as at 31 December 2005

	Notes	Group 2005 £'000	Company 2005 £'000	Group (Restated see note 23) 2004 £'000	Company (Restated see notes 11 and 23) 2004 £'000
Non-current assets					
Investments held at fair value through profit or loss	10	669,497	675,828	416,820	422,122
Current assets					
Investments	11	2,118	–	4,886	–
Other receivables	12	976	1,167	2,145	2,143
Cash and cash equivalents		30	–	–	–
		3,124	1,167	7,031	2,143
Total assets		672,621	676,995	423,851	424,265
Current liabilities					
Other payables	13	(4,309)	(3,790)	(3,862)	(3,097)
Bank overdrafts	14	–	(4,893)	(19,802)	(22,954)
Financial liabilities	13	–	–	(1,973)	–
		(4,309)	(8,683)	(25,637)	(26,051)
Total assets less current liabilities		668,312	668,312	398,214	398,214
Non-current liabilities					
Deferred tax	15	(110)	(110)	(85)	(85)
Net assets		668,202	668,202	398,129	398,129
Equity attributable to equity holders					
Ordinary share capital	16	8,415	8,415	8,140	8,140
Share premium	17	11,767	11,767	–	–
Special reserve	17	203,244	203,244	203,244	203,244
Capital redemption reserve	17	22,779	22,779	22,779	22,779
Capital reserve	17	409,937	414,768	153,478	157,280
Retained earnings	17	12,060	7,229	10,488	6,686
Total equity		668,202	668,202	398,129	398,129
Net Asset Value per ordinary share – undiluted	18	397.03p	397.03p	244.55p	244.55p
Net Asset Value per ordinary share – diluted	18	–	–	240.29p	240.29p

The financial statements on pages 29 to 47 were approved by the Board of Directors and were authorised for issue on 9 February 2006 and signed on its behalf by Mr P S Wilmot-Sitwell, Chairman.

The notes on pages 33 to 47 form part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2005

Group

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
For the year ended December 2004								
At 31 December 2003 as restated (see note 22)		8,140	–	203,244	22,779	148,619	8,357	391,139
Profit for the year		–	–	–	–	5,164	4,899	10,063
Warrant issue costs		–	–	–	–	(305)	–	(305)
Dividends paid and declared (a)	8	–	–	–	–	–	(2,768)	(2,768)
At 31 December 2004		8,140	–	203,244	22,779	153,478	10,488	398,129
For the year ended December 2005								
At 31 December 2004 as restated (see note 23)		8,140	–	203,244	22,779	153,478	10,488	398,129
Profit for the year		–	–	–	–	256,459	5,642	262,101
Exercise of warrants		275	11,767	–	–	–	–	12,042
Dividends paid and declared (b)	8	–	–	–	–	–	(4,070)	(4,070)
At 31 December 2005		**8,415**	**11,767**	**203,244**	**22,779**	**409,937**	**12,060**	**668,202**
Company								
For the year ended 31 December 2004								
At 31 December 2003 as restated (see note 22)		8,140	–	203,244	22,779	150,061	6,915	391,139
Profit for the year		–	–	–	–	7,524	2,539	10,063
Warrant issue costs		–	–	–	–	(305)	–	(305)
Dividends paid and declared (a)	8	–	–	–	–	–	(2,768)	(2,768)
At 31 December 2004		8,140	–	203,244	22,779	157,280	6,686	398,129
For the year ended 31 December 2005								
At 31 December 2004 as restated (see note 23)		8,140	–	203,244	22,779	157,280	6,686	398,129
Profit for the year		–	–	–	–	257,488	4,613	262,101
Exercise of warrants		275	11,767	–	–	–	–	12,042
Dividends paid and declared (b)	8	–	–	–	–	–	(4,070)	(4,070)
At 31 December 2005		**8,415**	**11,767**	**203,244**	**22,779**	**414,768**	**7,229**	**668,202**

a. The final dividend for the year ended 31 December 2003, declared on 13 February 2004 and paid on 31 March 2004.
b. The final and special dividends for the year ended 31 December 2004, declared on 14 February 2005 and paid on 31 March 2005.

The notes on pages 33 to 47 form part of these financial statements.

Cash Flow Statements

for the year ended 31 December 2005

	Year ended 31 December 2005		Year ended 31 December 2004 (Restated see note 23)	
	Group £'000	Company £'000	Group £'000	Company £'000
Operating activities				
Profit before tax	263,409	262,965	11,525	10,514
Add back interest paid	1,509	1,378	1,817	1,457
Gains on investments held at fair value through profit or loss	(257,320)	(258,349)	(4,664)	(7,024)
Net losses/(gains) on foreign exchange	861	861	(500)	(500)
Net sales of current asset investments by subsidiaries	4,286	–	2,131	–
(Losses)/gains on forward currency contracts	(499)	(499)	1,021	1,021
Net sales of investments held at fair value through profit or loss	4,643	4,643	10,501	10,501
Increase in other receivables	(297)	(297)	(452)	(382)
Decrease/(increase) in amounts due from brokers	1,301	1,301	(910)	(910)
(Decrease)/increase in other payables	(869)	1,196	2,013	(51)
Decrease in amounts due to brokers	(556)	(556)	(189)	(189)
Dealing profits	(1,518)	–	(3,504)	–
Net cash inflow from operating activities before interest and taxation	14,950	12,643	18,789	14,437
Interest paid	(1,509)	(1,378)	(1,817)	(1,457)
Tax (paid)/recovered	(376)	27	(191)	(10)
Tax deducted from overseas income	(843)	(841)	(612)	(611)
Net cash inflow from operating activities	12,222	10,451	16,169	12,359
Financing activities				
Exercise of warrants	12,042	12,042	–	–
Warrant issue costs	–	–	(305)	(305)
Dividends paid	(4,070)	(4,070)	(2,768)	(2,768)
Net cash inflow/(outflow) from financing activities	7,972	7,972	(3,073)	(3,073)
Increase in cash and cash equivalents	20,194	18,423	13,096	9,286
Bank overdrafts at start of period	(19,802)	(22,954)	(32,852)	(32,194)
Effect of foreign exchange rate changes	(362)	(362)	(46)	(46)
Cash and cash equivalents/(bank overdrafts) at end of the year	30	(4,893)	(19,802)	(22,954)

The notes on pages 33 to 47 form part of these 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 842 of the Income and Corporation Taxes Act 1988.

The principal activity of the two subsidiaries, Merrill Lynch Gold Limited and World Mining Investment Company Limited, is investment dealing.

2. Accounting policies

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Group and by the Company are set out below. The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

(a) Basis of preparation

This is the first year in which the Group has prepared its financial statements under IFRSs and the comparatives have been restated from UK Generally Accepted Accounting Practice ("UK GAAP") to comply with IFRSs. The Group issued its interim report in July 2005 incorporating its preliminary IFRS financial statements for 2004 and the reconciliations to IFRSs from the previously published UK GAAP financial statements are summarised in notes 22 and 23.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2005. There are no differences between the accounting policies applied in the Group and the Company.

The Group and Company financial statements are presented in sterling, which is the currency of the primary environment in which the Group operates. All values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements have been prepared in accordance with the guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Trust Companies ("AITC") revised in December 2005.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of Merrill Lynch World Mining Trust plc and the entities it controls (its subsidiaries) drawn up to 31 December each year

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

(c) Presentation of Consolidated Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AITC, supplementary information which analyses the Consolidated Income Statement between items of revenue and capital nature has been presented alongside the Consolidated Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend.

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

(e) 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. Interest income is accounted for on an accruals basis. Premiums on written options are recognised as income.

(f) Expenses
All expenses, including interest expenses, are accounted for on an accruals basis. Expenses have been treated as revenue except as follows:
- expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed in note 10; and
- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

(g) Taxation
Deferred tax is recognised in respect of all temporary differences at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(h) Investments designated as held at fair value through profit or loss
Purchases of investments are recognised on a trade date basis and designated upon initial recognition as held at fair value through profit or loss. The sale 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 instruments is based on their quoted bid price at the balance sheet date, without deduction for any estimated future selling costs. Unquoted investments are valued by the Directors using primary valuation technologies such as earnings multiples, recent transactions and net assets. This policy applies to all current and non-current asset investments held by the Group.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Consolidated Income Statement as "Gains or losses on investments held at fair value through profit or loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

(i) Other receivables and payables
Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value. Other payables are non interest bearing and are stated at their nominal value.

(j) Dividends payable
Final dividends are recognised from the date on which they are declared and approved by shareholders.

(k) Foreign currency translation
Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement.

(l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

(m) Bank borrowings

Bank overdrafts are recorded as the proceeds received, net of direct issues costs. Finance charges, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Consolidated Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

3. Income

	2005 £'000	2004 £'000
Investment Income :		
UK listed dividends	2,481	1,446
Overseas listed dividends	10,299	6,592
Overseas unlisted dividends	572	481
Interest	268	294
	13,620	8,813
Other operating income:		
Deposit interest	54	355
Dealing profits	1,518	3,504
Other income – option premiums	905	–
	2,477	3,859
Total income	16,097	12,672
Total income comprises:		
Dividends	13,352	8,519
Deposit interest	54	355
Bond interest	268	294
Other income	2,423	3,504
	16,097	12,672

Dealing profits are presented after deducting transaction costs incurred on the purchase and sale of investments.

4. Management fees

	2005 £'000	2004 £'000
Investment management fees	6,342	3,631
Irrecoverable VAT thereon	499	166
	6,841	3,797

Details of the investment management and administration contracts are given in the Report of the Directors on page 19. The investment management fee is levied quarterly, based on the value of the gross assets on the last day of each quarter. All investment management fees are charged to revenue.

5. Other expenses

	2005 £'000	2004 £'000
Custody fee	173	209
Administration fee	327	225
Auditors' remuneration:		
– audit services	18	17
– non audit services	27	14
Registar's fee	49	40
Directors' remuneration	92	74
Other administrative costs	111	118
	797	697

	2005	2004
The Company's total expense ratio, calculated as a percentage of average net assets and using expenses, excluding interest costs, after relief for taxation was:	1.0%	0.8%

6. Finance costs

	2005 £'000	2004 £'000
Interest on bank overdrafts	1,509	1,817

7. Taxation

	2005 £'000	2004 £'000
Corporation tax	1,263	1,372
Double taxation relief	(739)	(546)
	524	826
Overseas tax	759	569
Prior year adjustment	–	(8)
Total current tax	1,283	1,387
Deferred tax	25	75
Total tax	1,308	1,462

7. Taxation continued

The tax assessed for the period is lower than the standard rate of corporation tax of 30% (2004 – 30%). The differences are explained below:

	2005 £'000	2004 £'000
Income from operations before tax	263,409	11,525
Return on ordinary activities multiplied by standard rate of corporation tax (30%)	79,023	3,457
Effects of:		
Non taxable UK dividends	(736)	(428)
Withholding tax suffered	759	569
Double taxation relief	(739)	(546)
Gains on investments held at fair value through profit or loss not taxable	(76,938)	(1,549)
Income taxable in different periods	(86)	(108)
Prior year adjustment	–	(8)
Current tax charge	1,283	1,387
Deferred tax	25	75
Total tax charge	1,308	1,462

Investment trusts are exempt from corporation tax on capital gains provided the Company obtains agreement from HM Revenue & Customs that s842 ICTA tests have been met.

8. Dividends

	2005 £'000	2004 £'000
Dividends on equity shares:		
Proposed final ordinary dividend 1.80p (2004: 1.75p)	3,029	2,849
Declared special dividend of 1.00p (2004: 0.75p)	1,683	1,221
	4,712	4,070

Under IFRS, final dividends and special dividends are not recognised as a liability until approved by shareholders. They are also debited directly to reserves. Therefore, the Consolidated Statement of Changes in Equity for the year ended 31 December 2005 reflects the final (1.75p) and special (0.75p) dividends for the year ended 31 December 2004 which were approved by shareholders on 17 March 2005.

For the year ended 31 December 2005, a final dividend of 1.80p per ordinary share has been proposed. The Board has declared a special dividend of 1.00p per share payable on the same date as the final dividend.

9. Return per ordinary share

	2005	2004
Net revenue attributable to ordinary shareholders (£'000)	5,642	4,899
Net capital gains attributable to ordinary shareholders (£'000)	256,459	5,164*
Total earnings attributable to ordinary shareholders	262,101	10,063
The weighted average number of ordinary shares in issue during each year, on which the return per ordinary share was calculated, was	166,506,112	162,800,000
Revenue return per share (basic and diluted)	3.39p	3.01p
Capital return per share (basic and diluted)	154.02p	3.17p
Total return per share (basic and diluted)	157.41p	6.18p

* restated – see note 23.

10. Investments held at fair value through profit or loss

	Group 2005 £'000	Company 2005 £'000	Group (Restated see note 23) 2004 £'000	Company (Restated see notes 11 and 23) 2004 £'000
UK listed investments held at fair value through profit or loss	178,181	178,181	99,820	99,820
Overseas listed investments held at fair value through profit or loss	481,202	481,202	313,231	313,231
Unlisted investments held at fair value through profit or loss	10,114	16,445	3,769	9,071
	669,497	675,828	416,820	422,122
Valuation brought forward	416,820	422,122	422,657	425,599
Unrealised appreciation	(141,145)	(144,947)	(172,992)	(174,434)
Opening cost of investments	275,675	277,175	249,665	251,165
Additions at cost	124,034	124,034	120,997	120,997
Disposals	(128,677)	(128,677)	(131,498)	(131,498)
Realised gains	48,795	48,795	36,511	36,511
Cost carried forward	319,827	321,327	275,675	277,175
Closing unrealised appreciation	349,670	354,501	141,145	144,947
Closing valuation of investments	669,497	675,828	416,820	422,122

During the year, the Company incurred transaction costs on the purchase and sale of investments totalling £569,000 (2004: £363,000). The gains on investments are shown after deducting such transaction costs.

10. Investments held at fair value through profit or loss continued

Gains on investments held at fair value through profit or loss

	Group 2005 £'000	Company 2005 £'000	Group (Restated see note 23) 2004 £'000	Company (Restated see notes 11 and 23) 2004 £'000
Realised gains on sales	48,795	48,795	36,511	36,511
Increase/(decrease) in unrealised appreciation	208,525	209,554	(31,847)	(29,487)
	257,320	258,349	4,664	7,024

11. Current asset investments and investment in subsidiary undertakings

Current asset investments

	2005 £'000	2004 £'000
UK listed	–	2,258
Futures contracts	–	2,027
Overseas listed	2,118	601
	2,118	4,886

During the year, the subsidiary companies incurred transaction costs on the purchase and sale of investments totalling £36,000 (2004: £37,800).

Subsidiary undertakings

At 31 December 2005, the Company has two wholly owned subsidiary undertakings, both of which are registered and operating in England and Wales.

	Description of shares	Issued share capital 2005	2004	Principal activity
Merrill Lynch Gold Limited	Ordinary share of £1	£2	£2	Investment dealing
World Mining Investment Company Limited	Ordinary share of £1	£100	£100	Investment dealing

The Company's investments in its subsidiary undertakings were previously valued by the Directors at the historical cost of £1,500,000.

Under IFRS, the investments in the subsidiaries are now fair valued which is deemed to be the balance sheet value of each company. The effect of this change is to increase the net assets of the Company by £4,831,000 (2004: £3,802,000). Comparatives have been restated for this change in accounting policy.

Notes to the Financial Statements continued

12. Other receivables

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Dividends receivable	623	623	341	341
Amounts due from brokers	92	92	1,393	1,393
Amount due from subsidiary undertakings	–	191	–	–
Other receivables	202	202	187	187
Current taxation	59	59	224	222
	976	1,167	2,145	2,143

13. Other payables

	Group 2005 £'000	Company 2005 £'000	Group (Restated see note 23) 2004 £'000	Company (Restated see note 23) 2004 £'000
Accruals for expenses and interest payable	2,574	2,574	1,378	1,378
Amounts due to brokers	1,163	1,163	1,811	1,719
Current tax	572	53	673	–
	4,309	3,790	3,862	3,097

Financial liabilities comprise derivative instruments. At 31 December 2005 there were no amounts included in the Balance Sheet (2004: £1,973,000).

14. Interest bearing loans and borrowings

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Bank overdrafts	–	4,893	19,802	22,954

Analysis of borrowings by currency	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
US dollars	–	4,893	6,250	5,844
Sterling	–	–	13,552	17,110
	–	4,893	19,802	22,954

Bank overdrafts are repayable on demand and have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates to 4.625% per annum and is determined on base rate plus 1%.

Notes to the Financial Statements continued

14. Interest bearing loans and borrowings continued

At 31 December 2005, the Group had available £35,107,000 (2004: £20,198,000) of unutilised committed borrowing facilities in respect of which all conditions precedent have been met.

15. Non-current liabilities

	Group and Company 2005 £'000	Group and Company 2004 £'000
Deferred taxation		
At 1 January	85	10
Transfer during the year	25	75
At 31 December	110	85

16. Share capital

	31 December 2005		31 December 2004	
	Number	£'000	Number	£'000
Authorised share capital comprised:				
Ordinary shares of 5p each	750,000,000	37,500	750,000,000	37,500
Allotted, issued and fully paid:				
Ordinary shares of 5p each	168,298,906	8,415	162,800,000	8,140

During the year, 5,498,906 warrants were exercised at a price of 219p. This resulted in the issue of 5,498,906 ordinary shares for a total consideration of £12,042,000. The remaining 27,060,658 warrants lapsed.

17. Reserves

Group	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000
At 1 January 2005 (restated see note 23)	–	203,244	22,779	153,478	10,488
Movement during the year:					
Exercise of warrants	11,767	–	–	–	–
Net profit for the year	–	–	–	–	262,101
Transfer from retained earnings to capital reserve	–	–	–	256,459	(256,459)
Dividends paid	–	–	–		(4,070)
At 31 December 2005	11,767	203,244	22,779	409,937	12,060

The Group's capital reserve includes £349,670,000 of unrealised gains (2004: £141,145,000).

17. Reserves continued

Company

	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000
At 1 January 2005 (restated see note 23)	–	203,244	22,779	157,280	6,686
Movement during the year:					
Exercise of warrants	11,767	–	–	–	–
Net income for the year	–	–	–	–	262,101
Transfer from retained earnings to capital reserve	–	–	–	257,488	(257,488)
Dividends paid	–	–	–	–	(4,070)
At 31 December 2005	11,767	203,244	22,779	414,768	7,229

The Company's capital reserve consists of £354,501,000 of unrealised gains (2004: £144,947,000).
The net revenue before distribution dealt with in the financial statements of the parent company was £4,613,000 (2004: £2,539,000). As permitted under section 230 of the Companies Act 1985, the Consolidated Income Statement of the parent company is not presented as part of these financial statements.

18. Net Asset Value per ordinary share

	2005	2004
Net assets attributable to ordinary shareholders (£'000)	668,202	398,129*
The actual number of ordinary shares in issue at the end of each year, on which the return per ordinary share was calculated, was	168,298,906	162,800,000
Number of ordinary shares in issue for diluted NAV	–	195,359,564
Net asset value per ordinary share – undiluted	397.03p	244.55p*
Net asset value per ordinary share – diluted	–	240.29p*
Share price	351.50p	218.00p

The fully diluted Net Asset Value per share at 31 December 2004 of 240.29p is calculated by adjusting net assets attributable to ordinary shareholders for considerations receivable on the exercise of all warrants and dividing by the total number of shares that would have been in issue at 31 December 2004 had all warrants been exercised. There was no dilution at 31 December 2005 as all warrants were either exercised or lapsed during the year (see note 16).

* restated – see note 23.

19. Notes to the Cash Flow Statement

The purchase and sale of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities.

The cash flows associated with these activities are presented below.

	2005 £'000	2004 £'000
Proceeds on disposal of investments held at fair value through profit or loss	129,978	130,588
Purchases of investments held at fair value through profit or loss	(124,590)	(121,186)
Net cash inflow from purchases and disposal of investments	5,388	9,402

20. Derivatives and financial instruments

Background

The Group's financial instruments, other than derivative contracts, comprise securities and other investments, cash balances, bank overdrafts and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income, short-term debtors and creditors.

The Group has little exposure to credit and cash flow risk. Any unquoted investments in the portfolio are subject to liquidity risk. This risk is taken into account by the Directors when arriving at their valuation of these items.

The principal risks the Group faces in its portfolio management activities are:

- market price risk, i.e. movements in the value of investment holdings caused by factors other than interest rate and currency movements;
- foreign currency risk; and
- interest rate risk

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

Policy

(i) Market Price Risk

By the very nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Investment Manager's report.

(ii) Foreign Currency Risk

A substantial proportion of the Group's portfolio is invested in overseas securities and their sterling value can be significantly affected by movements in foreign exchange rates. The Group does not normally hedge against foreign currency movements affecting the value of investment portfolio, but takes account of this risk when making investment decisions.

(iii) Interest Rate Risk

The Group has taken advantage of a floating rate bank overdraft facility during the year. The parent Company had an overdraft of £4.9 million at the year end which was offset by cash held in the Group.

(iv) Use of Derivatives contracts

The Group has entered into a variety of different derivative contracts during the year. Guidelines agreed with the Investment Manager limit any exposure to options, futures and contracts for differences to a maximum of 10% of the Group's gross assets.

20. Derivatives and financial instruments continued

Financial assets and liabilities

The principal financial assets and liabilities comprising investments and derivatives are included in the balance sheet at their fair values. The carrying amount of short-term receivables and payables approximate to their fair values. The currency denomination of the Group's investment portfolio, debtors and creditors, is set out below.

	2005				2004			
Currency	Non-interest bearing £'000	Fixed rate £'000	Floating rate £'000	Total £'000	Non-interest bearing £'000	Fixed rate £'000	Floating rate £'000	Total £'000
US dollar*	126,126	–	–	126,126	91,615	–	(6,250)	85,365
Sterling	178,182	–	30	178,212	100,689	–	(13,552)	87,137
Canadian dollar	154,546	–	–	154,546	67,473	–	–	67,473
Australian dollar	76,496	–	–	76,496	57,946	–	–	57,946
South African rand	65,244	3,338	–	68,582	42,798	2,322	–	45,120
Euro	5,000	–	–	5,000	9,555	–	–	9,555
Other currencies	62,683	–	–	62,683	45,618	–	–	45,618
Total	668,277	3,338	30	671,645	415,694	2,322	(19,802)	398,214

* Includes an amount of £10,114,000 relating to EM Resources, an unquoted investment included in the Balance Sheet at Directors' valuation which represents fair value.

Forward exchange contracts

During the year losses of £499,000 were realised from foreign exchange contracts (2004: profits of £975,000). There were no forward exchange contracts outstanding at the year end.

Liquidity

The majority of the Company's fixed asset investments at the year end were listed on recognised Exchanges. The investment strategy ensures that most of these investments are readily realisable and can be sold to meet any funding requirements. Therefore any liquidity risk is substantially reduced.

Derivative contracts

During the year a number of option contracts have been written and physical metal futures contracts entered into. At the year end the Company has minimal open derivatives positions as noted on page 11.

21. Contingent liabilities

There were no contingent liabilities at 31 December 2005 (2004: nil).

22. Restatement of opening balances at 1 January 2004

The Company has adopted International Financial Reporting Standards in respect of the year ended 31 December 2005. In accordance with IFRS 1 First Time Adoption of Financial Reporting Standards the following is a reconciliation of the figures at 31 December 2003, the date of the Group's transition to IFRS, which were previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

		Group			Company		
	Notes	Previously reported 31 December 2003 £'000	Adjustments £'000	Restated 31 December 2003 £'000	Previously reported 31 December 2003 £'000	Adjustments £'000	Restated 31 December 2003 £'000
Fixed assets							
Investments	1	423,530	(873)	422,657	425,030	569	425,599
Current assets		4,767	–	4,767	1,156	–	1,156
Creditors: amounts falling due within one year	2	(39,043)	2,768	(36,275)	(38,374)	2,768	(35,606)
Total assets less current liabilities		389,254	1,895	391,149	387,812	3,337	391,149
Provision for liabilities and charges		(10)	–	(10)	(10)	–	(10)
		389,244	1,895	391,139	387,802	3,337	391,139
Capital and reserves							
Ordinary called up share capital		8,140	–	8,140	8,140	–	8,140
Special reserve		203,244	–	203,244	203,244	–	203,244
Capital redemption reserve		22,779	–	22,779	22,779	–	22,779
Other capital reserves	1	149,492	(873)	148,619	149,492	569	150,061
Retained earnings	2	5,589	2,768	8,357	4,147	2,768	6,915
		389,244	1,895	391,139	387,802	3,337	391,139
Net asset value per ordinary share – undiluted		239.09p	1.17p	240.26p	238.21p	2.05p	240.26
Net asset value per ordinary share – diluted		n/a	n/a	n/a	n/a	n/a	n/a

Notes to the reconciliation

1 Investments are all classified as held at fair value under IFRS and are now carried at bid prices which equates to their fair value of £422,657,000 at 31 December 2003. They were carried at mid prices previously. The resultant difference of £873,000 for the Group is included in capital reserves. The Company's investment in the subsidiary undertakings, previously carried at cost, is also now fair valued under IFRS. In this case, fair value equates to the net asset value of each of the subsidiary undertakings. The effect of this is to increase the valuation of investments by £1,442,000. The resultant difference is also included within other capital reserves.

2 No provision has been made for the final dividend on ordinary shares for the year ended 31 December 2003 of £2,768,000. Under IFRS dividends are not recognised until they are declared and approved by shareholders. This is therefore added to retained earnings and eliminated from other payables.

Notes to the Financial Statements continued

23. Restatement of primary financial statements for the year ended 31 December 2004

The Company adopted International Financial Reporting Standards in respect of the year ended 31 December 2005. In accordance with IFRS 1 First Time Adoption of Financial Reporting Standards the following is a reconciliation of the figures at 31 December 2004 previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

		Group			Company		
	Notes	Previously reported 31 December 2004 £'000	Adjustments £'000	Restated 31 December 2004 £'000	Previously reported 31 December 2004 £'000	Adjustments £'000	Restated 31 December 2004 £'000
Fixed assets							
Investments	1	418,118	(1,298)	416,820	419,618	2,504	422,122
Current assets		7,031	–	7,031	2,143	–	2,143
Creditors: amounts falling due within one year	2	(29,707)	4,070	(25,637)	(30,121)	4,070	(26,051)
Total assets less current liabilities		395,442	2,772	398,214	391,640	6,574	398,214
Provision for liabilities and charges		(85)	–	(85)	(85)	–	(85)
		395,357	2,772	398,129	391,555	6,574	398,129
Capital and reserves							
Ordinary called up share capital		8,140	–	8,140	8,140	–	8,140
Special reserve		203,244	–	203,244	203,244	–	203,244
Capital redemption reserve		22,779	–	22,779	22,779	–	22,779
Other capital reserves	1	154,776	(1,298)	153,478	154,776	2,504	157,280
Retained earnings	2	6,418	4,070	10,488	2,616	4,070	6,686
		395,357	2,772	398,129	391,555	6,574	398,129
Net asset value per ordinary share – undiluted		242.85p	1.70p	244.55p	240.51p	4.04p	244.55p
Net asset value per ordinary share – diluted		238.87p	1.42p	240.29p	236.93p	3.36p	240.29p

Notes to the reconciliation

1 Investments are all classified as held at fair value under IFRS and are now carried at bid prices which equates to their fair value of £416,820,000 at 31 December 2004. They were carried at mid prices previously. The resultant difference of £1,298,000 for the Group is included in other capital reserves. The Company's investment in the subsidiary undertakings, previously carried at cost, is also now fair valued under IFRS. In this case, fair value equates to the net asset value of each of the subsidiary undertakings. The effect of this is to increase the valuation of investments by £3,802,000. The resultant difference is also included within other capital reserves.

2 No provision has been made for the final and special dividends on ordinary shares for the year ended 31 December 2004 of £4,070,000. Under IFRS dividends are not recognised until they are declared and approved by shareholders. This is therefore added to retained earnings and eliminated from other payables.

23. Restatement of balances continued

Reconciliation of the Consolidated Statement of Total Return to the Consolidated Income Statement for the year ended 31 December 2004

Under IFRS the Consolidated Income Statement is the equivalent of the Consolidated Revenue Account & Statement of Total Return as reported previously.

	Notes	2004 £'000	Per share
Return on ordinary activities after taxation		10,183	6.26p
Change from mid to bid basis at 31 December 2003	1	873	0.53p
Change from mid to bid basis at 31 December 2004	1	(1,298)	(0.80p)
Add back warrant costs now shown in the Statements of Changes in Equity	2	305	0.19p
Net profit per Consolidated Income Statement		10,063	6.18p

Notes to the reconciliation

1 The portfolio valuation at 31 December 2003 and 31 December 2004 are required to be valued at fair value under IFRSs. These values differ from the previous valuations by £873,000 and £1,298,000 respectively.

2 Under IFRS the warrant issue costs are now shown in the Statements of Changes in Equity.

Reconciliation of the Consolidated Cash Flow Statement for the year ended 31 December 2004*

	Notes	Previously Reported Cash flows 2004 £000	Effect of transition to IFRSs £000	Adjusted Cash flows 2004 £000
Net cash inflow from operating activities	1,2,3	7,824	8,345	16,169
Returns on investments and servicing of finance	1	(1,817)	1,817	–
Taxation paid	2	(261)	261	–
Net cash inflow from capital expenditure and financial investment	3	10,377	(10,377)	–
Equity dividends paid	4	(2,768)	2,768	–
Net cash inflow before financing		13,355	2,814	16,169
Financing	4	(305)	(2,768)	(3,073)
Increase in cash		13,050	46	13,096
Transfer of foreign exchange movements to Reconciliation of Cash and Cash equivalents	5	–	(46)	(46)
Total		13,050	–	13,050

* The reconciliation of the Consolidated Cash Flow Statement is only being shown to illustrate reclassification of balances under IFRS format (which differs to that of FRS1 under UK GAAP) but no amounts have been restated.

Notes to reconciliation

1 Bank interest paid is now shown under operating activities rather than serving of finance.

2 Taxation paid is now disclosed under operating activities.

3 Purchase and sales of investments are now disclosed under operating activities.

4 Dividends paid are now disclosed under financing as there is no longer a separate heading for equity dividends.

5 Foreign exchange movements now appear at the foot of the Cash Flow Statements within the Reconciliation of Cash and Cash Equivalents.

Analysis of Ordinary Shareholders

31 December 2005

By type of holder

	Number of shares	% of total 2005	% of total 2004	Number of holders	% of total 2005	% of total 2004
Direct private investors	7,763,789	4.6	60.9	2,938	61.5	4.5
Nominee companies	155,503,281	92.4	35.3	1,631	34.1	91.1
Others	5,031,836	3.0	3.8	208	4.4	4.4
	168,298,906	100.0	100.0	4,777	100.0	100.0

By size of holding

	Number of shares	% of total 2005	% of total 2004	Number of holders	% of total 2005	% of total 2004
1–10,000	9,843,643	5.8	87.9	4,202	88.0	6.5
10,001–100,000	11,557,375	6.9	8.7	399	8.4	7.4
100,001–1,000,000	41,848,070	24.9	2.7	139	2.9	23.6
1,000,001–5,000,000	70,377,890	41.8	0.5	31	0.6	35.4
Over 5,000,000	34,671,928	20.6	0.2	6	0.1	27.1
	168,298,906	100.0	100.0	4,777	100.0	100.0

Base Costs

15 December 1993

The base cost for UK taxpayers who invested in the Company on its launch on 15 December 1993 (capitals gains tax prices on the first day of dealing) is as follows:

Ordinary shares (per share)	92.11p
Warrants (per warrant)	12.50p

These figures have not been approved by HM Revenue & Customs and are subject to its agreement with investors on a case-by-case basis.

Management & Administration

Registered Office
(Registered in England, No. 2868209)
33 King William Street
London EC4R 9AS

Investment Manager
Merrill Lynch Investment Managers Limited*
33 King William Street
London EC4R 9AS

Secretary and Administrator
Merrill Lynch Investment Managers Group Services Limited
33 King William Street
London EC4R 9AS
Telephone: 020 7743 3000

Registrar
Computershare Investor Services PLC*
PO Box 82,
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 702 0131

Savings Plan, PEP and ISA Administrator
FREEPOST RLTZ-KHUH-KZSB
Merrill Lynch Investment Managers*
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 445522

Stockbrokers
JPMorgan Cazenove Limited*
20 Moorgate
London EC2R 6DA

UBS Limited*
1 Finsbury Avenue
London EC2M 2PP

Solicitors
Simmons & Simmons
CityPoint
One Ropemaker Street
London EC2Y 9SS

Custodian and Banker
The Bank of New York Europe Limited*
One Canada Square
London E14 5AL

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

*Authorised and regulated by the Financial Services Authority.

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:

February
Preliminary results and final dividend for year announced. Annual report and financial statements published.

March
Annual General Meeting.

March/April
Dividend paid.

August
Interim figures announced and interim report published.

Dividend – 2005
The proposed final dividend in respect of the year ended 31 December 2005 is 1.80p per share.

The Board has declared a special dividend of 1.00p per share payable on the same date as the final dividend.

Ex-dividend date (shares transferred without the dividend)	22 February 2006
Record date (last date for registering transfers to receive the dividend)	24 February 2006
Last date for registering DRIP instructions	3 March 2006
Dividend payment date	24 March 2006

Payment of dividends
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 0870 702 0131 or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. 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 scheme ("DRIP")
Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC on 0870 702 0131. Shareholders who have already opted for dividend reinvestment do not need to re-apply. The last date for registering for this service for the forthcoming dividend is 3 March 2006.

Share price
The Company's mid-market ordinary share price is quoted daily in The Financial Times under "Investment Companies" and in The Daily Telegraph and The Times under "Investment Trusts". The share price is also available on the Merrill Lynch Investment Managers website at www.mlim.co.uk/its

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

	Ordinary Shares
ISIN	GB0005774855
SEDOL	0577485
Reuters code	MLW.L
Bloomberg code	MLW LN

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 telephone share dealing service stockbroker. Most banks also offer this service.

For existing shareholders the Company's registrar, Computershare Investor Services PLC, has introduced internet and telephone share dealing services. The telephone share dealing service is available on 0870 703 0084. To access the internet share dealing service log on to www.computershare.com/dealing/uk. To use these services, you will need your shareholder reference number, which is detailed on your certificate.

Uncertificated Securities Regulations 1995 – CREST
The Company's shares have joined 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.

Shareholder Information continued

Electronic communications
Computershare provides a service to enable shareholders to receive correspondence electronically (including annual and interim reports) if they wish. If a shareholder opts to receive documents in this way, paper documents will only be available on request (unless electronic submission fails, in which case a hard copy will be mailed to the investor's last known address).

Shareholders who opt for this service would receive a Notice of Availability via e-mail from Computershare with a link to the relevant section of the Merrill Lynch Investment Managers' website where the documents can be viewed and printed.

For more information, to view the terms and conditions and to register for this service, please visit Computershare's internet site at www-uk.computershare.com/investor/uk (you will need your shareholder reference number, which is given on your share certificate or tax voucher).

Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at www-uk.computershare.com/proxy using 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.

Risk Factors

- As the Company invests worldwide, the value of its shares is also affected by changes in rates of exchange.

- The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (although they are related) and therefore you may realise returns which are lower or higher than NAV performance.

- A lack of growth in world industrial production may adversely affect metal prices.

- Deteriorating economic conditions in certain countries may lead to aggressive exporting of their metal and mineral production potentially leading to price reductions.

- There may be exposure to significant currency, political and nationalisation risks due to the location of the operation of companies in which the Company may invest.

- Shares of companies in the mining sector can prove volatile and this may be reflected in the Company's share price.

- Any investment in the Company will involve an above average risk and is suitable only for financially sophisticated investors.

- Past performance is not necessarily a guide to future performance. The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuates.

Duration of the Company
Shareholders are given an opportunity at each Annual General Meeting to vote on an ordinary resolution to continue the life of the Company for a further twelve months.

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

- that investors in the Merrill Lynch Investment Trusts Savings Plan 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 and

- that investors through the Merrill Lynch Investment Trusts ISA or PEP are able to receive the annual and interim reports, including details of annual general meetings, by request.

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

Shareholder Information continued

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 MLIM website at www.mlim.co.uk/its and through the Reuters News Service under the code "MLIMINDEX", on page 8800 on Topic 3 (ICV terminals) and under "MLIM" on Bloomberg (monthly information only).

Internet
Other details about the Company are also available on the MLIM website at www.mlim.co.uk/its and shareholders can check details of their holdings on Computershare's website at www-uk.computershare.com/investor

The financial statements and other literature are published on the MLIM 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.

Savings Plan
The Company participates in the Merrill Lynch Investment Trusts 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 MLIM free on 0800 445522.

Individual Savings Accounts ("ISA")
ISAs are a tax-efficient method of investment, introduced by the Government. The Company is a qualifying investment for the purposes of investment in the stocks and shares component of either a mini or maxi ISA. Investors may invest up to £7,000 in the stocks and shares component of a maxi ISA, or up to £3,000 in the stocks and shares component of a mini ISA.

The Company's shares are eligible investments within the stocks and shares component of the Merrill Lynch Investment Trusts ISA, which is a maxi ISA, details of which are available from MLIM by calling free on 0800 445522.

Personal Equity Plan ("PEP")
PEPs have been superseded by ISAs as the tax-efficient method of investment, but all PEP investments already in force by 5 April 1999 retained their tax-free status in line with ISAs. Existing PEPs with other fund managers may be transferred to MLIM for investment in the Company's ordinary shares without affecting any tax benefits.

For more information on PEP transfers, or an existing Merrill Lynch Investment Trusts PEP, call free on 0800 445522.

Shareholder enquiries
The Company's registrar is Computershare Investor Services PLC. In the event of queries regarding your holding of shares, please contact the registrar on 0870 702 0131. Changes of name or address must be notified in writing to the registrar at:

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Certain details relating to your holding can also be checked through the Computershare 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 either your share certificate or tax voucher. The address of the Computershare website is www-uk.computershare.com/investor

General enquiries
Enquiries about the Company should be directed to:

The Secretary
Merrill Lynch World Mining Trust plc
33 King William Street
London EC4R 9AS
Telephone: 0800 445522.

Enquiries about the Savings Plan, ISA or PEP should be directed to:

Freepost RLTZ-KHUH-KZSB
Merrill Lynch Investment Managers Limited
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 445522.

Notice of Annual General Meeting

Notice is hereby given that the twelfth Annual General Meeting of Merrill Lynch World Mining Trust plc will be held at 33 King William Street, London EC4R 9AS on Friday, 17 March 2006 at 2.30 p.m. to transact the following business:

Ordinary business

1. To receive the report of the Directors and the financial statements for the year ended 31 December 2005, together with the report of the auditor thereon.

2. To approve the Directors' remuneration report.

3. To declare a final dividend of 1.80p per ordinary share.

4. To elect Mr A W Lea as a Director.

5. To reappoint Ernst & Young LLP as auditor to the Company.

6. To authorise the Directors to determine the auditor's remuneration.

Special business

To consider and, if thought fit, pass the following resolution as an ordinary resolution.

7. That the Company shall continue in being as an investment trust.

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

8. That, in substitution for the equivalent authority granted at the Annual General Meeting held on 17 March 2005, the Directors of the Company be and are hereby empowered pursuant to section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (as defined in section 94 of the Act) of the Company for cash, pursuant to the authority conferred by the resolution to allot relevant securities passed on 19 March 2003 and to sell equity securities (within the meaning of section 94 of the Act) which are held by the Company in treasury (as defined in Section 162A(3) of the Act), as if section 89(1) of the Act did not apply to any such allotments and sales, provided that this power shall be limited to the allotment and sale of equity securities:

   (a) in connection with an offer of such securities by way of rights, open offer or other offer of securities, to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any recognised regulatory body or stock exchange, or any other matter whatever;

   (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £420,747;

   and shall expire on 16 September 2007, 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 or sell equity securities in pursuance of such offers or agreements.

9. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 5p in the Company, the Company be and it is hereby authorised in accordance with section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of section 163 of the Act) of ordinary shares provided that:

   (a) the maximum number of ordinary shares hereby authorised to be purchased is 25,228,000;

   (b) the minimum price which may be paid for an ordinary share shall be 5p;

   (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the higher of 5% above the average of the market values of the ordinary shares for the five business days immediately preceding the date of the purchase and the net asset value per ordinary share on the date of the purchase; and

   (d) unless renewed, the authority hereby conferred shall expire on 16 September 2007 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary 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) cancelled immediately upon completion of the purchase;

or

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

By order of the Board
Merrill Lynch Investment Managers Group Services Limited
Secretary
9 February 2006

Registered Office:
33 King William Street
London EC4R 9AS

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Forms of proxy must reach the office of the Company's registrar by 2.30 p.m. on 15 March 2006. A form of proxy is provided to shareholders with the annual report. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person.
3. Proxy votes can be submitted electronically at www-uk.computershare.com/proxy by using the PIN and SRN numbers printed on the form of proxy. The latest time for the submission of proxy votes electronically is 2.30 p.m. on 15 March 2006.
4. 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 a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system,* the CREST message must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. 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.
5. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 11.00 p.m. on 15 March 2006 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
6. 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.

Glossary

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 shareholders' funds by the total number of ordinary shares in issue. For example, as at 31 December 2005 equity shareholders' funds were £668,202,000 and there were 168,298,906 ordinary shares in issue; the NAV was therefore 397.03p per share.

Shareholders' funds are calculated by deducting the Company's current and long-term liabilities and any provision for liabilities and charges from its assets.

Discount
Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price was 390p and the NAV 430p, the discount would be 9.3%.

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 was 400p and the NAV 390p, the premium would be 2.6%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.