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Merrill Lynch Commodities Income Investment Trust plc

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

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The Association of Investment Companies

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Details about the Company are available on the BlackRock Investment Management (UK) Limited website www.blackrock.co.uk/its

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Performance Record

Financial Highlights

	30 November 2006	Launch 13 December 2005	Change %
Assets			
Net assets (£'000)	**79,784**	73,500	8.5
Net asset value per ordinary share	**105.53p**	98.00p	7.7
– with net income reinvested	**–**	–	11.1
Ordinary share price (mid-market/issue price)	**101.25p**	100.00p	1.3
– with net income reinvested	**–**	–	4.4

	For the period ended 30 November 2006
Revenue	
Net revenue after taxation (£'000)	**3,979**
Revenue return per ordinary share	**5.28p**
Interim dividends	
1st interim	**1.0625p**
2nd interim	**1.0625p**
3rd interim	**1.0625p**
4th interim	**1.3125p**
Total dividends paid and payable in respect of the period ended 30 November 2006	**4.50p**

Performance over the period to 30 November 2006

Source: BlackRock Investment Management (UK) Limited.
Performance figures calculated on a mid-market basis in sterling terms, with net income reinvested.
Share price and NAV are opening prices on 13 December 2005, rebased to 100.

Chairman's Statement

I am pleased to present the first annual report to shareholders of the Merrill Lynch Commodities Income Investment Trust, for the period ended 30 November 2006.

During the period, the Company's net asset value (NAV) per share increased by 11.1% and the share price increased by 4.4% (both percentages calculated in sterling terms with net income reinvested).

Trading in the mining and energy equity sectors was volatile throughout the year. Mineral prices increased across the board, but there was little growth in the oil price, despite wide fluctuations. Earnings and dividends grew strongly, enabling the Company to provide a satisfactory total return to shareholders.

Revenue return and dividends

Revenue return per share for the period was 5.28 pence. As set out in the Company's prospectus dated 22 November 2005, it is the Company's intention to pay four quarterly dividends, details of which are set out on page 34. It was the Company's aim to achieve a dividend yield of 4.25% in our first year. We are pleased to have exceeded this target by paying dividends amounting to 4.50 pence per share in total during the year.

It is the Company's aim to pay dividends amounting to at least 4.50 pence per share for the year ending 30 November 2007.[1]

Share capital

The Company was launched on 13 December 2005 and 75,000,000 shares were issued at a price of 100 pence per share. A further 600,000 shares were issued on 4 May 2006 at a premium to NAV in excess of 6%.

Tender offer

The Directors of the Company have the discretion to make semi-annual tender offers at the prevailing NAV, less 2% for up to 20% of the issued share capital in August and February of each year. During the period, the Company's shares have usually traded at a premium. In view of this, the Directors decided not to implement the August 2006 tender offer. The Directors, having consulted the Company's broker, UBS, and a number of shareholders regarding the February 2007 tender offer, have concluded that they will again not implement this offer. Those shareholders consulted, indicated that it was unlikely that they would wish to tender any shares and the Directors are mindful of the fact that on this occasion, the shares have been trading at a small discount to NAV for a relatively short period of time.

The current tender offer authority expires on 19 March 2007 and a resolution for its renewal will be put to shareholders at the forthcoming Annual General Meeting.

Discount and share buybacks

The Directors recognise the importance to investors of ensuring that any discount of the Company's share price to its underlying NAV is as small as possible. Accordingly, the Directors will monitor the discount closely and will consider share repurchases in the market if the discount to NAV widens significantly.

The Directors have the authority from shareholders to buyback up to 14.99% of the Company's issued share capital. This authority, which has not so far been utilised, expires at the forthcoming Annual General Meeting on 19 March 2007 when a resolution will be put to shareholders to renew it.

Gearing

The Company operates a flexible gearing policy which depends on prevailing conditions. The maximum gearing used during the period was 8.8% and at 30 November 2006 gearing amounted to 4.2%.

Outlook

The strong growth in commodity prices has stagnated since the middle of 2006 but prices are likely to be supported by continued robust demand and muted supply growth. Equity valuations are attractive at current levels and the prospects for dividend growth and share buybacks continue to look favourable, most particularly in the mining sector.

Alan Hodson
Chairman
19 January 2007

(1) This represents a yield of 4.45% based on the share price as at close of business on 30 November 2006.

Investment Manager's Report

Commodity market overview

For the period ended 30 November 2006, the Company's NAV and share price rose by 11.1% and 4.4% respectively (both percentages calculated in sterling terms with net income reinvested).

Commodity markets were generally robust during the period under review, although oil showed some weakness towards the end of the year. We can identify three factors driving the markets. Firstly, urbanisation of some of the emerging market economies is having a profound impact on the consumption of raw materials. The Chinese economy, through its major investment in infrastructure, has been particularly important. China is now the biggest consumer of coal, iron ore, steel, copper, aluminium and nickel and is the world's second largest consumer of oil. Secondly, the supply side response from the raw materials producers has been muted. After many years of underinvestment in new capacity, coupled with limited exploration success, the mining and energy sectors have struggled to keep up with the growth in demand. In addition, delays to permit applications and the lack of infrastructure, skilled labour and equipment have slowed the growth in new supply. The third factor is investment demand. In recent years, there has been unprecedented institutional demand for commodity linked products, such as the Goldman Sachs Commodity Index, which reflects the growing interest in the sector from the financial markets. Notwithstanding these inflows, the funds allocated to the sector represent only a small part of the global capital markets.

Given these favourable economic factors, commodity prices made solid gains during the period under review (see table), with a number of base metals recording new all time highs. Nickel and zinc were the outstanding performers as the combined effect of strong demand and supply disruptions were exacerbated by historically low levels of inventory.

In the bulk commodity market, steel producers agreed to a 19% increase in iron ore prices for 2006. Baosteel, representing China's steel industry, then agreed a price increase of 9.5% for the 2007 contract with BHP Billiton, CVRD and Rio Tinto. This is the first time that China has set the benchmark price which is normally accepted by other producers and consumers.

In precious metals, gold prices surged to a new twenty-six-year high of US$720/oz in May. Investment demand spurred by the growth in ETFs (Exchange Traded Funds) has been a key driver. Several factors that encouraged investors into the gold market included higher oil prices, weakness in the US Dollar, inflationary fears and geopolitical tensions in the Middle East. Meanwhile, on the supply side of the equation, mine production is struggling to grow and the European central banks fell short of their 500 tonne per annum sales quota (for the year ending September 2006) as part of the CBGA (Central Bank Gold Agreement). Platinum prices were also firmer, trading solidly above the US$1,000/oz level, on the back of strong demand from the auto-catalyst sector and production problems in South Africa. Some of the other PGMs (Platinum Group Metals), such as rhodium and ruthenium, made spectacular gains, further enhancing the 'basket price' for the producers.

Commodity	12 December 2005	30 November 2006	% Change
Base Metals (US$/tonne)			
Aluminium	2,289	2,686	17.3
Copper	4,610	6,936	50.5
Lead	1,154	1,674	45.2
Nickel	14,118	34,703	145.8
Tin	7,048	10,688	51.7
Zinc	1,843	4,390	138.3
Precious Metals (US$/oz)			
Gold	537.1	647.6	20.6
Silver	9.2	13.7	48.3
Platinum	1,012.0	1,171.0	15.7
Palladium	293.0	327.0	11.6
Energy			
Oil (WTI) (US$/Bbl)	61.3	63.1	3.0
Natural Gas (US$/MMBTU)	14.8	8.3	-43.8
Uranium (US$/lb)	35.0	64.0	82.9
Equity Indices (US$)			
HSBC Global Mining Index (US$)	337.0	463.2	37.5
HSBC Global Mining Index (£)	190.2	235.5	23.8
MSCI World Energy Index (US$)	210.6	239.6	13.8
MSCI World Energy Index (£)	118.8	121.8	2.5
FTSE Gold Mines Index (US$)	2,108.4	2,533.3	20.2
FTSE Gold Mines Index (£)	1,189.6	1,287.9	8.3

Source: Datastream, Bloomberg

With metal prices at attractive levels, mining equities generally reported record earnings for the first half of 2006. In some cases, their six month earnings exceeded full year numbers for 2005. Consequently, some companies were in a position to declare significant increases to dividend payments and share buybacks.

As in previous years, the sector remains volatile. After making good gains in the early part of May, mining equities experienced a strong "spring sell off" (see chart on page 6) linked to concerns over slowing global growth associated with tighter central bank monetary policy. Markets continued to be volatile throughout the summer due to low trading volumes during this seasonally quiet period. After another sell off in September, mining equities rallied in October to close the period up 23.8%.

Investment Manager's Report continued

Mining shares and base metal prices

Source: Datastream

Merger and acquisition activity was a key feature throughout the period as companies sought to acquire production due to a dearth of organic growth projects. By the end of the period, Xstrata had finally won the battle for Falconbridge; CVRD had taken over Inco; Gold Fields had bid for Western Areas following its purchase of Barrick's stake in the South Deep mining operation in South Africa; Goldcorp had merged with Glamis Gold; and Freeport McMoran Copper & Gold had announced a bid for Phelps Dodge in the largest corporate transaction in the mining industry. Meanwhile, Rio Tinto purchased a stake in Ivanhoe, which owns the giant Oyu Tolgoi copper gold project in Mongolia.

In the energy market, crude oil prices peaked at US$77/Bbl in July before slumping back below the US$60/Bbl level as investor concerns about the supply side of the oil equation shifted to questions about the sustainability of demand (see chart opposite). The unwinding of the Lebanon/Israel conflict combined with diplomatic progress in Iran to reduce the risk of Middle Eastern oil supply disruption. Meanwhile, oil and gas production in the US Gulf of Mexico managed to escape the threat of damage in the annual hurricane season. On the demand side, a downgrade in the outlook for global economic growth provoked concerns about oil consumption.

Eventually, the market found some support when OPEC agreed to reduce production from 1 November 2006 by 1.2 million barrels per day in order to alleviate the small surplus in near term supply and high US inventories. Energy equities moved higher as evidence of OPEC's cut began to emerge, while a bout of cold weather in the US boosted demand for natural gas and heating oil. Elsewhere in the energy sector, uranium performed well during the period. At a time when uranium was already on an improving trend, the price surged when Cameco announced that a flood at its Cigar Lake project in Saskatchewan would delay the mine's production start date by at least a year. Cigar Lake was due to begin production in early 2008, producing 10% of global demand.

Energy equities like their mining counterparts underperformed the underlying commodity following the May sell off. The shares then played catch up in response to OPEC's decision to cut production and rallied to close the period up 2.5%.

We received some disappointing news in October, when the Canadian government surprised the market by announcing changes to the taxation of the Canadian domiciled income trusts. These changes, which take effect in 2011, will equalise the tax treatment of income trusts and other corporate entities, thereby eliminating any tax advantage enjoyed by the income trusts. Not surprisingly, investors reacted negatively to the news and the income trusts were marked down heavily. The Company had approximately 10% of NAV invested in these stocks. Subsequently, the shares have rallied and the Company has been selling down these positions. At the end of November, the Company had a 5.8% weighting in these income trusts (Canadian Oil Sands, Enbridge Income Fund, Peyto Energy Trust and Precision Drilling Trust).

Energy shares and oil prices

Source: Datastream

Portfolio

The portfolio is largely invested in established producing companies within the mining and energy sectors, rather than exploration/development companies. At 30 November 2006, the Company held 50 stocks invested across a broad range of mining and energy sub-sectors (see chart on page 10). The portfolio is also well diversified in terms of its geographic exposure (see chart on page 9). A brief description of the portfolio's ten largest investments, which make up 43.9% of the Company's portfolio, is provided on page 8.

Income

Dividends and bond interest received by the Company from investee companies amounted to £4.8 million. As expected, these were the primary source of income, accounting for 79% of the total income received (see chart on page 7). Approximately one third of dividend income was generated by the Company's integrated oil and diversified mining companies. Around another third came from the Company's investments in copper, zinc and platinum investments. On the back of strong rises in these commodities, some producers were in a position to declare large dividends during the period.

Source of income

(% of gross income)

Source: BlackRock Investment Management (UK) Limited

The Group writes and invests in options where the Manager considers it appropriate to do so for efficient portfolio management and to enhance income under guidelines set by the Board. Our strategy is to sell options with exercise prices at which stock could be called away or put to the Group at levels that the Manager considers to be attractive. The Manager does not intend to sell in-the-money options or naked calls. Premia arising are taken to income.

The total exposure to such options is closely monitored and has remained within the parameters set by the Board, the overriding constraint being that such exposure should not exceed 10% of gross assets.

The Group held 4 corporate bonds at 30 November, representing 4.0% of the Group's portfolio. These generated £93,000 in income. The Group also received £138,000 in interest on cash held in the period. At 30 November, the Group had £3.3 million in gearing, equivalent to 4.2% of NAV. This reflects the Manager's positive view on the commodities market going forward.

The income generated from the portfolio has exceeded the level of income required to fund the four quarterly dividends. At the period end, the Group had reserves of £584,000.

Income received and dividends paid

Source: BlackRock Investment Management (UK) Limited

Reserves

Source: BlackRock Investment Management (UK) Limited

Outlook

Notwithstanding the slowdown in the global economy, supply and demand fundamentals for the mining industry remain robust. Spot base metal prices, with the exception of copper are well above their 2006 averages. Strong Asian demand, supply side disruptions and delays to new projects could support metal prices at these levels going forward. Equities, which are trading on undemanding valuation metrics and have strong balance sheets, should be in a position to pay attractive dividends in 2007.

In the energy market, non OPEC oil supply looks unlikely to grow significantly in 2008-10. However, 2007 could be a different story, as a handful of large delayed projects have led to a higher than average volume of new oil production being projected to hit the market. This is not a supply response to high oil prices – these projects were started before the oil price ratcheted up – but it does put emphasis on OPEC's resolve to balance the markets. If OPEC can maintain the oil price at current levels – and members have announced additional production cuts for 2007 at their December meeting – there is in our view room for energy equities to rally.

Richard Davis
BlackRock Investment Management (UK) Limited
19 January 2007

Ten largest investments

Zinifex – 6.4% is one of the world's largest integrated zinc producing companies. The company's mining operations are located in Australia and its smelters are in Australia, the US and the Netherlands. In December 2006, Zinifex and Umicore announced their intention to merge their zinc smelting and alloying businesses. This combination would create the world's pre-eminent zinc metal producer with operations on four continents.

Eni – 6.2% is involved in the exploration for and production of, hydrocarbons from around the world. In Italy, the company is the leader in the marketing of refined products under its Agip brand, while EniPower produces electricity at a number of power stations. Eni also operates in the transport, distribution and sale of natural gas and in November 2006, signed a strategic agreement with Gazprom, the Russian gas giant. This enables both companies to develop projects principally in the mid and downstream gas markets.

Jubilee Mines – 5.3% owns and operates the Cosmos high grade nickel mine located in the North Eastern Goldfields of Western Australia. The company also holds interests in a number of exploration assets in the region, which is considered to be a significant nickel province.

BHP Billiton – 5.1% is the world's largest diversified natural resources company, formed in 2001 following the merger of UK's Billiton and Australia's BHP. The company has major interests in aluminium, iron ore, copper, coal, manganese and diamonds. The company also has significant oil and gas assets, and following the purchase of WMC Resources in 2005, has added uranium to its portfolio of energy commodities. In its results for the year to June 2006, BHP Billiton became the first mining company to report earnings in excess of US$10 billion.

CVRD – 4.3% is the world's largest producer of iron ore. Based in Brazil, the company also has significant interests in other commodities including aluminium, copper and gold. During the year, CVRD made a successful bid for Inco, one of the world's largest producers of nickel. In addition to its mining interests, CVRD owns and operates transport infrastructure. In September, CVRD entered into a partnership to build a new pelletising plant in China. This is the company's first investment in China's iron ore industry. CVRD will supply at least 70% of the iron ore to the plant.

Rio Tinto – 3.8% is one of the most successful major mining companies in the world. The company has interests in a wide range of commodities including iron ore, copper, coal, industrial minerals, uranium, gold and diamonds. In October 2006, Rio Tinto made an investment in Ivanhoe and formed a strategic partnership to develop Ivanhoe's giant Oyu Tolgoi copper gold project in Mongolia.

China Shenhua Energy – 3.6% is engaged in the coal and power businesses in China. The company owns 21 coal mines in western and northern China and operates and develops power plants in regions, such as Beijing-Tianjin-Hebei, Zhejiang and Guangdong. The company also owns and operates a large scale integrated coal transportation network, which consists of dedicated rail lines and port facilities.

Chevron – 3.2% is one the world's largest integrated energy companies with operations in more than 180 countries around the world. Chevron's major upstream production facilities are in the US Gulf of Mexico, Africa, Asia Pacific and Russia. The company has refining capacity of more than 2 million barrels per day at 19 refineries. In September 2006, Chevron and its partners announced that they had successfully extracted oil from a test well in the deep waters of the Gulf of Mexico. The project is potentially the largest American oil find in a generation.

Valero Energy – 3.1% is a US-based refining and marketing company. The company operates 18 refineries in North America with a total capacity of 3.2 million barrels per day, representing around 16% of total US refining capacity. Valero's retail outlets are located in the US and eastern Canada under the Valero, Diamond Shamrock, Ultramar, Beacon and Total brand names. The company also has over 7,500km of refined product and crude oil pipelines throughout the US Southwest and Mid-continent regions.

Alcoa – 2.9% is the world's leader in alumina production and aluminium smelting capacity. The company is the world's second largest producer of aluminium. With operations in 42 countries, Alcoa is also active in other businesses including packaging and consumer products, fastening systems, precision castings and electrical distribution systems for cars and trucks.

All percentages reflect the value of the holding as a percentage of total investments.

Sector and Geographical Allocations

Sector allocation as at 30 November 2006

% of investments

Source: BlackRock Investment Management (UK) Limited.

Geographical allocation as at 30 November 2006

% of investments

Source: BlackRock Investment Management (UK) Limited.

Sector and Geographical Allocations

Mining sector allocation as at 30 November 2006

% of investments

Source: BlackRock Investment Management (UK) Limited.

Energy sector allocation as at 30 November 2006

% of investments

Source: BlackRock Investment Management (UK) Limited.

Investments

as at 30 November 2006

	Main geographic exposure	Market value £'000	% of investments
Integrated Oil			
Eni	Europe	5,010	6.2
Chevron	Global	2,573	3.2
Conocophillips	USA	1,879	2.3
BP	Global	1,837	2.3
Exxon Mobil	Global	1,659	2.0
Total	Global	1,516	1.9
Marathon Oil	USA	1,199	1.5
Occidental Petroleum	USA	1,151	1.4
		16,824	**20.8**
Diversified			
BHP Billiton	Global	4,149	5.1
CVRD	Latin America	3,522	4.3
Rio Tinto	Global	3,122	3.8
Straits Resources	Australia	2,035	2.5
Anglo American	Global	1,535	1.9
African Rainbow Minerals	South Africa	539	0.7
Exxaro Resources	South Africa	391	0.5
		15,293	**18.8**
Nickel			
Jubilee Mines	Australia	4,334	5.3
Eramet	Europe	2,366	2.9
Minara Resources	Australia	1,060	1.3
Independence	Australia	458	0.6
		8,218	**10.1**
Exploration & Production			
Peyto Energy Trust	Canada	2,190	2.7
Anadarko	USA	1,882	2.3
Encana	Canada	1,189	1.5
XTO Energy	USA	1,029	1.3
Denbury Resources	USA	335	0.4
Nexen put option 16/12/06	Canada	(37)	–
		6,588	**8.2**
Zinc			
Zinifex	Australia	5,461	6.7
Zinifex - call option 24/01/07	Australia	(202)	(0.3)
Zinifex - call option 21/12/07	Australia	(20)	–
		5,239	**6.4**
Platinum			
Impala Platinum	South Africa	2,051	2.5
Northam Platinum	South Africa	1,194	1.5
Anglo Platinum	South Africa	1,172	1.4
		4,417	**5.4**

Investments continued

as at 30 November 2006

	Main geographic exposure	Market value £'000	% of investments
Aluminium			
Alcoa	USA	2,376	2.9
Alumina	Australia	1,899	2.3
		4,275	**5.2**
Coal			
China Shenhua Energy	China	2,941	3.6
Straits Asia Resources	Asia	620	0.8
		3,561	**4.4**
Gold			
Goldcorp	Canada	1,584	2.0
Peter Hambro Mining 7.125% convertible bond 11/08/10	Russia	722	0.9
Barrick Gold	Canada	559	0.7
High River Gold 8% convertible bond 31/12/10*	Russia	294	0.4
Goldcorp put option 20/01/07	Canada	(5)	–
		3,154	**4.0**
Refining and marketing			
Valero Energy	USA	2,519	3.1
		2,519	**3.1**
Diamonds			
Gem Diamond 8% convertible bond 2/10/09*	South Africa	1,779	2.2
Aber Diamond	Canada	561	0.7
		2,340	**2.9**
Copper			
Southern Copper	Latin America	972	1.2
Freeport McMoran Copper & Gold	Asia	799	1.0
Katanga Mining 14% convertible bond 30/11/11*	Africa	445	0.5
Freeport McMoran Copper & Gold - put option 20/01/07	Asia	-	-
Freeport McMoran Copper & Gold - put option 17/2/07	Asia	-	-
		2,216	**2.7**
Oil Sands			
Suncor	Canada	801	1.0
Canadian Oil Sands	Canada	400	0.5
		1,201	**1.5**
Other			
Precision Drilling Trust	Canada	1,389	1.7
Minsur	Latin America	966	1.2
Kumba Iron Ore	South Africa	811	1.0
Schlumberger	USA	783	1.0
Enbridge Income Fund	Canada	758	0.9
Iluka Resources	Australia	558	0.7
		5,265	**6.5**
Portfolio		**81,110**	**100.0**

*Unquoted investments at Directors' valuation.

All investments are in ordinary shares unless otherwise stated.
The total number of investments held at 30 November 2006 was 50.
The total number of open options held at 30 November 2006 was 6.
The negative valuations in respect of options held represent the notional cost of repurchasing the contracts at market prices as at 30 November 2006.

Directors

Alan Hodson*
(Chairman)
Aged 44, joined SG Warburg (subsequently UBS) in 1984, rising to Global Head of Equities, a member of the Executive Committee of UBS Investment Bank and of the UBS AG Group Managing Board until his retirement in June 2005. He is a director of the Roundhouse Trust, the Beacon Fellowship Trust and SRM Limited, and a member of the Great Ormond Street Hospital Advisory Board and the Norges Bank Investment Management Advisory Board.

David Gibbs*
Aged 53, is a director of J O Hambro Investment Management where he is responsible for their fixed income and cash related investment business. He was formerly a managing director of Salomon Brothers and Citigroup in the Global Corporate and Investment Banking division.

Dr Graham Birch
Aged 46, is a managing director of BlackRock Merrill Lynch Investment Managers (formerly Merrill Lynch Investment Managers), where he is responsible for their Natural Resources equity investments. He has over 20 years investment experience, as a mining equities analyst and as a stockbroker. He is the portfolio manager for the Merrill Lynch World Mining Trust plc (formerly Mercury World Mining Trust plc), the Merrill Lynch Gold and General Fund and the BlackRock Natural Resources Hedge Fund.

Humphrey van der Klugt*
Aged 53, was previously a director of Schroder Investment Management Limited. In a 22 year career until his retirement in 2004, he was a member of the Group Investment and Asset Allocation Committees. Prior to joining Schroders, he qualified as a chartered accountant with KPMG. He is currently chairman of the Supervisory Board of Schroder Exempt Property Unit Trust, a non-executive director of Murray Income Trust plc and a member of the Investment Committee of St John Ambulance. Mr van der Klugt is Chairman of the Company's Audit & Management Engagement Committee.

* Member of the Audit & Management Engagement Committee.
All the Directors are non-executive and with the exception of Dr Birch are independent of the Manager. All the Directors were appointed to the Board on the incorporation of the Company on 4 November 2005.

Directors' Report

The Directors present the annual report and financial statements of the Company and its subsidiary undertaking for the period ended 30 November 2006.

Business Review

Incorporation

The Company was incorporated on 4 November 2005 and its shares were admitted to trading on the London Stock Exchange on 13 December 2005.

Principal activity and status

The Company carries on business as an investment trust. Its principal activity is portfolio investment and that of its subsidiary undertaking, Merrill Lynch Commodities Securities Income Company Limited, is investment dealing.

In the opinion of the Directors, the Company has conducted its affairs during the period 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"). It is the Company's intention to continue to seek approval under section 842 of ICTA.

The Company is registered as an investment company as defined in section 266 of the Companies Act 1985 and operates as such.

The Company is not a close company within the meaning of the provisions of ICTA and has no employees.

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

Investment

The Company's objective is to achieve an annual dividend yield target and over the long term, capital growth by investing primarily in securities of companies operating in the mining and energy sectors. No material change will be made to the investment policy 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.

Gearing policy

The 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.

Performance

In the period to 30 November 2006, the Company's NAV per share increased by 11.1%. The Company's ordinary shares price increased by 4.4%, (both percentages calculate in sterling terms with net income reinvested).

Results and dividends

The results for the Group are set out in the Consolidated Income Statement on page 26. The total return for the period, after taxation, was £7,944,000 of which the revenue return amounted to £3,979,000, and the capital return £3,965,000.

It was the Company's objective to pay dividends quarterly with an initial dividend yield target of 4.25%. The first three quarters dividends of 1.0625p per share were paid on 28 April 2006, 28 July 2006 and 27 October 2006, respectively. A fourth quarterly dividend of 1.3125p per share will be paid on 26 January 2007 to shareholders on the register of members at the close of business on 29 December 2006. This makes a total of 4.50 pence per share which exceeds the target. It is the Company's aim to pay dividends amounting to at least 4.50 pence per share for the year ending 30 November 2007.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators ("KPIs") used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below.

	Period ended 30 November 2006
Net asset value[1]	11.1%
Share price[2]	4.4%
Discount to net asset value[1]	4.1%
Revenue return per share	5.3p
Total expense ratio	1.1%

1 Calculated in accordance with AIC guidelines.
2 Calculated on a mid to mid basis with income reinvested.

The Board monitors the above KPIs at each meeting. Additionally, it regularly reviews a number of ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection.

The Directors recognise that it is in the long term interests of shareholders that shares do not trade at a significant discount to their prevailing NAV and it is pleasing to note that in the period to 30 November 2006, the Company's shares traded in the range of a discount of 5.4% and a premium of 8.9% with the average being a premium of 2.6%.

Principal risks

The key risks faced by the Company are set out below. The Board regularly reviews and agrees policies for managing each risk, as summarised below.

- Performance risk – The Board is responsible for deciding the investment policy to fulfil the Company's objectives and monitoring the performance of the Investment Manager. To manage this risk the Investment Manager provides an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio and the Board monitors and maintains an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the Company's investment policy.

- Income/dividend risk – The amount of dividends and future dividend growth will depend on the Company's underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by shareholders.

- Regulatory risk – The Company operates as an investment trust in accordance with section 842 of the ICTA 1988. As such the Company is exempt from capital gains tax on the profits realised from the sale of its investments. The Investment Manager monitors investment movements, the level and type of forecast income and expenditure and the amount of quarterly dividends to ensure that the provisions of section 842 are not breached and the results are reported to the Board at each meeting.

- Operational risk – In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager and the Company's other service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These are regularly tested and monitored and an internal control report, which includes an assessment of risks together with procedures to mitigate such risks, is prepared by the Investment Manager and reviewed by the Audit and Management Engagement Committee at least twice a year. The Custodian and the Investment Manager also produce annual FRAG reports, which are reviewed by their respective auditors and give assurance regarding the effective operation of controls.

- Financial risks – The Company's investment activities expose it to a variety of financial risks that include market price risk, foreign currency risk and interest rate risk. Unquoted investments in the Company's portfolio are subject to additional liquidity risk. This is taken into consideration by the Directors when determining the valuation of these holdings. There are also risks linked to the Group's use of derivative transactions. Further details are disclosed in note 17 on pages 37 and 38, together with a summary of the policies for managing these risks.

Future prospects

The Board's main focus is on the achievement of an annual dividend yield target together with the generation of long term capital growth and the future of the Company is dependent upon the success of the investment strategy. The outlook for the Company is discussed in the Investment Manager's report on page 7.

Investment management and administration

It was announced on 15 February 2006 that Merrill Lynch Investment Managers Limited ("MLIM"), the Investment Manager of the Company, was to merge with BlackRock, Inc. The merger was completed on 29 September 2006 at which time the Investment Manager was renamed BlackRock Investment Management (UK) Limited ("BlackRock").

Merrill Lynch & Co., Inc. retains a 49.8% stake in the combined BlackRock business and has a 45% voting interest in the combined company. The PNC Financial Services Group, Inc., which bought BlackRock in 1995, maintains a 34% share in the combined company and approximately 16% is held by employees and public shareholders.

BlackRock provides management services to the Company under a contract dated 21 November 2005 which is terminable by either party at one year's notice for the first three years of appointment. On the expiry of the initial three years, the agreement is terminable at six months' notice. BlackRock receives an annual management fee of 1.1% (plus VAT) of gross assets. The value of any investment in BlackRock managed funds (with the exception of Merrill Lynch Institutional Liquidity Fund, for which the Investment Manager receives no fee), is excluded when calculating the management fee.

Under the management agreement, Merrill Lynch Investment Managers Group Services Limited ("MLIMGS") acted as the Secretary and Administrator of the Company until the completion of the aforementioned merger, when BlackRock Investment Management (UK) Limited assumed the contractual responsibilities of MLIMGS.

No penalty on termination of the investment management contract will be payable by the Company in the event that one year's written notice in the first three years, reducing thereafter to six months, is given to BlackRock. There are no provisions in the management agreement relating to payment of fees in lieu of notice.

The Bank of New York Europe Limited ("BNYE") is the custodian of the Company's assets. BNYE receives a fee payable at rates dependent on the number of trades effected and location of securities held. The custodian agreement is subject to 30 days' notice by either party.

Appointment of the Investment Manager

The Board has concluded that it is in shareholders' interests that BlackRock should continue as Investment Manager of the Company on the existing terms as set out in the management agreement dated 21 November 2005. The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually.

As part of this review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. The specialist nature of the Company's investment remit is, in the Boards view, best served by the Natural Resources team at BlackRock, which has a proven track record in successfully investing in the commodities sector.

The principal contents of the agreement with the Manager have been set out in the previous section. Having considered the terms of this agreement, and those of other investment trust companies, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of the Manager.

Voting policy

The exercise of voting rights attached to shares in the Company's portfolio has been delegated to the Investment Manager, whose voting policy states:

- we will vote at all general meetings of UK companies in which our clients are invested, and it is our intention to extend this policy to all markets in which we invest as and when practicable;
- 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.

Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company is able to meet all of its liabilities from its assets and the ongoing expenses are approximately 1.1% of the net assets.

Directors and Secretaries

The first Director of the Company was Lawgram Directors Limited which was appointed on 4 November 2005 and retired on the same day when Messrs Birch, Gibbs, Hodson and van der Klugt were appointed. Lawgram Secretaries Limited was appointed as the first Secretary on 4 November and retired on the same day when Merrill Lynch Investment Managers Group Services Limited (MLIMGS) was appointed. BlackRock Investment Management (UK) Limited replaced MLIMGS as secretary on 29 September 2006.

In accordance with the Company's Articles of Association, all the Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for election. They all bring to the Board their extensive knowledge and commercial experience. At future Annual General Meetings of the Company one-third of the Directors, plus any Director who was a Director at the preceding two Annual General Meetings and who has not retired in the interim, will retire from office and offer themselves for re-election, so that each Director is re-elected every three years. In accordance with the Listing Rules, as an employee of the Manager, Dr Birch will be subject to annual re-election.

Biographies of the Directors are detailed on page 13.

Directors' interests

None of the Directors in office on 30 November 2006 had any interests in the Company at the date of their appointment.

As at 30 November 2006, the Directors' interests in the Company's ordinary shares were as follows:

	30 November 2006
A C Hodson	50,000
Dr G J Birch	50,000
D A S Gibbs	15,000
H van der Klugt	25,000

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

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

Directors' Remuneration Report

The Directors' Remuneration Report is set out on page 19. An ordinary resolution to approve this report will be put to members at the forthcoming Annual General Meeting. No person'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 issued share capital of the Company on 18 January 2007:

	Number of Ordinary Shares	% of Issued Share Capital
BlackRock Investment Management (UK) Limited* including:	14,391,748	19.04%
Royal Bank of Scotland as Trustee of the Charishare Common Investment Fund and the Charishare Tobacco Restricted Fund including:	4,560,150	6.03%
Royal Bank of Scotland as Trustee of the Charishare Common Investment Fund	3,750,000	4.96%
Rensburg Sheppards	7,566,650	10.01%
Reliance Mutual	4,000,000	5.29%

* On behalf of discretionary and non-discretionary clients and staff.

Derivative transactions

During the period the Group entered into a number of derivative option contracts to sell calls and puts. Further details of these derivative transactions are given in the Investment Manager's Report on page 7 and in note 17 on pages 37 and 38.

Donations

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

Payment of suppliers

It is the policy of the Company 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 capital

On incorporation on 4 November 2005, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each, two of which were agreed to be taken by the subscribers to the Memorandum of Association. In addition 50,000 redeemable preference shares of £1 each were issued on 15 November 2005.

Following the issue of ordinary shares at launch on 13 December 2005, and the redemption of the redeemable preference shares, the authorised number of ordinary shares is 505,000,000 and the number of ordinary shares in issue was 75,000,000. On 4 May 2006, the issued share capital was increased to 75,600,000 following the issue of a further 600,000 shares to Apollo Nominees for a total consideration of £723,000, at a premium to NAV in excess of 6%.

Cancellation of share premium

Pursuant to a special resolution passed at an Extraordinary General Meeting on 15 November 2005, the Company applied to the Court for cancellation of its share premium account, so that the amount standing to the credit of that account immediately following the issue of ordinary shares pursuant to the offer, be cancelled.

Court approval was received on 2 February 2006 and £72,750,000 was transferred from the share premium account to distributable reserves.

Tender offers

Special resolutions were passed at an Extraordinary General Meeting of the Company held on 15 November 2005, granting the Directors authority to implement two half yearly tender offers with calculation dates on 31 August 2006 and 28 February 2007, to repurchase up to 20% of its issued ordinary shares. On 16 June 2006 the Board announced that they would not be exercising their discretion to implement the first tender offer as at the time the Company shares had usually traded at a premium, with the premium on 31 August 2006 being 2.8%.

On 20 December 2006, the Directors announced that following consultation with the Company's broker UBS, and a number of its shareholders, regarding the forthcoming possible tender offer at 28 February 2007, they would not be exercising their discretion to implement the tender offer on this occasion.

The current tender offer authority will expire at the forthcoming Annual General Meeting on 19 March 2007, and the Directors are proposing that their authority to make further regular tender offers be renewed.

Share repurchases

During the period, the Company did not purchase any shares for cancellation. The authority to purchase ordinary shares for cancellation was granted to Directors on 15 November 2005 and expires on the earlier of the conclusion of the first Annual General Meeting of the Company or 3 May 2007. The Directors considered that it was unnecessary to buyback any of the Company's shares as there was demand for them in the market, and the shares had traded at an average premium of 2.6%. The Directors are proposing that their authority to buyback shares be renewed at the forthcoming Annual General Meeting.

Although the Investment Manager initiates the buybacks, 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 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 of the Company may be held in treasury and may be subsequently cancelled or sold for cash in the market.

Both the repurchase for cancellation and the use of treasury shares should assist in providing a discount management mechanism and enhancing the NAV of the Company's shares. This will provide the Directors with additional flexibility to manage the Company's investment portfolio.

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

The Company does not currently hold any shares in treasury but will seek the necessary renewal authority to hold and reissue treasury shares at the forthcoming Annual General Meeting.

Annual General Meeting

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

Resolution 9 Authority to allot shares:

This resolution empowers the Directors to allot shares as defined in section 80 of the Companies Act 1985 up to an aggregate nominal amount of £75,600 per annum which is equivalent to 7,560,000 ordinary shares of 1p each and 10% of the Company's issued ordinary share capital. This authority will expire on 18 September 2008 unless renewed prior to that date.

Resolution 10 Authority to disapply pre-exemption rights

By law, Directors require specific authority from shareholders before allotting new shares for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 10 empowers the Directors to allot new shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £75,600 which is equivalent to 7,560,000 ordinary shares of 1p each and 10% of the Company's issued ordinary share capital. This authority will expire on 18 September 2008 unless renewed prior to that date.

Resolution 11 Authority to buyback shares

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

Under the Listing Rules of the Financial Services Authority, the maximum price which can be paid is the higher of 105% of the average of the market values of the ordinary shares for the five business days before the purchase is made, the price of the last independent trade, and the highest current independent bid. In addition, shares will only be purchased at prices below the net asset value per share, which should have the effect of increasing the net asset value per share for the remaining shareholders. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for shares. 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 11,332,440 ordinary shares (being 14.99% of the issued share capital). This authority will expire on 18 September 2008 unless renewed prior to that date.

Resolutions 12 and 13 Regular tender offers

Resolutions 12 and 13 seek shareholder approval to renew the authorities to operate semi-annual tender offers in accordance with the standard terms and conditions of the regular tender offers. The Directors are seeking authority to purchase up to a maximum of 20% of the shares in issue at each relevant tender offer date. The authorities, if renewed, will respectively expire on 31 October 2007 and the next Annual General Meeting of the Company in 2008 or on 30 April 2008, whichever is earlier.

Audit information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

BlackRock Investment Management (UK) Limited
Secretary
19 January 2007

B. Powley

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the period ended 30 November 2006 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.

Remuneration Committee

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

The Board's policy is that the remuneration of the Directors needs to be sufficient to attract and retain Directors with suitable knowledge and experience. The Secretary 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' remuneration, is used to review whether any change in remuneration is necessary.

The Board's policy is that the remuneration of the Directors should be fair and reasonable in relation to the duties and responsibilities involved. It is intended that this policy will continue for the forthcoming year.

Performance

The graph below compares the Company's NAV and share price total return with the total return on an equivalent investment in 50% HSBC Global Mining Index and 50% MSCI World Energy Index. The composite index is deemed to be the most appropriate as the Company has both global mining and energy investment objectives.

Performance from launch to 30 November 2006

Source: BlackRock Investment Management (UK) Limited, Datastream.
Share price and NAV, in sterling terms, with net income reinvested, rebased to 100, at 13 December 2005.
Composite index in sterling terms, with net income reinvested, rebased to 100, comprising 50% HSBC Global Mining Index and 50% MSCI World Energy Index.

Remuneration/Service Contract

The maximum remuneration of the Directors is determined within the limits of the Company's Articles of Association and amounts to £150,000. No element of the Directors' remuneration is performance related. The Company has not awarded any share options or long term performance incentive to any of the Directors.

None of the Directors has a service contract 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 joined the Board. These letters are available for inspection at the registered office of the Company.

Directors' remuneration*

Director	Period ended 30 November 2006 £
Alan Hodson (Chairman)	24,178
David Gibbs	14,507
Dr Graham Birch	-
Humphrey van der Klugt	15,910

* The information in this table and in the paragraph below has been audited.

The annual remuneration of the Chairman is £25,000, the Chairman of the Audit and Management Engagement Committee is £17,000 and the other Directors £15,000. Dr Birch has waived the entitlement to his fee.

Remuneration is reviewed on an annual basis and was last reviewed in December 2006 when it was agreed that fees should remain the same. During the year Mr van der Klugt's remuneration was increased from £15,000 to £17,000 in respect of his role as Chairman of the Audit & Management Engagement Committee.

Compensation for loss of office

The Company does not have any past Directors and consequently 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 in accordance with the Company's Articles of Association.

By order of the Board

BlackRock Investment Management (UK) Limited
Secretary
19 January 2007

Corporate Governance Statement & Directors' Responsibilities

The Company is committed to high standards of corporate governance. The Board has accordingly put in place a framework for corporate governance, which it believes is appropriate for an investment trust company and which will enable the Company to comply with the relevant provisions of the Combined Code which was issued by the Financial Reporting Council in July 2003. 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, except where disclosed below, and this statement describes how the relevant principles of governance are applied to the Company.

Directors

The Board has overall responsibility for the Company's affairs. It delegates, through an investment management agreement and through specific instructions, the day to day management of the Company to the Manager, BlackRock Investment Management (UK) Limited ("BlackRock"). The Company has no executives or employees. There is a formal schedule of matters reserved for the Board which includes the appointment and removal of the Company Secretary, determination of investment policy, any change in investment strategy, strategic gearing policy, policy on the buy back of shares, and entering into any material contracts. The Board also sets investment parameters, such as the amount that can be invested in any one stock or in unquoted investments. In addition, changes relating to the Group's capital structure, approval of circulars to shareholders and listing particulars, relevant announcements and any significant change in accounting policies or practices must also be approved by the Board.

The Board presently consists of four non-executive Directors, one of whom is Chairman. The provision of the Combined Code which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors.

All of the Directors, other than Dr Graham Birch who is an employee of the Manager, are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Biographies of the Directors appear on pages 13 of this report. The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. In common with many investment trusts the Board has not appointed a Senior Independent Director as it felt that the Chairman is able to fulfil this role.

The Board meets at least six times each year and between these meetings there is regular contact with the Manager. The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table below gives the attendance record for the Board and Committee meetings held in the year.

Attendance Record

	Number of meetings attended	
	Board	Audit & Management Engagement Committee
Alan Hodson	9/9	2/2
Graham Birch	7/9	(not a member)
David Gibbs	9/9	2/2
Humphrey van der Klugt	8/9	2/2

The Board has not established a separate Nomination Committee and the Board, led by the independent Directors, fulfils this function and is responsible for identifying and nominating candidates to fill Board vacancies taking into account the need to maintain a balanced Board. In view of the fact that the Company has only recently been launched it has not been necessary to consider any potential new directors. However, when the need does arise, care will be taken to ensure that appointees have enough time to devote to the job. External consultants may be used to identify potential candidates.

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. When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Manager whereby he or she will become familiar with the various processes which the Manager considers necessary for the performance of its duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst others, the Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

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 the evaluation of the Board, its Committees and individual Directors, including the Chairman. The evaluation for the period ended 30 November 2006 has been carried out. This took the form of self and peer group assessment by questionnaire followed by individual discussions between the Chairman and individual Directors. The Chairman's performance was assessed at a meeting of the other Directors, which was chaired by Humphrey van der Klugt. 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.

The Company has maintained appropriate Directors' liability insurance cover throughout the period.

A Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting and also that every Director submit himself or herself for re-election at least every three years. Subject to these requirements for re-election, Directors are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board. In accordance with the Company's Articles of Association, each of the Directors having been appointed on 4 November 2005 holds office only until the Annual General Meeting. Each Director will offer himself for election by shareholders at that meeting. The Board endorses each Director's candidature and commends his appointment to shareholders. The Chairman is pleased to confirm that each Director's performance has been effective and that each Director continues to demonstrate commitment to the role of non executive Director (including his membership of Board committees). The performance of the Chairman was reviewed by the other Directors, led by Mr van der Klugt who is pleased to recommend his reappointment.

There is a procedure for Directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, BlackRock Investment Management Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The level of Directors' fees is determined by the whole Board, and therefore a separate Remuneration Committee has not been appointed. Since all Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in each annual report (see the Directors' Remuneration Report on page 19).

Communication 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 available to shareholders and the Investment Manager reviews the Company's activities at the Annual General Meeting, where the Directors, including the Chairman of the Board, Alan Hodson, and the Chairman of the Audit & Management Engagement Committee, Humphrey van der Klugt, and representatives of the Investment Manager are available to answer shareholders' queries.

All proxy votes are counted and, except where a poll is called, the Chairman indicates the level of proxies lodged for each resolution and the balance for and against the resolution after it has been dealt with on a show of hands.

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.

The Chairman can always be contacted through the Company Secretary.

Accountability and audit

An Audit & Management Engagement Committee has been established which is chaired by Humphrey van der Klugt, consisting of all the Directors with the exception of Graham Birch who is a non independent Director. The qualifications of the members of the Committee are included in their biographies on pages 13. The Board has taken note of the suggestion that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in this respect.

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 the BlackRock website (www.blackrock.co.uk/its), and on request from the Company's registered office 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. The provision of non audit services is also subject to prior Board approval.

Corporate Governance Statement & Directors' Responsibilities

continued

Non audit fees of £9,000 were paid to Ernst & Young LLP. Of this, £4,000 relate to the review of the initial financial statements and £5,000 for work done in relation to the interim financial statements. The Board considers the services provided are non material and cost efficient. Ernst & Young LLP has reviewed 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 are independent of the Company and the Investment Manager.

The Committee meets the external Auditor in the absence of representatives from the Manager at least once a year to review these and other appropriate matters.

Shareholders have the opportunity at each Annual General Meeting to vote on the re-appointment of the external Auditor for the forthcoming year.

In the period to 30 November 2006 the Audit & Management Engagement Committee discharged its responsibilities by inter alia:

- Reviewing the Company's draft interim financial statements prior to Board approval and reviewing the external Auditor's reports thereon;
- Reviewing the appropriateness of the Company's accounting policies;
- Reviewing and approving the audit fee and reviewing non-audit fees payable to the Company's external Auditor;
- Reviewing the external Auditors' terms of engagement;
- Reviewing the external Auditor's plan for the audit of the Company's financial statements;
- Reviewing the external Auditor's quality control procedures;
- Reviewing a semi-annual report on internal controls and reporting to the Board as described below; and
- Recommending the re-appointment of the external Auditor.

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

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 period 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. 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 IFRS 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 IFRS, 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 and energy 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.

Report of the Independent Auditor

to the members of Merrill Lynch Commodities Income Investment Trust plc

We have audited the Group and Parent Company financial statements for the period ended 30 November 2006, which comprise the Consolidated Income Statement, Group and Company Statements of Changes in Equity, Group and Company Balance Sheets, Group and Company Cash Flow Statements, and the related notes 1 to 18. These financial statements have been prepared under 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

The Directors responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union, are set out in the report 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 and International Standards on Auditing (UK & Ireland).

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 as regards the Group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we also report to you if, in our opinion, 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 information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Performance Record, Chairman's Statement, Investment Manager's Report, Ten Largest Investments, Sector and Geographical Allocations, Investments, Directors, Directors' Report the unaudited part of the Directors' Remuneration Report, Corporate Governance Statement & Directors' Responsibilities, Analysis of Ordinary Shareholders, 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company'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.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 November 2006 and of its net return for the period then ended;

- 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;

- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 30 November 2006;

- the Company 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

- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
19 January 2007

Consolidated Income Statement

for the period ended 30 November 2006

	Notes	Revenue return £'000	Capital return £'000	Total £'000
Income from investments held at fair value through profit or loss	3	4,763	-	4,763
Other operating income	3	1,296	-	1,296
Total revenue		6,059	-	6,059
Gains on investments held at fair value through profit or loss	10	-	4,577	4,577
		6,059	4,577	10,636
Expenses				
Investment management fees	4	(227)	(682)	(909)
Other expenses	5	(326)	-	(326)
Total operating expenses		(553)	(682)	(1,235)
Profit before finance costs and taxation		5,506	3,895	9,401
Finance costs	6	(77)	(193)	(270)
Profit before taxation		5,429	3,702	9,131
Taxation	7	(1,450)	263	(1,187)
Profit for the period		3,979	3,965	7,944
Return per ordinary share	9	5.28p	5.26p	10.54p

The total column of this statement represents the Group's Income Statement, prepared in accordance with International Financial Reporting Standards. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

All income is attributable to the equity holders of Merrill Lynch Commodities Income Investment Trust plc. There are no minority interests.

The notes on pages 30 to 38 form part of these financial statements.

Statements of Changes in Equity

for the period ended 30 November 2006

Group	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Retained earnings £'000	Total £'000
For period ended 30 November 2006							
Net assets at launch on 13 December 2005	750	74,250	-	-	-	-	75,000
Launch costs	-	(1,500)	20	-	-	-	(1,480)
Cancellation of share premium account	-	(72,750)	72,750	-	-	-	-
Shares issued (see notes 14 & 15)	6	717	-	-	-	-	723
Dividends paid (note 8)	-	-	-	-	-	(2,403)	(2,403)
Profit for the period on ordinary activities	-	-	-	304	3,661	3,979	7,944
At 30 November 2006	756	717	72,770	304	3,661	1,576	79,784

Company	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Retained earnings £'000	Total £'000
For period ended 30 November 2006							
Net assets at launch on 13 December 2005	750	74,250	-	-	-	-	75,000
Launch costs	-	(1,500)	20	-	-	-	(1,480)
Cancellation of share premium account	-	(72,750)	72,750	-	-	-	-
Shares issued (see notes 14 & 15)	6	717	-	-	-	-	723
Dividends paid (note 8)	-	-	-	-	-	(2,403)	(2,403)
Profit for the period on ordinary activities	-	-	-	304	4,285	3,355	7,944
At 30 November 2006	756	717	72,770	304	4,285	952	79,784

The notes on pages 30 to 38 form part of these financial statements.

Balance Sheets

as at 30 November 2006

	Notes	Group £'000	Company £'000
Non current assets			
Investments held at fair value through profit or loss	10	81,110	81,734
Current assets			
Other receivables	12	3,310	3,310
Cash and cash equivalents		909	-
		4,219	3,310
Total assets		85,329	85,044
Current liabilities			
Other payables	13	(2,219)	(1,934)
Bank overdrafts		(3,326)	(3,326)
		(5,545)	(5,260)
Net assets		79,784	79,784
Equity attributable to equity holders			
Ordinary share capital	14	756	756
Share premium account	15	717	717
Special reserve	16	72,770	72,770
Capital reserve – realised	16	304	304
Capital reserve – unrealised	16	3,661	4,285
Retained earnings	16	1,576	952
Total equity		79,784	79,784
Net asset value per ordinary share	9	105.53p	105.53p

The financial statements on page 26 to 38 were approved and authorised for issue by the Board of Directors on 19 January 2007 and signed on its behalf by Alan Hodson, Chairman.

The notes on pages 30 to 38 form part of these financial statements.

Cash Flow Statements

for the period ended 30 November 2006

	Note	Group £'000	Company £'000
Operating activities			
Profit before taxation		9,131	8,799
Add back interest paid		270	258
Gains on investments held at fair value through profit or loss including transaction costs		(4,577)	(5,201)
Increase in other receivables		(320)	(320)
Increase in other payables		405	405
Increase in amounts due from brokers		(2,829)	(2,829)
Increase in amounts due to brokers		1,236	1,236
Net purchases of investments held at fair value through profit or loss		(76,538)	(76,538)
Net cash outflow from operating activities before interest and taxation		(73,222)	(74,190)
Interest paid		(270)	(258)
Net tax paid		(245)	(198)
Tax on investment income included within gross income		(520)	(520)
Net cash outflow from operating activities		(74,257)	(75,166)
Financing activities			
Shares issued		75,723	75,723
Launch costs paid		(1,485)	(1,485)
Equity dividends paid	8	(2,403)	(2,403)
Net cash inflow from financing activities		71,835	71,835
Decrease in cash and cash equivalents		(2,422)	(3,331)
Cash and cash equivalents/(bank overdrafts) at start of the period		-	-
Effect of foreign exchange rate changes		5	5
Cash and cash equivalents/(bank overdrafts) at end of the period		(2,417)	(3,326)
Comprised of:			
Cash at bank		909	-
Bank overdrafts		(3,326)	(3,326)
		(2,417)	(3,326)

The notes on pages 30 to 38 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 subsidiary undertaking, Merrill Lynch Commodities Securities Income Company Limited, is investment dealing.

2. Accounting policies.

The principal accounting policies adopted by the Group and the Company are set out below.

(a) Basis of preparation

The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 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.

The Group's 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.

Insofar as the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Trust Companies ("AITC"), now known as the Association of Investment Companies ("AIC"), revised in December 2005 is compatible with IFRS, the financial statements have been prepared in accordance with guidance set out in the SORP.

(b) Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its wholly owned subsidiary, which is registered and operates in England and Wales, Merrill Lynch Commodities Securities Income Company Limited.

(c) Presentation of the consolidated income statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Income Statement between items of a revenue and a 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 Company is engaged in a single segment of business being investment business.

(e) Income

Dividends receivable on equity shares are treated as revenue for the period on an ex-dividend basis. Where no ex-dividend date is available dividends receivable on or before the period end are treated as revenue for the period. Interest income is accounted for on an accruals basis. Premia on options written are recognised as income.

(f) Expenses

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

- expenses which are incidental to the acquisition of an investment which are treated as capital and separately disclosed in note 10 on page 35;

- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be determined;

- the investment management fees and finance costs of borrowing bourne by the Parent Company have been allocated 75% to capital reserve - realised and 25% to revenue account in line with the Board's long term split of return, in the form of capital gains and income respectively, from the investment portfolio.

(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 sales of investments are recognised at the trade date of the disposal. Proceeds are measured at fair value, which will be regarded as the proceeds of sale less any transaction costs.

The fair value of 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 at fair value, using International Private Equity and Venture Capital Association Guidelines. 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 heading are transaction costs in relation to the purchase or sale of investments.

All purchases and sales of financial assets made in the regular way are recognised on the trade date, i.e. the date the entity commits to purchase or sell.

"Regular way" purchases or sales are purchases or sales of financial assets that require delivery of the assets within a time frame generally established by regulation or convention in the market place.

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

(j) Dividends payable
Under IAS 10 interim dividends should not be accrued in the financial statements unless they have been paid. Final dividends are accrued when they have been 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 an insignificant risk of changes in value.

(m) Bank borrowings
Bank overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including any premia 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 instruments to the extent that they are not settled in the period in which they arise.

3. Income

	2006 £'000
Investment Income :	
Overseas listed dividends	4,074
Fixed interest	93
UK listed dividends	596
	4,763
Other operating income:	
Deposit interest	138
Option premium income	1,143
Underwriting commission	15
	1,296
Total income	6,059

Option premia are stated after deducting transaction costs incurred on the purchases and sales of investments. Investment income includes dividend income of £397,000 arising from investments sold ex-dividend within one month of purchase cum-dividend.

4. Investment Management fees

	2006		
	Revenue return £'000	Capital return £'000	Total £'000
Investment management fees	214	644	858
Irrecoverable VAT	13	38	51
	227	682	909

Details of the investment management and administration contracts are disclosed in the Directors' Report on page 15. The investment management fee is levied quarterly, based on the gross assets on the last day of each quarter, and is charged 25% to the revenue account and 75% to the capital account.

5. Other expenses

	2006 £'000
Custody fee	97
Auditors' remuneration:	
– audit services	22
– non audit services	9
Directors' emoluments	55
Registrar's fee	20
Other administrative costs	123
	326
The Company's total expense ratio, calculated as a percentage of average net assets and using expenses, and interest costs, after relief for taxation, was:	1.1%

Non audit services relate to the review of the initial accounts (£4,000), and the review of the interim financial statements (£5,000). Further information is given in the Corporate Governance & Directors' Responsibilities Report on page 22.

6. Finance costs

	2006		
	Revenue return £'000	Capital return £'000	Total £'000
Interest on bank overdrafts	77	193	270

7. Taxation

a) Analysis of charge in year

	2006		
	Revenue £'000	Capital £'000	£'000
Current tax:			
Corporation tax	1,411	(263)	1,148
Double tax relief	(374)	-	(374)
	1,037	(263)	774
Overseas tax	374	-	374
Total current tax (note 7b)	1,411	(263)	1,148
Deferred taxation	39	-	39
Total tax	1,450	(263)	1,187

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company of 30%. The differences are explained below:

	2006 £'000
Profit before tax on ordinary activities before taxation	9,131
Return on ordinary activities multiplied by standard rate of corporation tax (30%)	2,739
Effects of:	
Non taxable capital gains	(1,373)
Non taxable UK dividends received	(179)
Overseas tax suffered	374
Double tax relief	(374)
Movement in overseas income taxable on receipt	(39)
Current corporation tax charge for the year (note 7a)	1,148

Due to the Company's intention to meet the conditions required to obtain approval under section 842 ICTA it has not provided deferred tax on any capital gains and losses.

8. Dividends

Under IFRS interim dividends are not recognised until paid. They are also debited directly to reserves.

Amounts recognised as distributions to equity shareholders during the period to 30 November 2006:

	£'000
1st interim paid on 28 April 2006 of 1.0625p	797
2nd interim paid on 28 July 2006 of 1.0625p	803
3rd interim paid on 27 October 2006 of 1.0625p	803
	2,403

For the period ended 30 November 2006, a 4th interim dividend of 1.3125p per ordinary share has been declared and will be paid on 26 January 2007, to shareholders on the Company's register on 29 December 2006.

The total dividends payable in respect of the period which form the basis of section 842 of the Income and Corporation Taxes Act 1988 are set out below:

	2006 £'000
1st interim paid on 28 April 2006 of 1.0625p	797
2nd interim paid on 28 July 2006 of 1.0625p	803
3rd interim paid on 27 October 2006 of 1.0625p	803
4th interim payable on 26 January 2007 of 1.3125p	992
	3,395

9. Consolidated return per ordinary share and net asset value per ordinary share.

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

	2006
Net revenue return attributable to ordinary shareholders (£'000)	3,979
Net capital return attributable to ordinary shareholders (£'000)	3,965
Total earnings attributable to ordinary shareholders (£'000)	7,944
Equity shareholders funds (£'000)	79,784
The weighted average number of ordinary shares in issue during each period, on which the return per ordinary share was calculated, was	75,357,955
The actual number of ordinary shares in issue at the period end, on which the net asset value was calculated, was:	75,600,000
Revenue return per share	5.28p
Capital return per share	5.26p
Total return per share	10.54p
Net asset value per share	105.53p
Share price	101.25p

10. Investments held at fair value through profit or loss

	Group 2006 £'000	Company 2006 £'000
Quoted investments held at fair value through profit or loss	78,592	78,592
Unquoted investments held at fair value through profit or loss	2,518	3,142
	81,110	81,734
Opening cost of equity investments	-	-
Additions at cost	165,971	165,971
Disposals	(89,433)	(89,433)
Realised gains	911	911
Cost carried forward	77,449	77,449
Closing unrealised appreciation	3,661	4,285
Closing valuation of equity investments	81,110	81,734

Transaction costs of £437,000 were incurred on the acquisition of investments in the period. Costs relating to the disposal of investments during the year amount to £136,000. All transaction costs have been included within the capital reserve.

Gains on investments held at fair value through profit or loss

	Group 2006 £'000	Company 2006 £'000
Realised gains on sales	911	911
Changes in unrealised appreciation	3,661	4,285
Exchange gains on foreign currency transactions	5	5
	4,577	5,201

11. Investment in subsidiary undertaking

At 30 November 2006, the Company had one wholly owned subsidiary undertaking which is registered and operating in England and Wales. Merrill Lynch Commodities Securities Income Company Limited was incorporated on 9 November 2005.

	Description of ordinary shares	Authorised and issued share capital 2006
Merrill Lynch Commodities Securities Income Company Limited	Ordinary shares of £1	£1

Under IFRS the investment in the subsidiary is fair valued which is deemed to be the balance sheet value of the Company of £624,000.

12. Other receivables

	Group 2006 £'000	Company 2006 £'000
Amounts due from brokers	2,829	2,829
Taxation recoverable	141	141
Prepayments and accrued income	340	340
	3,310	3,310

13. Other payables

	Group 2006 £'000	Company 2006 £'000
Amounts due to brokers	1,236	1,236
Corporation tax payable	524	239
Deferred taxation	39	39
Accrued expenditure	420	420
	2,219	1,934

14. Share capital

	2006 Number	2006 £'000
Authorised		
Ordinary shares of 1p each	505,000,000	5,050
At launch on 13 December 2005	75,000,000	750
Ordinary shares issued on 4 May 2006	600,000	6
At 30 November	75,600,000	756

During the period the company issued 600,000 ordinary shares at a premium to net asset value in excess of 6% and for a consideration of £723,000.

15. Share premium account

	2006 £'000
At start of the period	-
Shares issued at launch	74,250
Launch costs	(1,500)
Canellation of share premium account	(72,750)
Shares issued during the period	717
At 30 November	717

16. Reserves

Group

	Special reserve £'000	Capital reserve £'000	Retained earnings £'000
At launch	–	–	–
Movement during the period:			
Cancellation of share premium account	72,750	–	–
Refund of VAT on launch costs	20	–	–
Net income for the period	–	–	7,944
Transfer from retained earnings to capital reserve	–	3,965	(3,965)
Dividends paid	–	–	(2,403)
At 30 November 2006	72,770	3,965	1,576

16. **Reserves** continued

The Group's capital reserve consists of £3,661,000 of unrealised appreciation.

Company

	Special reserve £'000	Capital reserve £'000	Retained earnings £'000
At launch	–	–	–
Movement during the period:			
Cancellation of share premium account	72,750	–	–
Refund of VAT on launch cost	20	–	–
Net income for the period	–	–	7,944
Transfer from retained earnings to capital reserve	–	4,589	(4,589)
Dividends paid	–	–	(2,403)
At 30 November 2006	72,770	4,589	952

The Company's capital reserve consists of £4,285,000 of unrealised appreciation.

17. Derivatives and financial instruments

Background

The Group's financial instruments, other than derivative contracts, comprise securities and other investments, cash balances 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. The numerical disclosures below exclude 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 additional 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 period.

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 overdraft facility during the period, and had an overdraft of £3,326,000 at the period end.

17. Derivatives and financial instruments continued

(iv) Use of derivatives

The Group has entered into a variety of different derivative contracts during the period. Guidelines agreed with the Investment Manager limit any exposure to options and futures to a maximum of 10% of the Group's gross assets. This exposure is monitored on a daily basis by the Investment Manager.

(v) Period to maturity risk

All liabilities accruing to the Group fall due in one year therefore the Group is not exposed to any significant risks in this area.

(vi) Liquidity risk

The Company maintains a diversified portfolio consisting almost entirely of securities listed on recognised Exchanges most of which are readily realisable. The Manager has regard to the liquidity of individual securities when making investment decisions, and the Company manages its liquid resources to ensure sufficient cash is available to meet its contractual commitments.

Financial assets and liabilities

Financial assets are included in the balance sheet at market values, which represent fair values. The currency denomination of the Group's investment portfolio is set out below.

Currency	Floating rate liabilities 2006 £'000	Floating rate assets 2006 £'000	Fixed rate assets 2006 £'000	Non interest bearing 2006 £'000	Total 2006 £'000
US dollar	–	–	2,501	24,780	27,281
Sterling	(3,326)	909	–	10,644	8,227
Canadian dollar	–	–	739	7,287	8,026
Australian dollar	–	–	–	15,583	15,583
South African rand	–	–	–	6,158	6,158
Euro	–	–	–	8,892	8,892
Other currencies	–	–	–	4,526	4,526
Total	(3,326)	909	3,240	77,870	78,693

The floating rate liabilities consist of bank overdrafts and the floating rate assets consist of cash at bank. The average rates applied to bank overdrafts and cash balances were 4.56% and 4.33%, respectively. The non interest bearing assets represent the Company's investment portfolio.

The currency denomination of the Company's financial assets and liabilities is shown above. Short term debtors and creditors, which are excluded, are predominantly denominated in sterling, which is the functional currency of the Company. All amounts are included in the financial statements at fair value.

Derivative contracts

At the period end 4 put options and 2 call options remained open. Details of these contracts are given in the investment listing on pages 11 and 12. The notional cost of repurchasing the contracts at market prices as at 30 November 2006 was £264,000.

18. Contingent liabilities

There were no contingent liabilities at 30 November 2006, other than as disclosed in note 17.

Analysis of Ordinary Shareholders

30 November 2006

By type of holder

	Number of shares	% of total 2006	Number of holders	% of total 2006
Direct private investors	1,495,582	2.0	192	17.7
Banks and nominee companies	72,618,802	96.0	853	78.6
Others	1,485,616	2.0	40	3.7
	75,600,000	100.0	1,085	100.0

By size of holding

	Number of shares	% of total 2006	Number of holders	% of total 2006
1-10,000	4,351,118	5.8	791	72.9
10,001-100,000	6,238,169	8.3	224	20.6
100,001-1,000,000	18,704,931	24.7	57	5.3
1,000,001-5,000,000	28,673,985	37.9	11	1.0
Over 5,000,001	17,631,797	23.3	2	0.2
	75,600,000	100.0	1,085	100.0

Management & Administration

Registered Office
(Registered in England, No. 5612963)
33 King William Street
London EC4R 9AS

Investment Manager
BlackRock Investment Management (UK) Limited*
33 King William Street
London EC4R 9AS

Secretary and Administrator
BlackRock Investment Management (UK) 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 707 1476

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

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

Stockbrokers
UBS Investment Bank*
1 Finsbury Avenue
London EC2M 2PP

Solicitors
Lawerence Graham LLP
190 Strand
London WC2R 9AS

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

*Authorised and regulated by the Financial 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:

January
Preliminary results announced.

February
Annual report and financial statements published.

March
Annual General Meeting.

July
Interim figures announced and interim report published.

Quarterly Dividends

Dividends are paid quarterly as follows:

Period ending	Ex- date	Payment date
28 February	March	April
31 May	June	July
31 August	September	October
30 November	December	January

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 on 0870 707 1476 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 707 1476. Shareholders who have already opted to have their dividends reinvested do not need to reapply.

Share price

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

ISIN/SEDOL numbers

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

	Ordinary Shares
ISIN	GB00B0N8MF98
SEDOL	B0N8MF9
Reuters Code	MLCO.L
Bloomberg Code	MLCO 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 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. To use these services, you will need your shareholder reference number, which is detailed on your certificate.

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.

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 will receive a Notice of Availability via e-mail from Computershare with a link to the relevant section of the BlackRock 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 (you will need your shareholder reference number, which is given on your share certificate or tax voucher).

Shareholder Information continued

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. Fuller details are given in the Directors' Report on Page 15.

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

- A lack of growth in world or country specific industrial production may adversely affect metal and energy prices.

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

- Mining and energy companies are subject to specific operational and geological risks in addition to normal business and management risks.

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

- Shares in businesses in which the Company invests can prove volatile and this may be reflected in the Company's share price.

- Ordinary Shares are only suitable for investors who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company; for whom an investment in Ordinary Shares constitutes part of a diversified investment portfolio; and who fully understand and are willing to assume the risks involved in investing in the Company.

- 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.

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 BlackRock 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 BlackRock 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.

Publication of NAV/portfolio analysis

The NAV per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

The daily NAV and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at www.blackrock.co.uk/its and through the Reuters News Service under the code "BLRKINDEX", on page 8800 on Topic 3 (ICV terminals) and under "BLRK" on Bloomberg (monthly information only).

Internet

Other details about the Company are also available on the BlackRock website at www.blackrock.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 BlackRock 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 BlackRock 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 BlackRock 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 maxi or mini 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 in each tax year.

The Company's shares are eligible investments within the stocks and shares component of the BlackRock Investment Trusts ISA, which is a maxi ISA, details of which are available from BlackRock 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 BlackRock for investment in the Company's ordinary shares without affecting any tax benefits.

For more information on PEP transfers, or an existing BlackRock 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 707 1476. 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 investor centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from 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 Commodities Income Investment 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*
BlackRock Investment Management (UK) Limited
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 445522

Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of Merrill Lynch Commodities Income Investment Trust plc will be held at the offices of BlackRock Investment Management (UK) Limited, 33 King William Street, London EC4R 9AS on Monday, 19 March 2007 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 period ended 30 November 2006, together with the report of the Auditor thereon.

2. To approve the Directors' Remuneration Report.

3. To elect Mr A C Hodson as a Director.

4. To elect Mr D A S Gibbs as a Director.

5. To elect Dr G J Birch as a Director.

6. To elect Mr H van der Klugt as a Director.

7. To reappoint Ernst & Young LLP as Auditor to the Company.

8. 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:

9. That the Directors be and they are hereby generally and unconditionally authorised, for the purpose of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount equal to £75,600, representing 10% of the aggregate nominal amount of the issued share capital of the Company as at 19 January 2007, provided that this authority shall expire on 18 September 2008, but so that such authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

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

10. That, subject to the passing of resolution 9 above, 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 referred to above 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 sales 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 £75,600;

    (c) at a price of not less than the net asset value per share as close as practicable to the allotment or sale; and

    (d) such power shall expire on 18 September 2008, 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.

11. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 1p in the Company ("Shares"), the Company be and it is hereby authorised in accordance with section 166 of the Companies Act 1985 ("the Act") to make market purchases of Shares (within the meaning of section 163 of the Act) provided that:

    (a) the maximum number of Shares hereby authorised to be purchased is 11,332,440;

    (b) the minimum price which may be paid for a Share shall be 1p;

    (c) the maximum price (exclusive of expenses which may be paid for a Share) shall be the higher of 5% above the average of the market value of the shares of that class for the five business days immediately preceding the date of purchase, the price of the last independent trade, the highest current independent bid on the trading venue where the purchase is carried out and the net asset value per Share on the date of purchase; and

    (d) unless renewed, the authority hereby conferred shall expire on 18 September 2008 save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

All Shares purchased pursuant to the above authority shall be either: (i) cancelled immediately on completion of the purchase; or (ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act.

12. That, in addition to the authority given to the Company to purchase its ordinary shares of 1p each ("Shares") pursuant to the resolution numbered 11 above and in accordance with the standard terms and conditions of the regular tender offers as set out in the prospectus of the Company dated 22 November 2005 (the "Terms and Conditions"), the Company be and is hereby authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section of 163 of the Act) of its Shares, provided that:

    (a) the maximum number of Shares hereby authorised to be purchased shall not exceed 20% of the Shares in issue as at 31 August 2007 (excluding any Shares held in Treasury);

    (b) the price which may be paid for a Share shall be the Tender Price (as defined in the Terms and Conditions); and

    (c) the authority hereby conferred shall expire on 31 October 2007 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

    Save as expressly provided in this resolution, words defined in the Terms and Conditions shall bear the same meanings in this resolution.

13. That, in addition to the authority given to the Company to purchase its ordinary shares of 1p each ("Shares") pursuant to the resolutions numbered 11 and 12 above and in accordance with the standard terms and conditions of the regular tender offers as set out in the prospectus of the Company dated 22 November 2005 (the "Terms and Conditions"), the Company be and is hereby authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of its Shares, provided that:

    (a) the maximum number of Shares hereby authorised to be purchased shall not exceed 20% of the Shares in issue as at 28 February 2008 (excluding any Shares held in Treasury);

    (b) the price which may be paid for a Share shall be the Tender Price (as defined in the Terms and Conditions); and

    (c) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008 or on 30 April 2008 (which ever is the earlier) save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

    Save as expressly provided in this resolution, words defined in the Terms and Conditions shall bear the same meanings in this resolution.

By Order of the Board
BlackRock Investment Management (UK) Limited
Secretary
19 January 2007

Registered Office:
33 King William Street
London EC4R 9AS

Notice of Annual General Meeting continued

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 17 March 2007. 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 17 March 2007.
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 17 March 2007 ("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 "total equity" by the total number of ordinary shares in issue. For example, as at 30 November 2006, total equity were worth £79,784,000 and there were 75,600,000 ordinary shares in issue; the NAV was therefore 105.53p per ordinary share.

The equity shareholder's funds are calculated by deducting from the Company's total assets, its current and long term liabilities and provision for liabilities and charges.

Discount

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

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 100p and the NAV 90p, the premium would be 11.1%.

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