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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.

**aic**

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

Annual Report and Accounts 30 November 2007

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# Performance Record

## Financial Highlights

	As at 30 November 2007	As at 30 November 2006	Change %
<b>Assets</b>			
Net assets (£ 000)	110,018	79 784	+37.9
Net asset value per ordinary share	158.05p	105.53p	+49.8
- with income reinvested	-	-	+55.5
Ordinary share price (mid-market)	149.75p	101.25p	+47.9
- with income reinvested	-	-	+53.8
	Year ended 30 November 2007	Period ended 30 November 2006	Change %
<b>Revenue</b>			
Net revenue after taxation (£ 000)	4,681	3 979	+17.6
Revenue return per ordinary share	6.31p	5.28p	+19.5
<b>Interim dividends</b>			
1st interim	1.125p	1.0625p	+5.9
2nd interim	1.125p	1.0625p	+5.9
3rd interim	1.125p	1.0625p	+5.9
4th interim	1.875p	1.3125p	+42.9
Total dividends paid and payable in respect of the year ended 30 November	5.250p	4.500p	+16.7

# Chairman's Statement

I am pleased to present the second annual report to shareholders of the Merrill Lynch Commodities Income Investment Trust plc, for the year ended 30 November 2007

The exceptional volatility which has characterised securities markets throughout 2007, particularly during the second half, has been mirrored in the mining and energy sectors. Against this challenging background, I am pleased to report that over the year the Company's net asset value ("NAV") per share increased by 55.5% and the share price increased by 53.8% (both percentages calculated in sterling terms with income reinvested)

Earnings and dividends in the Company's investments grew strongly resulting in a satisfactory total return to shareholders

## Revenue return and dividends

Revenue return per share for the year was 6.31 pence (2006 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 40. It was the Company's aim to pay dividends amounting to at least 4.50 pence for the year ended 30 November 2007 (2006 target of 4.25 pence) and we are pleased to have exceeded this target by paying dividends amounting to 5.25 pence per share in total in respect of the year (2006 4.50 pence)

It is the Company's aim to pay dividends amounting to at least 5.25 pence per share for the year ending 30 November 2008<sup>(1)</sup>

## 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.

The Directors exercised their discretion to operate the half yearly tender offer in August 2007 which was undersubscribed with 5,989,338 shares, (7.92% of the shares in issue), being tendered. The tender price calculated as at close of business on 31 August 2007 was 128.28 pence per share. All shares tendered in August have been placed in treasury.

The Directors, having received feedback from a number of the Company's shareholders, have concluded that there is insufficient appetite for them to exercise their discretion to implement the February 2008 tender offer.

The current tender offer authority expires on the earlier of the Annual General Meeting ("AGM") of the Company in 2008 or 30 April 2008. A resolution for its renewal will be put to shareholders at the forthcoming AGM.

## 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 buy back up to 14.99% of the Company's issued share capital. This authority, which has not so far been utilised, expires at the forthcoming AGM on 18 March 2008 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 12.9% and at 30 November 2007 gearing amounted to 3.6%.

## Company Name

Following the merger of Merrill Lynch Investment Managers with BlackRock in September 2006, BlackRock became the master brand for the merged business. Accordingly a full product rebrand is under way and the Board now expects to put forward proposals with regard to your Company's name in the Spring of 2008. The costs incurred in changing the name will be met by BlackRock.

## Directorate

As mentioned in my interim report we are very pleased to welcome Jonathan Ruck Keene who joined the Board on 23 April 2007, as an alternate Director to Dr Graham Birch. Jonathan has wide-ranging experience in the investment industry and he is currently a Managing Director of BlackRock Investment Management (UK) Limited where he is head of its investment company business.

## VAT

The Board welcomes the success of the Association of Investment Companies ("AIC") and JPMorgan Claverhouse

<sup>(1)</sup> This is a target and should not be interpreted as a profit forecast. This represents a yield of 3.5% based on the share price as at close of business on 30 November 2007.

Investment Trust plc who have won their lengthy legal test case against HM Revenue & Customs (HMRC) challenging the imposition of VAT on management services supplied to investment trusts

HMRC have now accepted the European Court of Justice's judgement of 28 June 2007 that management services supplied to investment trusts should be exempt from VAT

Total irrecoverable VAT incurred by the Company on management fees since inception is estimated at £110,000 and the prospective cost saving for your Company is estimated at £73,000 per annum. The Manager has already submitted claims to recover from HMRC any amounts repayable as a result of the AIC and JPMorgan Claverhouse case and is awaiting clarification from HMRC regarding the basis on which repayments will be made, which may have an impact on the amounts recovered. Given the volume of claims HMRC have to process it is likely to be a significant period of time before any amounts are refunded. However, the amounts involved will not have a material impact on the Company's NAV.

#### **Outlook**

High equity market volatility looks set to continue in the immediate future and your Company's investments will be affected by this. Demand should be underpinned by economic growth in emerging markets whilst the supply side constraints are set to continue. However, we remain confident in the long term future of the mining and energy sectors.

Alan Hodson  
Chairman  
18 January 2007



# Investment Manager's Report

## Commodity market overview

For the year ended 30 November 2007, the Manager is pleased to report that the Company's NAV and share price rose by 55.5% and 53.8% respectively. Over the same period, the HSBC Global Mining Index and the MSCI World Energy Index rose by 56.9% and 16.1% respectively, while the FTSE All-Share Index rose by 8.5%. [All percentages are in sterling terms with income reinvested]

The positive returns generated by the Company reflect a generally robust set of fundamentals in the commodities market. Demand is strong, driven by urbanisation of emerging market economies, while supply growth remains relatively weak. The US Dollar performance of the major commodities and indices can be seen in the table opposite. The period under review was also characterised by further decoupling of major economies. In the Company's latest interim statement it was reported that the slowdown in the US economy had been absorbed by growth in the emerging markets (including China). Not surprisingly, US growth estimates were further downgraded in the summer, in the wake of the ongoing credit crisis. It appears, for the moment at least, that the Chinese economy, the world's largest consumer of commodities has been unscathed. It is worth noting that exports represent only 6% of China's GDP and of these, 20% go to the US.

The period was also a time of exceptional volatility in the equity markets, notably during the credit crisis. Commodity equities were sold-off significantly during the July and August period. This reflected investors' desire to "de-risk" their portfolios rather than any significant deterioration in the industry fundamentals. Another feature in the market has been the gyrations in the value of the US Dollar, which weakened markedly against most major currencies during the period under review.

Commodity	30 November		% Change
	2006	2007	
Base Metals (US\$/tonne)			
Aluminium	2 686	2 465	-8.2
Copper	6 936	6 956	0.3
Lead	1 674	3 048	82.0
Nickel	34 703	26 408	-23.9
Tin	10,688	16 988	59.0
Zinc	4,390	2 530	-42.4
Precious Metals (US\$/oz)			
Gold	647.6	782.7	20.9
Silver	13.68	14.23	4.0
Platinum	1 171.0	1 440.0	23.0
Palladium	327.0	349.0	6.7
Energy			
Oil (WTI) (US\$/Bbl)	63.1	88.7	40.5
Natural Gas (US\$/MMBTU)	8.3	7.3	-12.6
Uranium (US\$/lb)	64.0	93.0	45.3
Equity Indices (US\$)			
HSBC Global Mining Index (US\$)	463.2	743.6	60.5
HSBC Global Mining Index (£)	235.5	361.6	53.6
MSCI World Energy Index (US\$)	239.6	284.3	18.7
MSCI World Energy Index (£)	121.8	138.3	13.5

Source: Datastream

Base metals were a mixed bag. The best performers were lead and tin, both of which hit new all-time highs driven largely by production shortfalls at several operations. The portfolio has one tin stock – the Peruvian producer Minsur. While the portfolio does not hold any pure-play lead companies, our exposure to this commodity is hidden in other companies such as Zinifex, which is principally a zinc producer. On concerns about increasing supply, zinc prices nearly halved during the period, making it the worst performing metal. Another important development is the fact that Chinese authorities are looking to remove a 5% tax rebate on zinc exports and instead impose a 5-10% tax. This encouraged exports of the metal, which put further pressure on prices. However, demand for zinc, which is primarily used for galvanising and alloying, remains strong. It is worth noting that the US only accounts for around of 10% of global consumption.

Copper started the year weakly, falling back below US\$240/lb in February 2007. A series of strikes and production shortfalls together with a recovery in Chinese imports resulted in inventory drawdowns and renewed price strength. The portfolio's copper holdings included Freeport McMoran and Southern Copper. In the nickel market, prices made huge gains in the first half of the year. With London Metal Exchange inventories at extremely low levels, nickel exceeded US\$50,000/tonne at one point on strong demand and supply side disruptions. A subsequent increase in inventories, in response to destocking by the stainless steel producers, resulted in a sharp decline in prices. The portfolio's key nickel investment was Jubilee Mines. In October, Xstrata made a cash bid for the company, which is based in Western Australia. The bid valued Jubilee at a 35% premium to the stock's closing price prior to the bid. The portfolio had a significant holding in Jubilee, which was subsequently sold.

While the aluminium price drifted 8% lower in US\$ terms, the aluminium equities fared much better amidst a series of corporate transactions. In 2007, we saw the three-way merger of the private Russian aluminium companies Rusal and Sual with Glencore's aluminium division to create the world's largest aluminium company. Alcoa then launched a hostile bid for Alcan, which was subsequently topped by an all cash offer by Rio Tinto. The portfolio has a significant holding in Alcoa.

In the bulk commodity market, iron ore benchmark prices were increased by 9.5% in US\$ terms for the year beginning April 2007. This was the fifth successive annual price increase, which is unprecedented in the iron ore market. The market has been driven by growth in the Chinese steel industry in combination with constraints to supply. The market remains extremely tight and a sixth price increase is expected for the April 2008 contract price. One of the key metrics to consider is the difference between Chinese spot and Australian Cost, Insurance and Freight prices, which have grown significantly this year. As a result, some brokers are forecasting a 50% increase in contract prices for next year. A similar situation has developed in the coking coal market. Spot sales of Australian Hard Coking Coal into India have driven prices to US\$150/tonne, roughly 50% above contract prices. The

Company is well exposed to the iron ore market through its holdings in the diversified companies BHP Billiton, Rio Tinto and Vale (formerly known as CVRD). In November, BHP Billiton announced details of a proposal to merge with Rio Tinto. While the approach was quickly rejected by Rio Tinto, BHP Billiton intends to pursue the potential transaction, which if successful would be one of the largest corporate transactions ever. BHP Billiton has until 6 February 2008 to make a formal bid or walk away.

In the precious metals market, gold prices came within a whisker of surpassing the 1980 high of US\$850/oz. One of the key drivers behind the run in bullion has been investment demand. This has grown strongly this year, particularly in the wake of the credit crisis, as investors sought safe haven assets. In terms of supply, some of the big producers such as South Africa and Australia recorded significant falls in output. In 2006, South African gold mine production hit its lowest level since 1922. Despite a 20.9% US gain in bullion prices, gold equities, as measured by the FTSE Gold Mines Index, were reasonably disappointing in only returning 17.7% in US\$ terms. (Typically, gold equities should provide leverage to movements in the gold price – for a 10% move in bullion, the shares should move by 20-30%.) The portfolio's key gold equities include Kinross Gold and Goldcorp. Platinum prices gained 23.0% in US\$ terms. The key driver has been the growing use of platinum in autocatalysts, particularly in diesel vehicles. The portfolio's exposure to the Platinum Group Metals is through the South African producers Anglo Platinum and Impala.

The chart below shows the performance of mining shares and base metal prices during the year.

## Investment Manager's Report continued

In the energy market, we entered 2007 with a relatively sanguine view on the oil price. We believed a handful of large projects, which had been delayed, would come into production in 2007 resulting in higher than average volume growth. Together with a relatively mild winter in the US, leading to lower demand for heating oil, West Texas Intermediate fell back to the US\$50/Bbl level in January. The supply/demand fundamentals subsequently improved as non-OPEC supply growth fell short of expectations. Meanwhile, geopolitical tensions continued to influence prices. Prices came close to overtaking the US\$100/Bbl level in October before falling back to close the period at US\$89/Bbl. The portfolio's key energy plays include the integrated oil company StatoilHydro. In November, Statoil completed the merger with Norsk Hydro's oil and gas assets. The new entity, renamed StatoilHydro, is the largest operator on the Norwegian continental shelf. The portfolio also has significant holdings in CNOOC, Total and Chevron.

Uranium prices also performed strongly, largely due to supply disruptions. Last year's flood at Cameco's Cigar Lake mine was followed in the spring by a flood at ERA's Ranger mine in the Northern Territory, Australia. Prices peaked at US\$138/lb in June before drifting back to close the period at US\$93/lb. In the thermal coal market, the Australian contract price for April 2007 to April 2008 was set at US\$55.5/tonne, up from US\$52.5/tonne in the previous year. A sharp reduction in Chinese exports has been a key factor in determining prices. Early settlements between Australian producers and Korean power companies have been set around US\$66/tonne, while spot prices have topped US\$70/tonne in August.

The chart below shows the performance of energy shares and oil prices during the year.

### Portfolio

The portfolio is largely invested in established producing companies within the mining and energy sectors, with little exposure to exploration and development companies. At 30 November 2007, the Company had 59 stock holdings across a broad range of mining and energy sub-sectors. Roughly 50% of the portfolio's assets are invested in integrated energy and diversified mining companies. These provide excellent diversification both in terms of geographic and commodity risk. The remainder is invested in purer play equities. The full geographic and commodity allocation can be seen in the charts below. A brief description of the portfolio's top 10 holdings, which make up 40.0% of assets, is also provided.



## Outlook

The commodity market fundamentals remain positive in the long term. Notwithstanding the slowdown in the US economy, economic growth in emerging markets, such as China and India, is likely to drive demand going forward.

While these countries are already significant consumers of raw materials in absolute terms, their per capita consumption is relatively modest. In China, for example, oil consumption per capita is equal to US per capita oil consumption in 1904. On the supply side of the equation, a lack of exploration success, shortages of labour and equipment, infrastructure bottlenecks and permitting delays are expected to persist. Supply growth, therefore, may remain constrained. This year, we have witnessed signs of a positive re-rating of the sector. However, commodity equities remain undervalued in our view. With positive supply/demand fundamentals maintaining commodity prices at attractive levels for the producers, we believe that this re-rating could continue. We also believe that further corporate activity is likely to provide solid support for equity valuations.

Richard Davis  
BlackRock Investment Management (UK) Limited  
18 January 2008

The Company generated £4.8m in investment income during the year, a slight increase compared with the previous period.

In the derivatives market, the Group can sell put and call options where the Manager considers it appropriate to do so for efficient portfolio management and to enhance income under guidelines set by the Board. During the period, the portfolio generated £2.1m of income through option writing, up from £1.1m in the previous period. As volatilities rose sharply during the credit crisis, the cost of buying an option also increased. We took advantage of this by selling puts in some of the UK mining shares in August, after their share prices had fallen back significantly. The portfolio's other sources of income included corporate bonds, stocklending and interest on cash. A full analysis of income and expenses is contained in the notes to the financial statements on pages 35 to 45.

## Ten Largest Investments

**Rio Tinto – 5.4% (2006 3.8%)** is the world's second largest mining company. The company has interests in aluminium, copper, diamonds, energy products, gold, industrial minerals (borates, titanium dioxide, salt and talc), and iron ore. This year, Rio Tinto successfully completed the acquisition of Alcan, the Canadian aluminium company. In November 2007, BHP Billiton announced details of a proposal to merge with Rio Tinto. The approach has been rejected by the company.

**StatoilHydro – 5.2% (2006 n/a)** was established in October 2007 following the merger of Statoil with Norsk Hydro's oil and gas assets and is the leading operator on the Norwegian continental shelf. The company is one of the world's leading suppliers of gas and the largest supplier of petroleum products in Scandinavia. StatoilHydro is also a world leader in the use of deepwater technology and in carbon capture and storage.

**BHP Billiton – 5.1% (2006 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 is a major producer of aluminium, iron ore, copper, thermal and metallurgical coal, manganese, uranium, nickel, silver and titanium minerals. The company also has significant interests in oil, gas, liquefied natural gas and diamonds. In November 2007, BHP Billiton announced details of a proposal to merge with Rio Tinto. While the approach was quickly rejected by Rio Tinto, BHP Billiton intends to pursue the potential transaction, which if successful would be the largest ever corporate takeover.

**Vale – 4.4% (2006 4.3%)** in November 2007, CVRD changed its name to Vale. Based in Brazil, the company is the third largest mining company in the world and the largest producer of iron ore. The company has significant interests in other commodities including aluminium, coal, copper and gold. Since the 2006 acquisition of Inco, Vale is also a leading producer of nickel. In addition to its mining interests, Vale owns and operates transport infrastructure.

**CNOOC – 3.6% (2006 n/a)** is engaged primarily in oil and gas exploration and production and is one of China's NOCs (National Oil Companies). The company is the dominant producer of oil and gas offshore China. CNOOC also has assets in Indonesia, Central Asia, Africa and Australia.

**Total – 3.5% (2006 1.9%)** is one of the largest publicly-traded integrated oil and gas companies in the world. The company's key production regions are the North Sea, Africa and the Middle East. Total is Western Europe's leader in refining and marketing and one of the world's major traders of crude oil and refined products. Total also produces petrochemical and fertilizer products and has interests in coal mining and the power generation sector.

**Chevron – 3.4% (2006 3.2%)** is one of the world's largest integrated energy companies with operations in more than 180 countries. One of the six "super major" oil companies, Chevron is active in every aspect of the oil and gas industry including exploration and production, refining, marketing and transportation, chemicals manufacturing and sales, geothermal and power generation.

**Eni – 3.3% (2006 6.2%)** is an integrated energy company based in Italy. The company engages in oil and gas exploration and production, refining and marketing and the generation and sale of electricity. In Italy, the company is the leader in the marketing of refined products under its Agip brand. Eni also operates in the transport, distribution and sale of natural gas and is active in the petrochemical, oilfield service and engineering industries.

**Alcoa – 3.1% (2006 2.9%)** is the world's leader in alumina production and the third largest producer of aluminium. Headquartered in the USA, Alcoa is also active in other businesses including packaging and consumer products, fastening systems, precision castings and electrical distribution systems for cars and trucks. In May 2007, Alcoa made a hostile bid for Alcan, the Canadian aluminium producer. Alcan was subsequently the target of a friendly takeover by Rio Tinto.

**Straits Resources – 3.0% (2006 2.5%)** is a diversified mining company based in Perth, Western Australia. The company's assets include copper mines in Australia and a gold mine in Indonesia. Straits also has an interest in a coal mine in Indonesia through its subsidiary Straits Asia Resources, which is listed on the Singapore Stock Exchange.

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

# Investments

as at 30 November 2007

	Main geographic exposure	Market value £'000	% of investments
<b>Integrated Oil</b>			
StatoilHydro	Europe	5 921	5.2
Total	Global	3 941	3.5
Chevron	Global	3 838	3.4
Eni	Europe	3 728	3.3
Occidental Petroleum	USA	2,371	2.1
Conocophillips	USA	2 101	1.9
Exxon Mobil	Global	1 843	1.6
BP	Global	1 652	1.5
Marathon Oil	USA	1 359	1.2
		<b>26,754</b>	<b>23.7</b>
<b>Diversified</b>			
Rio Tinto	Global	6,204	5.4
BHP Billiton	Global	5,785	5.1
Vale*	Latin America	4 946	4.4
Straits Resources	Australia	3 355	3.0
Anglo American	Global	1 539	1.4
Oxiana Resources	Asia	1,258	1.1
Sterlite Industries	Asia	767	0.7
Franco Nevada	USA	213	0.2
		<b>24,067</b>	<b>21.3</b>
<b>Exploration &amp; Production</b>			
CNOOC	China	4 079	3.6
Peyto Energy Trust	Canada	2 118	1.9
Anadarko Petroleum	USA	2 065	1.8
Niko Resources	Asia	2,017	1.8
Encana	Canada	1 420	1.2
Nexen	Asia	1 378	1.2
XTO Energy	USA	1 202	1.1
Crescent Point Energy Trust Units	Canada	979	0.9
Denbury Resources	USA	582	0.5
CNOOC call 190 option 19/01/08	China	[89]	[0.1]
		<b>15,751</b>	<b>13.9</b>
<b>Gold</b>			
Goldcorp	Canada	1 576	1.4
Peter Hambro Mining Ltd 7% 19/10/12	Russia	1 260	1.1
Kinross Gold	Canada	1 261	1.1
Jaguar Mining 10 5% 23/03/12*	Latin America	1 244	1.1
Peter Hambro Mining Group 7 125% Convertible Bonds 11/08/10	Russia	976	0.9
Barrick Gold	Canada	690	0.6
High River Gold 8% Convertible Bonds 31/12/11*	Africa	321	0.3
Jaguar Mining	Latin America	301	0.3
		<b>7,629</b>	<b>6.8</b>

# Investments continued

as at 30 November 2007

	Main geographic exposure	Market value £'000	% of investments
<b>Aluminium</b>			
Alcoa	USA	3 532	3.1
Alumina	Australia	2 065	1.9
Norsk Hydro	Europe	1,241	1.1
		<b>6,838</b>	<b>6.1</b>
<b>Coal</b>			
Straits Asia Resources	Asia	3 092	2.7
China Shenhua Energy	China	2 592	2.3
		<b>5,684</b>	<b>5.0</b>
<b>Nickel</b>			
International Nickel Indonesia	Asia	2,442	2.1
Eramet	Europe	1 562	1.4
Minara Resources	Australia	1 200	1.1
		<b>5,204</b>	<b>4.6</b>
<b>Platinum</b>			
Impala Platinum	South Africa	2 711	2.4
Anglo Platinum	South Africa	1 320	1.2
Johnson Matthey	Europe	1 122	1.0
		<b>5,153</b>	<b>4.6</b>
<b>Oil Services</b>			
Schlumberger	USA	1 632	1.4
KBR	USA	1 452	1.3
Precision Drilling Trust	Canada	739	0.7
		<b>3,823</b>	<b>3.4</b>
<b>Copper</b>			
Freeport McMoran Copper & Gold <sup>1</sup>	Asia	2 152	1.9
Southern Copper	Latin America	942	0.8
Katanga Mining 14% S/Nts 30/11/13	Africa	523	0.5
Katanga Mining Convertible Warrants 20/11/11	Africa	146	0.1
Southern Copper call option 22/12/07	Latin America	(24)	-
Freeport McMoran Copper & Gold put option 19/01/08	Asia	(53)	-
		<b>3,686</b>	<b>3.3</b>
<b>Zinc</b>			
Zinifex	Australia	3 101	2.7
		<b>3,101</b>	<b>2.7</b>
<b>Tin</b>			
Minsur	Latin America	1,394	1.2
		<b>1,394</b>	<b>1.2</b>
<b>Uranium</b>			
UEX	Canada	1 217	1.1
		<b>1,217</b>	<b>1.1</b>

	Main geographic exposure	Market value £ 000	% of investments
<b>Other</b>			
Valero Energy	USA	949	0.8
Enbridge Income Fund Trust	Canada	750	0.7
Aber Diamond	Canada	539	0.5
Iluka Resources	Australia	366	0.3
Potash Corporation of Saskatchewan put option 19/01/08	Canada	(18)	-
Potash Corporation of Saskatchewan put option 19/01/08	Canada	(26)	-
		<b>2,560</b>	<b>2.3</b>
<b>Portfolio</b>		<b>112,861</b>	<b>100.0</b>

† Ordinary and preference shares

\* Unquoted investments at Directors' valuation

All investments are in ordinary shares unless otherwise stated

The total number of holdings as at 30 November 2007 was 59 (2006: 50)

The total number of open options as at 30 November 2007 was 5 (2006: 6)

The negative valuations in respect of options held represent the notional cost of repurchasing the contracts at market prices as at 30 November 2007

# Directors

## **Alan Hodson\***

(Chairman)

Aged 45, 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 and SRM Global Limited, a Special Trustee of the Great Ormond Street Hospital Children's Charity and a member of the Norges Bank Investment Management Advisory Board.

## **David Gibbs\***

Aged 54, 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 47, is a managing director of BlackRock 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, the BlackRock Natural Resources Hedge Fund and the BlackRock Agriculture Hedge Fund. Dr Birch is also a trustee director of Rothamsted Research Limited.

## **Humphrey van der Klugt\***

Aged 54, 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 of Fidelity European Values 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.

## **Jonathan Ruck Keene\*\***

Aged 54, is a managing director of BlackRock Investment Management (UK) Ltd which he joined in 1986. Mr Ruck Keene, who is responsible for the investment company division, has over 25 years experience across the investment business.

\* Member of the Audit & Management Engagement Committee

\*\* Alternate Director to Dr Birch

All the Directors are non-executive and are independent of the Manager with the exception of Dr Birch and his alternate Mr Ruck Keene. All of the Directors, except Mr Ruck Keene who was appointed on 23 April 2007, 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 year ended 30 November 2007

## Business Review

### Principal activity and status

The Company carries on business as an investment trust. Its principal activity is portfolio investment.

The Company's wholly owned subsidiary undertaking is Merrill Lynch Commodities Securities Income Company Limited. Its principal activities are option writing and investment dealing.

In the opinion of the Directors, the Company has conducted its affairs during the year under review and subsequently, so as to qualify as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988 [ICTA]. The last accounting period for which the Company has been treated as approved as an investment trust by HM Revenue & Customs was for the period ended 30 November 2006. 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 policy

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 sectors.

The Company seeks to achieve these objectives through a focused portfolio, consisting of approximately 30-70 securities.

There are no restrictions on investment in terms of geography or sub-sector and, in addition to equities, other types of securities, such as convertible bonds and debt issued by mining or energy companies, may be acquired. There is the flexibility to invest up to 10% of the gross assets of the Company and its subsidiary (the Group) in unquoted investments and up to 10% of the gross assets of the portfolio may be invested in physical assets, such as gold.

Investment in securities may be either direct or through other funds, including investment trusts, and those managed by BlackRock Investment Management (UK) Limited ("BlackRock"), subject to a maximum of 15% of the portfolio.

The Company will not hold more than 15% of the market capitalisation of any one company, other than the subsidiary, and no more than 15% of the gross asset value of the Company will be held in any one class of security issued by a company as at the date any such investment is made.

The Company may use derivatives, for efficient portfolio management, up to a maximum of 10% of the Group's assets. In addition, the Company is also permitted to enter into stock lending arrangements up to 33⅓% of the total asset value of the portfolio.

The Company may from time to time, use borrowings to gear its investment policy or in order to fund the market purchase of its own Ordinary Shares. This gearing typically is in the form of an overdraft or short term facility, which can be repaid at any time. Under the Company's Articles of Association the Board is obliged to restrict the borrowings of the Company to an aggregate amount equal to 40% of the value of the gross assets of the Company. However, borrowings are not anticipated to exceed 20% of the Company's gross assets at the time of drawdown of the relevant borrowings.

The Company's accounts are maintained in sterling. Although many investments are denominated and quoted in currencies other than sterling, the Company does not intend to employ a hedging policy against fluctuations in exchange rates.

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

### Portfolio analysis

A detailed analysis of the portfolio has been provided on pages 8 to 13.

### Performance

In the year to 30 November 2007, the Company's NAV per share increased by 55.5%. The Company's ordinary share price increased by 53.8%, (both percentages calculated in sterling terms with income reinvested).

The Investment Manager's report on pages 6 to 9 includes a review of the main developments during the year.

## Directors' Report continued

together with information on investment activity within the Company's portfolio

### Results and dividends

The results for the Group are set out in the Consolidated Income Statement on page 31. The total return for the year, after taxation, was £41,474,000 (2006: £7,944,000) of which the revenue return amounted to £4,681,000 (2006: 3,979,000), and the capital return £36,793,000 (2006: 3,965,000).

It is the Company's objective to pay dividends quarterly and for the year ended 30 November 2007 it was the Company's aim to pay dividends amounting to at least 4.50 pence in total (2006: target of 4.25 pence). The first three quarters dividends of 1.125p per share were paid on 27 April 2007, 27 July 2007 and 26 October 2007. A fourth quarterly dividend of 1.875p per share will be paid on 25 January 2008 to shareholders on the register of members at the close of business on 28 December 2007. This makes a total of 5.25 pence per share which comfortably exceeds the target for the year of 4.50 pence per share.

It is the Company's aim to pay dividends amounting to at least 5.25 pence per share for the year ending 30 November 2008. This represents a yield of 3.5% based on the share price as at close of business on 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 opposite.

	Year ended 30 November 2007	Period ended 30 November 2006
Net asset value <sup>1</sup>	55.5%	11.1%
Share price <sup>2</sup>	53.8%	4.4%
Discount to net asset value	5.3%	4.1%
Revenue return per share	6.3p	5.3p
Total expense ratio	1.0%	1.1%

<sup>1</sup> Calculated in accordance with AIC guidelines

<sup>2</sup> 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 indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. The Board also assesses the

Company's performance against its peer group of investment trusts with similar investment objectives.

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. The Board believes this may be achieved through the use of regular tender offers and the use of share buyback powers. In the year to 30 November 2007, the Company's shares traded in the range of a discount of 8.2% and a premium of 2.7% with the average being a discount of 5.0%.

### 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. 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. The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting.
- **Regulatory risk** – The Company operates as an investment trust in accordance with section 842 of the ICTA. 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 AAF01/06 and SAS70 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 44 and 45, together with a summary of the policies for managing these risks.

#### **Future prospects**

The Board's main focus is the achievement of an annual dividend yield target together with the generation of long term capital growth. 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 9.

#### **Investment management and administration**

BlackRock Investment Management (UK) Limited ("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 also acted as the Secretary and administrator of the Company throughout the year.

BlackRock receives an annual management fee of 1.1% 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.

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"), a subsidiary of Bank of New York Mellon ("BNYM"), 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 terms 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 considers 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 Board's 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 Investment 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:

## Directors' Report continued

- 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,
- we will abstain on proposals which we feel unable to support but believe it would be against our clients' interests to oppose publicly,
- where we abstain or vote against proposals we will normally inform the company in advance of our intention and of the reasons for our decision, 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 1.0% of the net assets.

### Directors

The Directors of the Company on 30 November 2007 are set out in the table below together with their interests in the ordinary shares of the company. With the exception of Mr Ruck Keene who was appointed on 23 April 2007 as alternate Director to Dr Graham Birch, all of the Directors held office throughout the year under review.

	30 November 2007	1 December 2006*
A C Hodson	50,000	50,000
Dr G J Birch	50,000	50,000
D A S Gibbs	15,000	15,000
J Ruck Keene	14,000	14,000
H van der Klugt	25,000	25,000

\* or date of appointment if later

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.

In accordance with the Company's Articles of Association, one-third of the Directors, plus any Director who was a Director at the preceding two AGMs 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. Mr Gibbs will therefore retire at the forthcoming AGM and, being eligible, offer himself for re-election. Additionally, in accordance with the Listing Rules, as an employee of the Investment Manager, Dr Birch, for whom Mr Ruck Keene acts as alternate director, is subject to annual re-election. As an alternate director Mr Ruck Keene is not subject to re-election.

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

Biographies of the Directors are detailed on page 14.

### Directors' Remuneration Report

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

### Substantial shares interests

As at 15 January 2008, the Company had received notification in accordance with the FSA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of Ordinary Shares	% of Issued Share Capital
BlackRock Inc	8,236,582	11.83
Rensburg Sheppards Investment Management Limited	7,370,240	10.59
Reliance Mutual	4,500,000	6.46
JP Morgan Chase & Co <sup>(1)</sup>	4,337,000	6.23
Legal & General Group Plc <sup>(2)</sup>	2,200,000	3.16

(1) As at 18 January 2008

(2) As at 21 January 2008

### Derivative transactions

During the year the Group entered into a number of derivative option contracts to sell calls and puts. Further

details of these derivative transactions are given in note 17 on pages 44 and 45

### **Donations**

The Company made no political or charitable donations during the year

### **Payment of suppliers**

It is the policy of the Group 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**

Full details of the Company's authorised and issued share capital are given in note 14 on page 42

### **Tender offers**

The Directors exercised their discretion to operate the half yearly tender offer in August 2007 and the Company offered to repurchase up to 20% of its issued ordinary shares. The tender offer was undersubscribed with 5,989,338 shares, (7.92% of the shares in issue) being tendered. The tender price calculated as at close of business on 31 August 2007, the calculation date, was 128.28 pence and the aggregate value of the shares bought back was £7,683,243.

On 20 December 2007, the Directors announced, having received feedback from a number of the Company's shareholders, they had concluded there is insufficient appetite for the Board to exercise its discretion to implement the February 2008 tender offer.

The current tender offer authority will expire at the forthcoming AGM on 18 March 2008 and the Directors are proposing that their authority to make further regular tender offers be renewed.

### **Share repurchases**

The authority to purchase ordinary shares for cancellation on completion of the purchase, or to be held, sold, transferred or dealt with as treasury shares, was granted to Directors on 19 March 2007 and expires on 18 September 2008. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming AGM.

No shares were purchased for cancellation or to be held in treasury other than in respect of the tender offer during the

year. The Directors considered that it was unnecessary to buy back any of the Company's shares as there was demand for them in the market. During the year the shares traded at an average discount of 5.0%.

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**

At the 2007 AGM, the Company was authorised to repurchase up to 10% of its own shares to be held in treasury for reissue or cancellation at a future date. Following the 31 August 2007 tender offer, the entire 5,989,338 shares purchased were placed in treasury.

Resolutions to renew the authority to reissue shares from treasury will again be put to shareholders at the forthcoming AGM. Both the repurchase of shares and the use of treasury shares should assist the Investment Manager in the objective of 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 Investment Manager will only repurchase shares at prices below the prevailing NAV per share and otherwise in accordance with guidelines established from time to time by the Board. The number of treasury shares that may be held for reissue at any one time will be limited to 10% of the shares in issue. Treasury shares will only be reissued at prices at or above the prevailing NAV per share. This ensures a positive overall effect on shareholders if shares are bought back at a discount and then sold at a price at or above the NAV per share.

### **Annual General Meeting**

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

#### **Resolution 7 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.

# Directors' Report continued

This authority will expire on 17 September 2009 unless renewed prior to that date

## **Resolution 8 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 8 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 17 September 2009 unless renewed prior to that date.

## **Resolution 9 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 17 September 2009 unless renewed prior to that date.

## **Resolutions 10 and 11 Regular tender offers**

Resolutions 10 and 11 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 2008 and 30 April 2009.

## **Resolution 12 Directors' indemnities**

Resolution 12 is to amend the Company's Articles of Association. It is proposed following changes to company law made with effect from October 2007 by the Companies Act 2006 to extend the scope of the Company's ability to indemnify its directors and officers, excluding its Auditor, in respect of liabilities incurred by them in connection with their activities on behalf of the Company.

As permitted by the amended Articles of Association, the Company proposes to enter into Deeds of Indemnity granting indemnities insofar as is consistent with statute (subject to certain exclusions) in favour of all of the present Directors of the Company. These indemnities are uncapped in amount, in relation to certain losses and liabilities which they may incur to third parties, including any derivative actions brought under Part 11 the Companies Act 2006, in the course of the actual or purported exercise of their duties or powers as Directors of the Company.

The Deed Poll also allows the Company to fund the Directors' defence costs as they are incurred both in criminal and civil cases, through the granting of a loan to any relevant Director. The loan must be repaid by any Director who is found guilty or liable at the conclusion of such a case.

The indemnity would not permit the Directors or officers to be indemnified in respect of any liability to the Company itself or cover any liability to pay any regulatory or criminal fines and would not cover any liability incurred by the Director or officer in defending any criminal proceedings in which he is convicted or civil proceedings brought by the Company in which judgment is given against him.

Once entered into, copies of the Deeds of Indemnity and the Company's Articles of Association will be available for inspection during normal business hours at the Company's registered office.

The Company purchased and maintained directors' and officers' liability insurance throughout 2007, which was renewed for 2008.

## **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 Auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information.

and to establish that the Company's Auditor is aware of that information

**Auditor**

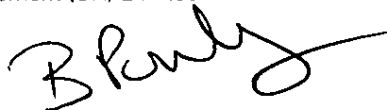
The Auditor, Ernst & Young LLP, has indicated its willingness to continue in office and resolutions proposing its reappointment and authorising the Directors to determine its remuneration for the ensuing year will be submitted at the AGM

**By order of the Board**

BlackRock Investment Management (UK) Limited

Secretary

18 January 2008

A handwritten signature in black ink, appearing to read 'B. P. ...', is written over the text of the Secretary's name and date.

# Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30 November 2007 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 AGM.

## Directors' Remuneration Committee

The Board as a whole fulfils the function of the Directors' Remuneration Committee, which meets when necessary to consider any change in Directors' remuneration policy. The Board is of the opinion that a Remuneration Committee is not appropriate for a Company of this size and nature and a separate Committee has therefore not been established. The Company has no employees other than its Directors, all of whom are non-executive and, with the exception of Dr Birch and his alternate Mr Ruck Keene, 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 and 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.

The Secretary, whose duties are set out on page 25 and who is not appointed by the Remuneration Committee, provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate, as well as taking into account any data published by the Association of Investment Companies. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary.

## Performance

The graph below compares the Company's 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.

## 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	Year ended 30 November 2007	Period ended 30 November 2006
	£	£
Alan Hodson (Chairman)	25,000	24,178
David Gibbs	15,000	14,507
Dr Graham Birch	-	-
Jonathan Ruck Keene	-	n/a
Humphrey van der Klugt	17,000	15,910

The information in this table has been audited.

For the year ended 30 November 2007 the annual remuneration of the Chairman was £25,000, the Chairman of the Audit and Management Engagement Committee £17,000 and the other Directors £15,000. Dr Birch waived the entitlement to his fee. With effect from 1 December 2007 the remuneration of the Chairman was increased to £26,000, the Chairman of the Audit Committee to £18,000 and the other Directors to £16,000.

#### **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  
18 January 2008

# Corporate Governance Statement & Directors' Responsibilities

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust. The framework enables the Company to comply with the Combined Code on Corporate Governance ("the Combined Code") and the revised AIC Code of Corporate Governance published in 2006 and updated in May 2007. The AIC Code complements the Combined Code and provides a framework of best practice for investment trusts. 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.

## The Board

The Board currently consists of four non-executive Directors. With the exception of Dr Birch and his alternate Mr Ruck Keene who are employees of the Investment Manager, all are considered by the Board to be independent of the manager and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Directors' biographies, on page 14, demonstrate a breadth of investment knowledge, business and financial experience relevant to the Company's business which enable it to provide effective strategic leadership and proper governance of the Company. The structure of the Board is such that it is considered unnecessary to identify a Senior Independent Director, in common with many investment trusts. The provision of the Combined Code which relates to the combination of the roles of chairman and chief executive does not apply as the Company has no executive directors.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The Board determines strategic issues and all operational matters of a material nature.

In accordance with the Company's Articles of Association a Director appointed during the year is required to retire and seek election by shareholders at the next AGM. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the AGM 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, Dr Birch, being subject to annual re-election as an employee of the Investment Manager and Mr Gibbs will offer themselves for election by shareholders at the forthcoming AGM. 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).

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 Investment Manager whereby he or she will become familiar with the various processes which the Manager considered 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 Company has maintained appropriate directors' liability insurance cover throughout the year, in respect of legal action against its Directors.

## The Board's Responsibilities

The Board meets at least six times a year and between these meetings there is regular contact with the Investment Manager. The Board is responsible to shareholders for the overall management of the Company. It reserves to itself decisions relating to the determination of investment policy, any change in investment strategy, strategic gearing policy, policy on the buyback and issue of shares, whether to hold shares in treasury, and entering into any material contracts. The Board also sets investment parameters, such as the



acquisition or disposal of substantial interests, the maximum amount that may be invested in any one company and the maximum amount that can be invested in unquoted investments. In addition, changes relating to the Company's capital structure, approval of circulars to shareholders and listing particulars, relevant press releases and Stock Exchange announcements along with any significant change in accounting policies or practices must also be approved by the Board.

The Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with applicable rules and regulations. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 1985. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports.

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

#### **Evaluation of the Board and its Committees**

The Board formally reviews its performance on an annual basis, together with that of the Audit and Management Engagement Committee.

An appraisal system has been agreed by the Board for evaluation of itself, its Committees and its individual Directors, including the Chairman. The annual evaluation for the year ended 30 November 2007 has been carried out. This took the form of questionnaires followed by discussions to identify how the effectiveness of its activities, policies or processes might be enhanced. The results of the evaluation process were presented to and discussed by the Directors and it was agreed that the current composition of the Board and its Committees reflected a suitable mix of skills and experience, and that the Board, as a whole, and its Committees were functioning effectively.

#### **Delegation of responsibilities**

The Board has delegated the following areas of responsibility

##### **Management and administration**

The management of the investment portfolio and the administration of the Company have been delegated to the Investment Manager. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day to day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. Custody and settlement services are provided by BNYE.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 18.

##### **Committees of the Board**

As the Board is small it fulfils the functions of the Nomination Committee, led by the independent Directors. Should a vacancy occur or the Board decide to recruit new members the Committee will meet to select and propose suitable candidates for appointment. When looking for a new Director, the board will assess the size, balance and profile of the Board as a whole, to identify any areas that need strengthening. The existing Directors will try to identify suitable individuals from their range of contacts, although other sources, including external search consultants, may also be used as required.

A separately chaired Audit and Management Engagement Committee has been established and currently consists of all the Directors of the Company, except Dr Birch. The Committee meets at least twice a year and the Board considers that at least one member of the Audit and Management Engagement Committee has sufficient recent and relevant financial experience for it to discharge its function effectively. The Chairman of the Company is a member of the committee to enable him to be kept fully informed of all issues which may arise.

The two planned meetings are held prior to the Board meetings to approve the interim and annual results. The Committee does not consider that as an investment trust company it needs to hold an additional meeting although this is kept under review.

# Corporate Governance Statement & Directors' Responsibilities continued

During the year the principal activities of the Audit and Management Engagement Committee included

- reviewing the interim and annual financial statements and the external Auditor's report thereon,
- reviewing the scope, results, cost effectiveness, independence and objectivity of the external Auditor,
- reviewing and approving the audit and non audit fees payable to the external Auditor and the terms of their engagement,
- reviewing and approving the external Auditor's plan for the following financial year,
- reviewing the appropriateness of the Company's accounting policies,
- ensuring the adequacy of the internal controls systems and standards and
- reviewing the investment management agreement and the services provided by the Investment Manager

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

Non-audit fees of £4,500 were paid to Ernst & Young LLP which relate to the review of the interim statements. The Board considers the services provided are non-material and cost efficient. On an annual basis Ernst & Young LLP review the independence of their relationship with the Investment Manager and report to the Board, providing details of any other relevant relationships with the Investment Manager. The Board has concluded that Ernst & Young LLP are independent of the Company and the Investment Manager.

The external Auditor is invited to attend the Audit and Management Engagement Committee meeting at which the annual accounts are considered. At this meeting they have the opportunity to meet with the Committee without representatives of the Investment Manager being present.

## Membership of the Audit and Management Engagement Committee

Humphrey van der Klugt (Chairman)  
David Gibbs  
Alan Hodson

The terms of reference of this Committee are available on the BlackRock website at [www.blackrock.co.uk/its](http://www.blackrock.co.uk/its) under the Literature section, or on request from the Company's registered office and at each AGM.

The composition of the Remuneration Committee is discussed in the Directors' Remuneration Report on page 22.

## Attendance record

	Number of Meetings attended	
	Board	Audit
Number of Meetings held	7	3
Alan Hodson (Chairman)	7	3
Graham Birch	7	(not a member)
David Gibbs	6	2
Jonathan Ruck Keene*	n/a	n/a
Humphrey van der Klugt	7	3

as alternate to Graham Birch

## Internal controls

The Board is responsible for the internal controls of the Company 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 systems on an ongoing basis to identify, evaluate and manage the Company's significant risks. As part of that process, there are procedures designed to capture and evaluate any failings or weaknesses and should a matter be categorised by the Board as significant, procedures exist to ensure that necessary action is taken to remedy the failings. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Investment Manager and BNYE. There is a monitoring and reporting process to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by the Investment Manager's corporate audit department. This accords with the guidance in the Turnbull Report. The Investment Manager reports to the Company 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 Company does not have its own internal audit function, as all the administration is delegated to the Investment Manager. This matter is kept under review.

The Board recognises that these control systems can only be designed to manage rather than to 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 Company's activities and review its performance at each Board Meeting

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 primarily in securities of companies operating in the mining and energy sectors around the world. The Investment Manager's evaluation procedures and financial analysis of the companies within the portfolio include detailed research and appraisal. The Company invests primarily on financial grounds to meet its stated objectives

### **Communication with shareholders**

All ordinary shareholders have the opportunity to attend and vote at the AGM. The Notice of the AGM sets out the business of that Meeting and any item not of an entirely routine nature is explained in the Directors' Report

The Notice of AGM 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 AGM, 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. Proxy voting figures are announced to the shareholders at the AGM. Proxy voting results will be available on the Investment Manager's website shortly after the Meeting

The Board discusses with the Investment Manager at each Board meeting any feedback from meetings with shareholders and it also receives reports from its corporate broker

# Corporate Governance Statement & Directors' Responsibilities continued

There is a section within this report entitled "Shareholder Information", on pages 48 to 50 which provides an overview of useful information available to shareholders

The Company's accounts are also published on [www.blackrock.co.uk/its](http://www.blackrock.co.uk/its), which is the website maintained by the Investment Manager, BlackRock Investment Management (UK) Limited. The work undertaken by the Auditor does not involve consideration of the maintenance and integrity of the website and accordingly the Auditor accepts that no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

# Report of the Auditor

to the members of Merrill Lynch Commodities Income Investment Trust plc

We have audited the Group and Company financial statements for the year ended 30 November 2007, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditor

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, 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 statements, Article 4 of the IAS regulations. 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 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 2006 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, Investments, Directors', Directors' Report, the unaudited part of the Directors' Remuneration Report, Corporate Governance & 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.

# Report of the Auditor continued

to the members of Merrill Lynch Commodities Income Investment Trust plc

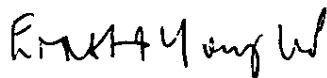
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors Remuneration Report to be audited are free from 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 2007 and of its net return for the year then ended,
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985 of the state of the Company's affairs as at 30 November 2007,
- 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 statements Article 4 of the IAS regulation, and
- the information given in the Directors Report is consistent with the financial statements

Ernst & Young LLP  
Registered Auditor  
London  
18 January 2008



# Consolidated Income Statement

for the year ended 30 November 2007

	Notes	Revenue return 2007 £'000	Revenue return 2006 £ 000	Capital return 2007 £'000	Capital return 2006 £ 000	Total 2007 £'000	Total 2006 £ 000
Income from investments held at fair value through profit or loss	3	4,832	4,763	-	-	4,832	4,763
Other operating income	3	2,232	1 296	-	-	2,232	1,296
<b>Total revenue</b>		<b>7,064</b>	<b>6 059</b>	<b>-</b>	<b>-</b>	<b>7,064</b>	<b>6 059</b>
Gains on investments held at fair value through profit or loss	10	-	-	37,690	4 577	37,690	4 577
		<b>7,064</b>	<b>6,059</b>	<b>37,690</b>	<b>4 577</b>	<b>44,754</b>	<b>10 636</b>
<b>Expenses</b>							
Investment management fees	4	(305)	(227)	(913)	(682)	(1,218)	(909)
Other expenses	5	(69)	(326)	-	-	(69)	(326)
<b>Total operating expenses</b>		<b>(374)</b>	<b>(553)</b>	<b>(913)</b>	<b>(682)</b>	<b>(1,287)</b>	<b>(1,235)</b>
<b>Profit before finance costs and taxation</b>		<b>6,690</b>	<b>5 506</b>	<b>36,777</b>	<b>3,895</b>	<b>43,467</b>	<b>9 401</b>
Finance costs	6	(135)	(77)	(369)	(193)	(504)	(270)
<b>Profit before taxation</b>		<b>6,555</b>	<b>5 429</b>	<b>36,408</b>	<b>3,702</b>	<b>42,963</b>	<b>9 131</b>
Taxation	7	(1,874)	(1 450)	385	263	(1,489)	(1 187)
<b>Profit for the year</b>		<b>4,681</b>	<b>3,979</b>	<b>36,793</b>	<b>3 965</b>	<b>41,474</b>	<b>7 944</b>
<b>Earnings per ordinary share</b>	9	<b>6 31p</b>	<b>5 28p</b>	<b>49 60p</b>	<b>5 26p</b>	<b>55 91p</b>	<b>10 54p</b>

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

# Statements of Changes in Equity

for the year ended 30 November 2007

Group	Notes	Share capital £ 000	Share premium account £'000	Special reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £ 000	Revenue reserve £'000	Total £'000
<b>For the period ended 30 November 2006</b>								
Net assets at launch on 13 December 2005		750	74 250	-	-	-	-	75 000
Profit for the period		-	-	-	304	3 661	3 979	7 944
Launch costs*		-	[1 480]	-	-	-	-	[1 480]
Cancellation of share premium account		-	(72,750)	72,750	-	-	-	-
Shares issued	15	6	717	-	-	-	-	723
Dividends paid	8	-	-	-	-	-	(2 403)	(2 403)
<b>At 30 November 2006</b>		<b>756</b>	<b>737</b>	<b>72,750</b>	<b>304</b>	<b>3,661</b>	<b>1,576</b>	<b>79 784</b>
<b>For the year ended 30 November 2007</b>								
At 30 November 2006		756	737	72,750	304	3,661	1 576	79 784
Profit for the year		-	-	-	18,017	18 776	4 681	41 474
Shares purchased	14 16	-	-	(7,684)	-	-	-	(7,684)
Share purchase costs	14, 16	-	-	(79)	-	-	-	(79)
Dividends paid	8	-	-	-	-	-	(3 477)	(3 477)
<b>At 30 November 2007</b>		<b>756</b>	<b>737</b>	<b>64 987</b>	<b>18,321</b>	<b>22,437</b>	<b>2 780</b>	<b>110,018</b>

## Company

<b>For the period ended 30 November 2006</b>								
Net assets at launch on 13 December 2005		750	74,250	-	-	-	-	75 000
Profit for the period		-	-	-	304	4 285	3 355	7,944
Launch costs*		-	(1,480)	-	-	-	-	[1 480]
Cancellation of share premium account		-	(72 750)	72 750	-	-	-	-
Shares issued	15	6	717	-	-	-	-	723
Dividends paid	8	-	-	-	-	-	(2 403)	(2 403)
<b>At 30 November 2006</b>		<b>756</b>	<b>737</b>	<b>72 750</b>	<b>304</b>	<b>4 285</b>	<b>952</b>	<b>79,784</b>
<b>For the year ended 30 November 2007</b>								
At 30 November 2006		756	737	72 750	304	4,285	952	79 784
Profit for the year		-	-	-	18,017	19 321	4 136	41 474
Shares purchased 5 989 338	14 16	-	-	(7,684)	-	-	-	(7,684)
Share purchase costs	14, 16	-	-	(79)	-	-	-	(79)
Dividends paid	8	-	-	-	-	-	(3 477)	(3,477)
<b>At 30 November 2007</b>		<b>756</b>	<b>737</b>	<b>64 987</b>	<b>18 321</b>	<b>23 606</b>	<b>1 611</b>	<b>110 018</b>

\* Restated – see note 15

The notes on pages 35 to 45 form part of these financial statements



# Balance Sheets

as at 30 November 2007

	Notes	Group 2007 £ 000	Company 2007 £'000	Group (Restated) 2006 £ 000	Company (Restated) 2006 £ 000
<b>Non current assets</b>					
Investments held at fair value through profit or loss	10	112,861	114,030	81 110	81 734
<b>Current assets</b>					
Other receivables	12	1,438	1,438	3,310	3,310
Cash and cash equivalents		1,694	-	909	-
		3,132	1,438	4 219	3 310
<b>Total assets</b>		<b>115,993</b>	<b>115,468</b>	<b>85,329</b>	<b>85 044</b>
<b>Current liabilities</b>					
Other payables	13	(1,969)	(1,444)	(2,219)	(1 934)
Bank overdrafts		(4,006)	(4,006)	(3 326)	(3 326)
		(5,975)	(5,450)	(5,545)	(5 260)
<b>Net assets</b>		<b>110,018</b>	<b>110,018</b>	<b>79 784</b>	<b>79 784</b>
<b>Equity attributable to equity holders</b>					
Ordinary share capital	14	756	756	756	756
Share premium account	15	737	737	737	737
Special reserve	16	64,987	64,987	72 750	72 750
Capital reserve - realised	16	18,321	18,321	304	304
Capital reserve - unrealised	16	22,437	23,606	3 661	4 285
Revenue reserve	16	2,780	1,611	1 576	952
<b>Total equity</b>		<b>110,018</b>	<b>110,018</b>	<b>79,784</b>	<b>79 784</b>
<b>Net asset value per ordinary share</b>	9	<b>158 05p</b>	<b>158 05p</b>	<b>105 53p</b>	<b>105 53p</b>

The financial statements on pages 31 to 45 were approved and authorised for issue by the Board of Directors on 18 January 2008 and signed on its behalf by Alan Hodson Chairman



The notes on pages 35 to 45 form part of these financial statements

# Cash Flow Statements

for the year ended 30 November 2007

	Note	Group 2007 £ 000	Company 2007 £'000	Group 2006 £ 000	Company 2006 £ 000
<b>Operating activities</b>					
Profit before taxation		42,963	42,322	9 131	8,799
Add back interest paid		599	587	270	258
Gains on investments held at fair value through profit or loss including transaction costs		(37,690)	(38,235)	(4 577)	(5,201)
Increase in other receivables		(214)	(214)	(320)	(320)
(Decrease)/increase in other payables		(167)	(167)	405	405
Decrease/(increase) in amounts due from brokers		2,227	2,227	(2 829)	(2,829)
(Decrease)/increase in amounts due to brokers		(412)	(412)	1,236	1 236
Net sales/(purchases) of investments held at fair value through profit or loss		6,021	6,021	(76,538)	(76 538)
<b>Net cash inflow/(outflow) from operating activities before interest and taxation</b>		<b>13,327</b>	<b>12,129</b>	<b>(73,222)</b>	<b>(74 190)</b>
Interest paid		(599)	(587)	(270)	(258)
Taxation paid		(947)	(546)	(245)	(198)
Taxation on investment income included within gross income		(339)	(339)	(520)	(520)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>11,442</b>	<b>10,657</b>	<b>(74 257)</b>	<b>(75 166)</b>
<b>Financing activities</b>					
Shares (repurchased)/issued		(7,778)	(7,778)	75 723	75,723
Launch costs paid		-	-	(1 485)	(1 485)
Equity dividends paid	8	(3,477)	(3,477)	(2 403)	(2 403)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(11,255)</b>	<b>(11,255)</b>	<b>71 835</b>	<b>71 835</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>187</b>	<b>(598)</b>	<b>(2 422)</b>	<b>(3 331)</b>
Cash and cash equivalents at start of the year/period		(2,417)	(3,326)	-	-
Effect of foreign exchange rate changes		(82)	(82)	5	5
<b>Cash and cash equivalents at end of the year/period</b>		<b>(2,312)</b>	<b>(4,006)</b>	<b>(2 417)</b>	<b>(3 326)</b>
<b>Comprised of</b>					
Cash at bank		1,694	-	909	-
Bank overdrafts		(4,006)	(4,006)	(3,326)	(3 326)
		(2,312)	(4,006)	(2 417)	(3 326)

The notes on pages 35 to 45 form part of these financial statements

# Notes to the Financial Statements

## 1 Principal activities

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 activities of the subsidiary undertaking Merrill Lynch Commodities Securities Income Company Limited, are investment dealing and options writing

## 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 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 where otherwise indicated

Insofar as the Statement of Recommended Practice ("SORP") for investment trusts issued by 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 year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Interest income and expenses are accounted for on an accruals basis. Premiums on written options are recognised as income

# Notes to the Financial Statements continued

## 2. Accounting policies continued

### (f) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been treated as a revenue item in the income statement except as follows:

- expenses which are incidental to the acquisition of an investment. Details of transaction costs on the purchases and sales of investments are disclosed in note 10 on page 41,
- 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 borne by the Parent Company have been allocated 75% to capital reserve – realised and 25% to the revenue account in line with the Board's expectations of the 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 that have originated but not reversed 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 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 is 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.

### (i) Other receivables and other 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 IAS10 interim dividends should not be accrued in the financial statements unless they have been paid. Final dividends are recognised only after 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.

## 2 Accounting policies continued

### (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

	2007 £ 000	2006 £ 000
<b>Investment Income</b>		
Overseas listed dividends	4,320	4,074
Fixed interest	204	93
UK listed dividends	308	596
	<b>4,832</b>	<b>4,763</b>
<b>Other operating income</b>		
Deposit interest	105	138
Option premium income	2,057	1,143
Underwriting commission	-	15
Stock lending income	70	-
	<b>2,232</b>	<b>1,296</b>
<b>Total income</b>	<b>7,064</b>	<b>6,059</b>

Option premium income is stated after deducting transaction costs incurred on the purchases and sales of investments.

At 30 November 2007 the total value of securities on loan by the Group for stock lending purposes was £1,971,000 (2006: nil). Cash collateral of £2,066,000 was held for these securities. The maximum aggregate value of securities on loan at any one time during the year ended 30 November 2007 was £4,773,000 (2006: nil).

## 4 Investment Management fees

	2007			2006		
	Revenue return £ 000	Capital return £ 000	Total £ 000	Revenue return £ 000	Capital return £ 000	Total £ 000
Investment management fees	290	869	1,159	214	644	858
VAT	15	44	59	13	38	51
	<b>305</b>	<b>913</b>	<b>1,218</b>	<b>227</b>	<b>682</b>	<b>909</b>

Details of the investment management and administration contracts are disclosed in the Directors' Report on page 17. 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.

# Notes to the Financial Statements continued

## 5 Other expenses

	2007 £ 000	2006 £ 000
Custody fee	(63)	97
Auditor's remuneration		
– audit services	18	22
– other	5	9
Directors' emoluments	57	55
Registrar's fee	11	20
Other administrative costs	41	123
	69	326
The Company's total expense ratio calculated as a percentage of average net assets and using expenses excluding interest costs after relief for taxation was	1.0%	1.1%

Fees paid to the Auditor for non audit services comprise £4,500 (2006: £4,000) relating to the review of the interim financial statements. In addition, in 2006 a fee of £5,000 was paid to the Auditor for the review of the initial accounts.

An amount of £70,000 has been credited against operating expenses for the year ended 30 November 2007 relating to the release of an overprovision for custody fees for the period ended 30 November 2006.

## 6 Finance costs

	2007			2006		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Interest on bank overdrafts	135	369	504	77	193	270

## 7 Taxation

### a) Analysis of charge in year

	2007			2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current taxation						
Corporation taxation	1,801	(385)	1,416	1,411	(263)	1,148
Double taxation relief	(267)	–	(267)	(374)	–	(374)
	1,534	(385)	1,149	1,037	(263)	774
Overseas taxation	318	–	318	374	–	374
Total current taxation (note 7b)	1,852	(385)	1,467	1,411	(263)	1,148
Deferred taxation	22	–	22	39	–	39
Total taxation	1,874	(385)	1,489	1,450	(263)	1,187

## 7 Taxation continued

### b) Factors affecting current taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation taxation in the UK for a large company of 30%

The differences are explained below

	2007 £ 000	2006 £ 000
Total return on ordinary activities before taxation	42,963	9 131
Return on ordinary activities multiplied by standard rate of corporation taxation (30%)	12,889	2 739
Effects of		
Non taxable capital gains	(11,307)	(1,373)
Non taxable UK dividends received	(93)	(179)
Overseas taxation suffered	318	374
Double taxation relief	(267)	(374)
Movement in overseas income taxable on receipt	(22)	(39)
Movement in double taxation relief used against accrued income	(51)	-
	(11,422)	(1 591)
Current corporation taxation charge for the year (note 7a)	1,467	1 148

Investment trusts are exempt from corporation taxation on capital gains provided the Company obtains agreement from HM Revenue & Customs that section 842 ICTA tests have been met

Due to the Company's intention to meet the requirements to obtain approval under section 842 ICTA it has not provided taxation on any capital gains and losses

## 8 Dividends

Under IFRS final dividends are not recognised until approved by shareholders. They are also debited directly to reserves. Amounts recognised as distributions to ordinary shareholders during the year to 30 November 2007 were as follows

	2007 £'000	2006 £ 000
Fourth interim dividend for the period ended 30 November 2006 – 1 3125p (2005 nil)	992	-
First interim dividend for the period ended 28 February 2007 – 1 125p (2006 1 0625p)	851	797
Second interim dividend for the period ended 31 May 2007 – 1 125p (2006 1 0625p)	851	803
Third interim dividend for the period ended 31 August 2007 – 1 125p (2006 1 0625p)	783	803
	3,477	2,403

For the year ended 30 November 2007, a 4th interim dividend of 1 875p (2006 1 3125p) per ordinary share has been declared and will be paid on 25 January 2008 to shareholders on the Company's register on 28 December 2007

# Notes to the Financial Statements continued

## 8 Dividends continued

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

	2007 £ 000	2006 £ 000
First interim dividend paid on 27 April 2007 of 1 125p (2006 1 0625p)	851	797
Second interim dividend paid on 27 July 2007 of 1 125p (2006 1 0625p)	851	803
Third interim dividend paid on 26 October 2007 of 1 125p (2006 1 0625p)	783	803
Fourth interim dividend payable on 25 January 2008 of 1 875p (2006 1 3125p)	1,305	992
	<b>3,790</b>	<b>3 395</b>

## 9 Consolidated earnings 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

	2007	2006
Net revenue return attributable to ordinary shareholders (£ 000)	4,681	3 979
Net capital return attributable to ordinary shareholders (£ 000)	36,793	3 965
Total earnings attributable to ordinary shareholders (£ 000)	41,474	7,944
Equity shareholders' funds (£ 000)	110,018	79 784
The weighted average number of ordinary shares in issue during each period on which the return per ordinary share was calculated, was	74,172,404	75,357 955
The actual number of ordinary shares in issue at the year/period end on which the net asset value was calculated was	69,610,662	75 600 000
The number of ordinary shares in issue including treasury shares at the year end was	75,600,000	75 600,000
Revenue return per share	6 31p	5 28p
Capital return per share	49 60p	5 26p
Total earnings per share	55 91p	10 54p
Net asset value per share	158 05p	105 53p
Share price	149 75p	101 25p

As the Company's share price at 30 November 2007 stood at a discount to the NAV, shares could not be sold out of treasury and consequently there was no dilution to the Company's NAV or return per share as a result



## 10 Investments held at fair value through profit or loss

	2007		2006	
	Group £ 000	Company £ 000	Group £ 000	Company £ 000
Quoted investments held at fair value through profit or loss	111,296	111,296	78,592	78,592
Unquoted investments held at fair value through profit or loss	1,565	2,734	2,518	3,142
	112,861	114,030	81,110	81,734
Valuation brought forward	81,110	81,734	-	-
Unrealised appreciation	(3,661)	(4,285)	-	-
Opening cost of investments	77,449	77,449	-	-
Additions at cost	84,650	84,650	165,971	165,971
Disposals	(90,671)	(90,671)	(89,433)	(89,433)
Realised gains	18,996	18,996	911	911
Cost carried forward	90,424	90,424	77,449	77,449
Closing unrealised appreciation	22,437	23,606	3,661	4,285
Closing valuation of investments	112,861	114,030	81,110	81,734

Transaction costs of £147,000 were incurred on the acquisition of investments (2006: £437,000) in the year. Costs relating to the disposal of investments during the year amounted to £131,000 (2006: £136,000). All transaction costs have been included within the capital reserve.

## Gains on investments held at fair value through profit or loss

	2007		2006	
	Group £'000	Company £ 000	Group £ 000	Company £ 000
Realised gains on sales	18,996	18,996	911	911
Changes in unrealised appreciation	18,776	19,321	3,661	4,285
Exchange (losses)/gains on foreign currency transactions	(82)	(82)	5	5
	37,690	38,235	4,577	5,201

## 11 Investment in subsidiary undertaking

At 30 November 2007, 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	
		2007	2006
Merrill Lynch Commodities Securities Income Company Limited	Ordinary shares of £1	£1	£1

Under IFRS, the investment in the subsidiary is fair valued which is deemed to be the balance sheet value of Merrill Lynch Commodities Securities Income Company Limited of £1,169,000 (2006: £624,000).

# Notes to the Financial Statements continued

## 12 Other receivables

	Group 2007 £ 000	Company 2007 £ 000	Group 2006 £ 000	Company 2006 £ 000
Amounts due from brokers	602	602	2,829	2 829
Taxation recoverable	157	157	141	141
Prepayments and accrued income	485	485	340	340
Other receivables	194	194	-	-
	<b>1,438</b>	<b>1,438</b>	<b>3,310</b>	<b>3 310</b>

## 13. Other payables

	Group 2007 £'000	Company 2007 £ 000	Group 2006 £ 000	Company 2006 £ 000
Amounts due to brokers	824	824	1 236	1 236
Corporation taxation payable	720	195	524	239
Deferred taxation	61	61	39	39
Accrued expenditure	364	364	420	420
	<b>1,969</b>	<b>1,444</b>	<b>2 219</b>	<b>1 934</b>

## 14. Share capital

	Ordinary shares number	Treasury shares number	Total shares	£ 000
<b>Authorised share capital comprised</b>				
Ordinary shares of 1p each	505 000 000	-	505,000,000	5 050
<b>Allotted, issued and fully paid</b>				
Shares in issue at 30 November 2006	75 600 000	-	75 600,000	756
Shares transferred into treasury pursuant to tender offer on 5 September 2007	(5 989 338)	5 989,338	-	-
<b>At 30 November 2007</b>	<b>69 610 662</b>	<b>5 989 338</b>	<b>75 600 000</b>	<b>756</b>

During the year, 5,989,338 ordinary shares were purchased (2006 600,000 issued) for a total consideration of £7,763 000. The number of ordinary shares in issue at the year end was 75 600,000 (2006 75,600 000) of which 5,989,338 were held in treasury (2006 nil). There were no sales of shares out of treasury during the year (2006 nil).

## 15 Share premium account

	2007 £ 000	2006 (Restated) £ 000
At start of the year/period	737	-
Shares issued at launch	-	74,250
Launch costs	-	(1 480)
Cancellation of share premium account	-	(72 750)
Shares issued during the year/period	-	717
At 30 November	737	737

An amount of £20,000 credited to the special reserve during the period ended 30 November 2006 relating to the release of provisions for launch costs has been reclassified to the share premium account and the balances on the special reserve and the share premium account at 30 November 2006 have been restated accordingly

## 16 Reserves

Group	Special reserve (Restated) £ 000	Capital reserve £ 000	Revenue reserve £ 000
At 1 December 2006	72,750	3 965	1 576
<b>Movement during the year</b>			
Net income for the year	-	-	41 474
Transfer from revenue reserve to capital reserve	-	36 793	(36 793)
Dividends paid	-	-	(3,477)
Purchase of ordinary shares	(7 684)	-	-
Share purchase costs	(79)	-	-
At 30 November 2007	64,987	40,758	2 780

The Group's capital reserve consists of £22,437,000 of unrealised gains (2006: £3,661,000)

Company	Special reserve (Restated) £ 000	Capital reserve £ 000	Revenue reserve £ 000
At 1 December 2006	72 750	4 589	952
<b>Movement during the year</b>			
Net income for the year	-	-	41 474
Transfer from revenue reserve to capital reserve	-	37 338	(37,338)
Dividends paid	-	-	(3,477)
Purchase of ordinary shares	(7 684)	-	-
Share purchase costs	(79)	-	-
At 30 November 2007	64 987	41 927	1 611

The Company's capital reserve consists of £23,606,000 of unrealised appreciation (2006: £4,285,000)

# Notes to the Financial Statements continued

## 17 Derivatives and financial instruments

### Background

The Group's financial instruments, other than derivative contracts (see (iv) below), 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 table on page 45 excludes short term debtors and creditors.

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

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

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

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

### Policy

#### (i) Market price risk

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

#### (ii) Foreign currency risk

A substantial proportion of the Group's portfolio is invested in overseas securities and their sterling value can be significantly affected by movements in foreign exchange rates. The Group does not normally hedge against foreign currency movements affecting the value of the 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 year, and had borrowings of £4,006,000 (2006: £3,326,000) at 30 November 2007.

#### (iv) Use of derivatives

The Group has entered into a variety of options contracts during the year. Policy agreed with the Investment Manager limits any exposure to options, futures and contracts for differences to a maximum of 10% of the Group's gross assets. This exposure is monitored on a daily basis.

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

## 17 Derivatives and financial instruments continued

### 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 excluding debtors and creditors is set out below.

Currency	Non interest bearing 2007 £ 000	Fixed rate assets 2007 £ 000	Floating rate liabilities 2007 £ 000	Floating rate assets 2007 £ 000	Total 2007 £ 000	Non interest bearing 2006 £ 000	Fixed rate assets 2006 £ 000	Floating rate liabilities 2006 £ 000	Floating rate assets 2006 £ 000	Total 2006 £ 000
US dollar	26,282	3,428	-	-	29,710	24,780	2,501	-	-	27,281
Sterling	19,658	-	(4,006)	1,694	17,346	10,644	-	(3,326)	909	8,227
Canadian dollar	13,769	2,088	-	-	15,857	7,287	739	-	-	8,026
Australian dollar	7,990	-	-	-	7,990	15,583	-	-	-	15,583
South African rand	4,031	-	-	-	4,031	6,158	-	-	-	6,158
Euro	9,231	-	-	-	9,231	8,892	-	-	-	8,892
Other currencies	23,624	2,760	-	-	26,384	4,526	-	-	-	4,526
Total	104,585	8,276	(4,006)	1,694	110,549	77,870	3,240	(3,326)	909	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 6.47% and 5.19%, 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 year end three put options and two call options remained open. Details of these contracts are given in the investment listing on pages 11 to 13. The notional cost of repurchasing the contracts at market prices as at 30 November 2007 was £210,000 (2006: £264,000).

## 18 Contingent liabilities

There were no contingent liabilities at 30 November 2007, other than as disclosed in note 17.

# Analysis of Ordinary Shareholders

30 November 2007

## By type of holder

	Number of shares	% of total 2007	% of total 2006	Number of holders	% of total 2007	% of total 2006
Direct private investors	1 499 752	2.0	2.0	214	17.1	17.7
Banks and nominee companies	66 595 450	88.1	96.0	982	78.6	78.6
Others	7 504 798	9.9	2.0	53	4.3	3.7
	75 600 000	100.0	100.0	1,249	100.0	100.0

## By size of holding

	Number of shares	% of total 2007	% of total 2006	Number of holders	% of total 2007	% of total 2006
1 – 10,000	4,710 269	6.2	5.8	926	74.1	72.9
10 001 – 100 000	7 194 769	9.5	8.3	254	20.3	20.6
100 001 – 1 000 000	17 267 383	22.9	24.7	54	4.3	5.3
1,000,001 – 5 000 000	30,409,572	40.2	37.9	13	1.1	1.0
Over 5 000 001	16 018 007	21.2	23.3	2	0.2	0.2
	75 600 000	100.0	100.0	1 249	100.0	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\*  
The Pavilions Bridgwater Road  
Bristol BS99 6ZY  
Telephone 0870 707 1476

## **Auditor**

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

## **Custodian and Banker**

BNY Mellon\*  
One Canada Square  
London E14 5AL

## **Stockbrokers**

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

## **Solicitors**

Lawrence Graham LLP  
4 More London Riverside  
London SE1 2AU

## **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 half yearly financial 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 PLC 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 at the address given on the counterfoil. 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 website at [www.blackrock.co.uk/its](http://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/uk](http://www.computershare.com/dealing/uk). 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 half yearly financial 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](http://www-uk.computershare.com/investor) (you will need your shareholder reference number, which is given on your share certificate or tax voucher)

### Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at [www-uk.computershare.com/proxy](http://www-uk.computershare.com/proxy) using a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting

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

### Risk factors

- As the Company invests worldwide, the value of its shares is also affected by changes in rates of exchange
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their 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 half yearly financial 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](http://www.blackrock.co.uk/its) and through the Reuters News Service under the code BLRKINDEX, on page 8800 on

## Shareholder Information continued

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](http://www.blackrock.co.uk/its) and shareholders can check details of their holdings on Computershare's website at [www.uk.computershare.com/investor](http://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. From 6 April 2008, these annual investment limits will increase to £7,200 and £3,600 respectively.

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 to the registrar, either in writing at

Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or, via the internet by registering at the Computershare Investor Centre at [www.computershare.com](http://www.computershare.com). Certain details relating to your holding can also be viewed through this website and as a security check, specific information needs to be input accurately to gain access to your account. This includes your shareholder reference number, available from either your share certificate or tax voucher.

### 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 second 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 Tuesday, 18 March 2008 at 10.30 a.m. to transact the following business

## Ordinary business

- 1 To receive the report of the Directors and the financial statements for the year ended 30 November 2007, together with the report of the Auditor thereon
- 2 To approve the Directors' Remuneration Report
- 3 To re-elect Mr David Gibbs as a Director
- 4 To re-elect Dr Graham Birch as a Director
- 5 To reappoint Ernst & Young LLP as Auditor to the Company
- 6 To authorise the Directors to determine the Auditor's remuneration

## Special business

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

- 7 That, in substitution for all existing authorities to the extent unused 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 18 January 2008, provided that this authority shall expire on 17 September 2009 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

- 8 That, subject to the passing of resolution 7 above, and in substitution for all existing authorities to the extent unused, the Directors of the Company be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) of the Company for cash, pursuant to the authority conferred by the previous resolution 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 (representing 10% of the aggregate nominal amount of the issued share capital at 18 January 2008
  - (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 17 September 2009, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot or sell equity securities in pursuance of such offers or agreements
- 9 That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 1p in the Company ("Shares") the Company be and it is hereby authorised in accordance with section 166 of the the Act

# Notice of Annual General Meeting continued

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 for the five business days immediately preceding the date of purchase, the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, and
- (d) unless renewed, the authority hereby conferred shall expire on 17 September 2009 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

- (a) cancelled immediately on completion of the purchase, or
- (b) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act

10 That, in addition to the authority given to the Company to purchase its own Shares pursuant to the resolution numbered 9 above, and in accordance with the standard terms and conditions of the regular tender offers, (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 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 on 31 October 2008 (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

11 That, in addition to the authority given to the Company to purchase its own Shares pursuant to the resolutions numbered 9 and 10 above and in accordance with the standard terms and conditions of the regular tender offers, (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 2009 (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 30 April 2009 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

12 That Articles 148 1 and 148 4 of the Company's Articles of Association be deleted and Article 148 1 replaced with the following

## 148 1A

Without prejudice to any indemnity to which any person referred to in this Article may otherwise be entitled, every present and former Director, alternate Director, Secretary or other officer (not being an Auditor) of the Company (an "Indemnified Person") may be indemnified against all liabilities, costs, charges and expenses (including, for the avoidance of doubt, any derivative action brought by a member of the Company under the Companies Act 2006) incurred

by him in the actual or purported execution and discharge of his duties to the Company and any Associated Company of the Company (as defined in the Companies Act 2006), including any liability incurred by any Indemnified Person in disputing, defending, investigating or providing evidence in connection with any actual or threatened or alleged proceedings, civil or criminal, which relate to anything done or omitted or alleged to be done or omitted by him as an officer of the Company or any Associated Company of the Company provided that no Indemnified Person may be entitled to be indemnified for

- (a) any liability incurred by him to the Company or any Associated Company of the Company,
- (b) any fine imposed in criminal proceedings,
- (c) any sum payable to a regulatory authority by way of penalty in respect of non-compliance with any requirement of a regulatory nature, howsoever arising,
- (d) any amount for which he has become liable in defending any criminal proceedings in which he is convicted and such conviction has become final,
- (e) any amount for which he has become liable in defending any civil proceedings brought by the Company or any Associated Company in which a final judgment has been given against him or
- (f) any amount for which he has become liable in connection with any application under sections 144(3) or (4) or 727 of the Companies Act 1985 in which the Court refuses to grant him relief and such refusal has become final

#### 148 1B

Every Indemnified Person may be provided with funds by the Company (directly or indirectly) to meet expenditure incurred or to be incurred by him in any proceedings (whether criminal or civil) brought by any party (including, for the avoidance of doubt, any derivative action brought by a member of the Company under the Companies Act 2006) which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company or any Associated Company, provided that he shall be obliged to repay such amount no later than

(a) in the event that he is convicted in proceedings the date when the conviction becomes final,

(b) in the event that he is found liable to pay a sum to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising) when that sum becomes payable,

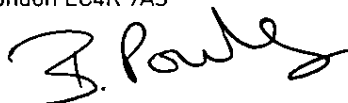
(c) in the event of judgment being given against him in proceedings, the date when the judgment becomes final, or

(d) in the event that the court refuses to grant him relief on any application under sections 144(3) or (4) or 727 of the Companies Act 1985 the date when the refusal becomes final

#### By Order of the Board

BlackRock Investment Management (UK) Limited  
18 January 2008

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, vote and speak 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 10.30 a.m. on 16 March 2008. 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](http://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 10.30 a.m. on 16 March 2008.
- 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 time stamp 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 16 March 2008 ("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 In accordance with Section 325 of the Companies Act 2006 ("2006 Act") the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the 2006 Act. Persons nominated to receive information rights under Section 146 of the 2006 Act who have been sent this notice of meeting are hereby informed, in accordance with Section 149(2) of the 2006 Act, that they may have the right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- 7 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 (excluding treasury shares). For example, as at 30 November 2007, total equity was worth £110,018,000 and there were 69,610,662 ordinary shares in issue (excluding treasury shares), the NAV was therefore 158.05 pence 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.