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BLACKROCK INCOME TRUST INC  
Form N-CSR  
January 08, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-05542

The BlackRock Income Trust Inc.

-----  
(Exact name of registrant as specified in charter)

100 Bellevue Parkway, Wilmington, DE

19809

-----  
(Address of principal executive offices)

(Zip code)

Robert S. Kapito, President  
The BlackRock Income Trust Inc.  
40 East 52nd Street, New York, NY 10022

-----  
(Name and address of agent for service)

Registrant's telephone number, including area code: (302) 797-2449

Date of fiscal year end: 10/31

Date of reporting period: 10/31/03

ITEM 1. REPORTS TO STOCKHOLDERS.

The Trust's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

FIXED INCOME      LIQUIDITY      EQUITIES      ALTERNATIVES      BLACKROCK SOLUTIONS

-----  
BlackRock  
Closed-End Funds  
Annual Report

OCTOBER 31, 2003

-----  
BlackRock Broad Investment Grade 2009 Term Trust (BCT)

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BlackRock Core Bond Trust (BHK)  
BlackRock High Yield Trust (BHY)  
BlackRock Income Opportunity Trust (BNA)  
BlackRock Income Trust (BKT)  
BlackRock Limited Duration Income Trust (BLW)  
BlackRock Strategic Bond Trust (BHD)

[BlackRock Logo]

NOT FDIC INSURED  
MAY LOSE VALUE  
NO BANK GUARANTEE

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## PRIVACY PRINCIPLES OF THE TRUSTS

The Trusts are committed to maintaining the privacy of shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Trusts collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, the Trusts do not receive any non-public personal information relating to their shareholders, although certain non-public personal information

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of shareholders may become available to the Trusts. The Trusts do not disclose any non-public personal information about their shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Trusts restrict access to non-public personal information about their shareholders to BlackRock employees with a legitimate business need for the information. The Trusts maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of their shareholders.

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### LETTER TO SHAREHOLDERS

October 31, 2003

Dear Shareholder:

We are pleased to report that during the period, the Trusts provided monthly income, as well as the opportunity to invest in various portfolios of fixed income securities. This report contains the Trusts' audited financial statements and a listing of the portfolios' holdings.

The portfolio management team continuously monitors the fixed income markets and adjusts the portfolios in order to gain exposure to various issuers and security types. This strategy enables the Trusts to move among different sectors, credits and coupons to capitalize on changing market conditions.

The following table shows the Trusts' yields, closing market prices per share and net asset values ("NAV") per share as of October 31, 2003.

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| TRUST   | YIELD | MARKET PRICE | NAV     |
|---|-------|--------------|---------|
| BlackRock Broad Investment Grade 2009 Term Trust Inc. (BCT) | 5.68% | \$15.85      | \$16.02 |
| BlackRock Core Bond Trust (BHK)                             | 7.74  | 13.57        | 14.75   |
| BlackRock High Yield Trust (BHY)                            | 9.85  | 10.25        | 6.96    |
| BlackRock Income Opportunity Trust (BNA)                    | 7.67  | 10.95        | 11.93   |
| BlackRock Income Trust Inc. (BKT)                           | 7.94  | 7.71         | 7.21    |
| BlackRock Limited Duration Income Trust (BLW)               | 7.98  | 18.80        | 19.74   |
| BlackRock Strategic Bond Trust (BHD)                        | 10.22 | 15.27        | 15.07   |

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Yield is based on market price.

BlackRock, Inc. ("BlackRock"), a world leader in asset management, has a proven commitment to fixed income. As of September 30, 2003, BlackRock managed approximately \$200 billion in bonds, including 16 open-end and 47 closed-end bond funds. BlackRock is recognized for its emphasis on risk management and proprietary analytics and for its reputation managing money for the world's

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largest institutional investors. BlackRock Advisors, Inc., which manages the Trusts, is a wholly owned subsidiary of BlackRock, Inc.

On behalf of BlackRock, we thank you for your continued trust and assure you that we remain committed to excellence in managing your assets.

Sincerely,

/s/ Laurence D. Fink

Laurence D. Fink  
Chief Executive Officer  
BlackRock Advisors, Inc.

/s/ Ralph L. Schlosstein

Ralph L. Schlosstein  
President  
BlackRock Advisors, Inc.

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TRUST SUMMARIES  
OCTOBER 31, 2003

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### BLACKROCK BROAD INVESTMENT GRADE 2009 TERM TRUST (BCT)

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#### TRUST INFORMATION

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|  |               |
|--|---------------|
| Symbol on American Stock Exchange:                         | BCT           |
| Initial Offering Date:                                     | June 17, 1993 |
| Closing Market Price as of 10/31/03:                       | \$15.85       |
| Net Asset Value as of 10/31/03:                            | \$16.02       |
| Yield on Closing Market Price as of 10/31/03 (\$15.85):(1) | 5.68%         |
| Current Monthly Distribution per Share:(2)                 | \$ 0.075      |
| Current Annualized Distribution per Share:(2)              | \$ 0.900      |

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(1) Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

(2) The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

---

|              | 10/31/03 | 10/31/02 | CHANGE  | HIGH    | LOW     |
|--------------|----------|----------|---------|---------|---------|
| Market Price | \$15.85  | \$16.18  | (2.04)% | \$16.95 | \$15.68 |
| NAV          | \$16.02  | \$17.33  | (7.56)% | \$17.38 | \$15.77 |

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The following charts show the Trust's asset composition and corporate credit quality allocations of the Trust's long-term investments:

### SECTOR BREAKDOWN

| COMPOSITION                                  | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
|--|------------------|------------------|
| U.S. Government and Agency Securities        | 56%              | 36%              |
| Interest Only Mortgage-Backed Securities     | 12               | 8                |
| Agency Multiple Class Mortgage Pass-Throughs | 8                | 18               |
| Corporate Bonds                              | 8                | 10               |
| Inverse Floating Rate Mortgages              | 8                | 18               |
| Taxable Municipal Bonds                      | 5                | 5                |
| Mortgage Pass-Throughs                       | 1                | 2                |
| Commercial Mortgage-Backed Securities        | 1                | 1                |
| Other  | 1                | 2                |

### CORPORATE CREDIT BREAKDOWN (3)

| CREDIT RATING | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
|---------------|------------------|------------------|
| AAA/Aaa       | --%              | 8%               |
| AA/Aa         | 35               | 19               |
| A             | 43               | 42               |
| BBB/Baa       | 21               | 30               |
| BB/Ba         | --               | 1                |
| CCC/Caa       | 1                | --               |

(3) Using the higher of Standard & Poor's ("S&P"), Moody's Investors Service ("Moody's") or Fitch Ratings ("Fitch") rating. Corporate bonds represented approximately 11.0% and 13.3% of net assets on October 31, 2003 and October 31, 2002, respectively.

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OCTOBER 31, 2003

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BLACKROCK CORE BOND TRUST (BHK)  
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## TRUST INFORMATION

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:                         | BHK               |
| Initial Offering Date:                                     | November 27, 2001 |
| Closing Market Price as of 10/31/03:                       | \$13.57           |
| Net Asset Value as of 10/31/03:                            | \$14.75           |
| Yield on Closing Market Price as of 10/31/03 (\$13.57):(1) | 7.74%             |
| Current Monthly Distribution per Share:(2)                 | \$ 0.0875         |
| Current Annualized Distribution per Share:(2)              | \$ 1.0500         |

(1) Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

(2) The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|              | 10/31/03 | 10/31/02 | CHANGE  | HIGH    | LOW     |
|--------------|----------|----------|---------|---------|---------|
| Market Price | \$13.57  | \$13.82  | (1.81)% | \$15.41 | \$13.41 |
| NAV          | \$14.75  | \$14.33  | 2.93%   | \$15.99 | \$14.08 |

The following charts show the Trust's asset composition and corporate credit quality allocations of the Trust's long-term investments:

## SECTOR BREAKDOWN

| COMPOSITION                              | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
|--|------------------|------------------|
| Corporate Bonds                          | 46%              | 44%              |
| Mortgage Pass-Throughs                   | 26               | 28               |
| U.S. Government and Agency Securities    | 16               | 17               |
| Foreign Government Bonds                 | 7                | 3                |
| Taxable Municipal Bonds                  | 2                | --               |
| Commercial Mortgage-Backed Securities    | 2                | 6                |
| Interest Only Mortgage-Backed Securities | 1                | 2                |

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| CORPORATE CREDIT BREAKDOWN (3) |                  |                  |
|--------------------------------|------------------|------------------|
| CREDIT RATING                  | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
| AAA/Aaa                        | 3%               | 14%              |
| AA/Aa                          | 11               | 6                |
| A                              | 25               | 20               |
| BBB/Baa                        | 21               | 18               |
| BB/Ba                          | 12               | 10               |
| B                              | 23               | 29               |
| CCC/Caa                        | 5                | 1                |
| Not Rated                      | --               | 2                |

(3) Using the higher of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 61.6% and 62.1% of net assets on October 31, 2003 and October 31, 2002, respectively.

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TRUST SUMMARIES  
OCTOBER 31, 2003

BLACKROCK HIGH YIELD TRUST (BHY)

TRUST INFORMATION

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:                         | BHY               |
| Initial Offering Date:                                     | December 23, 1998 |
| Closing Market Price as of 10/31/03:                       | \$10.25           |
| Net Asset Value as of 10/31/03:                            | \$ 6.96           |
| Yield on Closing Market Price as of 10/31/03 (\$10.25):(1) | 9.85%             |
| Current Monthly Distribution per Share:(2)                 | \$ 0.084167       |
| Current Annualized Distribution per Share:(2)              | \$ 1.010004       |

(1) Yield on closing market price is calculated by dividing the annualized distribution per share by the closing market price.

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(2) The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|              | 10/31/03 | 10/31/02 | CHANGE | HIGH    | LOW    |
|--------------|----------|----------|--------|---------|--------|
| Market Price | \$10.25  | \$8.68   | 18.09% | \$11.20 | \$7.91 |
| NAV          | \$ 6.96  | \$6.13   | 13.54% | \$ 6.96 | \$6.02 |

The following chart shows the Trust's corporate credit quality allocations of the Trust's long-term investments:

| CORPORATE CREDIT BREAKDOWN(3) |                  |                  |
|-------------------------------|------------------|------------------|
| CREDIT RATING                 | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
| BBB/Baa                       | 3%               | 4%               |
| BB/Ba                         | 12               | 18               |
| B                             | 52               | 62               |
| CCC/Caa                       | 25               | 10               |
| CC/Ca                         | 5                | 3                |
| Not Rated                     | 3                | 3                |

(3) Using the higher of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 135.4% and 144.5% of net assets on October 31, 2003 and October 31, 2002, respectively.

TRUST SUMMARIES  
OCTOBER 31, 2003

BLACKROCK INCOME OPPORTUNITY TRUST (BNA)

### TRUST INFORMATION

Symbol on New York Stock Exchange: BNA



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|  |                   |
|--|-------------------|
| Initial Offering Date:                                     | December 20, 1991 |
| -----  |                   |
| Closing Market Price as of 10/31/03:                       | \$10.95           |
| -----  |                   |
| Net Asset Value as of 10/31/03:                            | \$11.93           |
| -----  |                   |
| Yield on Closing Market Price as of 10/31/03 (\$10.95):(1) | 7.67%             |
| -----  |                   |
| Current Monthly Distribution per Share:(2)                 | \$ 0.07           |
| -----  |                   |
| Current Annualized Distribution per Share:(2)              | \$ 0.84           |
| -----  |                   |

(1) Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

(2) The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|              | 10/31/03 | 10/31/02 | CHANGE | HIGH    | LOW     |
|--------------|----------|----------|--------|---------|---------|
| Market Price | \$10.95  | \$10.50  | 4.29%  | \$11.79 | \$10.30 |
| NAV          | \$11.93  | \$11.83  | 0.85%  | \$12.86 | \$11.21 |

The following charts show the Trust's asset composition and credit quality allocations of the Trust's long-term investments:

### SECTOR BREAKDOWN

| COMPOSITION                               | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
|---|------------------|------------------|
| Corporate Bonds                           | 59%              | 30%              |
| Mortgage Pass-Throughs                    | 29               | 55               |
| U.S. Government and Agency Securities     | 7                | 7                |
| Federal Housing Administration            | 2                | 4                |
| Interest Only Mortgage-Backed Securities  | 2                | 1                |
| Inverse Floating Rate Mortgages           | 1                | 1                |
| Principal Only Mortgage-Backed Securities | --               | 2                |

### CORPORATE CREDIT BREAKDOWN(3)

| CREDIT RATING | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
|---------------|------------------|------------------|
| AAA/Aaa       | 6%               | 14%              |
| AA/Aa         | 12               | 8                |

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|         |    |    |
|---------|----|----|
| A       | 22 | 21 |
| BBB/Baa | 19 | 13 |
| BB/Ba   | 17 | 24 |
| B       | 22 | 20 |
| CCC/Caa | 2  | -- |

(3) Using the higher of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 71.2% and 40.9% of net assets on October 31, 2003 and October 31, 2002, respectively.

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TRUST SUMMARIES  
OCTOBER 31, 2003

BLACKROCK INCOME TRUST (BKT)

TRUST INFORMATION

|   |               |
|---|---------------|
| Symbol on New York Stock Exchange:                        | BKT           |
| Initial Offering Date:                                    | July 22, 1988 |
| Closing Market Price as of 10/31/03:                      | \$7.71        |
| Net Asset Value as of 10/31/03:                           | \$7.21        |
| Yield on Closing Market Price as of 10/31/03 (\$7.71):(1) | 7.94%         |
| Current Monthly Distribution per Share:(2)                | \$0.051042    |
| Current Annualized Distribution per Share:(2)             | \$0.612504    |

(1) Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

(2) The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|              | 10/31/03 | 10/31/02 | CHANGE   | HIGH   | LOW    |
|--------------|----------|----------|----------|--------|--------|
| Market Price | \$7.71   | \$8.07   | (4.46)%  | \$8.25 | \$6.80 |
| NAV          | \$7.21   | \$8.13   | (11.32)% | \$8.09 | \$7.02 |

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The following chart shows the Trust's asset composition of the Trust's corporate investments:

| SECTOR BREAKDOWN                                 |                  |                  |
|--|------------------|------------------|
| COMPOSITION                                      | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
| Mortgage Pass-Throughs                           | 32%              | 48%              |
| U.S. Government and Agency Securities            | 30               | 16               |
| Interest Only Mortgage-Backed Securities         | 15               | 8                |
| Principal Only Mortgage-Backed Securities        | 11               | 8                |
| Inverse Floating Rate Mortgages                  | 4                | 9                |
| Federal Housing Administration                   | 3                | 5                |
| Agency Multiple Class Mortgage Pass-Throughs     | 3                | 2                |
| Commercial Mortgage-Backed Securities            | 2                | 2                |
| Non-Agency Multiple Class Mortgage Pass-Throughs | --               | 1                |
| Adjustable Rate Mortgage Securities              | --               | 1                |

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TRUST SUMMARIES  
OCTOBER 31, 2003

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BLACKROCK LIMITED DURATION INCOME TRUST (BLW)  
-----

TRUST INFORMATION

|  |               |
|--|---------------|
| Symbol on New York Stock Exchange:                         | BLW           |
| Initial Offering Date:                                     | July 30, 2003 |
| Closing Market Price as of 10/31/03:                       | \$18.80       |
| Net Asset Value as of 10/31/03:                            | \$19.74       |
| Yield on Closing Market Price as of 10/31/03 (\$18.80):(1) | 7.98%         |
| Current Monthly Distribution per Share:(2)                 | \$ 0.125      |

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Current Annualized Distribution per Share:(2) \$ 1.500

(1) Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

(2) The distribution is not constant and is subject to change.

The table below summarizes the Trust's market price and NAV:

|              | 10/31/03 | HIGH    | LOW     |
|--------------|----------|---------|---------|
| Market Price | \$18.80  | \$20.01 | \$18.76 |
| NAV          | \$19.74  | \$19.76 | \$18.72 |

The following charts show the Trust's asset composition and corporate credit quality allocations of the Trust's long-term investments:

### SECTOR BREAKDOWN

| COMPOSITION                           | OCTOBER 31, 2003 |
|---------------------------------------|------------------|
| Corporate Bonds                       | 47%              |
| Mortgage Pass-Throughs                | 24               |
| Bank Loans                            | 20               |
| U.S. Government and Agency Securities | 8                |
| Foreign Government Bonds              | 1                |

### CORPORATE CREDIT BREAKDOWN(3)

| CREDIT RATING | OCTOBER 31, 2003 |
|---------------|------------------|
| A             | 6%               |
| BBB/Baa       | 8                |
| BB/Ba         | 26               |
| B             | 60               |

(3) Using the higher of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 64.6% of net assets on October 31, 2003.

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TRUST SUMMARIES  
OCTOBER 31, 2003

BLACKROCK STRATEGIC BOND TRUST (BHD)

TRUST INFORMATION

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:                         | BHD               |
| Initial Offering Date:                                     | February 26, 2002 |
| Closing Market Price as of 10/31/03:                       | \$15.27           |
| Net Asset Value as of 10/31/03:                            | \$15.07           |
| Yield on Closing Market Price as of 10/31/03 (\$15.27):(1) | 10.22%            |
| Current Monthly Distribution per Share:(2)                 | \$ 0.13           |
| Current Annualized Distribution per Share:(2)              | \$ 1.56           |

(1) Yield on closing market price is calculated by dividing the annualized distribution per share as of October 31, 2003 by the closing market price.

(2) The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|              | 10/31/03 | 10/31/02 | CHANGE | HIGH    | LOW     |
|--------------|----------|----------|--------|---------|---------|
| Market Price | \$15.27  | \$12.35  | 23.64% | \$15.52 | \$12.41 |
| NAV          | \$15.07  | \$12.63  | 19.32% | \$15.07 | \$12.91 |

The following chart shows the Trust's corporate credit quality allocations of the Trust's long-term investments:

CORPORATE CREDIT BREAKDOWN(3)

| CREDIT RATING | OCTOBER 31, 2003 | OCTOBER 31, 2002 |
|---------------|------------------|------------------|
| AAA/Aaa       | 1%               | 1%               |
| AA/Aa         | 5                | 6                |
| A             | 9                | 10               |
| BBB/Baa       | 10               | 12               |

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|           |    |    |
|-----------|----|----|
| BB/Ba     | 23 | 29 |
| B         | 47 | 41 |
| CCC/Caa   | 4  | -- |
| Not Rated | 1  | 1  |

(3) Using the higher of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 134.4% and 143.4% of net assets on October 31, 2003 and October 31, 2002, respectively.

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CONSOLIDATED PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2003

BLACKROCK BROAD INVESTMENT GRADE 2009 TERM TRUST (BCT)

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | LONG-TERM INVESTMENTS--135.6%  |
|                           |                              | MORTGAGE PASS-THROUGHS--1.8%   |
|                           |                              | Federal National Mortgage Assoc.,                                      |
|                           | \$ 758                       | 5.50%, 1/01/17 - 2/01/17 .....   |
|                           | 47                           | 6.50%, 7/01/29 .....   |
|                           |                              | Total Mortgage Pass-Throughs .....                                     |
|                           |                              | AGENCY MULTIPLE CLASS MORTGAGE PASS-THROUGHS--11.2%                    |
|                           |                              | Federal Home Loan Mortgage Corp.,                                      |
|                           | 2,168                        | Ser. 1510, Class G, 5/15/13 .....                                      |
|                           | 400                          | Ser. 1534, Class IG, 2/15/10 .....                                     |
|                           | 2                            | Ser. 1601, Class SD, 10/15/08 .....                                    |
|                           |                              | Federal National Mortgage Assoc.,                                      |
|                           | 619                          | Ser. 10, Class V, 7/25/13 .....  |
|                           | 232                          | Ser. 13, Class SJ, 2/25/09 .....                                       |
|                           | 118                          | Ser. 43, Class E, 4/25/22 .....  |
|                           | 1,000                        | Ser. 49, Class H, 4/25/13 .....  |
|                           | 14                           | Ser. 87, Class J, 4/25/22 .....  |
|                           | 450                          | Ser. 214, Class SK, 12/25/08 .....                                     |
|                           |                              | Total Agency Multiple Class Mortgage Pass-Throughs .....               |
|                           |                              | INVERSE FLOATING RATE MORTGAGES--10.6%                                 |
| AAA                       | 462                          | Citicorp Mortgage Securities, Inc., Ser. 14, Class A-4, 11/25/23 ..... |

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|     |     |   |
|-----|-----|---|
| Aaa | 532 | Countrywide Funding Corp., Ser. 2, Class A-12S, 2/25/09 ..... |
|     |     | Federal Home Loan Mortgage Corp.,                             |
|     | 336 | Ser. 1425, Class SB, 12/15/07 .....                           |
|     | 132 | Ser. 1506, Class S, 5/15/08 .....                             |
|     | 106 | Ser. 1515, Class S, 5/15/08 .....                             |
|     | 117 | Ser. 1618, Class SA, 11/15/08 .....                           |
|     | 304 | Ser. 1621, Class SH, 11/15/22 .....                           |
|     | 34  | Ser. 1626, Class SA, 12/15/08 .....                           |
|     | 171 | Ser. 1661, Class SB, 1/15/09 .....                            |
|     | 413 | Ser. 1688, Class S, 12/15/13 .....                            |
|     |     | Federal National Mortgage Assoc.,                             |
|     | 166 | Ser. 32, Class SA, 5/25/32 .....                              |
|     | 35  | Ser. 48, Class SC, 6/25/33 .....                              |
|     | 474 | Ser. 187, Class SB, 10/25/07 .....                            |
|     | 261 | Ser. 190, Class S, 11/25/07 .....                             |
|     | 274 | Ser. 191, Class SD, 10/25/08 .....                            |
|     | 59  | Ser. 202, Class VB, 11/25/23 .....                            |
|     | 324 | Ser. 214, Class SH, 12/25/08 .....                            |
|     |     | Residential Funding Mortgage Securities I, Inc.,              |
| AAA | 169 | Ser. S23, Class A-12, 6/25/08 .....                           |
| AAA | 175 | Ser. S23, Class A-16, 6/25/08 .....                           |

Total Inverse Floating Rate Mortgages .....

INTEREST ONLY MORTGAGE-BACKED SECURITIES--16.3%

|  |       |                                     |
|--|-------|-------------------------------------|
|  |       | Federal Home Loan Mortgage Corp.,   |
|  | 252   | Ser. 65, Class I, 8/15/20 .....     |
|  | 82    | Ser. 141, Class H, 5/15/21 .....    |
|  | 253   | Ser. 1114, Class J, 7/15/06 .....   |
|  | 225   | Ser. 1285, Class M, 5/15/07 .....   |
|  | 2,000 | Ser. 1598, Class J, 10/15/08 .....  |
|  | 1,096 | Ser. 1645, Class IB, 9/15/08 .....  |
|  | 210   | Ser. 2063, Class PU, 10/15/26 ..... |
|  | 70    | Ser. 2306, Class PM, 5/15/26 .....  |
|  | 1,299 | Ser. 2462, Class NI, 8/15/21 .....  |
|  | 1,578 | Ser. 2513, Class BI, 12/15/15 ..... |
|  | 3,100 | Ser. 2542, Class IY, 5/15/16 .....  |
|  | 2,688 | Ser. 2543, Class IJ, 10/15/12 ..... |

See Notes to Financial Statements.

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | INTEREST ONLY MORTGAGE-BACKED SECURITIES-- (CONT'D) |
|                           |                              | Federal Home Loan Mortgage Corp. (cont'd)           |
|                           | \$ 3,670                     | Ser. 2543, Class IM, 9/15/12 .....                  |
|                           | 5,419                        | Ser. 2572, Class IT, 5/15/19 .....                  |
|                           | 3,981                        | Ser. 2633, Class PI, 3/15/12 .....                  |
|                           | 4,577                        | Ser. 2672, Class TP, 9/15/16 .....                  |
|                           |                              | Federal National Mortgage Assoc.,                   |

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|      |            |  |
|------|------------|--|
|      | 607        | Ser. 8, Class HA, 1/25/08 .....  |
|      | 582        | Ser. 20, Class SL, 9/25/08 .....                                       |
|      | 134        | Ser. 39, Class PE, 1/25/23 .....                                       |
|      | 321        | Ser. 42, Class SO, 3/25/23 .....                                       |
|      | 1,701      | Ser. 49, Class L, 4/25/13 .....  |
|      | 1,540      | Ser. 51, Class K, 4/25/07 .....  |
|      | 12,992     | Ser. 70, Class ID, 4/25/22 .....                                       |
|      | 173        | Ser. 72, Class H, 7/25/06 .....  |
|      | 1,710      | Ser. 80, Class PI, 9/25/23 .....                                       |
|      | 2,000      | Ser. 82, Class IR, 9/25/12 .....                                       |
|      | 1,047      | Ser. 90, Class M, 1/25/28 .....  |
|      | 10         | Ser. 174, Class S, 9/25/22 .....                                       |
|      | 418        | Ser. 194, Class PV, 6/25/08 .....                                      |
|      | 1,731      | Ser. 208, Class S, 2/25/23 .....                                       |
|      | 348        | Ser. 223, Class PT, 10/25/23 .....                                     |
|      | 7          | Ser. G-21, Class L, 7/25/21 .....                                      |
|      | 75         | PNC Mortgage Securities Corp., Ser. 8, Class 4-X, 10/25/28 .....       |
|      | 6,672      | Structured Asset Securities Corp., Ser. ALS1, Class 3AX, 5/25/14 ..... |
|      | 28,355     | Vendee Mortgage Trust, Ser. 1, Class 1IO, 10/15/31 .....               |
|      |            | Total Interest Only Mortgage-Backed Securities .....                   |
|      |            | PRINCIPAL ONLY MORTGAGE-BACKED SECURITIES--0.1%                        |
| Aaa  | 55         | Salomon Brothers Mortgage Securities Inc. VI, Ser. 3, Class A, 10/23/1 |
|      |            | COMMERCIAL MORTGAGE-BACKED SECURITIES--1.7%                            |
| AAA  | 750(2)     | New York City Mortgage Loan Trust, Multifamily, Ser. 1996, Class A2, 6 |
|      |            | ASSET-BACKED SECURITIES--0.1%  |
| NR   | 239(2,4,5) | Global Rated Eligible Asset Trust, Ser. A, Class 1, 7.33%, 3/15/06 .   |
|      |            | Structured Mortgage Asset Residential Trust,                           |
| NR   | 577(4,5)   | Ser. 2, 8.24%, 3/15/06 .....   |
| NR   | 640(4,5)   | Ser. 3, 8.724%, 4/15/06 .....  |
|      |            | Total Asset-Backed Securities .....                                    |
|      |            | U.S. GOVERNMENT AND AGENCY SECURITIES--75.5%                           |
|      | 236        | Small Business Investment Companies, Ser. P10A-1, Class 1, 6.12%, 2/01 |
|      | 27,000(3)  | U.S. Treasury Bond, zero coupon, 11/15/09 .....                        |
|      |            | U.S. Treasury Notes,   |
|      | 3,200(3)   | 3.50%, 11/15/06 .....  |
|      | 7,225(3)   | 4.375%, 8/15/12 .....  |
|      | 500        | 5.00%, 8/15/11 .....   |
|      | 1,700      | 5.75%, 11/15/05 .....  |
|      | 550        | 6.00%, 8/15/09 .....   |
|      | 385        | 6.625%, 5/15/07 .....  |
|      |            | Total U.S. Government and Agency Securities .....                      |
|      |            | CORPORATE BONDS--11.0%   |
|      |            | CHEMICAL--2.5%   |
| A-   | 1,000      | Dow Capital BV, 9.20%, 6/01/10 .....                                   |
|      |            | CONSUMER PRODUCTS--1.1%  |
| BBB+ | 500        | General Mills, 8.75%, 9/15/04 .....                                    |
|      |            | ENERGY--1.1%   |
| BBB+ | 500(2)     | Israel Electric Corp., Ltd., 7.25%, 12/15/06 (Israel) .....            |
|      |            | FINANCE & BANKING--4.8%  |
| A+   | 500(2)     | Metropolitan Life Insurance Co., 6.30%, 11/01/03 .....                 |
| Aa3  | 1,000(3)   | Morgan Stanley Group, Inc., 10.00%, 6/15/08 .....                      |



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AA+                    500                    UBS PaineWebber Group, Inc., 8.875%, 3/15/05 .....

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | CORPORATE BONDS--(CONT'D)   |
| A                         | \$ 500                       | TELECOMMUNICATION--1.2%<br>Alltel Corp., 7.50%, 3/01/06 .....   |
| CCC                       | 100                          | TRANSPORTATION--0.2%<br>American Airlines, Inc., 10.44%, 3/04/07 .....                                    |
|                           |                              | Total Corporate Bonds .....   |
|                           |                              | TAXABLE MUNICIPAL BONDS--7.3%   |
| AAA                       | 500                          | Fresno California Pension Oblig., 7.80%, 6/01/14 .....  |
| AAA                       | 500                          | Kern County California Pension Oblig., 6.98%, 8/15/09 .....   |
| AAA                       | 1,000                        | Los Angeles County California Pension Oblig.,<br>Ser. A, 8.62%, 6/30/06 .....                             |
| AAA                       | 500                          | Ser. D, 6.97%, 6/30/08 .....  |
| AAA                       | 500                          | Orleans Parish Louisiana School Board, Ser. A, 6.60%, 2/01/08 .....                                       |
|                           |                              | Total Taxable Municipal Bonds .....   |
|                           |                              | TOTAL LONG-TERM INVESTMENTS--(cost \$63,224,280) .....  |
|                           |                              | SHORT-TERM INVESTMENT--2.9%   |
|                           | 1,400(6)                     | U.S. GOVERNMENT AGENCY SECURITY--2.9%<br>Student Loan Marketing, 0.94%, 11/03/03 (cost \$1,399,927) ..... |
|                           |                              | TOTAL INVESTMENTS--138.5% (cost \$64,624,207) .....   |
|                           |                              | LIABILITIES IN EXCESS OF OTHER ASSETS--(38.5)% .....  |
|                           |                              | NET ASSETS--100% .....  |

(1) Using the higher of S&P's, Moody's or Fitch's rating.

(2) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2003, the Trust held 4.0% of its net assets, with a current market value of \$1,875,276, in securities restricted as to resale.

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- (3) Entire or partial principal amount pledged as collateral for reverse repurchase agreements or financial futures contracts.
- (4) Security is fair valued.
- (5) Illiquid securities representing 0.06% of net assets.
- (6) For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2003

-----  
BLACKROCK CORE BOND TRUST (BHK)  
-----

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | LONG-TERM INVESTMENTS--135.3%                       |
|                           |                              | MORTGAGE PASS-THROUGHS--35.8%                       |
|                           | \$ 3,225                     | Federal Home Loan Bank System, 4.50%, 9/16/13 ..... |
|                           |                              | Federal Home Loan Mortgage Corp.,                   |
|                           | 1,875                        | 3.50%, 4/01/08 .....                                |
|                           | 7,500                        | 3.875%, 11/10/08 .....                              |
|                           | 7,488                        | 5.50%, 9/01/33 .....                                |
|                           | 1,885                        | 5.75%, 4/15/08 .....                                |
|                           | 1,045                        | 6.00%, 6/15/11 .....                                |
|                           | 3,175 (2)                    | 6.625%, 9/15/09 .....                               |
|                           | 1,340                        | 6.875%, 9/15/10 .....                               |
|                           | 972                          | 7.00%, 3/15/10 - 9/01/31 .....                      |
|                           | 1,500                        | 5.00%, TBA .....                                    |
|                           | 4,000                        | 5.50%, TBA .....                                    |
|                           | 44,000                       | 6.00%, TBA .....                                    |
|                           |                              | Federal National Mortgage Assoc.,                   |
|                           | 2,225                        | 1.75%, 6/16/06 .....                                |
|                           | 3,000                        | 2.75%, 8/11/06 .....                                |
|                           | 1,500                        | 3.75%, 9/15/08 .....                                |
|                           | 1,280                        | 4.75%, 2/21/13 .....                                |
|                           | 8,270                        | 5.50%, - 6/01/33 .....                              |
|                           | 1,740                        | 5.75%, 2/15/08 .....                                |
|                           | 11,600 (2)                   | 6.00%, 5/15/08 - 5/15/11 .....                      |
|                           | 6,745                        | 6.625%, 10/15/07 - 11/15/10 .....                   |

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|     |           |  |
|-----|-----------|--|
|     | 1,615     | 7.00%, 1/01/31 - 7/01/32 .....   |
|     | 2,380(2)  | 7.125%, 3/15/07 - 6/15/10 .....  |
|     | 3,410(2)  | 7.25%, 1/15/10 .....   |
|     | 1,600     | 5.00%, TBA .....   |
|     | 1,000     | 5.50%, TBA .....   |
|     | 5,900     | 6.00%, TBA .....   |
|     | 684       | Government National Mortgage Assoc., 5.50%, 5/15/33 - 9/15/33 .....    |
|     | 27,248    | Residential Accredit Loans, Inc., Ser. QS10, Class A16, 6.43%, 10/25/0 |
|     | 2,550     | Small Business Admin., Ser. P10B, Class 1, 5.136%, 8/10/13 .....       |
|     |           | Total Mortgage Pass-Throughs .....                                     |
|     |           | INTEREST ONLY MORTGAGE-BACKED SECURITIES--1.5%                         |
|     | 5,317     | Federal Home Loan Mortgage Corp., Ser. 2579, Class HI, 8/15/17 .....   |
|     |           | Federal National Mortgage Assoc.,                                      |
|     | 9,700     | Ser. 16, Class IW, 11/25/12 .....                                      |
|     | 24,146    | Ser. 92, Class IC, 4/25/13 .....                                       |
|     | 1,009     | Residential Funding Mortgage Securities I, Inc., Ser. S6, Class A7, 4/ |
|     |           | Total Interest Only Mortgage-Backed Securities .....                   |
|     |           | COMMERCIAL MORTGAGE-BACKED SECURITIES--2.5%                            |
| AAA | 1,437     | Banc of America Funding Corp., Class A1, 6.00%, 5/20/33 .....          |
| AAA | 1,677     | Heller Financial Commercial Mortgage Asset Co., Ser. PH1, Class A2, 6. |
| AAA | 1,470     | Morgan Stanley Capital I, Inc., Ser. HF2, Class A2, 6.48%, 11/15/30 .. |
| AAA | 431       | Residential Funding Mortgage Securities I, Inc., Ser. S6, Class A7, 6. |
| AAA | 3,500     | Salomon Brothers Mortgage Securities VII, Ser. C1, Class A2, 7.52%, 12 |
| AAA | 414       | Washington Mutual Mortgage Securitization Corp., Ser. 12, Class A, 6.5 |
|     |           | Total Commercial Mortgage-Backed Securities .....                      |
|     |           | U.S. GOVERNMENT AND AGENCY SECURITIES--21.8%                           |
|     | 1,050     | Resolution Funding Corp., Zero coupon, 7/15/18 - 10/15/18 .....        |
|     |           | U.S. Treasury Bonds,   |
|     | 9,955     | Zero coupon, 8/15/22 - 2/15/23 .....                                   |
|     | 15,615(2) | 5.375%, 2/15/31 .....  |
|     | 560       | 6.00%, 2/15/26 .....   |
|     | 4,745(2)  | 6.75%, 8/15/26 .....   |
|     | 3,350     | 7.625%, 11/15/22 .....   |

See Notes to Financial Statements.

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION                                     |
|---------------------------|------------------------------|---|
|                           |                              | U.S. GOVERNMENT AND AGENCY SECURITIES--(CONT'D) |
|                           |                              | U.S. Treasury Bonds,                            |
|                           | \$11,325(2)                  | 8.125%, 8/15/19 .....                           |
|                           | 1,360                        | 9.25%, 2/15/16 .....                            |
|                           | 5,310(2)                     | 10.375%, 11/15/12 .....                         |
|                           | 2,230(2)                     | 12.00%, 8/15/13 .....                           |

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|      |            |  |
|------|------------|--|
|      |            | U.S. Treasury Notes,                                       |
|      | 13,765 (2) | 1.625%, 1/31/05 - 10/31/05 .....                           |
|      | 1,265      | 2.375%, 8/15/06 .....                                      |
|      | 1,515 (2)  | 4.00%, 11/15/12 .....                                      |
|      | 10,540     | 4.25%, 8/15/13 .....                                       |
|      | 2,000 (2)  | 5.00%, 8/15/11 .....                                       |
|      |            | Total U.S. Government and Agency Securities .....          |
|      |            | CORPORATE BONDS--61.6%                                     |
|      |            | AERO & DEFENSE--2.0%                                       |
| B-   | 3,000      | BE Aerospace, Inc., Ser. B, 8.00%, 3/01/08 .....           |
| A    | 270        | General Dynamics Corp., 4.50%, 8/15/10 .....               |
|      |            | Lockheed Martin Corp.,                                     |
| BBB  | 1,485      | 7.20%, 5/01/36 .....                                       |
| BBB  | 475        | 8.50%, 12/01/29 .....                                      |
|      |            | Northrop Grumman Corp.,                                    |
| BBB  | 380        | 7.125%, 2/15/11 .....                                      |
| BBB  | 960        | 7.875%, 3/01/26 .....                                      |
| BBB- | 1,000 (2)  | Raytheon Co., 6.55%, 3/15/10 .....                         |
|      |            | AUTOMOTIVE--3.2%   |
| A3   | 2,000      | Chrysler Corporation, 7.45%, 3/01/27 .....                 |
| B    | 2,000      | CSK Auto, Inc., 12.00%, 6/15/06 .....                      |
|      |            | DaimlerChrysler NA Holding Corp.,                          |
| A3   | 975        | 4.05%, 6/04/08 .....                                       |
| A3   | 940        | 4.75%, 1/15/08 .....                                       |
| B3   | 1,500      | Delco Remy Intl., Inc., 11.00%, 5/01/09 .....              |
| Baal | 850        | General Motors Corp., 8.375%, 7/15/33 .....                |
| B+   | 3,000 (3)  | Sonic Automotive Inc., 8.625%, 8/15/13 .....               |
| B+   | 1,000 (3)  | TRW Automotive, Inc., 9.375%, 2/15/13 .....                |
|      |            | BUILDING & DEVELOPMENT--1.5%                               |
| B-   | 2,000      | Ainsworth Lumber Co. Ltd., 12.50%, 7/15/07, (Canada) ..... |
| BB   | 3,000      | Hovnanian Enterprises, Inc., 10.50%, 10/01/07 .....        |
|      |            | CHEMICAL--2.6%   |
| CCC+ | 3,000      | Avecia Group PLC, 11.00%, 7/01/09, (United Kingdom) .....  |
|      |            | Dow Chemical Co.,  |
| A-   | 1,650      | 5.97%, 1/15/09 .....                                       |
| A-   | 175        | 6.125%, 2/01/11 .....                                      |
| A-   | 1,460      | 7.375%, 11/01/29 .....                                     |
| BB-  | 4,000      | Lyondell Chemical Co., Ser. B, 9.875%, 5/01/07 .....       |
|      |            | CONGLOMERATES--0.4%  |
|      |            | Tyco Intl. Group SA, (Luxembourg),                         |
| BBB- | 930        | 5.80%, 8/01/06 .....                                       |
| BBB- | 684        | 6.375%, 2/15/06 .....                                      |
|      |            | CONSUMER PRODUCTS--4.6%                                    |
| BB+  | 3,000      | American Greetings Corp., 11.75%, 7/15/08 .....            |
| A    | 1,025      | Avery Dennison Corp., 4.875%, 1/15/13 .....                |

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|      |        |  |
|------|--------|--|
| BBB  | 220(3) | Cadbury Schweppes US Finance, 5.125%, 10/01/13 ..... |
| B+   | 1,950  | Elizabeth Arden, Inc., Ser. B, 11.75%, 2/01/11 ..... |
| BBB+ | 510    | General Mills, Inc., 6.00%, 2/15/12 .....            |
| BBB  | 690    | Kellogg Co., Ser. B, 6.60%, 4/01/11 .....            |
|      |        | Kraft Foods, Inc.,                                   |
| A3   | 400    | 5.25%, 6/01/07 .....                                 |
| A3   | 4,250  | 5.625%, 11/01/11 .....                               |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | CONSUMER PRODUCTS--(CONT'D)   |
|                           |                              | Kroger Co.,   |
| BBB                       | \$ 650                       | 6.80%, 4/01/11 .....  |
| BBB                       | 550                          | Ser. B, 7.70%, 6/01/29 .....  |
| B-                        | 1,000                        | Pantry, Inc., The, 10.25%, 10/15/07 .....                               |
| AA                        | 3,035                        | Wal Mart Stores Inc., 3.375%, 10/01/08 .....                            |
|                           |                              | CONTAINERS & GLASS--0.7%  |
| B                         | 1,000                        | Crown European Holdings SA, 10.875%, 3/01/13, (United Kingdom) .....    |
| BB                        | 1,500                        | Owens-Brockway Glass Container, 8.75%, 11/15/12 .....                   |
|                           |                              | ECOLOGICAL SERVICES & EQUIPMENT--1.4%                                   |
| B+                        | 5,000                        | Allied Waste NA, Inc., Ser. B, 10.00%, 8/01/09 .....                    |
|                           |                              | ELECTRONICS--0.9%   |
| CCC-                      | 2,500                        | Knowles Electronics Holdings, Inc., 13.125%, 10/15/09 .....             |
| B                         | 1,000                        | Stoneridge, Inc., 11.50%, 5/01/12 .....                                 |
|                           |                              | ENERGY--7.6%  |
| BBB                       | 350                          | Amerada Hess Corp., 7.30%, 8/15/31 .....                                |
| BBB+                      | 765(2)                       | Anadarko Petroleum Corp., 5.375%, 3/01/07 .....                         |
| CCC+                      | 1,000                        | Calpine Canada Energy Finance ULC, 8.50%, 5/01/08, (Canada) .....       |
| BBB                       | 270(3)                       | Centerpoint Energy Houston, Ser. K, 6.95%, 3/15/33 .....                |
| BB-                       | 1,250                        | Chesapeake Energy Corp., 9.00%, 8/15/12 .....                           |
| BB                        | 1,000                        | Compagnie Generale De Geophysique SA, 10.625%, 11/15/07, (France) ..... |
| A-                        | 665                          | Conoco Funding Co., 6.35%, 10/15/11 .....                               |
| A-                        | 1,085                        | ConocoPhillips, 5.90%, 10/15/32 .....                                   |
| A-                        | 1,795                        | ConocoPhillips Holding Co., 6.95%, 4/15/29 .....                        |
| BBB                       | 550                          | Devon Energy, Corp., 7.95%, 4/15/32 .....                               |
| BBB                       | 140                          | Devon Financing Corp. ULC, 7.875%, 9/30/31 .....                        |
| BBB+                      | 1,225                        | Dominion Resources, Inc., Ser. E, 6.75%, 12/15/32 .....                 |

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|                          |             |  |
|--------------------------|-------------|--|
| B                        | 3,000       | Dresser, Inc., 9.375%, 4/15/11 .....                                   |
|                          |             | DTE Energy Co.,  |
| BBB                      | 250         | 6.00%, 6/01/04 .....   |
| BBB                      | 660         | 6.45%, 6/01/06 .....   |
| B-                       | 2,500 (3)   | Dynegy Holdings Inc., 10.125%, 7/15/13 .....                           |
|                          |             | El Paso Natural Gas Co.,   |
| B+                       | 850         | 7.625%, 8/01/10 .....  |
| B+                       | 265         | 8.375%, 6/15/32 .....  |
| B+                       | 2,250 (3)   | El Paso Production Holding Co., 7.75%, 6/01/13 .....                   |
| BBB+                     | 305         | Exelon Corp., 6.75%, 5/01/11 .....                                     |
| Baa2                     | 530         | FirstEnergy Corp., Ser. C, 7.375%, 11/15/31 .....                      |
| BBB+                     | 220         | Kinder Morgan Energy Partners LP, 7.30%, 8/15/33 .....                 |
| BBB                      | 930         | Kinder Morgan, Inc., 7.25%, 3/01/28 .....                              |
| BB-                      | 2,000       | Leviathan Gas Pipeline Partners LP, Ser. B, 10.375%, 6/01/09 .....     |
| BBB+                     | 360         | Occidental Petroleum Corp., 7.20%, 4/01/28 .....                       |
|                          |             | Oncor Electric Delivery Co.,   |
| Baa1                     | 435 (3)     | 6.375%, 1/15/15 .....  |
| Baa1                     | 350 (3)     | 7.25%, 1/15/33 .....   |
| Baa1                     | 1,650       | Petroleos Mexicanos, 9.375%, 12/02/08, (Mexico) .....                  |
| BBB+                     | 195         | Texas Eastern Transmission LP, 7.00%, 7/15/32 .....                    |
| BBB                      | 955         | Valero Energy Corp., 7.50%, 4/15/32 .....                              |
| A3                       | 725         | Virginia Electric & Power Co., Ser. A, 5.75%, 3/31/06 .....            |
| FINANCE & BANKING--17.9% |             |  |
| Aa1                      | 1,000 (2,3) | American General Instl. Capital A, 7.57%, 12/01/45 .....               |
|                          |             | Bank of America Corp.,   |
| Aa2                      | 1,000       | 3.875%, 1/15/08 .....  |
| Aa3                      | 1,350       | 7.40%, 1/15/11 .....   |
| Aa2                      | 325         | Bank One NA, 3.70%, 1/15/08 .....                                      |
| A1                       | 1,980       | Bear Stearns Cos., Inc., 2.875%, 7/02/08 .....                         |
| AAA                      | 200 (3)     | Camp Pendleton & Quantico Housing LLC, Military Housing Rev., Ser. A1, |

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| RATING (1)<br>(UNAUDITED)   | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|-----------------------------|------------------------------|--|
| FINANCE & BANKING--(CONT'D) |                              |  |
|                             |                              | Citigroup, Inc.,   |
| Aa2                         | \$ 2,675                     | 5.875%, 2/22/33 .....  |
| Aa1                         | 185                          | 6.875%, 6/01/25 .....  |
| Aa2                         | 2,465                        | 7.25%, 10/01/10 .....  |
| Aa3                         | 585                          | Credit Suisse First Boston USA, Inc., 6.125%, 11/15/11 ..... |
| BB                          | 1,000 (3)                    | Crum & Forster Holdings Corp., 10.375%, 6/15/13 .....        |
|                             |                              | Ford Motor Credit Co.,                                       |
| A3                          | 650                          | 5.625%, 10/01/08 .....                                       |
| A3                          | 1,320                        | 7.375%, 10/28/09 .....                                       |
| A3                          | 505                          | 7.875%, 6/15/10 .....  |
| Baa2                        | 280                          | Fund American Cos, Inc., 5.875%, 5/15/13 .....               |

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|      |           |  |
|------|-----------|--|
|      |           | General Electric Capital Corp.,                                |
| AAA  | 1,050     | 3.50%, 8/15/07 .....   |
| AAA  | 2,720     | Ser. A, 5.875%, 2/15/12 .....                                  |
| AAA  | 2,775     | Ser. A, 6.00%, 6/15/12 .....                                   |
| AAA  | 1,080     | Ser. A, 6.125%, 2/22/11 .....                                  |
|      |           | General Motors Acceptance Corp.,                               |
| A3   | 2,139     | 6.875%, 9/15/11 .....  |
| A3   | 150       | 8.00%, 11/01/31 .....  |
|      |           | Goldman Sachs Group, Inc.,                                     |
| Aa3  | 2,050     | 5.25%, 10/15/13 .....  |
| Aa3  | 750       | 6.125%, 2/15/33 .....  |
| Aa3  | 940       | 6.60%, 1/15/12 .....   |
| Aa3  | 190       | 6.875%, 1/15/11 .....  |
| Aa3  | 135       | 7.35%, 10/01/09 .....  |
|      |           | Household Finance Corp.,                                       |
| A1   | 160       | 4.75%, 7/15/13 .....   |
| A1   | 1,760     | 6.375%, 8/01/10 - 11/27/12 .....                               |
| A1   | 2,325     | 6.75%, 5/15/11 .....   |
| A1   | 475       | 7.625%, 5/17/32 .....  |
| A1   | 825       | HSBC Holdings PLC, 5.25%, 12/12/12 .....                       |
| Aa3  | 1,750(3)  | ING Bank NV, 5.125%, 5/01/15, (Netherlands) .....              |
|      |           | JP Morgan Chase & Co.,   |
| A+   | 540       | 3.625%, 5/01/08 .....  |
| A    | 1,155     | 6.75%, 2/01/11 .....   |
|      |           | Lehman Brothers Holdings, Inc.,                                |
| A1   | 165       | 6.25%, 5/15/06 .....   |
| A1   | 175       | 7.00%, 2/01/08 .....   |
| AA   | 650(3)    | Massachusetts Mutual Life Insurance Co., 5.625%, 5/15/33 ..... |
| A    | 390       | Metlife, Inc., 6.50%, 12/15/32 .....                           |
|      |           | Morgan Stanley,  |
| Aa3  | 375       | 5.80%, 4/01/07 .....   |
| Aa3  | 285       | 6.75%, 4/15/11 .....   |
| A-   | 20,300(3) | Morgan Stanley Tracers, 5.894%, 3/01/03 .....                  |
| A    | 415(3)    | Pacific Life Corp., 6.60%, 9/15/33 .....                       |
| AA   | 775(3)    | Principal Life Global, 5.25%, 1/15/13 .....                    |
| A-   | 635       | Prudential Financial Inc., 5.75%, 7/15/33 .....                |
| A+   | 1,000(3)  | Prudential Funding LLC, 6.60%, 5/15/08 .....                   |
|      |           | Sears Roebuck Acceptance Corp.,                                |
| Baa1 | 725       | 6.75%, 8/15/11 .....   |
| Baa1 | 1,305     | 7.00%, 2/01/11 - 6/01/32 .....                                 |
|      |           | SLM Corp.,   |
| A    | 1,150     | 1.381%, 7/25/07 .....  |
| A    | 90        | 5.625%, 4/10/07 .....  |
| Aa3  | 375       | U.S. Bancorp, Ser. N, 3.95%, 8/23/07 .....                     |
|      |           | FOREST PRODUCTS--1.5%  |
| B+   | 3,425     | Caraustar Industries, Inc., 9.875%, 4/01/11 .....              |
|      |           | Weyerhaeuser Co.,  |
| BBB  | 1,245     | 6.875%, 12/15/33 .....   |
| BBB  | 1,060     | 6.95%, 10/01/27 .....  |

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | HEALTH CARE--1.0%  |
| D                         | \$ 2,000 (4)                 | HealthSouth Corp., 7.625%, 6/01/12 .....                               |
| B                         | 2,000                        | United Surgical Partners Int'l., Inc., 10.00%, 12/15/11 .....          |
|                           |                              | HOTELS & CASINO--1.2%  |
| B+                        | 1,000                        | Circus & Eldorado Joint Venture, 10.125%, 3/01/12 .....                |
| Ba3                       | 2,574                        | HMH Properties, Inc., Ser. A, 7.875%, 8/01/05 .....                    |
| B                         | 1,000                        | Resorts Intl. Hotel & Casino, Inc., 11.50%, 3/15/09 .....              |
|                           |                              | INDUSTRIAL EQUIPMENT--1.3%   |
| B                         | 3,000                        | Terex Corp., 9.25%, 7/15/11 .....                                      |
| B+                        | 2,000 (2)                    | United Rentals, Inc., Ser. B, 9.25%, 1/15/09 .....                     |
|                           |                              | LEISURE--0.8%  |
| BB+                       | 3,000                        | Royal Caribbean Cruises Ltd., 8.125%, 7/28/04, (Liberia) .....         |
|                           |                              | MEDIA--6.5%  |
| B1                        | 4,000                        | Alliance Atlantis Communications, Inc., 13.00%, 12/15/09, (Canada) ... |
| BBB+                      | 80                           | AOL Time Warner, Inc., 6.125%, 4/15/06 .....                           |
| Ca                        | 4,000                        | Charter Communications Holdings LLC, 10.75%, 10/01/09 .....            |
| BBB                       | 1,050                        | Comcast Cable Communications, Inc., 6.875%, 6/15/09 .....              |
| BBB                       | 3,550                        | Comcast Corp., 5.50%, 3/15/11 .....                                    |
| Baal                      | 355 (3)                      | COX Enterprises, Inc., 4.375%, 5/01/08 .....                           |
| BB-                       | 4,000                        | EchoStar DBS Corp., 10.375%, 10/01/07 .....                            |
| BBB-                      | 700                          | News America Inc., 7.625%, 11/30/28 .....                              |
| BBB                       | 1,975                        | TCI Communications Inc., 7.875%, 2/15/26 .....                         |
| BBB                       | 10                           | Tele-Communications-TCI Group, 7.875%, 8/01/13 .....                   |
| BBB+                      | 90                           | Time Warner, Inc.,<br>6.625%, 5/15/29 .....                            |
| BBB+                      | 260                          | 6.875%, 6/15/18 .....  |
| BBB+                      | 4,380                        | 7.57%, 2/01/24 .....   |
|                           |                              | REAL ESTATE--1.1%  |
| BBB+                      | 350                          | AvalonBay Communities, Inc.,<br>6.625%, 9/15/11 .....                  |
| BBB+                      | 775                          | 8.25%, 7/15/08 .....   |
| BBB+                      | 315                          | EOP Operating LP, 7.50%, 4/19/29 .....                                 |
| BBB+                      | 1,950                        | ERP Operating LP,<br>5.20%, 4/01/13 .....                              |
| BBB+                      | 825                          | 6.95%, 3/02/11 .....   |
|                           |                              | TELECOMMUNICATION--3.9%  |



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|      |         |  |
|------|---------|--|
| A+   | 170     | Ameritech Capital Funding Corp., 6.45%, 1/15/18 .....                  |
| A-   | 1,015   | British Telecommunications PLC, 8.875%, 12/15/30, (United Kingdom) ... |
|      |         | Deutsche Telekom Intl. Finance BV, (Netherlands)                       |
| BBB+ | 1,060   | 8.50%, 6/15/10 .....   |
| BBB+ | 1,585   | 8.75%, 12/15/03 .....  |
| Aa3  | 1,750   | New England Telephone & Telegraph Co., 7.875%, 11/15/29 .....          |
| Aa3  | 230     | New Jersey Bell Telephone Co., 7.85%, 11/15/29 .....                   |
|      |         | Nextel Communications, Inc.,   |
| B+   | 2,000   | 9.375%, 11/15/09 .....   |
| B+   | 3,000   | 9.50%, 2/01/11 .....   |
| BBB+ | 375 (3) | Telecom Italia Cap, 5.25%, 11/15/13, (Italy) .....                     |
| A+   | 325     | Verizon Global Funding Corp., 7.75%, 12/01/30 - 6/15/32 .....          |
| Aa3  | 1,750   | Verizon New Jersey, Inc., Ser. A, 5.875%, 1/17/12 .....                |
| A    | 350     | Vodafone Group PLC, 6.25%, 11/30/32, (United Kingdom) .....            |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
| -----                     |                              |   |
|                           |                              | TRANSPORTATION--1.5%  |
| Aa3                       | \$ 1,485                     | Burlington Northern Santa Fe Railway, Ser. 1, 8.251%, 1/15/21 ..... |
| BBB+                      | 1,410 (2)                    | Canadian National Railway Co., 6.90%, 7/15/28, (Canada) .....       |
| BBB                       | 1,450                        | Canadian Pacific Railway Ltd., 6.25%, 10/15/11, (Canada) .....      |
| A-                        | 634                          | Continental Airlines, Inc., Ser. A, 6.545%, 2/02/19 .....           |
| Baa1                      | 375                          | Norfolk Southern Corp., 7.05%, 5/01/37 .....                        |
|                           |                              | Total Corporate Bonds .....   |
|                           |                              | TAXABLE MUNICIPAL BONDS--2.8%                                       |
|                           |                              | California Dept. of Wtr. Res. Sply.,                                |
| A3                        | 5,000                        | 3.585%, 5/01/04 .....   |
| A3                        | 650                          | 3.975%, 5/01/05 .....   |
| AA                        | 4,275                        | Illinois State, Taxable Pension, 5.10%, 6/01/33 .....               |
| AA-                       | 1,400                        | Oregon State, Taxable Pension, 5.892%, 6/01/27 .....                |
|                           |                              | Total Taxable Municipal Bonds .....                                 |
|                           |                              | FOREIGN GOVERNMENT BONDS--9.3%                                      |
| Aaa                       | 5,850                        | Canada Government, 5.25%, 6/01/13 .....                             |
| AAA                       | 4,260                        | France Government, 3.50%, 1/12/08 .....                             |
| AAA                       | 9,860                        | Germany Federal Republic, 3.00%, 4/11/08 .....                      |
|                           |                              | Kingdom of Sweden,  |
| AAA                       | 21,325                       | 5.00%, 1/28/09 .....  |
| AAA                       | 17,515                       | 8.00%, 8/15/07 .....  |
|                           |                              | Quebec Province Canada,   |

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|   |          |   |
|---|----------|---|
| A+  | 550      | 7.38%, 4/09/26 .....  |
| A+  | 2,475    | 7.50%, 7/15/23 .....  |
|   |          | United Mexican States,  |
| Baa2  | 350      | 4.625%, 10/08/08 .....  |
| Baa2  | 4,000    | 6.625%, 3/03/15 .....   |
| Baa2  | 2,770    | 8.00%, 9/24/22 .....  |
| Total Foreign Government Bonds .....  |          |   |
| TOTAL LONG-TERM INVESTMENTS--(cost \$527,426,624) .....   |          |   |
| SHORT-TERM INVESTMENTS--1.2%  |          |   |
| U.S. GOVERNMENT AND AGENCY SECURITIES--1.2%   |          |   |
|   | 1,100(5) | Student Loan Marketing, 0.94%, 11/03/03 .....                           |
| U.S. Treasury Bonds   |          |   |
|   | 2,284(5) | 0.55%, 11/03/03 .....   |
|   | 1,344(5) | 0.85%, 11/17/03 .....   |
| TOTAL SHORT-TERM INVESTMENTS (cost \$4,728,130) .....   |          |   |
| TOTAL INVESTMENTS BEFORE INVESTMENTS SOLD SHORT AND OUTSTANDING OPTION<br>(COST \$532,154,754) .....                            |          |   |
| INVESTMENTS SOLD SHORT--(0.4)%  |          |   |
|   | (1,500)  | Federal Home Loan Mortgage Corp., 5.00%, TBA (proceeds \$1,458,281) ... |
| NOTIONAL<br>AMOUNT<br>(000)<br>-----  |          |   |
| OUTSTANDING OPTIONS WRITTEN--(0.5)%   |          |   |
|   | \$ 2,750 | Federal Home Loan Mortgage Corp., 5.00%, expires 2/01/04 .....          |
|   | 52,700   | Interest Rate Swap, 3.60% over 3 month LIBOR, expires 11/01/04 .....    |
|   | 39,000   | Interest Rate Swap, 5.75% over 3 month LIBOR, expires 9/23/05 .....     |
|   | 11,000   | Interest Rate Swap, 6.00% over 3 month LIBOR, expires 10/25/04 .....    |
|   | 158      | U.S. Treasury Notes Futures .....                                       |
| Total Outstanding Options Written (premium received \$2,069,401) .....  |          |   |
| TOTAL INVESTMENTS, NET OF INVESTMENTS SOLD SHORT AND OUTSTANDING OPTION<br>LIABILITIES IN EXCESS OF OTHER ASSETS--(35.6)% ..... |          |   |
| NET ASSETS--100% .....  |          |   |

-----  
(1) Using the higher of S&P's, Moody's or Fitch's rating.

(2) Entire or partial principal amount pledged as collateral for reverse repurchase agreements or financial futures contracts.

(3) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2003, the Trust held 10.1% of its net assets, with a current market value of \$40,186,968, in securities restricted as to resale.

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- (4) Issuer is technically in default and/or bankruptcy.
- (5) For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2003

-----  
BLACKROCK HIGH YIELD TRUST (BHY)  
-----

| RATING(1) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|-----------|------------------------------|--|
|           |                              | LONG-TERM INVESTMENTS--135.8%                                  |
|           |                              | CORPORATE BONDS--135.4%  |
|           |                              | AERO & DEFENSE--3.3%   |
| B-        | \$1,000                      | BE Aerospace, Inc., 9.50%, 11/01/08 .....                      |
| NR        | 1,500(2)                     | Condor Systems Inc., Ser. B, 11.875%, 5/01/09 .....            |
|           |                              | AUTOMOTIVE--4.6%   |
| B         | 1,000                        | CSK Auto, Inc., 12.00%, 6/15/06 .....                          |
| B3        | 1,000                        | Delco Remy Intl., Inc., 11.00%, 5/01/09 .....                  |
|           |                              | BASIC MATERIAL--0.6%   |
| NR        | 2,000(2)                     | Golden Northwest Aluminum Inc., 12.00%, 12/15/06 .....         |
| NR        | 376(2)                       | Republic Engineered Products LLC, 10.00%, 8/16/09 .....        |
| NR        | 2,000(2)                     | Republic Technologies International LLC, 13.75%, 7/15/09 ..... |
|           |                              | BUILDING & DEVELOPMENT--7.8%                                   |
| B-        | 1,500                        | Ainsworth Lumber Co. Ltd., 12.50%, 7/15/07, (Canada) .....     |
| Ba1       | 1,000                        | D.R. Horton, Inc., 10.50%, 4/01/05 .....                       |
| CCC       | 1,000                        | MMI Prods Inc., Ser. B, 11.25%, 4/15/07 .....                  |
|           |                              | CHEMICAL--9.8%   |
| CCC+      | 250                          | Avecia Group PLC, 11.00%, 7/01/09, (United Kingdom) .....      |
| Ba2       | 1,000                        | Hercules Inc., 11.125%, 11/15/07 .....                         |
| B         | 1,000(3)                     | Huntsman LLC, 11.625%, 10/15/10 .....                          |
| B         | 1,000                        | Lyondell Chemical Co., 10.875%, 5/01/09 .....                  |

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|      |          |   |
|------|----------|---|
| NR   | 1,750(2) | Mississippi Chemical Corp., 7.25%, 11/15/17 .....           |
| CCC- | 1,000    | Solutia, Inc., 11.25%, 7/15/09 .....                        |
|      |          | CONGLOMERATES--2.5%   |
| B-   | 1,000    | Penhall Intl., Inc., 12.00%, 8/01/06 .....                  |
| NR   | 250      | Precision Partners Inc., 12.00%, 2/01/07 .....              |
|      |          | CONSUMER PRODUCTS--16.7%                                    |
| BB+  | 1,000    | American Greetings Corp., 11.75%, 7/15/08 .....             |
| B+   | 650      | Elizabeth Arden, Inc., Ser. B, 11.75%, 2/01/11 .....        |
| B    | 250      | Levi Strauss & Co., 11.625%, 1/15/08 .....                  |
| B3   | 441      | National Vision Inc., 12.00%, 3/30/09 .....                 |
| NR   | 1,200(2) | Nebco Evans Holding Co., 12.375%, 7/15/07 .....             |
| B-   | 1,100    | Pantry, Inc., The, 10.25%, 10/15/07 .....                   |
|      |          | Revlon Consumer Products Corp.,                             |
| CCC- | 2,000    | 8.625%, 2/01/08 .....                                       |
| CCC+ | 1,000    | 12.00%, 12/01/05 .....                                      |
| B-   | 1,000    | Sbarro, Inc., 11.00%, 9/15/09 .....                         |
| B-   | 1,000    | St. John Knits Intl., Inc., 12.50%, 7/01/09 .....           |
|      |          | CONTAINERS & GLASS--4.8%                                    |
| B    | 1,000(3) | Radnor Holdings Inc., 11.00%, 3/15/10 .....                 |
| CCC+ | 1,500    | U.S. Can Co., Ser. B, 12.375%, 10/01/10 .....               |
|      |          | ECOLOGICAL SERVICES & EQUIPMENT--2.4%                       |
| B+   | 1,000    | Allied Waste NA, Inc., Ser. B, 10.00%, 8/01/09 .....        |
|      |          | ELECTRONICS--10.1%  |
| B3   | 1,000    | Communications & Power Industry Inc., 12.00%, 8/01/05 ..... |
| CCC- | 2,500    | Knowles Electronics Holdings, Inc., 13.125%, 10/15/09 ..... |
| B    | 825      | On Semiconductor Corp., 12.00%, 3/15/10 .....               |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION                      |
|---------------------------|------------------------------|----------------------------------|
| B-                        | \$ 1,000                     | ENERGY--9.4%                     |
|                           |                              | AES Corp., 8.375%, 8/15/07 ..... |
|                           |                              | Calpine Corp.,                   |

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|                            |           |  |
|----------------------------|-----------|--|
| B                          | 500 (3)   | 8.75%, 7/15/13 .....   |
| CCC+                       | 1,000     | 10.50%, 5/15/06 .....  |
| CCC                        | 1,000     | Mission Energy Holding Co., 13.50%, 7/15/08 .....                      |
| B2                         | 1,000     | Orion Power Holdings, Inc., 12.00%, 5/01/10 .....                      |
| FINANCE & BANKING--16.3%   |           |  |
| NR                         | 500 (2,3) | Ameriserve Finance Capital Corp., 12.00%, 9/15/06 .....                |
| BBB+                       | 1,788     | Asat Finance LLC, 12.50%, 11/01/06 .....                               |
| Ba2                        | 1,000 (3) | Capital Guardian High Yield, CBO, Ltd., Ser. 1A, 11.45%, 5/24/13 ..... |
| BB                         | 1,200 (3) | Crum & Forster Holdings Corp., 10.375%, 6/15/13 .....                  |
| BB                         | 1,000     | Fairfax Financial Holdings Ltd., 6.875%, 4/15/08 .....                 |
| Ba3                        | 2,500 (3) | First Dominion Funding II, Ser. 1A, 11.614%, 4/25/14 .....             |
| CCC+                       | 1,000     | Madison River Capital Corp., 13.25%, 3/01/10 .....                     |
| Caa                        | 2,204 (3) | Zais Investment Grade Ltd., Class C, Pay-in-kind, 9.95%, 9/23/14 ..... |
| FOREST PRODUCTS--1.5%      |           |  |
| B                          | 1,000     | FiberMark Inc., 10.75%, 4/15/11 .....                                  |
| HEALTH CARE--2.4%          |           |  |
| B-                         | 1,000     | MedQuest Inc., Ser. B, 11.875%, 8/15/12 .....                          |
| HOME FURNISHING--5.4%      |           |  |
| CCC+                       | 1,760     | O'Sullivan Industries Inc., 13.375%, 10/15/09 .....                    |
| B-                         | 1,000     | Salton, Inc., 12.25%, 4/15/08 .....                                    |
| INDUSTRIAL EQUIPMENT--6.2% |           |  |
| B-                         | 1,000     | Concentra Operating Corp., Ser. B, 13.00%, 8/15/09 .....               |
|                            |           | MSX Intl., Inc.,   |
| B                          | 500 (3)   | 11.00%, 10/15/07 .....   |
| B-                         | 500       | 11.375%, 1/15/08 .....   |
| Caa3                       | 2,000 (2) | National Equipment Services Inc., Ser. D, 10.00%, 11/30/04 .....       |
| LEISURE--1.7%              |           |  |
| B3                         | 1,000     | Trump Atlantic City Assoc., 11.25%, 5/01/06 .....                      |
| MEDIA--14.8%               |           |  |
| B1                         | 2,000     | Alliance Atlantis Communications, Inc., 13.00%, 12/15/09, (Canada) ... |
|                            |           | Charter Communications Holdings LLC,                                   |
| Ca                         | 1,000     | 10.75%, 10/01/09 .....   |
| Ca                         | 1,000     | 11.125%, 1/15/11 .....   |
| B-                         | 1,000     | WRC Media Inc., 12.75%, 11/15/09 .....                                 |
| CCC+                       | 980       | XM Satellite Radio Inc., 14.00%, 3/15/10 .....                         |
| CC                         | 647       | Ziff Davis Media Inc., Ser. B, Pay-in-kind, 12.00%, 8/12/09 .....      |
| TELECOMMUNICATION--5.3%    |           |  |
| NR                         | 2,000 (2) | Asia Global Crossing Ltd., 13.375%, 10/15/10, (United Kingdom) .....   |
| B+                         | 1,000     | Nextel Communications Inc., 12.00%, 11/01/08 .....                     |
| NR                         | 600 (2,3) | PF. Net Communications, Inc., 13.75%, 5/15/10 .....                    |
| B3                         | 1,000     | Time Warner Telecom LLC, 9.75%, 7/15/08 .....                          |

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|    |           |   |
|----|-----------|---|
|    |           | TRANSPORTATION--9.8%                                |
|    |           | Amtran Inc.,  |
| Ca | 2,000 (4) | 9.625%, 12/15/05 .....                              |
| Ca | 1,000 (4) | 10.50%, 8/01/04 .....                               |
| B  | 1,000     | Sea Containers Ltd., Ser. B, 10.75%, 10/15/06 ..... |
| B+ | 1,000     | TFM SA de CV, 12.50%, 6/15/12, (Mexico) .....       |

Total Corporate Bonds .....

See Notes to Financial Statements.

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| SHARES       | DESCRIPTION  |
|--------------|--|
|              | COMMON STOCK--0.4%   |
| 8,000        | Mattress Discounters Corp. ....                                  |
| 54,000       | Neon Communications Inc. ....                                    |
| 1,000        | Precision Partners Inc. ....                                     |
|              | Total Common Stock .....   |
|              | PREFERRED SECURITIES--0.0%                                       |
| 1,098 (2)    | Adelphia Business Solutions, Inc., Ser. B, 12.875% .....         |
|              | UNITS  |
|              | WARRANTS--0.0%   |
| 1,000 (3)    | Mattress Discounters Corp., Expires 7/15/07 .....                |
| 53,622       | Neon Communications Inc., Expires 12/02/12 .....                 |
| 600 (3,4)    | PF. Net Communications, Inc., Expires 5/15/10 .....              |
| 2,000 (3)    | Republic Technologies International LLC, Expires 7/15/09 .....   |
|              | Total Warrants .....   |
|              | TOTAL LONG-TERM INVESTMENTS--135.8% (cost \$74,360,140) .....    |
|              | PRINCIPAL AMOUNT (000)   |
|              | SHORT-TERM INVESTMENT--2.5%                                      |
|              | U.S. GOVERNMENT AGENCY SECURITIES--2.5%                          |
| \$ 1,100 (5) | Student Loan Marketing, 0.94%, 11/03/03 (cost \$1,099,943) ..... |

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TOTAL INVESTMENTS--138.3% (cost \$75,460,083) .....

LIABILITIES IN EXCESS OF OTHER ASSETS--(38.3)% .....

NET ASSETS--100% .....

- 
- (1) Using the higher of S&P's, Moody's or Fitch's rating.
  - (2) Issuer is technically in default and/or bankruptcy.
  - (3) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2003, the Trust held 13.7% of its net assets, with a current market value of \$6,087,244, in securities restricted as to resale.
  - (4) Illiquid securities representing 5.1% of net assets.
  - (5) For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2003

-----  
BLACKROCK INCOME OPPORTUNITY TRUST (BNA)  
-----

| RATING(1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|--------------------------|------------------------------|--|
|                          |                              | LONG-TERM INVESTMENTS--120.6%  |
|                          |                              | MORTGAGE PASS-THROUGHS--34.4%  |
|                          | \$24,438(2)                  | Federal Home Loan Mortgage Corp., 6.50%, 1/01/26 - 11/01/32 .....    |
|                          |                              | Federal National Mortgage Assoc.,                                    |
|                          | 59,065(2)                    | 5.50%, 1/01/29 - 2/01/33 .....                                       |
|                          | 14,518(2)                    | 6.00%, 3/01/27 - 11/01/32 .....                                      |
|                          | 663                          | 7.00%, 2/01/24 - 1/01/29 .....                                       |
|                          | 23,315                       | 5.50%, 12/01/13 - 9/01/17, TBA .....                                 |
|                          | 15,677                       | 6.00%, 12/01/09 - 11/01/17, TBA .....                                |
|                          | 250                          | Government National Mortgage Assoc., 8.00%, 4/15/24 - 11/15/25 ..... |
|                          |                              | Total Mortgage Pass-Throughs .....                                   |

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|     |        |   |
|-----|--------|---|
|     |        | FEDERAL HOUSING ADMINISTRATION--2.0%                                  |
|     |        | GMAC Projects,  |
|     | 900    | Ser. 37, 7.43%, 5/01/22 .....   |
|     | 622    | Ser. 44, 7.43%, 8/01/22 .....   |
|     |        | Merrill Projects,   |
|     | 201    | Ser. 29, 7.43%, 10/01/20 .....  |
|     | 1,867  | Ser. 42, 7.43%, 9/01/22 .....   |
|     | 1,988  | Reilly Project, Series B-11, 7.40%, 4/01/21 .....                     |
|     | 2,018  | Westmore Project 8240, 7.25%, 4/01/21 .....                           |
|     |        | Total Federal Housing Administration .....                            |
|     |        | NON-AGENCY MULTIPLE CLASS MORTGAGE PASS-THROUGHS--0.0%                |
| AAA | 139(3) | Summit Mortgage Trust, Ser. 1, Class B1, 6.079%, 12/28/12 .....       |
|     |        | ADJUSTABLE RATE MORTGAGE SECURITIES--0.0%                             |
|     | 94     | Federal National Mortgage Assoc., Ser. 256, Class F, 2.625%, 11/25/23 |
|     |        | INVERSE FLOATING RATE MORTGAGES--0.8%                                 |
|     |        | Federal Home Loan Mortgage Corp.,                                     |
|     | 7      | Ser. 1601, Class SE, 10/15/08 .....                                   |
|     | 1,000  | Ser. 1611, Class JC, 8/15/23 .....                                    |
|     |        | Federal National Mortgage Assoc.,                                     |
|     | 1,808  | Ser. 23, Class PS, 4/25/23 .....                                      |
|     | 33     | Ser. 46, Class S, 5/25/21 .....                                       |
|     | 30     | Ser. 49, Class S, 12/25/21 .....                                      |
|     | 153    | Ser. 87, Class S, 8/25/21 .....                                       |
|     | 63     | Ser. 145, Class S, 10/25/06 .....                                     |
|     |        | Total Inverse Floating Rate Mortgages .....                           |
|     |        | INTEREST ONLY MORTGAGE-BACKED SECURITIES--1.8%                        |
|     |        | Federal Home Loan Mortgage Corp.,                                     |
|     | 30     | Ser. 19, Class R, 3/15/20 .....                                       |
|     | 0      | Ser. 75, Class R, 1/15/21 .....                                       |
|     | 0      | Ser. 173 Class R, 11/15/21 .....                                      |
|     | 8      | Ser. 176 Class M, 7/15/21 .....                                       |
|     | 1      | Ser. 192 Class U, 2/15/22 .....                                       |
|     | 49     | Ser. 200 Class R, 12/15/22 .....                                      |
|     | 22     | Ser. 1043 Class H, 2/15/21 .....                                      |
|     | 4      | Ser. 1054 Class I, 3/15/21 .....                                      |
|     | 27     | Ser. 1056 Class K, 3/15/21 .....                                      |
|     | 30     | Ser. 1057 Class J, 3/15/21 .....                                      |
|     | 94     | Ser. 1148 Class E, 10/15/21 .....                                     |
|     | 25     | Ser. 1178 Class O, 11/15/21 .....                                     |
|     | 27     | Ser. 1221 Class H, 3/15/07 .....                                      |
|     | 882    | Ser. 1223, Class H, 3/15/22 .....                                     |
|     | 606    | Ser. 1254, Class Z, 4/15/22 .....                                     |
|     | 2,862  | Ser. 1809, Class SC, 12/15/23 .....                                   |
|     | 1,245  | Ser. 1831, Class PG, 3/15/11 .....                                    |
|     | 323    | Ser. 2080, Class PL, 1/15/27 .....                                    |

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| RATING (1)<br>(UNAUDITED)                          | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|--|------------------------------|--|
| INTEREST ONLY MORTGAGE-BACKED SECURITIES--(CONT'D) |                              |  |
|  |                              | Federal National Mortgage Assoc.,                                      |
| \$   | 237                          | Ser. 5, Class H, 1/25/22 .....   |
|  | 19                           | Ser. 7, Class 2, 4/1/17 .....  |
|  | 1,100                        | Ser. 7, Class PH, 4/25/11 .....  |
|  | 51                           | Ser. 7, Class S, 3/25/21 .....   |
|  | 158                          | Ser. 10, Class S, 5/25/21 .....  |
|  | 122                          | Ser. 12, Class S, 5/25/21 .....  |
|  | 10,300                       | Ser. 16, Class IW, 11/25/12 .....                                      |
|  | 74                           | Ser. 17, Class S, 6/25/21 .....  |
|  | 2                            | Ser. 20, Class H, 3/25/06 .....  |
|  | 107                          | Ser. 33, Class PV, 10/25/21 .....                                      |
|  | 11                           | Ser. 38, Class N, 4/25/21 .....  |
|  | 1,196                        | Ser. 50, Class SI, 4/25/23 .....                                       |
|  | 9                            | Ser. 54, Class H, 5/25/05 .....  |
|  | 5,974                        | Ser. 70, Class IN, 5/25/15 .....                                       |
|  | 17                           | Ser. 84, Class H, 8/25/06 .....  |
|  | 33                           | Ser. 89, Class 2, 6/1/18 .....   |
|  | 25,750                       | Ser. 92, Class IC, 4/25/13 .....                                       |
|  | 10                           | Ser. 94, Class 2, 8/1/21 .....   |
|  | 43                           | Ser. 99, Class L, 8/25/21 .....  |
|  | 6                            | Ser. 123, Class M, 10/25/20 .....                                      |
|  | 58                           | Ser. 136, Class S, 11/25/20 .....                                      |
|  | 67                           | Ser. 139, Class PT, 10/25/21 .....                                     |
|  | 47                           | Ser. 141, Class SA, 8/25/07 .....                                      |
|  | 1,212                        | Ser. G46, Class H, 12/25/09 .....                                      |
|  | 12,117(3)                    | Goldman Sachs Mortgage Securities Corp., Ser. 5, 2/19/25 .....         |
|  | 438                          | Government National Assoc., Ser. 3, Class E, 6/16/25 .....             |
|  | 7,402(3)                     | Hanover Grantor Trust, Ser. A, Class 1, 8/1/27 .....                   |
|  | 3,403(3)                     | Morgan Stanley Capital 1, Inc., Ser. HF1, Class X, 6/15/17 .....       |
|  | 7,359                        | Prudential Home Mortgage Securities Co., Ser. 05, Class A9, 2/25/24 .. |
|  |                              | Residential Asset Securitization Trust,                                |
|  | 10,137                       | Ser. A3, Class X, 5/25/29 .....  |
|  | 6,345                        | Ser. A5, Class A2, 9/25/30 .....                                       |
|  | 12,957                       | Salomon Brothers Mortgage Securities VII Inc., Ser. 1, Class IO, 3/25/ |
|  | 26,388                       | Vendee Mortgage Trust, Ser. 1, Class IO, 2/15/27 .....                 |
|  |                              | Total Interest Only Mortgage-Backed Securities .....                   |
| PRINCIPAL ONLY MORTGAGE-BACKED SECURITIES--0.6%    |                              |  |
|  |                              | Federal Home Loan Mortgage Corp.,                                      |
|  | 357(2)                       | Ser. 1739, Class B, 2/15/24 .....                                      |
|  | 79                           | Ser. 1857, Class PB, 12/15/08 .....                                    |
|  |                              | Federal National Mortgage Assoc.,                                      |
|  | 35                           | Ser. 167, Class D, 10/25/17 .....                                      |
|  | 76                           | Ser. 203, Class 1, 2/1/23 .....  |
|  | 57                           | Ser. 228, Class 1, 5/1/23 .....  |
|  | 234                          | Ser. 26, Class L, 3/25/23 .....  |
|  | 212                          | Ser. 279, Class 1, 7/1/26 .....  |
|  | 74                           | Ser. 51, Class E, 2/25/23 .....  |
|  | 44                           | Ser. 70, Class A, 5/25/23 .....  |
|  | 6,055                        | Resolution Funding Corp., Ser. B, 4/15/30 .....                        |
|  |                              | Total Principal Only Mortgage-Backed Securities .....                  |

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|           |  |
|-----------|--|
|           | U.S. GOVERNMENT AND AGENCY SECURITIES--9.0%                          |
| 18,736    | Overseas Private Investment Corp., 4.09%-7.35%, 5/29/12 .....        |
| 2,201     | Small Business Administration, Ser. 20K-1, 6.95%, 11/01/16 .....     |
|           | U.S. Treasury Notes,   |
| 9,300 (2) | 2.00%, 5/15/06 .....   |
| 2,100 (2) | 4.00%, 11/15/12 .....  |
| 2,715 (2) | 4.25%, 8/15/13 .....   |
| 700       | 4.875%, 2/15/12 .....  |
|           | Total U.S. Government and Agency Securities .....                    |
|           | COLLATERALIZED MORTGAGE OBLIGATION RESIDUALS--0.0%                   |
| 5         | Collateralized Mortgage Obligation Trust 40, Class R, 4/01/18 .....  |
| 76        | Collateralized Mortgage Obligation Trust 42, Class R, 10/01/14 ..... |
|           | Morgan Stanley Mortgage Trust,                                       |
| 83        | Ser. 38, Class 2, 11/20/21 .....                                     |
| 92        | Ser. 39, Class 2, 12/20/21 .....                                     |
|           | Total Collateralized Mortgage Obligation Residuals .....             |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | CORPORATE BONDS--71.2%                              |
|                           |                              | AERO & DEFENSE--1.7%                                |
| B-                        | \$ 1,235                     | BE Aerospace, Inc., 9.50%, 11/01/08 .....           |
| BB-                       | 1,500                        | L-3 Communications Corp., 7.625%, 6/15/12 .....     |
| BBB                       | 1,250                        | Lockheed Martin Corp., 8.50%, 12/01/29 .....        |
| BBB                       | 1,000                        | Northrop Grumman Corp., 7.125%, 2/15/11 .....       |
| BBB-                      | 1,200                        | Raytheon Co., 6.15%, 11/01/08 .....                 |
|                           |                              | AUTOMOTIVE--1.9%                                    |
| BB+                       | 1,500                        | Autonation, Inc., 9.00%, 8/01/08 .....              |
| BB+                       | 2,000                        | Briggs & Stratton Corp., 8.875%, 3/15/11 .....      |
| B+                        | 3,715                        | Dura Operating Corp., Ser. B, 8.625%, 4/15/12 ..... |
|                           |                              | BASIC MATERIAL--1.3%                                |
| B+                        | 3,000                        | AK Steel Corp., 7.875%, 2/15/09 .....               |
| A2                        | 2,000                        | Alcoa, Inc., 7.375%, 8/01/10 .....                  |
| B                         | 1,000                        | Oregon Steel Mills, Inc., 10.00%, 7/15/09 .....     |
|                           |                              | BUILDING & DEVELOPMENT--0.9%                        |

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|      |       |  |
|------|-------|--|
| B-   | 1,000 | Ainsworth Lumber Co. Ltd., 12.50%, 7/15/07, (Canada) .....         |
| Bal  | 2,500 | D.R. Horton, Inc., 10.50%, 4/01/05 .....                           |
|      |       | CHEMICAL--1.9%   |
| CCC+ | 500   | Avecia Group PLC, 11.00%, 7/01/09, (United Kingdom) .....          |
|      |       | Dow Chemical Co.,  |
| A-   | 750   | 5.75%, 12/15/08 .....  |
| A-   | 1,400 | 6.00%, 10/01/12 .....  |
| BB-  | 3,000 | Lyondell Chemical Co., 11.125%, 7/15/12 .....                      |
| B    | 1,750 | Noveon, Inc., Ser. B, 11.00%, 2/28/11 .....                        |
|      |       | CONGLOMERATES--1.2%  |
| AAA  | 3,650 | General Electric Co., 5.00%, 2/01/13 .....                         |
| A    | 1,300 | Honeywell, Inc., 6.125%, 11/01/11 .....                            |
|      |       | CONSUMER PRODUCTS--9.1%  |
| A    | 2,000 | Avery Dennison Corp., 4.875%, 1/15/13 .....                        |
| B-   | 2,000 | Buffets Inc., 11.25%, 7/15/10 .....                                |
|      |       | General Mills, Inc.,   |
| BBB+ | 550   | 5.125%, 2/15/07 .....  |
| BBB+ | 1,700 | 6.00%, 2/15/12 .....   |
|      |       | Kellogg Co.,   |
| BBB  | 700   | Ser. B, 6.00%, 4/01/06 .....                                       |
| BBB  | 2,000 | Ser. B, 6.60%, 4/01/11 .....                                       |
| A-   | 3,000 | Kohls Corp., 6.30%, 3/01/11 .....                                  |
| A3   | 2,000 | Kraft Foods, Inc., 5.625%, 11/01/11 .....                          |
| BBB  | 1,000 | Kroger Co., 5.50%, 2/01/13 .....                                   |
| B    | 2,000 | Levi Strauss & Co., 12.25%, 12/15/12 .....                         |
| AA-  | 3,000 | Procter & Gamble Co., 6.875%, 9/15/09 .....                        |
| B    | 2,000 | Roundys, Inc., Ser. B, 8.875%, 6/15/12 .....                       |
| BBB  | 2,495 | Safeway, Inc., 6.50%, 3/01/11 .....                                |
| A+   | 2,000 | Unilever Capital Corp., 7.125%, 11/01/10 .....                     |
| BB-  | 2,000 | United Rentals N.A. Inc., 10.75%, 4/15/08 .....                    |
| AA   | 3,000 | Wal-Mart Stores, Inc., 6.875%, 8/10/09 .....                       |
| BB+  | 3,000 | Yum! Brands, Inc., 8.875%, 4/15/11 .....                           |
|      |       | CONTAINERS & GLASS--1.9%   |
| B+   | 1,500 | Crown European Holdings SA, 9.50%, 3/01/11, (United Kingdom) ..... |
| BB   | 2,250 | Owens-Brockway Glass Container, Inc., 8.875%, 2/15/09 .....        |
| B+   | 2,275 | Plastipak Holdings, Inc., 10.75%, 9/01/11 .....                    |
| B    | 1,240 | Stone Container Corp., 9.25%, 2/01/08 .....                        |

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | ECOLOGICAL SERVICES & EQUIPMENT--1.4%                              |
| B+                        | \$ 3,000                     | Allied Waste NA, Inc., Ser. B, 10.00%, 8/01/09 .....               |
| B                         | 2,250                        | Casella Waste Systems Inc., 9.75%, 2/01/13 .....                   |
|                           |                              | ELECTRONICS--0.5%  |
| B-                        | 1,750                        | Chippac Int. Ltd., Ser. B, 12.75%, 8/01/09 .....                   |
|                           |                              | ENERGY--8.3%   |
| BBB                       | 2,000                        | Amerada Hess Corp., 6.65%, 8/15/11 .....                           |
| BBB+                      | 600                          | Anadarko Petroleum Corp., 5.375%, 3/01/07 .....                    |
| BB-                       | 2,500                        | Chesapeake Energy Corp., 9.00%, 8/15/12 .....                      |
| A-                        | 3,000                        | Conoco Funding Co., 6.35%, 10/15/11 .....                          |
| BBB+                      | 2,000                        | Dominion Resources, Inc., 5.70%, 9/17/12 .....                     |
| B                         | 2,500                        | Dresser, Inc., 9.375%, 4/15/11 .....                               |
| BBB                       | 1,500                        | DTE Energy Co., 7.05%, 6/01/11 .....                               |
| B-                        | 2,000(2)                     | Dynegy Holdings Inc., 10.125%, 7/15/13 .....                       |
| B                         | 400                          | El Paso Corporation, 7.875%, 6/15/12 .....                         |
| B+                        | 1,000                        | El Paso Natural Gas Co., 7.625%, 8/01/10 .....                     |
| B+                        | 1,500(2)                     | El Paso Production Holding Co., 7.75%, 6/01/13 .....               |
| BBB+                      | 640                          | Exelon Corp., 6.75%, 5/01/11 .....                                 |
| Baa2                      | 1,500                        | FirstEnergy Corp., Ser. C, 7.375%, 11/15/31 .....                  |
| BBB+                      | 1,250                        | Kinder Morgan Energy Partners LP, 7.30%, 8/15/33 .....             |
| BBB                       | 1,000                        | Kinder Morgan, Inc., 6.50%, 9/01/12 .....                          |
| BB-                       | 2,500                        | Leviathan Gas Pipeline Partners LP, Ser. B, 10.375%, 6/01/09 ..... |
| BBB+                      | 1,800                        | Occidental Petroleum Corp., 6.75%, 1/15/12 .....                   |
|                           |                              | Progress Energy, Inc.,   |
| Baa2                      | 1,800                        | 6.75%, 3/01/06 .....   |
| Baa2                      | 2,000                        | 7.10%, 3/01/11 .....   |
|                           |                              | FINANCE & BANKING--15.8%   |
| Aa3                       | 2,450                        | Bank of America Corp., 7.80%, 2/15/10 .....                        |
| Aa3                       | 1,400(2)                     | Bank One Corp., 6.50%, 2/01/06 .....                               |
| Aa3                       | 2,000(3)                     | Barclays Bank PLC, 6.86%, 9/29/49, (United Kingdom) .....          |
| A1                        | 500                          | Bear Stearns Co., Inc., 6.50%, 5/01/06 .....                       |
| Aa2                       | 6,000                        | Citigroup, Inc., 5.625%, 8/27/12 .....                             |
|                           |                              | Credit Suisse First Boston USA, Inc.,                              |
| Aa3                       | 700(2)                       | 6.125%, 11/15/11 .....   |
| Aa3                       | 1,000                        | 7.125%, 7/15/32 .....  |
| BB                        | 1,000(3)                     | Crum & Forster Holdings Corp., 10.375%, 6/15/13 .....              |
| AAA                       | 4,002                        | Federal Home Loan Mortgage Corp., 6.875%, 9/15/10 .....            |
| AAA                       | 4,000                        | Federal National Mortgage Assoc., 4.375%, 9/15/12 .....            |
| A3                        | 3,000(2)                     | Ford Motor Credit Co., 6.875%, 2/01/06 .....                       |
| AAA                       | 3,000                        | General Electric Capital Corp., Ser. A, 6.75%, 3/15/32 .....       |
|                           |                              | General Motors Acceptance Corp.,                                   |
| A3                        | 700                          | 6.75%, 1/15/06 .....   |
| A3                        | 4,000                        | 6.875%, 8/28/12 .....  |
| Aa3                       | 1,000                        | Goldman Sachs Group, Inc., 6.60%, 1/15/12 .....                    |
| A1                        | 3,650                        | Household Finance Corp., 6.375%, 10/15/11 - 11/27/12 .....         |
|                           |                              | JP Morgan Chase & Co.,   |
| A+                        | 2,100                        | 5.25%, 5/30/07 .....   |
| A                         | 1,000                        | 6.75%, 2/01/11 .....   |

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|      |       |   |
|------|-------|---|
| AAA  | 3,000 | KFW Intl. Finance, Inc., 5.25%, 6/28/06 .....         |
| Ba1  | 1,000 | Labranche & Co., Inc., 12.00%, 3/02/07 .....          |
|      |       | Lehman Brothers Holdings, Inc.,                       |
| A1   | 850   | 6.25%, 5/15/06 .....                                  |
| A1   | 1,500 | 6.625%, 1/18/12 .....                                 |
| A    | 2,000 | Metlife, Inc., 5.375%, 12/15/12 .....                 |
|      |       | Morgan Stanley,                                       |
| Aa3  | 600   | 5.80%, 4/01/07 .....                                  |
| Aa3  | 1,600 | 6.75%, 4/15/11 .....                                  |
| A+   | 2,000 | Northern Trust Co., 6.30%, 3/07/11 .....              |
| Baal | 2,000 | Sears Roebuck Acceptance Corp., 6.75%, 8/15/11 .....  |
| AA-  | 2,000 | UBS Preferred Funding Trust I, 8.622%, 10/29/49 ..... |
| Aa1  | 2,000 | Wells Fargo Bank, 7.55%, 6/21/10 .....                |

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | FOREST PRODUCTS--1.8%                                    |
| B+                        | \$2,000                      | Caraustar Industries, Inc., 9.875%, 4/01/11 .....        |
| BB                        | 2,500                        | Tembec Industries, Inc., 8.50%, 2/01/11, (Canada) .....  |
|                           |                              | Weyerhaeuser Co.,  |
| BBB                       | 1,550                        | 5.95%, 11/01/08 .....                                    |
| BBB                       | 1,000                        | 6.75%, 3/15/12 .....                                     |
|                           |                              | HEALTH CARE--1.3%  |
| AA-                       | 1,000                        | Bristol Myers Squibb Co., 5.75%, 10/01/11 .....          |
| D                         | 3,000 (4)                    | HealthSouth Corp., 7.00%, 6/15/08 .....                  |
| BB+                       | 1,500                        | Omnicare, Inc., Ser. B, 8.125%, 3/15/11 .....            |
|                           |                              | HOTELS & CASINO--4.5%                                    |
| B+                        | 2,100                        | Argosy Gaming Co., 10.75%, 6/01/09 .....                 |
| B+                        | 2,000                        | Boyd Gaming Corp., 8.75%, 4/15/12 .....                  |
| B                         | 2,000                        | Extended Stay America, Inc., 9.875%, 6/15/11 .....       |
| B                         | 1,700                        | Hammons John Q. Hotels LP, Ser. B, 8.875%, 5/15/12 ..... |
| B                         | 1,500                        | Herbst Gaming, Inc., Ser. B, 10.75%, 9/01/08 .....       |
| Ba3                       | 1,500                        | HMH Properties, Inc., Ser. B, 7.875%, 8/01/08 .....      |
| Ba2                       | 1,000                        | MGM Mirage, Inc., 9.75%, 6/01/07 .....                   |
| Ba2                       | 2,000                        | Park Place Entertainment Corp., 8.875%, 9/15/08 .....    |
| BB+                       | 3,000                        | Starwood Hotels & Resorts World, 7.875%, 5/01/12 .....   |

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|      |            |  |
|------|------------|--|
|      |            | INDUSTRIAL EQUIPMENT--0.9%   |
| B-   | 1,200      | Concentra Operating Corp., Ser. B, 13.00%, 8/15/09 .....               |
| B    | 2,010      | Manitowoc, Inc., 10.50%, 8/01/12 .....                                 |
|      |            | MEDIA--5.3%  |
| B1   | 2,000      | Alliance Atlantis Communications, Inc., 13.00%, 12/15/09, (Canada) ... |
|      |            | AOL Time Warner, Inc.,   |
| BBB+ | 2,000      | 7.70%, 5/01/32 .....   |
| BBB+ | 3,000      | 9.125%, 1/15/13 .....  |
| Ca   | 3,000      | Charter Communications Holdings LLC, 10.75%, 10/01/09 .....            |
|      |            | Comcast Cable Communications, Inc.,                                    |
| BBB  | 1,000      | 6.75%, 1/30/11 .....   |
| BBB  | 1,800      | 8.875%, 5/01/17 .....  |
| BB-  | 3,000      | EchoStar DBS Corp., 10.375%, 10/01/07 .....                            |
| B    | 1,000      | Quebecor Media, Inc., 11.125%, 7/15/11, (Canada) .....                 |
| B-   | 3,000      | WRC Media Inc., 12.75%, 11/15/09 .....                                 |
|      |            | OTHER--4.8%  |
| A3   | 17,508 (3) | Targeted Return Index Securities Trust, Inc, Ser. 10-2002, 6.851%, 1/1 |
|      |            | REAL ESTATE--0.5%  |
| BBB+ | 1,000      | AvalonBay Communities, Inc., 6.625%, 9/15/11 .....                     |
| BBB+ | 800        | EOP Operating LP, 7.00%, 7/15/11 .....                                 |
|      |            | TECHNOLOGY--0.5%   |
| BB+  | 2,000      | Seagate Technology Holdings, 8.00%, 5/15/09 .....                      |
|      |            | TELECOMMUNICATION--3.7%  |
| BBB+ | 2,000      | Deutsche Telekom Intl. Finance BV, 8.50%, 6/15/10, (Netherlands) ..... |
| B3   | 1,340      | Dobson Communications Corp., 10.875%, 7/01/10 .....                    |
| B+   | 1,000      | Nextel Communications, Inc., 9.95%, 2/15/08 .....                      |
| Ba3  | 3,000      | PanAmSat Corp., 8.50%, 2/01/12 .....                                   |
|      |            | SBC Communications, Inc.,  |
| A+   | 450        | 5.875%, 8/15/12 .....  |
| A+   | 1,000      | 6.25%, 3/15/11 .....   |
| A+   | 1,000      | Verizon Global Funding Corp., 7.75%, 6/15/32 .....                     |
| Aa3  | 3,000      | Verizon Pennsylvania, Inc., Ser. A, 5.65%, 11/15/11 .....              |
| A    | 1,000      | Vodafone Group PLC, 7.75%, 2/15/10, (United Kingdom) .....             |

See Notes to Financial Statements.

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION |
|---------------------------|------------------------------|-------------|
|---------------------------|------------------------------|-------------|

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|      |           |   |
|------|-----------|---|
|      |           | TRANSPORTATION--2.0%  |
| BBB+ | \$ 1,000  | Burlington Northern Santa Fe Corp., 5.90%, 7/01/12 .....  |
| BBB+ | 1,000     | Canadian National Railway Co., 6.375%, 10/15/11, (Canada) .....   |
| BBB  | 1,475     | Canadian Pacific Railway Ltd., 6.25%, 10/15/11, (Canada) .....  |
| B    | 2,000     | Railamerica Transportation Corp., 12.875%, 8/15/10 .....  |
| BBB  | 2,000     | Union Pacific Corp., 6.125%, 1/15/12 .....  |
|      |           | Total Corporate Bonds .....   |
|      |           | FOREIGN GOVERNMENT BONDS--0.8%  |
| Baa2 | 3,000     | United Mexican States, 8.00%, 9/24/22 .....   |
|      |           | TOTAL LONG-TERM INVESTMENTS (cost \$479,724,642) .....  |
|      |           | SHORT-TERM INVESTMENTS--15.4%   |
|      |           | U.S. GOVERNMENT AND AGENCY SECURITIES--15.4%  |
|      | 8,800(5)  | Student Loan Marketing, 0.94%, 11/03/03 .....   |
|      | 21,632(5) | U.S. Treasury Bonds, 0.85%, 11/03/03 .....  |
|      | 32,794(5) | U.S. Treasury Notes, 0.85%, 11/03/03 .....  |
|      |           | TOTAL SHORT-TERM INVESTMENTS (cost \$63,224,790) .....  |
|      |           | TOTAL INVESTMENTS BEFORE INVESTMENTS SOLD SHORT AND OUTSTANDING OPTION<br>(COST \$542,949,432) .....                            |
|      |           | INVESTMENTS SOLD SHORT--(13.1%)   |
|      | (20,700)  | U.S. Treasury Bonds, 5.375%, 2/15/31 .....  |
|      | (33,000)  | U.S. Treasury Notes, 2.625%, 5/15/08 .....  |
|      |           | TOTAL INVESTMENTS SOLD SHORT (proceeds \$53,049,018) .....  |
|      |           | NOTIONAL AMOUNT (000)   |
|      |           | -----   |
|      |           | OUTSTANDING OPTIONS WRITTEN--(0.6)%   |
|      | \$56,300  | Interest Rate Swap, 3.60% over 3 month LIBOR, expires 11/01/04 .....  |
|      | 55,000    | Interest Rate Swap, 5.75% over 3 month LIBOR, expires 9/23/05 .....   |
|      | 11,900    | Interest Rate Swap, 6.00% over 3 month LIBOR, expires 10/25/04 .....  |
|      | 140       | U.S. Treasury Notes Futures .....   |
|      |           | Total Outstanding Options Written (premium received \$2,432,578) .....  |
|      |           | TOTAL INVESTMENTS, NET OF INVESTMENTS SOLD SHORT AND OUTSTANDING OPTION<br>LIABILITIES IN EXCESS OF OTHER ASSETS--(22.3)% ..... |
|      |           | NET ASSETS--100% .....  |

(1) Using the higher of S&P's, Moody's or Fitch's rating.

(2) Entire or partial principal amount pledged as collateral for reverse repurchase agreements or financial futures contracts.

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- (3) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2003, the Trust held 6.6% of its net assets, with a current market value of \$27,069,681, in securities restricted as to resale.
- (4) Issuer is technically in default.
- (5) For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2003

-----  
BLACKROCK INCOME TRUST (BKT)  
-----

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION                          |
|---------------------------|------------------------------|--------------------------------------|
|                           |                              | LONG-TERM INVESTMENTS--117.0%        |
|                           |                              | MORTGAGE PASS-THROUGHS--37.1%        |
|                           |                              | Federal Home Loan Mortgage Corp.,    |
|                           | \$23,746                     | 5.50%, 10/01/16 - 5/01/17 .....      |
|                           | 136                          | 6.50%, 5/01/29 - 5/01/30 .....       |
|                           | 43                           | 7.50%, 2/01/23 .....                 |
|                           | 204                          | 8.00%, 11/01/15 .....                |
|                           | 411                          | 9.00%, 9/01/20 .....                 |
|                           | 173                          | 8.50%, 10/01/06 - 3/01/08, TBA ..... |
|                           |                              | Federal National Mortgage Assoc.,    |
|                           | 19,391                       | 5.00%, 6/01/33 .....                 |
|                           | 59,3852                      | 5.50%, 11/01/16 - 9/01/17 .....      |
|                           | 19,781                       | 6.00%, 11/01/31 - 10/01/32 .....     |
|                           | 11,876                       | 6.50%, 2/01/26 - 5/01/31 .....       |
|                           | 18,433                       | 7.00%, 6/01/26 - 2/01/32 .....       |
|                           | 5,292                        | 7.50%, 11/01/14 - 9/01/23 .....      |
|                           | 917                          | 8.00%, 5/01/08 - 5/01/22 .....       |
|                           | 14                           | 9.50%, 1/01/19 - 6/01/20 .....       |
|                           | 1,688                        | 5.50%, 12/01/13 - 6/01/17, TBA ..... |
|                           |                              | Government National Mortgage Assoc., |
|                           | 193                          | 7.00%, 10/15/17 .....                |
|                           | 1,437                        | 7.50%, 8/15/21 - 12/15/23 .....      |
|                           | 1,027                        | 8.00%, 10/15/22 - 2/15/29 .....      |
|                           | 79                           | 9.00%, 6/15/18 - 9/15/21 .....       |
|                           |                              | Total Mortgage Pass-Throughs .....   |



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|     |        |  |
|-----|--------|--|
|     |        | FEDERAL HOUSING ADMINISTRATION--3.4%                                   |
|     |        | GMAC Projects,   |
|     | 754    | Ser. 46, 7.43%, 1/01/22 .....  |
|     | 665    | Ser. 51, 7.43%, 2/01/23 .....  |
|     | 1,920  | Ser. 56, 7.43%, 11/01/22 .....   |
|     | 100    | Merrill Project, Ser. 54, 7.43%, 5/15/23 .....                         |
|     | 904    | Reilly Project, Ser. 41, 8.28%, 3/01/20 .....                          |
|     |        | USGI Projects,   |
|     | 346    | Ser. 87, 7.43%, 12/01/22 .....   |
|     | 1,385  | Ser. 99, 7.43%, 10/01/23 .....   |
|     | 2,450  | Ser. 6302, 7.43%, 12/01/21 .....                                       |
|     | 6,224  | Yorkville, Ser. 6094, 7.43%, 6/01/21 .....                             |
|     |        | Total Federal Housing Administration .....                             |
|     |        | AGENCY MULTIPLE CLASS MORTGAGE PASS-THROUGHS--3.7%                     |
|     |        | Federal Home Loan Mortgage Corp.,                                      |
|     | 592    | Ser. 19, Class F, 3/15/20 .....  |
|     | 8,578  | Ser. T-11, Class A-9, 1/25/28 .....                                    |
|     |        | Federal National Mortgage Assoc.,                                      |
|     | 739    | Ser. 12, Class G, 2/25/20 .....  |
|     | 770    | Ser. 43, Class E, 4/25/22 .....  |
|     |        | Government National Mortgage Assoc.,                                   |
|     | 3,356  | Ser. 5, Class Z, 5/16/26 .....   |
|     | 2,500  | Ser. 33, Class PB, 7/20/31 .....                                       |
|     | 4,516  | Ser. 58, Class IT, 7/20/33 .....                                       |
|     |        | Total Agency Multiple Class Mortgage Pass-Throughs .....               |
|     |        | NON-AGENCY MULTIPLE CLASS MORTGAGE PASS-THROUGHS--0.1%                 |
| AAA | 200    | Prudential Home Mortgage Securities Co., Ser. 35, Class A12, 6.75%, 9/ |
| AAA | 418(3) | Summit Mortgage Trust, Ser. 1, Class B1, 6.079%, 12/28/12 .....        |
|     |        | Total Non-Agency Multiple Class Mortgage Pass-Throughs .....           |
|     |        | ADJUSTABLE RATE MORTGAGE SECURITIES--0.1%                              |
|     |        | Federal National Mortgage Assoc.,                                      |
|     | 314    | Ser. 38, Class F, 4/25/21 .....  |
|     | 211    | Ser. 256, Class F, 11/25/23 .....                                      |
|     |        | Total Adjustable Rate Mortgage Securities .....                        |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
| AAA                       | \$ 156                       | INVERSE FLOATING RATE MORTGAGES--4.6%<br>Banc of America Mortgage Securities Inc., Ser. 2, Class 1A, 4/25/33 .. |

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|           |     |  |
|-----------|-----|--|
|           |     | Federal Home Loan Mortgage Corp.,                                      |
| 105       |     | Ser. 1160, Class F, 10/15/21 .....                                     |
| 7         |     | Ser. 1601, Class SE, 10/15/08 .....                                    |
| 1,225 (2) |     | Ser. 1616, Class SB, 11/15/08 .....                                    |
| 3,721     |     | Ser. 1688, Class S, 12/15/13 .....                                     |
|           |     | Federal National Mortgage Assoc.,                                      |
| 2,213     |     | Ser. 32, Class SA, 5/25/32 .....                                       |
| 319       |     | Ser. 38, Class SA, 4/25/21 .....                                       |
| 75        |     | Ser. 46, Class S, 5/25/21 .....  |
| 311       |     | Ser. 48, Class SC, 6/25/33 .....                                       |
| 65        |     | Ser. 49, Class S, 12/25/21 .....                                       |
| 335       |     | Ser. 87, Class S, 8/25/21 .....  |
| 1,049     |     | Ser. 93, Class S, 5/25/08 .....  |
| 128       |     | Ser. 145, Class S, 10/25/06 .....                                      |
| 782       |     | Ser. 170, Class SC, 9/25/08 .....                                      |
| 3,474     |     | Ser. 196, Class SC, 10/25/08 .....                                     |
| 1,187     |     | Ser. 214, Class S, 12/25/08 .....                                      |
| 972       |     | Ser. 214, Class SH, 12/25/08 .....                                     |
| 2,562     |     | Ser. 247, Class SN, 12/25/23 .....                                     |
| Aaa       | 952 | Kidder Peabody Acceptance Corp., Ser. 1, Class A6, 8/25/23 .....       |
| AAA       | 238 | Residential Funding Mortgage Securities Inc., Ser. S36, Class A13, 10/ |

Total Inverse Floating Rate Mortgages

INTEREST ONLY MORTGAGE-BACKED SECURITIES--17.2%

|            |  |   |
|------------|--|---|
|            |  | American Housing Trust,   |
| 443        |  | Ser. III, Class 4, 3/25/19 .....                                      |
| 97         |  | Ser. VII, Class 2, 11/25/20 .....                                     |
| 103,939    |  | Commercial Mortgage Acceptance Corp., Ser. ML1, 12/15/30 .....        |
| 34,311 (3) |  | CS First Boston Mortgage Securities Corp., Ser. C1, Class AX, 6/20/29 |
|            |  | Federal Home Loan Mortgage Corp.,                                     |
| 56         |  | Ser. 19, Class R, 3/15/20 .....                                       |
| 64         |  | Ser. 75, Class R, 1/15/21 .....                                       |
| 0          |  | Ser. 173 Class R, 11/15/21 .....                                      |
| 17         |  | Ser. 176 Class M, 7/15/21 .....                                       |
| 2          |  | Ser. 192 Class U, 2/15/22 .....                                       |
| 109        |  | Ser. 200 Class R, 12/15/22 .....                                      |
| 6,294      |  | Ser. 204, 5/01/29 .....   |
| 48         |  | Ser. 1043 Class H, 2/15/21 .....                                      |
| 5          |  | Ser. 1054 Class I, 3/15/21 .....                                      |
| 59         |  | Ser. 1056 Class K, 3/15/21 .....                                      |
| 65         |  | Ser. 1057 Class J, 3/15/21 .....                                      |
| 203        |  | Ser. 1148 Class E, 10/15/21 .....                                     |
| 54         |  | Ser. 1178 Class O, 11/15/21 .....                                     |
| 57         |  | Ser. 1221 Class H, 3/15/07 .....                                      |
| 3,000      |  | Ser. 1598 Class J, 10/15/08 .....                                     |
| 1,843      |  | Ser. 1706, Class IA, 10/15/23 .....                                   |
| 520        |  | Ser. 1720, Class PK, 1/15/24 .....                                    |
| 7,584      |  | Ser. 1809, Class SC, 12/15/23 .....                                   |
| 13,682     |  | Ser. 1914, Class PC, 12/15/11 .....                                   |
| 1,889      |  | Ser. 1961 Class H, 5/15/12 .....                                      |
| 19,208     |  | Ser. 2002, Class HJ, 10/15/08 .....                                   |
| 41         |  | Ser. 2037, Class IB, 12/15/26 .....                                   |
| 766        |  | Ser. 2050, Class PI, 12/15/11 .....                                   |
| 541        |  | Ser. 2063, Class PI, 4/15/12 .....                                    |
| 896        |  | Ser. 2080, Class PL, 1/15/27 .....                                    |
| 1,409      |  | Ser. 2099, Class JB, 9/15/22 .....                                    |
| 65         |  | Ser. 2138, Class PI, 3/15/11 .....                                    |
| 6,773      |  | Ser. 2218 Class Z, 3/15/30 .....                                      |
| 3,625      |  | Ser. 2296, Class SA, 3/15/16 .....                                    |
| 2,225      |  | Ser. 2345 Class PQ, 8/15/16 .....                                     |
| 2,975      |  | Ser. 2444, Class ST, 9/15/29 .....                                    |

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|        |                                     |
|--------|-------------------------------------|
| 2,488  | Ser. 2513, Class BI, 12/15/15 ..... |
| 3,524  | Ser. 2542, Class MX, 5/15/22 .....  |
| 4,613  | Ser. 2543, Class IM, 9/15/12 .....  |
| 7,701  | Ser. 2545, Class NI, 3/15/22 .....  |
| 11,974 | Ser. 2561, Class EW, 9/15/16 .....  |
| 592    | Ser. 2613, Class ZT, 3/15/33 .....  |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | INTEREST ONLY MORTGAGE-BACKED SECURITIES-- (CONT'D) |
|                           |                              | Federal Home Loan Mortgage Corp., (cont'd)          |
| \$29,000                  |                              | Ser. 2633, Class PI, 3/15/12 .....                  |
| 11,963                    |                              | Ser. 2658, Class PI, 6/15/13 .....                  |
| 31,948                    |                              | Ser. G-60, Class HS, 4/25/24 .....                  |
|                           |                              | Federal National Mortgage Assoc.,                   |
| 2,606                     |                              | Ser. 2, Class ID, 3/25/23 .....                     |
| 610                       |                              | Ser. 5, Class H, 1/25/22 .....                      |
| 36                        |                              | Ser. 7, Class 2, 4/01/17 .....                      |
| 110                       |                              | Ser. 7, Class S, 3/25/21 .....                      |
| 339                       |                              | Ser. 10, Class S, 5/25/21 .....                     |
| 262                       |                              | Ser. 12, Class S, 5/25/21 .....                     |
| 28,816                    |                              | Ser. 16, Class PI, 11/25/12 .....                   |
| 158                       |                              | Ser. 17, Class S, 6/25/21 .....                     |
| 4                         |                              | Ser. 20, Class H, 3/25/06 .....                     |
| 40,162                    |                              | Ser. 23, Class ES, 10/25/22 .....                   |
| 230                       |                              | Ser. 33, Class PV, 10/25/21 .....                   |
| 7,981                     |                              | Ser. 33, Class SG, 3/25/09 .....                    |
| 8,631                     |                              | Ser. 37, Class SE, 10/25/22 .....                   |
| 44,896                    |                              | Ser. 38, Class MI, 9/25/20 .....                    |
| 24                        |                              | Ser. 38, Class N, 4/25/21 .....                     |
| 15,708                    |                              | Ser. 39, Class IA, 10/25/22 .....                   |
| 39,896                    |                              | Ser. 41, Class SP, 7/25/15 .....                    |
| 2,393                     |                              | Ser. 50, Class SI, 4/25/23 .....                    |
| 7,372                     |                              | Ser. 51, Class IE, 4/25/26 .....                    |
| 20                        |                              | Ser. 54, Class H, 5/25/05 .....                     |
| 3,132                     |                              | Ser. 62, Class IC, 7/25/15 .....                    |
| 4,972                     |                              | Ser. 62, Class IL, 3/25/24 .....                    |
| 9,495                     |                              | Ser. 66, Class Ci, 7/25/33 .....                    |
| 10,119                    |                              | Ser. 68, Class SC, 1/25/24 .....                    |
| 7,989                     |                              | Ser. 82, Class IR, 9/25/12 .....                    |
| 36                        |                              | Ser. 84, Class H, 8/25/06 .....                     |
| 72                        |                              | Ser. 89, Class 2, 6/01/18 .....                     |
| 35,584                    |                              | Ser. 90, Class M, 1/25/28 .....                     |
| 18                        |                              | Ser. 94, Class 2, 8/01/21 .....                     |
| 93                        |                              | Ser. 99, Class L, 8/25/21 .....                     |
| 13                        |                              | Ser. 123, Class M, 10/25/20 .....                   |
| 125                       |                              | Ser. 136, Class S, 11/25/20 .....                   |

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|           |  |
|-----------|--|
| 144       | Ser. 139, Class PT, 10/25/21 .....   |
| 90        | Ser. 141, Class SA, 8/25/07 .....  |
| 6,769     | Ser. 199, Class SB, 10/25/23 .....   |
| 3,306     | Ser. 301, Class 2, 4/01/29 .....   |
| 6,046     | Ser. 302, Class 2, 6/01/29 .....   |
| 4,297     | Ser. 339, Class 8, 7/01/33 .....   |
| 9,236     | Ser. 602, Class BI, 10/25/22 .....   |
| 196       | Ser. G-50, Class G, 12/25/21 .....   |
| 163       | Ser. G92-12, Class C, 2/25/22 .....  |
| 1,922     | Ser. G92-60, Class SB, 10/25/22 .....                                      |
| 2,063     | Ser. W4, 12/25/28 .....  |
| 226       | First Boston Mortgage Securities Corp., Ser. C, Class I, 4/25/17 .....     |
| 35,942    | GMAC Commercial Mortgage Securities, Inc., Ser. C1, Class X, 7/15/27 ..... |
| 24,961(3) | Goldman Sachs Mortgage Securities Corp., Ser. 5, 2/19/25 .....             |
| 14,091(3) | Hanover Grantor Trust, Ser. A, Class 1, 8/01/27 .....                      |
| 236       | Kidder Peabody Acceptance Corp., Ser. B, Class A2, 4/22/18 .....           |
| 6,936     | Merrill Lynch Mortgage Investors, Inc., Ser. C2, 6/15/21 .....             |
| 11,312(3) | Morgan Stanley Capital 1, Inc., Ser. HF1, Class X, 6/15/17 .....           |
| 13,668    | Prudential Home Mortgage Securities Co., Ser 5, Class A9, 2/25/24 .....    |
| 51        | Prudential Securities Inc., Ser. 15, Class 1G, 5/20/21 .....               |
| 4,017     | Residential Accredit Loans, Inc., Ser. QS7, Class A1, 4/25/33 .....        |
| 27,242    | Small Business Administration, Ser. 1, 4/01/15 .....                       |
| 231,356   | Vendee Mortgage Trust, Ser. 2, Class 1, 5/15/29 .....                      |

Total Interest Only Mortgage-Backed Securities

See Notes to Financial Statements.

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
| -----                     |                              |  |
|                           |                              | PRINCIPAL ONLY MORTGAGE-BACKED SECURITIES--12.5%                       |
| Aaa                       | \$ 273                       | Chase Mortgage Finance Corp., Ser. A, Class AP, 1/25/10 .....          |
| Aaa                       | 196                          | Collateralized Mortgage Obligation Trust, Ser. 29, Class A, 5/23/17 .. |
|                           |                              | Countrywide Home Loans Inc.,   |
| AAA                       | 9,501                        | Ser. 26, 8/25/33 .....   |
| AAA                       | 1,774                        | Ser. J4, 6/25/33 .....   |
| AAA                       | 2,536                        | Ser. J5, 7/25/33 .....   |
| AAA                       | 1,638                        | Ser. J8, 9/25/23 .....   |
|                           |                              | Drexel Burnham Lambert, Inc.,  |
| AAA                       | 78                           | Ser. K, Class 1, 9/23/17 .....   |
| AAA                       | 840                          | Ser. V, Class 1, 9/1/18 .....  |
|                           |                              | Federal Home Loan Mortgage Corp.,                                      |
|                           | 538                          | Ser. 1418, Class M, 11/15/22 .....                                     |
|                           | 1,670                        | Ser. 1571, Class G, 8/15/23 .....                                      |
|                           | 6,274                        | Ser. 1691, Class B, 3/15/24 .....                                      |
|                           | 801                          | Ser. 1739, Class B, 2/15/24 .....                                      |
|                           | 11                           | Ser. 1750, Class PC, 3/15/24 .....                                     |
|                           | 322                          | Ser. 1857, Class PB, 12/15/08 .....                                    |

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|     |           |  |
|-----|-----------|--|
|     | 708       | Ser. T-8, Class A-10, 11/15/28 .....                                   |
|     |           | Federal National Mortgage Assoc.,                                      |
|     | 128       | Ser. 7, Class J, 2/25/21 .....   |
|     | 3,439     | Ser. 13, Class PR, 3/25/32 .....                                       |
|     | 638       | Ser. 26, Class L, 3/25/23 .....  |
|     | 158       | Ser. 51, Class E, 2/25/23 .....  |
|     | 95        | Ser. 70, Class A, 5/25/23 .....  |
|     | 75        | Ser. 167, Class D, 10/25/17 .....                                      |
|     | 163       | Ser. 203, Class 1, 2/01/23 .....                                       |
|     | 123       | Ser. 228, Class 1, 5/01/23 .....                                       |
|     | 923       | Ser. 273, Class 1, 7/01/26 .....                                       |
|     | 547       | Ser. 279, Class 1, 7/01/26 .....                                       |
|     | 15,330    | Ser. 328, Class 1, 11/01/32 .....                                      |
|     | 11,435    | Ser. 329, Class 1, 12/01/32 .....                                      |
|     | 4,437     | Ser. 333, Class 1, 3/01/33 .....                                       |
|     | 1,066     | Ser. G93-2, Class KB, 1/25/23 .....                                    |
|     | 1,002     | Ser. W4, 2/25/29 .....   |
| AAA | 183       | First Union Residential Securitization Trust, Ser. A, Class 1APO, 3/25 |
| AAA | 59        | Structured Mortgage Asset Residential Trust, Ser. 3C, Class CX, 4/25/2 |
|     | 13,000    | Resolution Funding Corp., Ser. B, 4/15/30 .....                        |
|     |           | Total Principal Only Mortgage-Backed Securities .....                  |
|     |           | COMMERCIAL MORTGAGE-BACKED SECURITIES--2.9%                            |
| AAA | 10,250(3) | New York City Mortgage Loan Trust, Ser. 1996, Class A2, 6.75%, 6/25/11 |
| AAA | 1,915     | Banc of America Funding Corp., Class A1, 6.00%, 5/20/33 .....          |
|     |           | Total Commercial Mortgage-Backed Securities .....                      |
|     |           | U.S. GOVERNMENT AGENCY SECURITIES--8.3%                                |
|     | 17,033    | Overseas Private Investment Corp., 4.09%-7.35%, 5/29/12 .....          |
|     |           | Small Business Administration,   |
|     | 1,513     | Ser. 20C-1, 7.15%, 3/01/17 .....                                       |
|     | 2,532     | Ser. 20E-1, 7.60%, 5/01/16 .....                                       |
|     | 3,176     | Ser. 20F-1, 7.55%, 6/01/16 .....                                       |
|     | 1,942     | Ser. 20G-1, 7.70%, 7/01/16 .....                                       |
|     | 2,431     | Ser. 20H-1, 7.25%, 8/01/16 .....                                       |
|     | 4,168     | Ser. 20K-1, 6.95%, 11/01/16 .....                                      |
|     | 2,072     | Small Business Investment Companies, Ser. P10A, Class 1, 6.12%, 2/01/0 |
|     |           | Total U.S. Government and Agency Securities .....                      |
|     |           | COLLATERALIZED MORTGAGE OBLIGATION RESIDUALS--0.1%                     |
|     |           | Collateralized Mortgage Obligation Trust,                              |
|     | 10        | Ser. 40, Class R, 4/01/18 .....  |
|     | 157       | Ser. 42, Class R, 10/01/14 .....                                       |
|     | 45(5)     | FBC Mortgage Securities Trust 16, CMO, Ser. A-1, 7/01/17 .....         |
|     |           | Morgan Stanley Mortgage Trust,   |
|     | 177       | Ser. 38, Class 2, 11/20/21 .....                                       |
|     | 197       | Ser. 39, Class 2, 12/20/21 .....                                       |
|     |           | Total Collateralized Mortgage Obligation Residuals .....               |

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | U.S. GOVERNMENT SECURITIES--27.0%   |
|                           | \$155,700                    | U.S. Treasury Bonds, Zero Coupon, 11/15/24 .....  |
|                           | 8,325                        | U.S. Treasury Bonds, 8.00%, 11/15/21 .....  |
|                           | 61,250                       | U.S. Treasury Notes,<br>3.25%, 8/15/08 .....  |
|                           | 3,000                        | 3.875%, 2/15/13 .....   |
|                           |                              | Total U.S. Government Securities .....  |
|                           |                              | TOTAL LONG-TERM INVESTMENTS (cost \$404,080,649) .....  |
|                           |                              | SHORT-TERM INVESTMENTS--38.1%   |
|                           |                              | U.S. GOVERNMENT AND AGENCY SECURITIES--38.1%  |
|                           | 1,200 (4)                    | Student Loan Marketing, 0.94%, 11/03/03 .....   |
|                           | 41,069 (4)                   | U.S. Treasury Bonds, 0.85%, 11/03/03 .....  |
|                           | 35,219 (4)                   | U.S. Treasury Notes,<br>0.55%, 11/03/03 .....   |
|                           | 3,834 (4)                    | 0.80%, 11/04/03 .....   |
|                           | 93,098 (4)                   | 0.85%, 11/03/03 - 11/05/03 .....  |
|                           |                              | TOTAL SHORT-TERM INVESTMENTS (cost \$174,419,687) .....   |
|                           |                              | TOTAL INVESTMENTS BEFORE INVESTMENTS SOLD SHORT AND OUTSTANDING OPTION<br>\$717,432,138) .....                                  |
|                           |                              | INVESTMENTS SOLD SHORT--(29.8)%   |
|                           | (39,300)                     | U.S. Treasury Bonds, 5.375%, 2/15/31 .....  |
|                           | (30,000)                     | U.S. Treasury Notes,<br>1.50%, 7/31/05 .....  |
|                           | (25,280)                     | 2.625%, 5/15/08 .....   |
|                           | (38,900)                     | 3.625%, 5/15/13 .....   |
|                           | (3,750)                      | 4.375%, 8/15/12 .....   |
|                           |                              | TOTAL INVESTMENTS SOLD SHORT (proceeds \$134,559,335) .....   |
|                           |                              | NOTIONAL<br>AMOUNT<br>(000)   |
|                           |                              | OUTSTANDING OPTIONS WRITTEN--(0.7)%   |
|                           | \$60,500                     | Interest Rate Swap, 3.60% over 3 month LIBOR, expires 11/01/04 .....  |
|                           | 77,000                       | Interest Rate Swap, 5.75% over 3 month LIBOR, expires 9/23/05 .....   |
|                           | 12,800                       | Interest Rate Swap, 6.00% over 3 month LIBOR, expires 10/25/04 .....  |
|                           | 185                          | U.S. Treasury Notes Futures .....   |
|                           |                              | Total Outstanding Options Written (premium received \$3,054,224) .....  |
|                           |                              | TOTAL INVESTMENTS, NET OF INVESTMENTS SOLD SHORT AND OUTSTANDING OPTION<br>LIABILITIES IN EXCESS OF OTHER ASSETS--(24.6)% ..... |

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NET ASSETS--100% .....

- 
- (1) Using the higher of S&P's, Moody's or Fitch's rating.
  - (2) Entire or partial principal amount pledged as collateral for reverse repurchase agreements or financial futures contracts.
  - (3) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2003, the Trust held 3.2% of its net assets, with a current market value of \$14,539,634, in securities restricted as to resale.
  - (4) For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.
  - (5) Illiquid securities representing 0.07% of net assets.

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2003

-----  
BLACKROCK LIMITED DURATION INCOME TRUST (BLW)  
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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | LONG-TERM INVESTMENTS--138.9%                          |
|                           |                              | CORPORATE BONDS--63.2%                                 |
|                           |                              | AERO & DEFENSE--1.1%                                   |
| BB-                       | \$ 5,000                     | Sequa Corp., Ser. B, 8.875%, 4/01/08 .....             |
| B                         | 2,500 (2)                    | Titan Corp., 8.00%, 5/15/11 .....                      |
|                           |                              | AUTOMOTIVE--6.1%                                       |
| B2                        | 5,000 (2)                    | Advanced Accessory Systems LLC, 10.75%, 6/15/11 .....  |
| B2                        | 2,750                        | Collins & Aikman Products Co., 10.75%, 12/31/11 .....  |
| A3                        | 7,500                        | DaimlerChrysler NA Holding Corp., 4.05%, 6/04/08 ..... |
|                           |                              | Dura Operating Corp.,                                  |
| B+                        | 3,000                        | Ser. B, 8.625%, 4/15/12 .....                          |
| B                         | 1,000                        | Ser. D, 9.00%, 5/01/09 .....                           |
| B-                        | 5,000 (2)                    | EaglePicher Inc., 9.75%, 9/01/13 .....                 |

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|                                       |           |  |
|---------------------------------------|-----------|--|
| B+                                    | 5,000 (2) | Group 1 Automotive Inc., 8.25%, 8/15/13 .....                |
| B+                                    | 5,000 (2) | Sonic Automotive Inc., 8.625%, 8/15/13 .....                 |
| B+                                    | 5,200 (2) | TRW Automotive, Inc., 9.375%, 2/15/13 .....                  |
| B                                     | 3,000     | Williams Scotsman Inc., 9.875%, 6/01/07 .....                |
|                                       |           |  |
| BASIC MATERIAL--1.5%                  |           |  |
| BB+                                   | 5,000 (2) | Ipsco Inc, 8.75%, 6/01/13 .....                              |
| BB-                                   | 5,000     | U.S. Steel Corp., 10.75%, 8/01/08 .....                      |
|                                       |           |  |
| BUILDING & DEVELOPMENT--0.4%          |           |  |
| B                                     | 250       | Collins & Aikman Floorcovering, Ser. B, 9.75%, 2/15/10 ..... |
| Ba1                                   | 3,000     | D R Horton Inc., 5.875%, 7/01/13 .....                       |
|                                       |           |  |
| CHEMICAL--3.1%                        |           |  |
| A-                                    | 5,590     | Dow Chemical Co., 5.97%, 1/15/09 .....                       |
| B                                     | 2,500 (2) | Huntsman Advanced Materials LLC, 11.00%, 7/15/10 .....       |
| B                                     | 3,000 (2) | Huntsman Intl LLC, 11.625%, 10/15/10 .....                   |
| BB-                                   | 5,000     | Lyondell Chemical Co., 11.125%, 7/15/12 .....                |
| B-                                    | 5,000 (2) | Rockwood Specialties Group Inc., 10.625%, 5/15/11 .....      |
|                                       |           |  |
| CONGLOMERATES--0.4%                   |           |  |
| B                                     | 3,000     | Trimas Corp., 9.875%, 6/15/12 .....                          |
|                                       |           |  |
| CONSUMER PRODUCTS--1.8%               |           |  |
| B2                                    | 2,000     | Chattem Inc., 8.875%, 4/01/08 .....                          |
| BB+                                   | 5,000     | JC Penney Co. Inc., 8.00%, 3/01/10 .....                     |
| B+                                    | 5,000     | Rite Aid Corp., 8.125%, 5/01/10 .....                        |
|                                       |           |  |
| CONTAINERS & GLASS--1.3%              |           |  |
| B-                                    | 5,000 (2) | Graphic Packaging Intl., Inc., 9.50%, 8/15/13 .....          |
| B+                                    | 4,000 (2) | Silgan Holdings Inc., 6.75%, 11/15/13 .....                  |
|                                       |           |  |
| ECOLOGICAL SERVICES & EQUIPMENT--2.3% |           |  |
| B+                                    | 7,000     | Allied Waste NA, Inc., Ser. B, 10.00%, 8/01/09 .....         |
| B                                     | 2,000     | Casella Waste Systems Inc., 9.75%, 2/01/13 .....             |
| B                                     | 6,250     | National Waterworks Inc., Ser. B, 10.50%, 12/01/12 .....     |
|                                       |           |  |
| ELECTRONICS--1.7%                     |           |  |
| B1                                    | 5,243 (2) | Amkor Technology Inc., 7.75%, 5/15/13 .....                  |
| B-                                    | 2,500     | Chippac Int. Ltd., Ser. B, 12.75%, 8/01/09 .....             |
| Ba2                                   | 3,972 (2) | Flextronics Intl. Ltd., 6.50%, 5/15/13, (Singapore) .....    |

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | ENERGY--9.3%  |
| B+                        | \$ 5,500 (2)                 | AES Corp., The, 8.75%, 5/15/13 .....                                    |
| BB-                       | 5,290 (2)                    | Chesapeake Energy Corp., 7.50%, 9/15/13 .....                           |
| BB                        | 2,000                        | Compagnie Generale De Geophysique SA, 10.625%, 11/15/07, (France) ..... |
| B                         | 5,000                        | Dresser, Inc., 9.375%, 4/15/11 .....                                    |
| B-                        | 6,000                        | Dynegy Holdings Inc., 10.125%, 7/15/13 .....                            |
| B+                        | 4,000                        | El Paso Production Holding Co., 7.75%, 6/01/13 .....                    |
| B+                        | 5,000 (2)                    | Gazprom, 9.625%, 3/01/13, (Russia) .....                                |
| B2                        | 2,950                        | Hanover Equipment Test, Ser. B, 8.75%, 9/01/03 .....                    |
| B                         | 5,000 (2)                    | Hilcorp Energy I L P, 10.50%, 9/01/10 .....                             |
| B+                        | 2,000                        | Massey Energy Corp., 6.95%, 3/01/07 .....                               |
| BB-                       | 5,000                        | Midwest Generation LLC, Ser. A, 8.30%, 7/02/09 .....                    |
| B                         | 5,000                        | Swift Energy Co., 9.375%, 5/01/12 .....                                 |
| Ba3                       | 5,000                        | Westport Resources Corp. New, 8.25%, 11/01/11 .....                     |
|                           |                              | Williams Cos Inc.,  |
| B+                        | 1,000                        | 8.125%, 3/15/12 .....   |
| B+                        | 5,000                        | 8.625%, 6/01/10 .....   |
|                           |                              | FINANCE & BANKING--8.9%   |
| BB                        | 3,000 (2)                    | Crum & Forster Holdings Corp., 10.375%, 6/15/13 .....                   |
| A3                        | 7,500 (3)                    | Ford Motor Credit Co., 7.375%, 2/01/11 .....                            |
| B                         | 3,000 (2)                    | Gemstone Investor Ltd., 7.71%, 10/31/04 .....                           |
| A3                        | 7,500                        | General Motors Acceptance Corp., 6.875%, 8/28/12 .....                  |
|                           |                              | HYDI 100,   |
| B2                        | 10,000 (2)                   | 6.40%, 6/20/08 .....  |
| B3                        | 9,815 (2)                    | 9.00%, 6/20/08 .....  |
| Baa3                      | 5,000 (2)                    | Kazkommerts Intl BV, 10.125%, 5/08/07, (Netherlands) .....              |
| Ba1                       | 2,840                        | Labranche & Co., Inc., 12.00%, 3/02/07 .....                            |
| B1                        | 4,500 (2)                    | Sheridan Group Inc., 10.25%, 8/15/11 .....                              |
| B+                        | 5,000 (2)                    | Southern Star Central Corp., 8.50%, 8/01/10 .....                       |
| BB-                       | 4,215                        | Western Financial Bank, 9.625%, 5/15/12 .....                           |
|                           |                              | FOREST PRODUCTS--2.5%   |
| B+                        | 4,000                        | Caraustar Industries, Inc., 9.875%, 4/01/11 .....                       |
| BB+                       | 5,685                        | Georgia Pacific Corp., 8.875%, 2/01/10 .....                            |
| BBB                       | 7,500                        | Weyerhaeuser Co., 5.25%, 12/15/09 .....                                 |
|                           |                              | HEALTH CARE--4.3%   |
| B                         | 4,000                        | Alaris Med Systems Inc., 7.25%, 7/01/11 .....                           |
| BB                        | 5,000                        | Amerisourcebergen Corp., 8.125%, 9/01/08 .....                          |
| BB-                       | 1,000 (2)                    | Bio Rad Laboratories Inc., 7.50%, 8/15/13 .....                         |
| B-                        | 5,000                        | Concentra Operating Corp., 9.50%, 8/15/10 .....                         |
| B-                        | 3,500                        | Iasis Healthcare Corp., 8.50%, 10/15/09 .....                           |

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|                        |          |   |
|------------------------|----------|---|
| B-                     | 3,000    | Insight Health Services Corp., Ser. B, 9.875%, 11/01/11 ..... |
| B-                     | 3,000(2) | Norcross Safety Products LLC, 9.875%, 8/15/11 .....           |
| B                      | 4,500    | United Surgical Partners Int'l., Inc., 10.00%, 12/15/11 ..... |
|                        |          |   |
| HOTELS & CASINOS--3.2% |          |   |
| B                      | 3,500    | Ameristar Casinos Inc., 10.75%, 2/15/09 .....                 |
| B+                     | 4,125    | Boyd Gaming Corp., 7.75%, 12/15/12 .....                      |
| B                      | 2,000    | Hammons John Q. Hotels LP, Ser. B, 8.875%, 5/15/12 .....      |
| B                      | 1,000    | Herbst Gaming, Inc., Ser. B, 10.75%, 9/01/08 .....            |
| Ba3                    | 5,000    | HMH Properties, Inc., Ser. B, 7.875%, 8/01/08 .....           |
| Ba2                    | 5,425    | MGM Mirage, Inc., 9.75%, 6/01/07 .....                        |
|                        |          |   |
| INDUSTRIALS--4.2%      |          |   |
| B-                     | 4,000    | Fasten Tech Inc., 11.50%, 5/01/11 .....                       |
| B                      | 5,025    | Hexcel Corp., 9.875%, 10/01/08 .....                          |
| BB-                    | 5,000    | Mail-Well I Corp., 9.625%, 3/15/12 .....                      |
| B-                     | 5,885(2) | Transdigm Inc., 8.375%, 7/15/11 .....                         |
| BBB-                   | 7,500    | Tyco Intl Group SA, 6.125%, 11/01/08, (Luxembourg) .....      |
| B                      | 1,000    | Von Hoffman Corp., 10.25%, 3/15/09 .....                      |

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
| -----                     |                              |  |
| LEISURE--0.5%             |                              |  |
| BB+                       | \$ 3,500                     | Royal Caribbean Cruises Ltd., 8.00%, 5/15/10, (Liberia) .....          |
|                           |                              |  |
| MEDIA--5.4%               |                              |  |
| B1                        | 2,500                        | Alliance Atlantis Communications, Inc., 13.00%, 12/15/09, (Canada) ... |
| B-                        | 3,500(2)                     | CBD Media Inc., 8.625%, 6/01/11 .....                                  |
| BBB                       | 7,500                        | Comcast Cable Communications I, 6.20%, 11/15/08 .....                  |
| BB-                       | 6,000                        | CSC Holdings Inc., 7.875%, 12/15/07 .....                              |
| B                         | 2,000                        | Dex Media East LLC, Ser. B, 12.125%, 11/15/12 .....                    |
| BB-                       | 2,000(2)                     | Echostar Dbs Corp., 5.75%, 10/01/08 .....                              |
| B                         | 5,000                        | Houghton Mifflin Company, 9.875%, 2/01/13 .....                        |
| B-                        | 3,250                        | Nextmedia Operating, Inc., 10.75%, 7/01/11 .....                       |
| B-                        | 4,650                        | Salem Communications Holding Corp., 7.75%, 12/15/10 .....              |
| B-                        | 275                          | WRC Media Inc., 12.75%, 11/15/09 .....                                 |
|                           |                              |  |
| TECHNOLOGY--0.8%          |                              |  |
| B+                        | 1,600(2)                     | Cooperative Computing Inc., 10.50%, 6/15/11 .....                      |

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|      |           |  |
|------|-----------|--|
| BB+  | 3,500     | Unisys Corp., 6.875%, 3/15/10 .....                                    |
|      |           | TELECOMMUNICATION--3.6%  |
| B2   | 6,000 (2) | ACC Escrow Corp., 10.00%, 8/01/11 .....                                |
| BBB+ | 7,500 (3) | Deutsche Telekom Intl. BV, 3.875%, 7/22/08, (Netherlands) .....        |
| B+   | 5,000     | Nextel Communications Inc., 7.375%, 8/01/15 .....                      |
| Ba3  | 6,000 (2) | Qwest Corp., 8.875%, 3/15/12 .....                                     |
|      |           | TRANSPORTATION--0.8%   |
| BB+  | 1,650     | Overseas Shipholding Group Inc., 8.75%, 12/01/13 .....                 |
| B    | 3,720     | RailAmerica Transportation Corp., 12.875%, 8/15/10 .....               |
|      |           | Total Corporate Bonds .....  |
|      |           | BANK LOANS--28.5%  |
|      |           | AUTOMOTIVE--1.4%   |
|      | 2,988     | EaglePicher Inc., Term Loan B, LIBOR + 3.50%, 8/07/09 .....            |
|      | 1,494     | Metaldyne Co. LLC, Term Loan, LIBOR + 4.25%, 12/31/09 .....            |
|      | 4,000     | TRW Automotive, Inc., Term Loan C1, LIBOR + 3.00%, 2/28/11 .....       |
|      | 1,902     | Williams Scotsman, Inc., Term Loan, LIBOR + 3.00%, 12/31/08 .....      |
|      |           | BASIC MATERIALS--0.3%  |
|      | 1,948     | International Steel, Term Loan B, LIBOR + 4.00%, 5/07/07 .....         |
|      |           | BUILDING & DEVELOPMENT--0.3%   |
|      | 1,895     | Associated Materials, Inc., Term Loan, LIBOR + 1.75%, 8/20/10 .....    |
|      |           | BUSINESS EQUIPMENT & SERVICES--0.2%                                    |
|      | 1,500     | Buhrmann U.S., Inc., Term Loan B, LIBOR + 4.00%, 11/01/07 .....        |
|      |           | CHEMICAL--1.6%   |
|      |           | Huntsman Intl LLC,   |
|      | 1,250     | Term Loan B, LIBOR + 4.00%, 6/30/08 .....                              |
|      | 1,250     | Term Loan C, LIBOR + 4.25%, 6/30/07 .....                              |
|      | 998       | INEOS Group Holdings Plc, Term Loan C, LIBOR + 3.50%, 6/30/09 .....    |
|      | 3,000     | Nalco Chemical Co., Term Loan, LIBOR + 2.50%, 11/01/10 .....           |
|      | 1,000     | USI Holdings Corp., Term Loan B, LIBOR + 3.00%, 7/30/08 .....          |
|      | 4,415     | Veritas DGC, Inc., Term Loan B, LIBOR + 5.00%, 2/14/07 .....           |
|      |           | CONGLOMERATES--1.3%  |
|      |           | Colfax Corp.,  |
|      | 3,925     | Term Loan B, LIBOR + 3.75%, 6/30/09 .....                              |
|      | 1,250     | Term Loan C, LIBOR + 6.25%, 6/30/10 .....                              |
|      | 2,500     | Quintiles Transnational Corp., Term Loan, LIBOR + 4.25%, 9/25/09 ..... |
|      | 2,000     | Trimas Corp., Term Loan, LIBOR + 3.25%, 12/31/09 .....                 |

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | CONSUMER PRODUCTS--3.0%   |
| \$                        | 864                          | Dean Foods Co., Term Loan B, LIBOR + 2.00%, 8/15/08 .....                       |
|                           | 1,746                        | Dole Food Co., Inc., Term Loan B, LIBOR + 2.75%, 8/30/08 .....                  |
|                           | 2,000                        | Jarden Corp., Term Loan B, LIBOR + 2.75%, 4/30/08 .....                         |
|                           | 3,000                        | Jostens, Inc., Term Loan B, LIBOR + 2.50%, 7/08/10 .....                        |
|                           | 2,000                        | Meow Mix Co., Term Loan, LIBOR + 3.50%, 8/30/09 .....                           |
|                           | 2,500                        | Olympus, Term Loan B, PRIME + 2.00%, 9/30/10 .....                              |
|                           | 2,963                        | Oriental Trading Co., Inc., Term Loan B, LIBOR + 2.75%, 6/30/09 .....           |
|                           | 2,000                        | Pantry, Inc., The, Term Loan, LIBOR + 4.25%, 3/31/07 .....                      |
|                           | 1,500                        | Scotts Co., The, Term Loan, LIBOR + 2.00%, 10/30/10 .....                       |
|                           | 3,242                        | Tempur Pedic, Term Loan B, LIBOR + 3.50%, 8/13/09 .....                         |
|                           |                              | CONTAINERS & GLASS--2.6%  |
|                           | 6,000                        | Crown Cork & Seal Co., Inc., Term Loan B1, LIBOR + 3.00%, 9/30/08 ....          |
|                           | 4,000                        | Graphic Packaging Intl., Inc., Term Loan B, LIBOR + 2.75%, 6/30/10 ...          |
|                           | 8,500                        | Owens Brockway Glass Container, Inc., Term Loan A, LIBOR + 3.25%, 6/30/08 ..... |
|                           |                              | ECOLOGICAL SERVICES & EQUIPMENT--0.6%   |
|                           | 4,000                        | Allied Waste NA, Inc., Term Loan C, LIBOR + 3.00%, 1/15/10 .....                |
|                           |                              | ELECTRONICS--0.5%   |
|                           | 3,390                        | Knowles Electronics, Inc., Term Loan B2, LIBOR + 5.00%, 6/29/07 .....           |
|                           |                              | ENERGY--1.6%  |
|                           | 1,500                        | AES Corp., The, Term Loan, LIBOR + 4.00%, 4/30/08 .....                         |
|                           | 1,995                        | Calpine Corp., LIBOR + 5.75%, 7/15/07 .....                                     |
|                           | 7,000                        | Centerpoint Energy, Inc., Term Loan, LIBOR + 3.50%, 10/30/06 .....              |
|                           | 1,496                        | Massey Energy Corp., Term Loan B, LIBOR, 6/30/08 .....                          |
|                           |                              | FINANCE & BANKING--0.8%   |
|                           |                              | Nextel Finance Co.,   |
|                           | 2,743                        | Term Loan B, LIBOR + 3.375%, 6/30/08 .....                                      |
|                           | 2,743                        | Term Loan C, LIBOR + 3.625%, 12/31/08 .....                                     |
|                           |                              | FOREST PRODUCTS--1.1%   |
|                           |                              | Jefferson Smurfit Group,  |
|                           | 4,000                        | Term Loan B3, LIBOR + 2.75%, 12/31/08 .....                                     |
|                           | 4,000                        | Term Loan C3, LIBOR + 3.25%, 10/31/11 .....                                     |

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|       |  |
|-------|--|
|       | FUNERAL SERVICES--0.3%   |
| 2,394 | Alderwoods Group, Inc., Term Loan B, LIBOR + 3.25%, 9/30/08 .....      |
|       | HEALTH CARE--3.4%  |
| 3,990 | Community Health Systems, Inc., Term Loan B, LIBOR + 2.50%, 6/16/11 .. |
| 2,993 | Concentra Operating Corp., Term Loan, LIBOR + 3.75%, 8/13/09 .....     |
| 3,000 | Connecticare, Term Loan, LIBOR + 3.75%, 10/31/09 .....                 |
| 2,992 | Davita, Inc., Term Loan B, LIBOR + 2.50%, 6/23/09 .....                |
| 1,356 | Fisher Scientific Intl., Inc., Term Loan B1, LIBOR + 2.25%, 2/28/10 .. |
| 2,993 | Kinetic Concepts, Inc., Term Loan B, LIBOR + 2.75%, 8/05/10 .....      |
| 5,000 | Medco Health, Term Loan, LIBOR + 2.25%, 6/30/10 .....                  |
| 2,000 | Per-Se Technologies, Term Loan B, LIBOR + 4.25%, 8/30/08 .....         |
|       | HOTELS & CASINOS--0.6%   |
| 962   | Greektown Casino, LLC, Term Loan B, LIBOR + 3.75%, 9/01/04 .....       |
| 3,000 | Marina District Finance Co., Inc., Term Loan A, LIBOR + 3.00%, 12/01/0 |
|       | MEDIA--6.2%  |
| 2,000 | Charter, Term Loan B, LIBOR + 2.75%, 9/30/07 .....                     |
| 2,494 | Charter Communications Operating LLC, Incremental Term Loan, LIBOR + 2 |
|       | Cinram,  |
| 6,000 | Term Loan B, LIBOR + 3.75%, 10/30/09 .....                             |
| 1,500 | Term Loan C, LIBOR + 5.75%, 4/30/10 .....                              |
| 3,000 | Dex Media East, LLC, Term Loan A, LIBOR + 2.50%, 11/08/08 .....        |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | MEDIA-- (CONT'D)   |
|                           |                              | Dex Media West, LLC,   |
| \$ 4,868                  |                              | Term Loan A, LIBOR + 2.75%, 9/01/09 .....                              |
| 1,655                     |                              | Term Loan B, LIBOR + 2.75%, 9/10/09 .....                              |
| 4,500                     |                              | DirectTV Holdings, LLC, Term Loan B1, LIBOR + 2.75%, 2/13/10 .....     |
| 4,500                     |                              | Echostar Dbs Corp., Term Loan, LIBOR + 3.75%, 1/01/04 .....            |
| 5,000                     |                              | Insight Midwest Holdings LLC, Incremental Term Loan, LIBOR + 2.75%, 1/ |
| 3,964                     |                              | Loews Cineplex Entertainment Corp., LIBOR + 3.50%, 2/29/08 .....       |
| 4,000                     |                              | MCC Iowa LLC, Term Loan B, LIBOR + 2.50%, 9/30/10 .....                |
| 1,566                     |                              | Readers Digest Assoc., Inc., Term Loan B, LIBOR + 3.00%, 5/20/08 ..... |
|                           |                              | TELECOMMUNICATIONS--2.7%   |
| 4,500                     |                              | Crown Castle Operating Co., Term Loan B, LIBOR + 3.50%, 4/30/10 .....  |

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|     |            |   |
|-----|------------|---|
|     | 1,556      | Panamsat Corp., Term Loan B1, LIBOR + 2.50%, 10/29/10 .....           |
|     | 3,685      | Pinnacle Towers, Inc., Term Loan, LIBOR + 4.50%, 10/31/05 .....       |
|     | 5,000      | Qwest Corp., Term Loan A, LIBOR + 4.75%, 6/30/07 .....                |
|     | 3,125      | Western Wireless Corp., Term Loan B, LIBOR + 3.25%, 3/31/08 - 9/30/08 |
|     | 1,500      | Worldspan, L.P., Term Loan, LIBOR + 3.75%, 6/30/07 .....              |
|     |            | Total Bank Loans .....  |
|     |            | MORTGAGE PASS-THROUGHS--33.3%   |
|     |            | Federal National Mortgage Assoc.,                                     |
|     | 8,439      | 4.542%, TBA .....   |
|     | 130,000    | 5.00%, TBA .....  |
|     | 99,467     | 5.50%, TBA .....  |
|     |            | Total Mortgage Pass-Throughs .....                                    |
|     |            | U.S. GOVERNMENT SECURITIES--10.7% U.S. Treasury Notes,                |
|     | 60,000 (3) | 1.625%, 10/31/05 .....  |
|     | 18,200 (3) | 4.00%, 11/15/12 .....   |
|     |            | Total U.S. Government Securities .....                                |
|     |            | FOREIGN GOVERNMENT BONDS--3.2%  |
| BB  | 5,000      | Columbia Republic, 9.75%, 4/23/09 .....                               |
| B+  | 5,000      | Federal Republic of Brazil, 2.188%, 10/15/03 .....                    |
| BB- | 5,000      | Peru Republic, 9.125%, 2/21/12 .....                                  |
| B2  | 2,143      | Republic of Venezuela, 2.313%, 12/18/03 .....                         |
| B+  | 5,000      | Turkey Republic, 11.375%, 11/27/06 .....                              |
|     |            | Total Foreign Government Bonds .....                                  |
|     |            | TOTAL LONG-TERM INVESTMENTS (cost \$984,552,252) .....                |
|     |            | SHORT-TERM INVESTMENTS--8.1%  |
|     |            | MORTGAGE PASS-THROUGHS--7.5%  |
|     | 54,570 (4) | Federal National Mortgage Assoc., 1.07%, 11/13/03 .....               |
|     |            | U.S. GOVERNMENT AND AGENCY SECURITIES--0.6%                           |
|     | 800 (4)    | Student Loan Marketing, 0.94%, 11/03/03 .....                         |
|     | 3,337 (4)  | U.S. Treasury Notes, 0.50%, 11/14/03 .....                            |
|     |            | Total U.S. Government and Agency Securities .....                     |
|     |            | TOTAL SHORT-TERM INVESTMENTS (cost \$58,707,068) .....                |
|     |            | TOTAL INVESTMENTS (cost \$1,043,259,320) .....                        |
|     |            | LIABILITIES IN EXCESS OF OTHER ASSETS--(47.0)% .....                  |
|     |            | NET ASSETS--100% .....  |

-----  
 (1) Using the higher of S&P's, Moody's or Fitch's rating.

(2) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2003, the Trust held 24.2% of its net assets, with a current market value of

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\$175,588,478, in securities restricted as to resale.

- (3) Entire or partial principal amount pledged as collateral for reverse repurchase agreements or financial futures contracts.
- (4) For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2003

-----  
BLACKROCK STRATEGIC BOND TRUST (BHD)  
-----

| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | LONG-TERM INVESTMENTS--137.3%                          |
|                           |                              | CORPORATE BONDS--134.4%                                |
|                           |                              | AERO & DEFENSE--4.6%                                   |
| B-                        | \$2,000 (2)                  | BE Aerospace, Inc., 9.50%, 11/01/08 .....              |
| BBB                       | 1,000                        | Lockheed Martin Corp., 8.20%, 12/01/09 .....           |
| BBB-                      | 650 (2)                      | Raytheon Co., 6.55%, 3/15/10 .....                     |
| A                         | 1,000 (2)                    | United Technologies Corp., 6.35%, 3/01/11 .....        |
|                           |                              | AUTOMOTIVE--12.9%                                      |
| BB+                       | 2,000 (2)                    | Autonation, Inc., 9.00%, 8/01/08 .....                 |
| B2                        | 2,000 (2)                    | Collins & Aikman Products Co., 10.75%, 12/31/11 .....  |
| A3                        | 1,000 (2)                    | Daimler Chrysler NA Corp., 7.30%, 1/15/12 .....        |
| BB                        | 2,000                        | Dana Corp., 10.125%, 3/15/10 .....                     |
| B3                        | 1,000                        | Delco Remy Intl., Inc., 11.00%, 5/01/09 .....          |
| B                         | 2,000                        | Dura Operating Corp., Ser. D, 9.00%, 5/01/09 .....     |
| B+                        | 2,000 (3)                    | Sonic Automotive Inc., 8.625%, 8/15/13 .....           |
| B+                        | 1,000 (3)                    | TRW Automotive, Inc., 9.375%, 2/15/13 .....            |
| B                         | 2,000 (2)                    | United Auto Group Inc., 9.625%, 3/15/12 .....          |
|                           |                              | BASIC MATERIAL--2.1%                                   |
| BB-                       | 2,000 (2)                    | Century Aluminum Co., 11.75%, 4/15/08 .....            |
|                           |                              | BUILDING & DEVELOPMENT--5.1%                           |
| BB                        | 1,000                        | Beazer Homes USA, Inc., 8.625%, 5/15/11 .....          |
| B-                        | 2,000                        | Great Lakes Dredge & Dock Corp., 11.25%, 8/15/08 ..... |
| Ba1                       | 2,000                        | Schuler Homes, Inc., 9.375%, 7/15/09 .....             |

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|      |          |  |
|------|----------|--|
|      |          | CHEMICAL--5.0%   |
| BB-  | 2,000    | Lyondell Chemical Co., Ser. B, 9.875%, 5/01/07 .....                 |
| B    | 1,796    | Noveon, Inc., Ser. B, 11.00%, 2/28/11 .....                          |
| B-   | 1,250    | Resolution Performance Products, Inc., 13.50%, 11/15/10 .....        |
|      |          | CONGLOMERATES--4.7%  |
| A    | 325      | Honeywell Intl., Inc., 7.50%, 3/01/10 .....                          |
| B    | 1,500    | MDP Acquisitions Plc, 9.625%, 10/01/12, (Ireland) .....              |
| B-   | 2,000    | Penhall Intl., Inc., 12.00%, 8/01/06 .....                           |
| BBB- | 1,132(2) | Tyco Intl. Group SA, 6.375%, 2/15/06, (Luxembourg) .....             |
|      |          | CONSUMER PRODUCTS--6.2%  |
| BBB+ | 1,000(2) | General Mills, Inc., 5.125%, 2/15/07 .....                           |
| BBB  | 575(2)   | Kellogg Co., Ser. B, 6.00%, 4/01/06 .....                            |
| B    | 1,000    | Levi Strauss & Co., 12.25%, 12/15/12 .....                           |
| B-   | 500      | Pantry, Inc., The, 10.25%, 10/15/07 .....                            |
| B-   | 2,000(2) | Sbarro, Inc., 11.00%, 9/15/09 .....                                  |
|      |          | CONTAINERS & GLASS--2.9%   |
| B    | 1,000    | Crown European Holdings SA, 10.875%, 3/01/13, (United Kingdom) ..... |
| B+   | 1,800    | Plastipak Holdings, Inc., 10.75%, 9/01/11 .....                      |
|      |          | ECOLOGICAL SERVICES & EQUIPMENT--3.6%                                |
| B+   | 2,000    | Allied Waste NA, Inc., Ser. B, 10.00%, 8/01/09 .....                 |
| B    | 1,500    | Casella Waste Systems Inc., 9.75%, 2/01/13 .....                     |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION   |
|---------------------------|------------------------------|---|
|                           |                              | ENERGY--21.0%   |
| BBB+                      | \$ 1,000(2)                  | Anadarko Petroleum Corp., 5.375%, 3/01/07 .....                         |
| CCC+                      | 2,000                        | Calpine Corp., 10.50%, 5/15/06 .....                                    |
| BB                        | 2,000(2)                     | Compagnie Generale De Geophysique SA, 10.625%, 11/15/07, (France) ..... |
| A-                        | 1,000(2)                     | ConocoPhillips Holding Co., 6.95%, 4/15/29 .....                        |
| B                         | 2,000(2)                     | Dresser, Inc., 9.375%, 4/15/11 .....                                    |



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|      |          |  |
|------|----------|--|
| BBB  | 250(2)   | DTE Energy Co., 7.05%, 6/01/11 .....                               |
| B-   | 1,500(3) | Dynegy Holdings Inc., 10.125%, 7/15/13 .....                       |
|      |          | El Paso Corp.,   |
| B    | 165      | 7.75%, 1/15/32 .....   |
| B    | 85       | 7.80%, 8/01/31 .....   |
| BB-  | 1,000    | El Paso Natural Gas Co., Ser. B, 8.50%, 6/01/11 .....              |
| B+   | 1,750(3) | El Paso Production Holding Co., 7.75%, 6/01/13 .....               |
| BBB+ | 105      | Exelon Corp., 6.75%, 5/01/11 .....                                 |
| Baa2 | 325(2)   | FirstEnergy Corp., Ser. C, 7.375%, 11/15/31 .....                  |
| B+   | 2,000    | Hanover Equipment Test, Ser. A, 8.50%, 9/01/08 .....               |
| BB-  | 1,000    | Leviathan Gas Pipeline Partners LP, Ser. B, 10.375%, 6/01/09 ..... |
| BBB+ | 250      | Occidental Petroleum Corp., 6.75%, 1/15/12 .....                   |
| Baa2 | 1,000(2) | Progress Energy, Inc., 6.75%, 3/01/06 .....                        |
| B    | 2,000    | Swift Energy Co., 10.25%, 8/01/09 .....                            |
| BB-  | 2,000    | Western Gas Resources, Inc., 10.00%, 6/15/09 .....                 |

FINANCE & BANKING--16.4%

|      |          |   |
|------|----------|---|
| A+   | 500(2)   | Allstate Corp., 7.875%, 5/01/05 .....                           |
| Aa3  | 1,000(2) | Bank One Corp., 6.50%, 2/01/06 .....                            |
| Aa3  | 650(2,3) | Barclays Bank PLC, 8.55%, 9/29/49, (United Kingdom) .....       |
| A1   | 325(2)   | Bear Stearns Co., Inc., 6.50%, 5/01/06 .....                    |
| B1   | 2,000    | Bluewater Finance Ltd., 10.25%, 2/15/12, (United Kingdom) ..... |
| Aa1  | 3,000(2) | Citigroup, Inc., 5.75%, 5/10/06 .....                           |
| BB   | 500(3)   | Crum & Forster Holdings Corp., 10.375%, 6/15/13 .....           |
|      |          | Ford Motor Credit Co.,  |
| A3   | 750(2)   | 5.80%, 1/12/09 .....  |
| A3   | 2,000(2) | 6.875%, 2/01/06 .....   |
|      |          | General Motors Acceptance Corp.,                                |
| A3   | 250(2)   | 6.75%, 1/15/06 .....  |
| A3   | 900(2)   | 6.875%, 9/15/11 .....   |
| A3   | 300(2)   | 8.00%, 11/01/31 .....   |
| AAA  | 850(2)   | KFW Intl. Finance, Inc., 5.25%, 6/28/06 .....                   |
| Ba1  | 1,000    | Labranche & Co., Inc., 12.00%, 3/02/07 .....                    |
| A1   | 1,000(2) | Lehman Brothers Holdings, Inc., 6.25%, 5/15/06 .....            |
| A    | 325(2)   | Metlife, Inc., 6.125%, 12/01/11 .....                           |
| Baa1 | 1,000    | Sears Roebuck Acceptance Corp., 6.75%, 8/15/11 .....            |

FOREST PRODUCTS--3.0%

|     |       |   |
|-----|-------|---|
| B+  | 2,000 | Caraustar Industries, Inc., 9.875%, 4/01/11 ..... |
| BBB | 1,000 | Weyerhaeuser Co., 6.125%, 3/15/07 .....           |

HEALTH CARE--7.3%

|    |          |   |
|----|----------|---|
| D  | 2,000(4) | HealthSouth Corp., 6.875%, 6/15/05 .....                      |
| B- | 2,000    | Insight Health Services Corp., Ser. B, 9.875%, 11/01/11 ..... |
| B+ | 2,000    | Matria Healthcare, Inc., Ser. B, 11.00%, 5/01/08 .....        |
| B  | 1,500    | United Surgical Partners Int'l., Inc., 10.00%, 12/15/11 ..... |

HOTELS & CASINO--3.0%

|     |       |   |
|-----|-------|---|
| Ba2 | 2,000 | Park Place Entertainment Corp., 7.875%, 3/15/10 .....     |
| B   | 1,000 | Resorts Intl. Hotel & Casino, Inc., 11.50%, 3/15/09 ..... |

INDUSTRIAL EQUIPMENT--4.1%

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|     |          |   |
|-----|----------|---|
| BB- | 2,000    | Mail-Well I Corp., 9.625%, 3/15/12 .....                      |
| B+  | 2,000(2) | United Rentals, Inc., Ser. B, 9.25%, 1/15/09 .....            |
|     |          | LEISURE--1.6%   |
| BB+ | 1,500    | Royal Caribbean Cruises Ltd., 8.75%, 2/02/11, (Liberia) ..... |

See Notes to Financial Statements.

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| RATING (1)<br>(UNAUDITED) | PRINCIPAL<br>AMOUNT<br>(000) | DESCRIPTION  |
|---------------------------|------------------------------|--|
|                           |                              | MEDIA--13.5%   |
| NR                        | \$ 2,000(2,4)                | Adelphia Communications Corp., Ser. B, 10.50%, 7/15/04 .....           |
| B1                        | 1,500(2)                     | Alliance Atlantis Communications, Inc., 13.00%, 12/15/09, (Canada) ... |
| BBB+                      | 1,000(2)                     | AOL Time Warner, Inc., 7.70%, 5/01/32 .....                            |
| Ca                        | 2,000                        | Charter Communications Holdings LLC, 11.125%, 1/15/11 .....            |
| BBB                       | 1,000                        | Comcast Cable Communications, Inc., 6.875%, 6/15/09 .....              |
| BB-                       | 2,000                        | EchoStar DBS Corp., 10.375%, 10/01/07 .....                            |
| B-                        | 2,000                        | Nextmedia Operating, Inc., 10.75%, 7/01/11 .....                       |
| A-                        | 1,000(2)                     | Viacom, Inc., 6.625%, 5/15/11 .....                                    |
| B-                        | 1,500                        | WRC Media Inc., 12.75%, 11/15/09 .....                                 |
|                           |                              | REAL ESTATE--2.6%  |
| BBB+                      | 500(2)                       | ERP Operating LP, 6.95%, 3/02/11 .....                                 |
|                           |                              | Felcore Lodging LP,  |
| B1                        | 1,000                        | 9.00%, 6/01/11 .....   |
| B1                        | 1,000                        | 10.00%, 9/15/08 .....  |
|                           |                              | TECHNOLOGY--2.1%   |
| BB+                       | 2,000                        | Unisys Corp., 8.125%, 6/01/06 .....                                    |
|                           |                              | TELECOMMUNICATION--9.6%  |
| B2                        | 1,750(3)                     | ACC Escrow Corp., 10.00%, 8/01/11 .....                                |
| BBB                       | 900(2)                       | AT&T Corp., 7.25%, 11/15/06 .....                                      |
| B3                        | 1,000                        | Crown Castle Int'l. Corp., 10.75%, 8/01/11 .....                       |
| Ba3                       | 2,000                        | PanAmSat Corp., 8.50%, 2/01/12 .....                                   |
| CCC+                      | 450                          | Qwest Capital Funding, Inc., 5.875%, 8/03/04 .....                     |
| Aa3                       | 2,000(2)                     | Verizon New England, Inc., 6.50%, 9/15/11 .....                        |
| A                         | 1,000(2)                     | Vodafone Group PLC, 7.75%, 2/15/10, (United Kingdom) .....             |
|                           |                              | Worldcom, Inc.,  |
| D                         | 400(3,5)                     | 7.375%, 1/15/06 .....  |
| D                         | 200(5)                       | 8.00%, 5/15/06 .....   |

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|      |         |   |
|------|---------|---|
|      |         | TRANSPORTATION--3.1%  |
| BBB+ | 500 (2) | Canadian National Railway Co., 6.90%, 7/15/28, (Canada) .....   |
| Baa1 | 400     | Norfolk Southern Corp., 7.05%, 5/01/37 .....                    |
| B    | 2,000   | Railamerica Transportation Corp., 12.875%, 8/15/10 .....        |
|      |         | Total Corporate Bonds .....                                     |
|      |         | U.S. GOVERNMENT SECURITIES--0.9%                                |
|      | 1,000   | U.S. Treasury Notes, 4.25%, 8/15/13 .....                       |
|      |         | FOREIGN GOVERNMENT BONDS--1.1%                                  |
| Baa2 | 1,000   | United Mexican States, 8.125%, 12/30/19 .....                   |
|      |         | SUPRANATIONAL--0.9%   |
| AAA  | 850 (2) | European Investment Bank, 4.875%, 9/06/06 .....                 |
|      |         | TOTAL LONG-TERM INVESTMENTS--137.3% (cost \$139,987,252) .....  |
|      |         | SHORT-TERM INVESTMENTS--0.7%                                    |
|      | 800 (4) | U.S. GOVERNMENT AGENCY SECURITIES--0.7%                         |
|      |         | Student Loan Marketing, 0.94%, 11/03/03, (cost \$799,958) ..... |
|      |         | TOTAL INVESTMENTS--138.0% (cost \$140,787,210) .....            |
|      |         | LIABILITIES IN EXCESS OF OTHER ASSETS--(38.0)% .....            |
|      |         | NET ASSETS--100% .....  |

-----

- (1) Using the higher of S&P's, Moody's or Fitch's rating.
- (2) Entire or partial principal amount pledged as collateral for reverse repurchase agreements or financial futures contracts.
- (3) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2003, the Trust held 9.4% of its net assets, with a current market value of \$9,941,314, in securities restricted as to resale.
- (4) For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted.
- (5) Issuer is technically in default.

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OCTOBER 31, 2003

|   | BROAD INVESTMENT<br>GRADE 2009<br>TERM TRUST (1)<br>(BCT) | CORE<br>BOND TRUST<br>(BHK) |
|---|---|-----------------------------|
|   | -----   | -----                       |
| <b>ASSETS</b>   |   |                             |
| Investments at value(2) .....                             | \$ 65,645,702   | \$ 544,064,718              |
| Cash .....  | 88,952  | --                          |
| Foreign currency at value .....                           | --  | 246                         |
| Receivable for investments sold .....                     | 1,144,618   | 45,179,866                  |
| Variation margin receivable .....                         | 56,563  | --                          |
| Receivable for open forward foreign currency contacts ... | --  | 67,187                      |
| Interest receivable .....                                 | 778,406   | 8,152,134                   |
| Unrealized appreciation on interest rate swaps .....      | --  | --                          |
| Other assets .....  | 14,358  | 49,777                      |
|   | -----   | -----                       |
|   | 67,728,599  | 597,513,928                 |
|   | -----   | -----                       |
| <b>LIABILITIES</b>  |   |                             |
| Reverse repurchase agreement .....                        | 19,952,625  | 91,668,469                  |
| Payable to custodian .....                                | --  | 460,397                     |
| Payable for investments purchased .....                   | --  | 102,452,396                 |
| Variation margin payable .....                            | --  | 66,844                      |
| Loan payable .....  | --  | --                          |
| Investments sold short at value(3) .....                  | --  | 1,459,680                   |
| Outstanding options written at value(4) .....             | --  | 2,153,452                   |
| Interest payable .....                                    | 13,421  | 180,841                     |
| Unrealized depreciation on interest rate swaps .....      | --  | 188,307                     |
| Interest rate floors at value(3) .....                    | --  | --                          |
| Payable for closed forward foreign currency contacts, net | --  | 64,413                      |
| Investment advisory fee payable .....                     | 22,397  | 211,451                     |
| Administration fee payable .....                          | 6,108   | --                          |
| Deferred Directors/Trustees fees .....                    | 11,180  | 26,212                      |
| Other accrued expenses .....                              | 341,596   | 41,756                      |
|   | -----   | -----                       |
|   | 20,347,327  | 198,974,218                 |
|   | -----   | -----                       |
| NET ASSETS .....  | \$ 47,381,272   | \$ 398,539,710              |
|   | =====   | =====                       |
| Composition of Net Assets:                                |   |                             |
| Par value .....   | \$ 29,571   | \$ 27,019                   |
| Paid-in capital in excess of par .....                    | 39,184,069  | 386,195,639                 |
| Cost of shares held in treasury(5) .....                  | --  | --                          |
| Undistributed net investment income .....                 | 8,349,474   | --                          |
| Accumulated net realized gain (loss) .....                | (1,501,431)   | 350,131                     |
| Net unrealized appreciation (depreciation) .....          | 1,319,589   | 11,966,921                  |
|   | -----   | -----                       |
| Net assets, October 31, 2003 .....                        | \$ 47,381,272   | \$ 398,539,710              |
|   | =====   | =====                       |
| Net Asset Value Per Common Share(6) .....                 | \$16.02   | \$14.75                     |
|   | =====   | =====                       |
| <br>(1)Consolidated Statement of Assets and Liabilities   |   |                             |
| (2)Investments at cost .....                              | \$ 64,624,207   | \$ 532,154,754              |
| (3)Proceeds received .....                                | --  | 1,458,281                   |

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|                                     |           |            |
|-------------------------------------|-----------|------------|
| (4) Premium received .....          | --        | 2,069,401  |
| (5) Shares held in treasury .....   | --        | --         |
| (6) Common shares outstanding ..... | 2,957,093 | 27,018,774 |

See Notes to Financial Statements.

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| HIGH<br>YIELD TRUST<br>(BHY) | INCOME<br>OPPORTUNITY<br>TRUST<br>(BNA) | INCOME<br>TRUST<br>(BKT) | LIMITED<br>DURATION<br>INCOME TRUST<br>(BLW) | STRATEGIC<br>BOND TRUST<br>(BHD) |
|------------------------------|---|--------------------------|--|----------------------------------|
| \$ 61,457,946                | \$ 558,812,045                          | \$ 709,412,822           | \$1,065,134,708                              | \$ 146,360,035                   |
| 107,680                      | --                                      | 1,080,121                | 222,505                                      | 84,692                           |
| --                           | --                                      | --                       | --   | --                               |
| 403,691                      | 2,736,337                               | 6,542,352                | 11,634,999                                   | 2,159,542                        |
| --                           | 388,797                                 | 159,375                  | --   | --                               |
| --                           | --                                      | --                       | --   | --                               |
| 1,860,522                    | 7,882,677                               | 5,088,448                | 13,895,130                                   | 3,534,350                        |
| --                           | 2,654,095                               | 931,496                  | --   | --                               |
| 57,487                       | 108,428                                 | 127,287                  | 41,048                                       | 12,005                           |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| 63,887,326                   | 572,582,379                             | 723,341,901              | 1,090,928,390                                | 152,150,624                      |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| --                           | 103,378,025                             | 121,766,813              | 118,993,475                                  | 45,871,594                       |
| --                           | 406,757                                 | --                       | --   | --                               |
| --                           | --                                      | 1,253,807                | 246,555,554                                  | --                               |
| --                           | --                                      | --                       | --   | --                               |
| 19,250,000                   | --                                      | --                       | --   | --                               |
| --                           | 53,740,347                              | 136,348,651              | --   | --                               |
| --                           | 2,582,630                               | 3,253,119                | --   | --                               |
| 26,742                       | 995,054                                 | 1,953,179                | 29,155                                       | 24,619                           |
| --                           | --                                      | --                       | --   | --                               |
| --                           | --                                      | 827,945                  | --   | --                               |
| --                           | --                                      | --                       | --   | --                               |
| 38,029                       | 209,153                                 | 252,993                  | 475,379                                      | 71,223                           |
| 1,531                        | 68,348                                  | 102,077                  | --   | --                               |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| 16,828                       | 84,172                                  | 101,517                  | 1,500  | 5,138                            |
| 116,142                      | 137,129                                 | 171,778                  | 125,923                                      | 133,079                          |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| 19,449,272                   | 161,601,615                             | 266,031,879              | 366,180,986                                  | 46,105,653                       |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| \$ 44,438,054                | \$ 410,980,764                          | \$ 457,310,022           | \$ 724,747,404                               | \$ 106,044,971                   |
| =====                        | =====                                   | =====                    | =====  | =====                            |

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|               |                |                |                 |                |
|---------------|----------------|----------------|-----------------|----------------|
| \$ 6,382      | \$ 344,497     | \$ 633,632     | \$ 36,706       | \$ 7,034       |
| 93,565,135    | 406,532,068    | 553,795,068    | 699,580,295     | 100,247,645    |
| --            | (17,377,850)   | --             | --              | --             |
| --            | 5,785,104      | 10,115,860     | 2,864,550       | 1,711,227      |
| (35,131,326)  | (2,798,701)    | (98,385,297)   | 390,465         | (1,493,760)    |
| (14,002,137)  | 18,495,646     | (8,849,241)    | 21,875,388      | 5,572,825      |
| -----         | -----          | -----          | -----           | -----          |
| \$ 44,438,054 | \$ 410,980,764 | \$ 457,310,022 | \$ 724,747,404  | \$ 106,044,971 |
| =====         | =====          | =====          | =====           | =====          |
| \$6.96        | \$11.93        | \$7.21         | \$19.74         | \$15.07        |
| =====         | =====          | =====          | =====           | =====          |
| \$ 75,460,083 | \$ 542,949,432 | \$ 717,432,138 | \$1,043,259,320 | \$ 140,787,210 |
| --            | 53,049,018     | 134,559,335    | --              | --             |
| --            | 2,432,578      | 3,054,224      | --              | --             |
| --            | 1,757,400      | --             | --              | --             |
| 6,381,648     | 34,449,693     | 63,389,691     | 36,706,021      | 7,035,621      |

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STATEMENTS OF OPERATIONS  
FOR THE PERIOD (1) ENDED OCTOBER 31, 2003

|  | BROAD INVESTMENT<br>GRADE 2009<br>TERM TRUST (2)<br>(BCT) | BON<br>( |
|--|---|----------|
|  | -----   | -----    |
| NET INVESTMENT INCOME  |   |          |
| Interest Income .....  | \$ 4,972,268  | \$ 26    |
|  | -----   | -----    |
| EXPENSES   |   |          |
| Investment advisory .....                                      | 274,354   | 2        |
| Administration .....   | 74,824  |          |
| Transfer agent .....   | 12,204  |          |
| Custodian .....  | 66,960  |          |
| Reports to shareholders .....                                  | 46,680  |          |
| Directors/Trustees .....                                       | 14,355  |          |
| Registration .....   | 2,369   |          |
| Independent accountants .....                                  | 49,011  |          |
| Legal .....  | 22,931  |          |
| Insurance .....  | 3,489   |          |
| Organization .....   | --  |          |
| Miscellaneous .....  | 19,010  |          |
|  | -----   | -----    |
| Total expenses excluding interest expense and excise tax ..... | 586,187   | 3        |
| Interest Expense .....   | 235,225   |          |
| Excise Tax .....   | 390,244   |          |
|  | -----   | -----    |

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|   |              |       |
|---|--------------|-------|
| Total expenses .....  | 1,211,656    | 4     |
| Less fees waived by Advisor .....                                     | --           |       |
| Less fees paid directly .....   | --           |       |
|   | -----        | ----- |
| Net expenses .....  | 1,211,656    | 4     |
|   | -----        | ----- |
| Net investment income .....   | 3,760,612    | 22    |
|   | -----        | ----- |
| REALIZED AND UNREALIZED GAIN (LOSS)                                   |              |       |
| Net realized gain (loss) on:  |              |       |
| Investments .....   | (2,442,600)  | 5     |
| Foreign currency .....  | --           | 4     |
| Futures .....   | (516,247)    |       |
| Interest rate caps .....  | --           |       |
| Interest rate swaps .....   | --           |       |
| Options written .....   | --           |       |
| Short sales .....   | --           |       |
|   | -----        | ----- |
|   | (2,958,847)  | 10    |
|   | -----        | ----- |
| Net change in unrealized appreciation/depreciation on:                |              |       |
| Investments .....   | (1,384,674)  | 10    |
| Foreign currency .....  | --           |       |
| Futures .....   | 225,201      |       |
| Interest rate caps .....  | --           |       |
| Interest rate floors .....  | --           |       |
| Interest rate swaps .....   | --           |       |
| Options written .....   | --           |       |
| Short sales .....   | --           |       |
|   | -----        | ----- |
|   | (1,159,473)  | 10    |
|   | -----        | ----- |
| Net gain (loss) .....   | (4,118,320)  | 21    |
|   | -----        | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ..... | \$ (357,708) | \$ 43 |
|   | =====        | ===== |

-----  
(1) Commencement of investment operations for Limited Duration was July 30, 2003. The other Trusts' statements are for a full year.

(2) Consolidated Statement of Operations.

See Notes to Financial Statements.

|             |             |        |              |            |
|-------------|-------------|--------|--------------|------------|
| HIGH        | INCOME      | INCOME | LIMITED      | STRATEGIC  |
| YIELD TRUST | OPPORTUNITY | TRUST  | DURATION     | BOND TRUST |
| (BHY)       | TRUST       | (BKT)  | INCOME TRUST | (BHD)      |
|             | (BNA)       |        | (BLW)        |            |

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|               |               |               |               |               |
|---------------|---------------|---------------|---------------|---------------|
| -----         | -----         | -----         | -----         | -----         |
| \$ 8,033,894  | \$ 34,238,249 | \$ 45,060,425 | \$ 13,462,605 | \$ 12,835,456 |
| -----         | -----         | -----         | -----         | -----         |
| 636,202       | 2,481,258     | 3,072,754     | 1,154,773     | 1,084,562     |
| 60,591        | 413,543       | 898,600       | --            | --            |
| 21,364        | 32,000        | 91,811        | 4,557         | 15,810        |
| 31,392        | 199,285       | 184,754       | 51,336        | 46,011        |
| 56,513        | 108,217       | 125,000       | 50,000        | 27,435        |
| 12,000        | 57,620        | 74,706        | 20,367        | 13,221        |
| 22,500        | 31,500        | 48,074        | 11,067        | 22,499        |
| 31,976        | 119,586       | 112,141       | 30,000        | 39,930        |
| 24,083        | 67,546        | 49,000        | 17,856        | 13,316        |
| 1,830         | 44,553        | 29,901        | 20,086        | 7,556         |
| --            | --            | --            | 15,000        | --            |
| 20,188        | 111,042       | 155,803       | 10,136        | 18,969        |
| -----         | -----         | -----         | -----         | -----         |
| 918,639       | 3,666,150     | 4,842,544     | 1,385,178     | 1,289,309     |
| 350,855       | 1,664,516     | 1,584,933     | 51,372        | 694,780       |
| --            | --            | --            | --            | --            |
| -----         | -----         | -----         | -----         | -----         |
| 1,269,494     | 5,330,666     | 6,427,477     | 1,436,550     | 1,984,089     |
| --            | --            | --            | --            | (289,217)     |
| (1,864)       | (5,057)       | (8,158)       | --            | (6,589)       |
| -----         | -----         | -----         | -----         | -----         |
| 1,267,630     | 5,325,609     | 6,419,319     | 1,436,550     | 1,688,283     |
| -----         | -----         | -----         | -----         | -----         |
| 6,766,264     | 28,912,640    | 38,641,106    | 12,026,055    | 11,147,173    |
| -----         | -----         | -----         | -----         | -----         |
| (4,771,417)   | (3,393,714)   | (4,527,133)   | 594,555       | (1,177,052)   |
| --            | (198,307)     | --            | --            | --            |
| --            | (217,858)     | (13,602,696)  | (204,090)     | --            |
| --            | --            | (2,318)       | --            | --            |
| --            | 1,491,314     | (4,162,695)   | --            | --            |
| --            | (861,522)     | (615,153)     | --            | --            |
| --            | --            | 889,290       | --            | --            |
| -----         | -----         | -----         | -----         | -----         |
| (4,771,417)   | (3,180,087)   | (22,020,705)  | 390,465       | (1,177,052)   |
| -----         | -----         | -----         | -----         | -----         |
| 10,326,575    | 12,430,608    | (19,541,288)  | 21,875,388    | 17,670,059    |
| --            | 168,091       | --            | --            | --            |
| --            | 1,032,645     | 75,909        | --            | --            |
| --            | --            | 356,506       | --            | --            |
| --            | --            | 1,000,886     | --            | --            |
| --            | 537,812       | 8,956,825     | --            | --            |
| --            | (40,795)      | 201,718       | --            | --            |
| --            | (92,090)      | (1,789,316)   | --            | --            |
| -----         | -----         | -----         | -----         | -----         |
| 10,326,575    | 14,036,271    | (10,738,760)  | 21,875,388    | 17,670,059    |
| -----         | -----         | -----         | -----         | -----         |
| 5,555,158     | 10,856,184    | (32,759,465)  | 22,265,853    | 16,493,007    |
| -----         | -----         | -----         | -----         | -----         |
| \$ 12,321,422 | \$ 39,768,824 | \$ 5,881,641  | \$ 34,291,908 | \$ 27,640,180 |
| =====         | =====         | =====         | =====         | =====         |



STATEMENTS OF CASH FLOWS  
FOR THE PERIOD (1) ENDED OCTOBER 31, 2003

| RECONCILIATION OF NET INCREASE (DECREASE)<br>IN NET ASSETS RESULTING FROM OPERATIONS TO<br>NET CASH FLOWS PROVIDED BY (USED FOR)<br>OPERATING ACTIVITIES | BROAD INVESTMENT<br>GRADE 2009<br>TERM TRUST (2)<br>(BCT) | BO      |
|--|---|---------|
|  | -----   | -----   |
| Net increase (decrease) in net assets resulting from operations .....  | \$ (357,708)  | \$ 43   |
| Decrease (increase) in investments .....   | 4,562,308   | 45      |
| Net realized loss (gain) .....   | 2,958,847   | (10)    |
| Decrease (increase) in unrealized appreciation (depreciation) .....  | 1,159,473   | (10)    |
| Decrease in interest rate caps .....   | --  |         |
| Increase in interest rate swaps .....  | --  |         |
| Decrease (increase) in receivable for investments sold .....   | (1,144,618)   | (13)    |
| Increase in receivable for forward foreign currency contacts .....   | --  |         |
| Decrease (increase) in variation margin receivable .....   | (33,001)  |         |
| Decrease in collateral deposited with brokers .....  | --  |         |
| Decrease (increase) in interest receivable .....   | (118,760)   |         |
| Increase in other assets .....   | (5,195)   |         |
| Increase (decrease) in payable for investments purchased .....   | --  | (82)    |
| Decrease in payable for forward foreign currency contacts .....  | --  |         |
| Increase in payable for forward foreign currency contacts, net .....   | --  |         |
| Increase in variation margin payable .....   | --  |         |
| Increase (decrease) in interest payable .....  | (3,902)   |         |
| Increase in outstanding options written .....  | --  | 1       |
| Increase (decrease) in investments sold short .....  | --  | 1       |
| Increase in interest rate floor .....  | --  |         |
| Increase (decrease) in interest rate swaps .....   | --  |         |
| Increase (decrease) in investment advisory fee payable .....   | (1,632)   |         |
| Increase (decrease) in administration fee payable .....  | (445)   |         |
| Increase in deferred Directors/Trustees fees .....   | 3,503   |         |
| Increase (decrease) in accrued expenses .....  | 215,573   |         |
| Total adjustments .....  | 7,592,151   | (67)    |
| Net cash flows provided by (used for) operating activities .....   | \$ 7,234,443  | \$ (24) |
| INCREASE (DECREASE) IN CASH AND FOREIGN CURRENCY   |   |         |
| Net cash flows provided by (used for) operating activities .....   | \$ 7,234,443  | \$ (24) |
| Cash flows provided by (used for) financing activities:  |   |         |
| Capital contributions .....  | --  |         |
| Increase (decrease) in reverse repurchase agreements .....   | (3,716,562)   | 56      |
| Cash dividends paid .....  | (3,504,653)   | (32)    |
| Net cash flows provided by (used for) financing activities .....   | (7,221,215)   | 24      |

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|  |           |       |
|--|-----------|-------|
| Net increase (decrease) in cash .....                  | 13,228    |       |
| Cash and foreign currency at beginning of period ..... | 75,724    |       |
|  | -----     | ----- |
| Cash and foreign currency at end of period .....       | \$ 88,952 | \$    |
|  | =====     | ===== |

(1) Commencement of investment operations for Limited Duration was July 30, 2003. This information includes the initial investment by BlackRock Funding, Inc. The other Trusts' statements are for a full year.

(2) Consolidated Statement of Cash Flows.

See Notes to Financial Statements.

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| HIGH<br>YIELD TRUST<br>(BHY) | INCOME<br>OPPORTUNITY<br>TRUST<br>(BNA) | INCOME<br>TRUST<br>(BKT) | LIMITED<br>DURATION<br>INCOME TRUST<br>(BLW) | STRATEGIC<br>BOND TRUST<br>(BHD) |
|------------------------------|---|--------------------------|--|----------------------------------|
| \$ 12,321,422                | \$ 39,768,824                           | \$ 5,881,641             | \$ 34,291,908                                | \$ 27,640,1                      |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| 373,218                      | 10,781,983                              | (53,973,836)             | (1,042,868,855)                              | (468,1                           |
| 4,771,417                    | 3,180,087                               | 22,020,705               | (390,465)                                    | 1,177,0                          |
| (10,326,575)                 | (14,036,271)                            | 10,738,760               | (21,875,388)                                 | (17,670,0                        |
| --                           | --                                      | 20                       | --   |                                  |
| --                           | (537,811)                               | (931,496)                | --   |                                  |
| (403,691)                    | 99,155,268                              | 13,138,945               | (11,634,999)                                 | (2,159,5                         |
| --                           | --                                      | --                       | --   |                                  |
| --                           | 300,045                                 | 136,839                  | --   |                                  |
| --                           | --                                      | 17,234,375               | --   |                                  |
| 451,489                      | (2,087,451)                             | 1,734,013                | (13,895,130)                                 | 150,9                            |
| (5,218)                      | (14,977)                                | (46,991)                 | (41,048)                                     | (9,5                             |
| --                           | (101,568,077)                           | (206,805)                | 246,555,554                                  |                                  |
| --                           | --                                      | --                       | --   |                                  |
| --                           | --                                      | --                       | --   |                                  |
| (13,822)                     | 715,163                                 | (333,672)                | 29,155                                       | (10,9                            |
| --                           | 2,348,912                               | 2,396,153                | --   |                                  |
| --                           | (19,811,393)                            | 136,348,651              | --   |                                  |
| (1,358,636)                  | --                                      | --                       | --   |                                  |
| --                           | --                                      | (8,025,329)              | --   |                                  |
| (15,925)                     | 2,968                                   | (26,841)                 | 475,379                                      | 7,9                              |
| (3,607)                      | 33,984                                  | 21,963                   | --   |                                  |
| 4,236                        | 22,977                                  | 27,842                   | 1,500  | 3,3                              |
| 52,880                       | (158,754)                               | (81,575)                 | 125,923                                      | (28,0                            |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| (4,115,598)                  | (21,673,347)                            | 138,813,085              | (843,518,374)                                | (19,006,8                        |
| -----                        | -----                                   | -----                    | -----  | -----                            |
| \$ 7,205,824                 | \$ 18,095,477                           | \$ 144,694,726           | \$ (809,226,466)                             | \$ 8,633,2                       |
| =====                        | =====                                   | =====                    | =====  | =====                            |

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|              |               |                |                  |            |
|--------------|---------------|----------------|------------------|------------|
| \$ 7,205,824 | \$ 18,095,477 | \$ 144,694,726 | \$ (809,226,466) | \$ 8,633,2 |
| -----        | -----         | -----          | -----            | -----      |
| --           | --            | --             | 699,632,001      |            |
| --           | 17,674,238    | (84,025,451)   | 118,993,475      | 1,648,2    |
| (6,836,072)  | (36,267,803)  | (59,956,759)   | (9,176,505)      | (10,189,5  |
| -----        | -----         | -----          | -----            | -----      |
| (6,836,072)  | (18,593,565)  | (143,982,210)  | 809,448,971      | (8,541,2   |
| -----        | -----         | -----          | -----            | -----      |
| 369,752      | (498,088)     | 712,516        | 222,505          | 91,9       |
| (262,072)    | 91,331        | 367,605        | --               | (7,3       |
| -----        | -----         | -----          | -----            | -----      |
| \$ 107,680   | \$ (406,757)  | \$ 1,080,121   | \$ 222,505       | \$ 84,6    |
| =====        | =====         | =====          | =====            | =====      |

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STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED OCTOBER 31, 2003 AND FOR THE PERIOD(1) ENDED OCTOBER 31, 2002

|  | BROAD INVESTMENT GRADE<br>2009 TERM TRUST(2)<br>(BCT) |              |       |
|--|---|--------------|-------|
|  | 2003  | 2002         |       |
| -----  |   |              |       |
| INCREASE (DECREASE) IN NET ASSETS  |   |              |       |
| OPERATIONS:  |   |              |       |
| Net investment income .....  | \$ 3,760,612  | \$ 5,953,008 | \$ 2  |
| Net realized gain (loss) .....   | (2,958,847)   | 2,180,535    | 1     |
| Net change in unrealized appreciation/depreciation ...                   | (1,159,473)   | (2,064,590)  | 1     |
| -----  | -----   | -----        | ----- |
| Net increase (decrease) in net assets resulting<br>from operations ..... | (357,708)   | 6,068,953    | 4     |
| -----  | -----   | -----        | ----- |
| DIVIDENDS AND DISTRIBUTIONS:   |   |              |       |
| From net investment income .....   | (3,504,653)   | (2,291,473)  | (2    |
| From net realized gains .....  | --  | --           | (     |
| Tax return of capital distributions .....                                | --  | --           |       |
| In excess of net investment income .....                                 | --  | --           |       |
| -----  | -----   | -----        | ----- |
| Total dividends and distributions .....                                  | (3,504,653)   | (2,291,473)  | (3    |
| -----  | -----   | -----        | ----- |
| CAPITAL SHARE TRANSACTIONS:  |   |              |       |
| Net proceeds from the issuance of common shares .....                    | --  | --           |       |

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|   |               |               |       |
|---|---------------|---------------|-------|
| Net proceeds from the underwriters'                     |               |               |       |
| overallotment option exercised .....                    | --            | --            | --    |
| Reinvestment of dividends .....                         | --            | --            | --    |
| Cost of Trust shares reacquired .....                   | --            | --            | --    |
|   | -----         | -----         | ----- |
| Net proceeds from capital share transactions .....      | --            | --            | --    |
|   | -----         | -----         | ----- |
| Total increase (decrease) .....                         | (3,862,361)   | 3,777,480     | 1     |
|   | -----         | -----         | ----- |
| <br>Net Assets  |               |               |       |
| Beginning of period .....                               | 51,243,633    | 47,466,153    | 38    |
|   | -----         | -----         | ----- |
| End of period .....                                     | \$ 47,381,272 | \$ 51,243,633 | \$ 39 |
|   | =====         | =====         | ===== |
| End of period undistributed net investment income ..... | \$ 8,349,474  | \$ 7,480,911  | \$    |

-----  
(1) Commencement of investment operations for Core Bond was November 30, 2001. This information includes the initial investment by BlackRock Funding, Inc. The other Trusts' statements are for a full year.

(2) Consolidated Statement of Changes in Net Assets.

See Notes to Financial Statements.

| HIGH YIELD TRUST<br>(BHY) |              | INCOME OPPORTUNITY TRUST<br>(BNA) |               | INCOME TRUST<br>(BKT) |         |
|---------------------------|--------------|-----------------------------------|---------------|-----------------------|---------|
| 2003                      | 2002         | 2003                              | 2002          | 2003                  | 2002    |
| -----                     | -----        | -----                             | -----         | -----                 | -----   |
| \$ 6,766,264              | \$ 7,613,863 | \$ 28,912,640                     | \$ 39,603,548 | \$ 38,641,106         | \$ 62,1 |
| (4,771,417)               | (8,468,860)  | (3,180,087)                       | (6,747,774)   | (22,020,705)          | 28,3    |
| 10,326,575                | 2,224,397    | 14,036,271                        | 5,135,503     | (10,738,760)          | (50,2   |
| -----                     | -----        | -----                             | -----         | -----                 | -----   |
| 12,321,422                | 1,369,400    | 39,768,824                        | 37,991,277    | 5,881,641             | 40,2    |
| -----                     | -----        | -----                             | -----         | -----                 | -----   |
| (7,116,448)               | (7,613,863)  | (27,903,349)                      | (25,885,698)  | (63,862,381)          | (35,8   |
| --                        | --           | (8,364,454)                       | --            | --                    | --      |
| --                        | (584,069)    | --                                | --            | --                    | --      |
| --                        | --           | --                                | --            | --                    | --      |
| -----                     | -----        | -----                             | -----         | -----                 | -----   |
| (7,116,448)               | (8,197,932)  | (36,267,803)                      | (25,885,698)  | (63,862,381)          | (35,8   |
| -----                     | -----        | -----                             | -----         | -----                 | -----   |
| --                        | --           | --                                | --            | --                    | --      |

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|               |               |                |                |                |          |
|---------------|---------------|----------------|----------------|----------------|----------|
| 280,376       | 261,647       | --             | (2,381,796)    | 3,905,622      | 2        |
| 280,376       | 261,647       | --             | (2,381,796)    | 3,905,622      | 2        |
| 5,485,350     | (6,566,885)   | 3,501,021      | 9,723,783      | (54,075,118)   | 4,6      |
| 38,952,704    | 45,519,589    | 407,479,743    | 397,755,960    | 511,385,140    | 506,7    |
| \$ 44,438,054 | \$ 38,952,704 | \$ 410,980,764 | \$ 407,479,743 | \$ 457,310,022 | \$ 511,3 |
| \$ --         | \$ --         | \$ 5,785,104   | \$ 4,974,125   | \$ 10,115,860  | \$ 35,3  |

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STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE PERIOD (1) ENDED OCTOBER 31, 2003 AND FOR THE PERIOD (2) ENDED  
OCTOBER 31, 2002

|   | LIMITED<br>DURATION INCOME<br>TRUST (BLW) | STRATEGIC<br>(B |
|---|---|-----------------|
|   | 2003                                      | 2003            |
| INCREASE (DECREASE) IN NET ASSETS   |   |                 |
| OPERATIONS:   |   |                 |
| Net investment income .....   | \$ 12,026,055                             | \$ 11,147,173   |
| Net realized gain (loss) .....  | 390,465                                   | (1,177,052)     |
| Net change in unrealized appreciation/depreciation ...                      | 21,875,388                                | 17,670,059      |
| Net increase (decrease) in net assets resulting<br>from operations .....    | 34,291,908                                | 27,640,180      |
| DIVIDENDS FROM NET INVESTMENT INCOME .....                                  | (9,176,505)                               | (10,466,535)    |
| Capital Share Transactions:   |   |                 |
| Net proceeds from the issuance of common shares .....                       | 653,888,001                               | --              |
| Net proceeds from the underwriters'<br>overallotment option exercised ..... | 45,744,000                                | --              |
| Reinvestment of dividends .....   | --  | 277,020         |
| Net proceeds from capital share transactions .....                          | 699,632,001                               | 277,020         |

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|   |                |                |
|---|----------------|----------------|
| Total increase .....                                    | 724,747,404    | 17,450,665     |
| <hr/>   |                |                |
| NET ASSETS  |                |                |
| Beginning of period .....                               | --             | 88,594,306     |
| End of period .....                                     | \$ 724,747,404 | \$ 106,044,971 |
| End of period undistributed net investment income ..... | \$ 2,864,550   | \$ 1,711,227   |

- 
- (1) Commencement of investment operations for Limited Duration was July 30, 2003. This information includes the initial investment by BlackRock Funding, Inc. The other Trust's statement is for a full year.
- (2) Commencement of investment operations for Strategic Bond was February 28, 2002. This information includes the initial investment by BlackRock Funding, Inc.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

-----  
 BLACKROCK BROAD INVESTMENT GRADE 2009 TERM TRUST (BCT)  
 -----

|  | YEAR ENDED OCTOBER |          |          |
|--|--------------------|----------|----------|
|  | 2003               | 2002     | 2001     |
|  | -----              | -----    | -----    |
| PER SHARE OPERATING PERFORMANCE:                         |                    |          |          |
| Net asset value, beginning of year .....                 | \$ 17.33           | \$ 16.05 | \$ 13.64 |
| Investment operations:                                   |                    |          |          |
| Net investment income .....                              | 1.28               | 2.01     | 1.17     |
| Net realized and unrealized gain (loss) .....            | (1.40)             | 0.04     | 2.01     |
| Net increase (decrease) from investment operations ..... | (0.12)             | 2.05     | 3.18     |
| Dividends from net investment income .....               | (1.19)             | (0.77)   | (0.77)   |
| Net asset value, end of year .....                       | \$ 16.02           | \$ 17.33 | \$ 16.05 |
| Market value, end of year .....                          | \$ 15.85           | \$ 16.18 | \$ 14.39 |
| TOTAL INVESTMENT RETURN(1) .....                         | 5.32%              | 18.34%   | 27.66%   |

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### RATIOS TO AVERAGE NET ASSETS:

|  |       |        |       |
|--|-------|--------|-------|
| Total expenses .....                                       | 2.43% | 2.50%  | 3.52% |
| Net expenses .....   | 2.43% | 2.50%  | 3.52% |
| Net expenses excluding interest expense and excise tax ... | 1.18% | 1.16%  | 1.16% |
| Net investment income .....                                | 7.54% | 12.22% | 7.93% |

### SUPPLEMENTAL DATA:

|   |          |          |          |
|---|----------|----------|----------|
| Average net assets (000) .....  | \$49,882 | \$48,731 | \$43,701 |
| Portfolio turnover .....  | 39%      | 35%      | 19%      |
| Net assets, end of year (000) .....                                   | \$47,381 | \$51,244 | \$47,466 |
| Reverse repurchase agreements outstanding,<br>end of year (000) ..... | \$19,953 | \$23,669 | \$13,373 |
| Asset coverage(2) .....   | \$ 3,375 | \$ 3,165 | \$ 4,550 |

-----

(1) Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each year reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

(2) Per \$1,000 of reverse repurchase agreements outstanding.

The information above represents the audited operating performance for a share outstanding, total investment returns, ratios to average net assets and other supplemental data for each year indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's shares.

See Notes to Financial Statements.

### FINANCIAL HIGHLIGHTS

-----  
 BLACKROCK CORE BOND TRUST (BHK)  
 -----

|  | YEAR ENDED<br>OCTOBER 31, 2003 | FOR THE<br>NOVEMBER 30<br>THRO<br>OCTOBER 3 |
|--|--------------------------------|---|
|  | -----                          | -----                                       |
| PER SHARE OPERATING PERFORMANCE:           |                                |   |
| Net asset value, beginning of period ..... | \$ 14.33                       | \$ 14                                       |
|  | -----                          | -----                                       |

Investment operations:

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|  |            |         |
|--|------------|---------|
| Net investment income .....  | 0.83       | 0       |
| Net realized and unrealized gain .....                             | 0.77       | 0       |
|  | -----      | -----   |
| Net increase from investment operations .....                      | 1.60       | 1       |
|  | -----      | -----   |
| Dividends and distributions:                                       |            |         |
| From net investment income .....                                   | (1.00)     | (1)     |
| Net realized gain .....  | (0.18)     | (1)     |
|  | -----      | -----   |
| Total dividends and distributions .....                            | (1.18)     | (1)     |
|  | -----      | -----   |
| Capital charges with respect to issuance of shares .....           | --         | (0)     |
|  | -----      | -----   |
| Net asset value, end of period .....                               | \$ 14.75   | \$ 14   |
|  | =====      | =====   |
| Market value, end of period .....                                  | \$ 13.57   | \$ 13   |
|  | =====      | =====   |
| <br>   |            |         |
| TOTAL INVESTMENT RETURN(3) .....                                   | 6.62%      | (1)     |
|  | =====      | =====   |
| RATIOS TO AVERAGE NET ASSETS:                                      |            |         |
| Total expenses .....   | 1.05%      | 1       |
| Net expenses .....   | 1.05%      | 1       |
| Net expenses excluding interest expense .....                      | 0.87%      | 0       |
| Net investment income .....  | 5.58%      | 7       |
| SUPPLEMENTAL DATA:   |            |         |
| Average net assets (000) .....                                     | \$ 401,049 | \$ 380, |
| Portfolio turnover .....   | 161%       |         |
| Net assets, end of period (000) .....                              | \$ 398,540 | \$ 387, |
| Reverse repurchase agreements outstanding, end of period (000) ... | \$ 91,668  | \$ 165, |
| Asset coverage(5) .....  | \$ 5,348   | \$ 3,   |

- 
- (1) Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.
  - (2) Net asset value, beginning of period, reflects a deduction of \$0.675 per share sales charge from the initial offering price of \$15.00 per share.
  - (3) Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
  - (4) Annualized.
  - (5) Per \$1,000 of reverse repurchase agreements outstanding.

The information above represents the audited operating performance for a share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's shares.



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See Notes to Financial Statements.

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## FINANCIAL HIGHLIGHTS

-----  
 BLACKROCK HIGH YIELD TRUST (BHY)  
 -----

|  | YEAR ENDED OCTOBER 31, |              |                 |
|--|------------------------|--------------|-----------------|
|  | 2003                   | 2002         | 2001            |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                |                        |              |                 |
| Net asset value, beginning of period .....             | \$ 6.13                | \$ 7.20      | \$ 10.60        |
| Investment operations:                                 |                        |              |                 |
| Net investment income .....                            | 1.06                   | 1.20         | 1.32            |
| Net realized and unrealized gain (loss) .....          | 0.89                   | (0.98)       | (3.13)          |
| Net increase (decrease) from investment operations xxx | 1.95                   | 0.22         | (1.81)          |
| Dividends and distributions:                           |                        |              |                 |
| From net investment income .....                       | (1.07)                 | (1.20)       | (1.48)          |
| Tax return of capital .....                            | (0.05)                 | (0.09)       | (0.11)          |
| Total dividends and distributions .....                | (1.12)                 | (1.29)       | (1.59)          |
| Capital charge with respect to issuance of shares .... | --                     | --           | --              |
| Net asset value, end of period .....                   | \$ 6.96                | \$ 6.13      | \$ 7.20         |
| Market value, end of period .....                      | \$ 10.25               | \$ 8.68      | \$ 9.18         |
| <b>TOTAL INVESTMENT RETURN(3) .....</b>                | <b>32.87%</b>          | <b>7.97%</b> | <b>(11.31)%</b> |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                   |                        |              |                 |
| Total expenses .....                                   | 3.07%                  | 3.45%        | 4.90%           |
| Net expenses .....                                     | 3.07%                  | 3.45%        | 4.90%           |
| Net expenses excluding interest expense .....          | 2.22%                  | 2.20%        | 2.03%           |
| Net investment income .....                            | 16.37%                 | 16.29%       | 14.23%          |
| <b>SUPPLEMENTAL DATA:</b>                              |                        |              |                 |
| Average net assets (000) .....                         | \$41,326               | \$46,751     | \$58,553        |
| Portfolio turnover .....                               | 30%                    | 147%         | 71%             |
| Net assets, end of period (000) .....                  | \$44,438               | \$38,953     | \$45,520        |
| Loan outstanding, end of period (000) .....            | \$19,250               | \$19,250     | \$23,000        |
| Asset coverage(5) .....                                | \$ 3,308               | \$ 3,024     | \$ 2,983        |

-----  
 (1) Commencement of investment operations. This information includes the initial investment by BlackRock Financial Management, Inc.

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- (2) Net asset value, beginning of period, reflects a deduction of \$0.675 per share sales charge from the initial offering price of \$15.00 per share.
- (3) Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
- (4) Annualized.
- (5) Per \$1,000 of loan outstanding.

The information above represents the audited operating performance for a share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's shares.

See Notes to Financial Statements.

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### FINANCIAL HIGHLIGHTS

-----  
BLACKROCK INCOME OPPORTUNITY TRUST (BNA)  
-----

|  | YEAR ENDED OCTOBER |          |          |
|--|--------------------|----------|----------|
|  | 2003               | 2002     | 2001     |
| <b>PER SHARE OPERATING PERFORMANCE:</b>              |                    |          |          |
| Net asset value, beginning of year .....             | \$ 11.83           | \$ 11.47 | \$ 11.03 |
| Investment operations:                               |                    |          |          |
| Net investment income .....                          | 0.84               | 1.15     | 0.87     |
| Net realized and unrealized gain (loss) .....        | 0.31               | (0.05)   | 0.34     |
| Net increase from investment operations .....        | 1.15               | 1.10     | 1.21     |
| Dividends and distributions:                         |                    |          |          |
| From net investment income .....                     | (0.81)             | (0.75)   | (0.23)   |
| From net realized gains .....                        | (0.24)             | --       | --       |
| Tax return of capital .....                          | --                 | --       | (0.54)   |
| Total dividends and distributions .....              | (1.05)             | (0.75)   | (0.77)   |
| Increase resulting from Trust shares repurchased ... | --                 | 0.01     | --       |

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|   |                              |                             |                              |
|---|------------------------------|-----------------------------|------------------------------|
| Net asset value, end of year .....                                    | -----<br>\$ 11.93<br>=====   | -----<br>\$ 11.83<br>=====  | -----<br>\$ 11.47<br>=====   |
| Market value, end of year .....                                       | -----<br>\$ 10.95<br>=====   | -----<br>\$ 10.50<br>=====  | -----<br>\$ 10.41<br>=====   |
| <br>TOTAL INVESTMENT RETURN(1) .....                                  | <br>-----<br>14.71%<br>===== | <br>-----<br>8.44%<br>===== | <br>-----<br>15.09%<br>===== |
| RATIOS TO AVERAGE NET ASSETS:   |                              |                             |                              |
| Total expenses .....  | 1.29%                        | 1.40%                       | 3.62%                        |
| Net expenses .....  | 1.29%                        | 1.40%                       | 3.62%                        |
| Net expenses excluding interest expense .....                         | 0.89%                        | 0.93%                       | 1.01%                        |
| Net investment income .....   | 6.99%                        | 10.04%                      | 7.76%                        |
| SUPPLEMENTAL DATA:  |                              |                             |                              |
| Average net assets (000) .....  | \$413,543                    | \$394,495                   | \$388,478                    |
| Portfolio turnover .....  | 46%                          | 153%                        | 83%                          |
| Net assets, end of year (000) .....                                   | \$410,981                    | \$407,480                   | \$397,756                    |
| Reverse repurchase agreements outstanding,<br>end of year (000) ..... | \$103,378                    | \$ 85,704                   | \$136,385                    |
| Asset coverage(2) .....   | \$ 4,976                     | \$ 5,755                    | \$ 3,916                     |

-----  
(1) Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each year reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

(2) Per \$1,000 of reverse repurchase agreements outstanding.

The information above represents the audited operating performance for a share outstanding, total investment returns, ratios to average net assets and other supplemental data for each year indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

-----  
BLACKROCK INCOME TRUST (BKT)  
-----

YEAR ENDED OCTOBER

-----  
2003                      2002                      2001  
-----

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### PER SHARE OPERATING PERFORMANCE:

|  |         |         |         |
|--|---------|---------|---------|
| Net asset value, beginning of year .....               | \$ 8.13 | \$ 8.06 | \$ 7.23 |
|  | -----   | -----   | -----   |
| Investment operations:                                 |         |         |         |
| Net investment income .....                            | 0.61    | 0.99    | 0.56    |
| Net realized and unrealized gain (loss) .....          | (0.52)  | (0.35)  | 0.83    |
|  | -----   | -----   | -----   |
| Net increase (decrease) from investment operations ... | 0.09    | 0.64    | 1.39    |
|  | -----   | -----   | -----   |
| Dividends from net investment income .....             | (1.01)  | (0.57)  | (0.56)  |
|  | -----   | -----   | -----   |
| Net asset value, end of year .....                     | \$ 7.21 | \$ 8.13 | \$ 8.06 |
|  | =====   | =====   | =====   |
| Market value, end of year .....                        | \$ 7.71 | \$ 8.07 | \$ 7.26 |
|  | =====   | =====   | =====   |
| TOTAL INVESTMENT RETURN(1) .....                       | 15.41%  | 15.35%  | 23.23%  |
|  | =====   | =====   | =====   |

### RATIOS TO AVERAGE NET ASSETS:

|   |       |        |       |
|---|-------|--------|-------|
| Total expense .....                           | 1.36% | 2.05%  | 2.54% |
| Net expenses .....                            | 1.36% | 2.05%  | 2.54% |
| Net expenses excluding interest expense ..... | 1.02% | 1.03%  | 1.03% |
| Net investment income .....                   | 8.18% | 12.28% | 7.43% |

### SUPPLEMENTAL DATA:

|   |           |           |           |
|---|-----------|-----------|-----------|
| Average net assets (000) .....  | \$472,676 | \$506,533 | \$470,185 |
| Portfolio turnover .....  | 64%       | 125%      | 32%       |
| Net assets, end of year (000) .....                                   | \$457,301 | \$511,385 | \$506,764 |
| Reverse repurchase agreements outstanding,<br>end of year (000) ..... | \$121,767 | \$205,792 | \$118,634 |
| Asset coverage(2) .....   | \$ 4,756  | \$ 3,485  | \$ 5,272  |

-----

(1) Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each year reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

(2) Per \$1,000 of reverse repurchase agreements outstanding.

The information above represents the audited operating performance for a share outstanding, total investment returns, ratios to average net assets and other supplemental data for each year indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's shares.

See Notes to Financial Statements.

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BLACKROCK LIMITED DURATION INCOME TRUST (BLW)

FOR THE PERIOD  
JULY 30, 2003(1)  
THROUGH  
OCTOBER 31, 2003

PER SHARE OPERATING PERFORMANCE:

|  |          |
|--|----------|
| Net asset value, beginning of period .....               | \$ 19.10 |
| Investment operations:                                   |          |
| Net investment income .....                              | 0.33     |
| Net realized and unrealized loss .....                   | 0.60     |
| Net increase from investment operations .....            | 0.93     |
| Dividends from net investment income .....               | (0.25)   |
| Capital charges with respect to issuance of shares ..... | (0.04)   |
| Net asset value, end of period .....                     | \$ 19.74 |
| Market value, end of period .....                        | \$ 18.80 |
| TOTAL INVESTMENT RETURN(3) .....                         | (4.77)%  |
| RATIOS TO AVERAGE NET ASSETS:                            |          |
| Total expenses .....                                     | 0.82%(4) |
| Net expenses .....                                       | 0.82%(4) |
| Net expenses excluding interest expense .....            | 0.79%(4) |
| Net investment income .....                              | 6.87%(4) |

SUPPLEMENTAL DATA:

|  |            |
|--|------------|
| Average net assets (000) .....                                     | \$ 686,655 |
| Portfolio turnover .....   | 127%       |
| Net assets, end of period (000) .....                              | \$ 724,747 |
| Reverse repurchase agreements outstanding, end of period (000) ... | \$ 118,993 |
| Asset coverage(5) .....  | \$ 7,091   |

- (1) Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.
- (2) Net asset value, beginning of period, reflects a deduction of \$0.90 per share sales charge from the initial offering price of \$20.00 per share.
- (3) Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

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(4) Annualized.

(5) Per \$1,000 of reverse repurchase agreements outstanding.

The information above represents the audited operating performance for a share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's shares.

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### FINANCIAL HIGHLIGHTS

-----  
 BLACKROCK STRATEGIC BOND TRUST (BHD)  
 -----

|  | YEAR ENDED<br>OCTOBER 31, 2003 | FOR THE PERIOD<br>FEBRUARY 28,<br>THROUGH<br>OCTOBER 31,<br>2002 |
|--|--------------------------------|--|
|  | -----                          | -----  |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                            |                                |  |
| Net asset value, beginning of period .....                         | \$ 12.63                       | \$ 14.33   |
|  | -----                          | -----  |
| Investment operations:   |                                |  |
| Net investment income .....  | 1.59                           | 0.98   |
| Net realized and unrealized loss .....                             | 2.34                           | (1.77)   |
|  | -----                          | -----  |
| Net increase from investment operations .....                      | 3.93                           | (0.79)   |
|  | -----                          | -----  |
| Dividends from net investment income .....                         | (1.49)                         | (0.84)   |
|  | -----                          | -----  |
| Capital charges with respect to issuance of shares .....           | --                             | (0.07)   |
|  | -----                          | -----  |
| Net asset value, end of period .....                               | \$ 15.07                       | \$ 12.63   |
|  | =====                          | =====  |
| Market value, end of period .....                                  | \$ 15.27                       | \$ 12.35   |
|  | =====                          | =====  |
| TOTAL INVESTMENT RETURN(3) .....                                   | 37.36%                         | (12.34)  |
|  | =====                          | =====  |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                               |                                |  |
| Total expenses .....   | 2.01%                          | 2.57   |
| Net expenses .....   | 1.71%                          | 2.26   |
| Net expenses excluding interest expense .....                      | 1.01%                          | 1.25   |
| Net investment income .....  | 11.32%                         | 10.68  |
| <b>SUPPLEMENTAL DATA:</b>  |                                |  |
| Average net assets (000) .....                                     | \$ 98,498                      | \$ 95,675  |
| Portfolio turnover .....   | 32%                            | 22   |
| Net assets, end of period (000) .....                              | \$106,045                      | \$ 88,594  |
| Reverse repurchase agreements outstanding, end of period (000) ... | \$ 45,872                      | \$ 44,223  |

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Asset coverage(5) ..... \$ 3,312

\$ 3,003

- 
- (1) Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.
  - (2) Net asset value, beginning of period, reflects a deduction of \$0.675 per share sales charge from the initial offering price of \$15.00 per share.
  - (3) Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
  - (4) Annualized.
  - (5) Per \$1,000 of reverse repurchase agreements outstanding.

The information above represents the audited operating performance for a share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's shares.

See Notes to Financial Statements.

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### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1. ORGANIZATION & ACCOUNTING POLICIES

The BlackRock Broad Investment Grade 2009 Term Trust Inc. ("Broad Investment Grade"), BlackRock Core Bond Trust ("Core Bond"), The BlackRock High Yield Trust ("High Yield"), BlackRock Income Opportunity Trust ("Income Opportunity"), The BlackRock Income Trust Inc. ("Income Trust"), BlackRock Limited Duration Income Trust ("Limited Duration") and BlackRock Strategic Bond Trust ("Strategic Bond") are registered as diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended. Broad Investment Grade, Income Opportunity and Income Trust are Maryland corporations. Core Bond, High Yield, Limited Duration and Strategic Bond are organized as Delaware statutory trusts. Limited Duration had no transactions before its commencement of investment operations on July 30, 2003 other than a sale to BlackRock Funding, Inc. of 6,021 common shares for \$115,001.

On December 3, 1999, Broad Investment Grade transferred a substantial portion of its total assets to a 100% owned regulated investment company subsidiary called BCT Subsidiary, Inc. The financial statements and these notes to the financial statements for Broad Investment Grade are consolidated and include the operations of both Broad Investment Grade and its wholly owned subsidiary after

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elimination of all intercompany transactions and balances.

The following is a summary of significant accounting policies followed by the Trusts.

**SECURITIES VALUATION:** The Trusts value most of their securities on the basis of current market quotations provided by dealers or pricing services selected under the supervision of each Trust's Board (the "Board") of Directors/Trustees ("Trustees"). In determining the value of a particular security, pricing services may use certain information with respect to transactions in such securities, quotations from dealers, market transactions in comparable securities, various relationships observed in the market between securities, and calculated yield measures based on valuation technology commonly employed in the market for such securities. Exchange traded options are valued at their last sales price as of the close of options trading on applicable exchanges. In the absence of a last sale, options are valued at the average of the quoted bid and asked prices as of the close of business. A futures contract is valued at the last sale price as of the close of the commodities exchange on which it trades. Short-term securities may be valued at amortized cost. Securities or other assets for which such current market quotations are not readily available are valued at fair value as determined in good faith under procedures established by, and under the general supervision and responsibility of, each Trust's Board.

**SECURITIES TRANSACTIONS AND INVESTMENT INCOME:** Securities transactions are recorded on trade date. Realized and unrealized gains and losses are calculated on the identified cost basis. Each Trust also records interest income on an accrual basis and amortizes premium and/or accretes discount on securities purchased using the interest method.

**REPURCHASE AGREEMENTS:** In connection with transactions in repurchase agreements, a Trust's custodian takes possession of the underlying collateral securities, the value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to ensure the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by a Trust may be delayed or limited.

**OPTION WRITING/PURCHASING:** When a Trust writes or purchases an option, an amount equal to the premium received or paid by the Trust is recorded as a liability or an asset and is subsequently adjusted to the current market value of the option written or purchased. Premiums received or paid from writing or purchasing options which expire unexercised are treated by the Trust on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on effecting a closing purchase or sale transaction, including brokerage commissions, is also treated as a realized gain or loss. If an option is exercised, the premium paid or received is added to the proceeds from the sale or cost of the purchase in determining whether a Trust has realized a gain or a loss on investment transactions. A Trust, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.

Options, when used by the Trusts, help in maintaining a targeted duration. Duration is a measure of the price sensitivity of a security or a portfolio to relative changes in interest rates. For instance, a duration of "one" means that a portfolio's or a security's price would be expected to change by approximately one percent with a one percent change in interest rates, while a duration of five would imply that the price would move approximately five percent in relation to a one percent change in interest rates.



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Option writing and purchasing may be used by the Trusts as an attempt to manage the duration of positions, or collections of positions, so that changes in interest rates do not adversely affect the targeted duration of the portfolio unexpectedly. A call option gives the purchaser of the option the right (but not obligation) to buy, and obligates the seller to sell (when the option is exercised), the underlying position at the exercise price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying position at the exercise price at any time or at a specified time during the option period. Put or call options can be purchased or sold to effectively help manage the targeted duration of the portfolio.

The main risk that is associated with purchasing options is that the option expires without being exercised. In this case, the option expires worthless and the premium paid for the option is considered the loss. The risk associated with writing call options is that a Trust may forgo the opportunity for a profit if the market value of the underlying position increases and the option is exercised. The risk in writing put options is that a Trust may incur a loss if the market value of the underlying position decreases and the option is exercised. In addition, as with futures contracts, the Trust risks not being able to enter into a closing transaction for the written option as the result of an illiquid market.

**INTEREST RATE SWAPS:** In an interest rate swap, one investor pays a floating rate of interest on a notional principal amount and receives a fixed rate of interest on the same notional principal amount for a specified period of time. Alternatively, an investor may pay a fixed rate and receive

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a floating rate. Interest rate swaps are efficient as asset/liability management tools. In more complex swaps, the notional principal amount may decline (or amortize) over time.

During the term of the swap, changes in the value of the swap are recognized as unrealized gains or losses by "marking-to-market" to reflect the market value of the swap. When the swap is terminated, a Trust will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust's basis in the contract, if any.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the swap. However, the Trusts closely monitor swaps and do not anticipate non-performance by any counterparty.

**SWAP OPTIONS:** Swap options are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate swap agreement at any time before the expiration of the option. Premiums received or paid from writing or purchasing options are recorded as liabilities or assets and are subsequently adjusted to the current market value of the option written or purchased. Premiums received or paid from writing or purchasing options which expire unexercised are treated by a Trust on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on effecting a closing purchase or sale transaction, including brokerage commission, is also treated as a realized gain or loss. If an option is exercised, the premium paid or received is added to the proceeds from the sale or cost of the purchase in determining whether a Trust has realized a gain or loss on investment transactions.

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The main risk that is associated with purchasing swap options is that the swap option expires without being exercised. In this case, the option expires worthless and the premium paid for the swap option is considered the loss. The main risk that is associated with the writing of a swap option is the market risk of an unfavorable change in the value of the interest rate swap underlying the written swap option.

Swap options may be used by the Trusts to manage the duration of the Trusts' portfolios in a manner similar to more generic options described above.

**INTEREST RATE CAPS:** Interest rate caps are similar to interest rate swaps, except that one party agrees to pay a fee, while the other party pays the excess, if any, of a floating rate over a specified fixed or floating rate.

Interest rate caps are intended to both manage the duration of the Trusts' portfolios and their exposure to changes in short-term interest rates. Owning interest rate caps reduces a portfolio's duration, making them less sensitive to changes in interest rates from a market value perspective. The effect on income involves protection from rising short-term interest rates, which the Trusts experience primarily in the form of leverage.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the interest rate cap. However, the Trusts do not anticipate non-performance by any counterparty.

Transactions fees paid or received by the Trusts are recognized as assets or liabilities and amortized or accreted into interest expense or income over the life of the interest rate cap. The asset or liability is subsequently adjusted to the current market value of the interest rate cap purchased or sold. Changes in the value of the interest rate cap are recognized as unrealized gains and losses.

**INTEREST RATE FLOORS:** Interest rate floors are similar to interest rate swaps, except that one party agrees to pay a fee, while the other party pays the deficiency, if any, of a floating rate under a specified fixed or floating rate.

Interest rate floors are used by the Trusts to both manage the duration of the portfolios and their exposure to changes in short-term interest rates. Selling interest rate floors reduces a portfolio's duration, making it less sensitive to changes in interest rates from a market value perspective. The Trusts' leverage provides extra income in a period of falling rates. Selling floors reduces some of that advantage by partially monetizing it as an up front payment which the Trusts receive.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the interest rate floor. However, the Trusts do not anticipate non-performance by any counterparty.

Transactions fees paid or received by the Trusts are recognized as assets or liabilities and amortized or accreted into interest expense or income over the life of the interest rate floor. The asset or liability is subsequently adjusted to the current market value of the interest rate floor purchased or sold. Changes in the value of the interest rate floor are recognized as unrealized gains and losses.

**FINANCIAL FUTURES CONTRACTS:** A futures contract is an agreement between two parties to buy and sell a financial instrument for a set price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are

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made or received, depending upon whether unrealized gains or losses are incurred. When the contract is closed, a Trust records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust's basis in the contract.

Financial futures contracts, when used by the Trusts, help in maintaining a targeted duration. Futures contracts can be sold to effectively shorten an otherwise longer duration portfolio. In the same sense, futures contracts can be purchased to lengthen a portfolio that is shorter than its duration target. Thus, by buying or selling futures contracts, the Trusts may attempt to manage the duration of positions so that changes in interest rates do not change the duration of the portfolio unexpectedly.

**FORWARD CURRENCY CONTRACTS:** The Trusts enter into forward currency contracts primarily to facilitate settlement of purchases and sales of foreign securities and to help manage the overall exposure to foreign currency. A forward contract is a commitment to purchase or sell a foreign currency at a future date (usually the security transaction settlement date) at a negotiated forward rate. In the event that a security fails to settle within the normal settlement period, the forward currency contract is renegotiated at a new rate. The gain or loss arising from the differ-

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ence between the settlement value of the original and renegotiated forward contracts is isolated and is included in net realized gains (losses) from foreign currency transactions. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contract.

Forward currency contracts, when used by the Trusts, help to manage the overall exposure to the foreign currency backing some of the investments held by the Trusts. Forward currency contracts are not meant to be used to eliminate all of the exposure to the foreign currency, rather they allow the Trusts to limit their exposure to foreign currency within a narrow band to the objectives of the Trusts.

**FOREIGN CURRENCY TRANSLATION:** Foreign currency amounts are translated into United States dollars on the following basis:

- (i) market value of investment securities, other assets and liabilities--at the New York City noon rates of exchange.
- (ii) purchases and sales of investment securities, income and expenses--at the rates of exchange prevailing on the respective dates of such transactions.

The Trusts isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Trusts isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of portfolio securities sold during the period.

Net realized and unrealized foreign exchange gains and losses including realized foreign exchange gains and losses from sales and maturities of foreign portfolio securities, maturities of foreign reverse repurchase agreements, sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of interest and discount recorded on the Trusts' books and the U.S. dollar equivalent amounts actually received or paid and changes in unrealized foreign

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exchange gains and losses in the value of portfolio securities and other assets and liabilities arising as a result of changes in the exchange rate.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the U.S. dollar.

**SHORT SALES:** The Trusts may make short sales of securities as a method of managing potential price declines in similar securities owned. When a Trust makes a short sale, it may borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Trusts may have to pay a fee to borrow the particular securities and may be obligated to pay over any payments received on such borrowed securities. A gain, limited to the price at which the Trust sold the security short, or a loss, unlimited as to dollar amount, will be recognized upon the termination of a short sale if the market price is greater or less than the proceeds originally received.

**SECURITY LENDING:** The Trusts may lend their portfolio securities to qualified institutions. The loans are secured by collateral at least equal, at all times, to the market value of the securities loaned. The Trusts may bear the risk of delay in recovery of, or even loss of rights in, the securities loaned should the borrower of the securities fail financially. The Trusts receive compensation for lending their securities in the form of interest on the loan. The Trusts also continue to receive interest on the securities loaned, and any gain or loss in the market price of the securities loaned that may occur during the term of the loan will be for the accounts of the Trusts. The Trusts did not enter into any security lending transactions during the period ended October 31, 2003.

**SEGREGATION:** In cases in which the Investment Company Act of 1940, as amended, and the interpretive positions of the Securities and Exchange Commission ("SEC") require that each Trust segregate assets in connection with certain investments (e.g., when issued securities, reverse repurchase agreements or futures contracts), each Trust will, consistent with certain interpretive letters issued by the SEC, designate on its books and records cash or other liquid debt securities having a market value at least equal to the amount that would otherwise be required to be physically segregated.

**FEDERAL INCOME TAXES:** It is each Trust's (excluding Limited Duration) intention to continue, and Limited Duration intends to elect, to be treated as a regulated investment company under the Internal Revenue Code and to distribute sufficient amounts of their taxable income to shareholders. Therefore, no Federal income tax provisions are required. As part of a tax planning strategy, Broad Investment Grade intends to retain a portion of its taxable income and pay an excise tax on the undistributed amounts.

**DIVIDENDS AND DISTRIBUTIONS:** Each Trust declares and pays dividends and distributions to common shareholders monthly from net investment income, net realized short-term capital gains and other sources, if necessary. Net long-term capital gains, if any, in excess of loss carryforwards may be distributed annually. Dividends and distributions are recorded on the ex-dividend date.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America.

**ESTIMATES:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and

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expenses during the reporting period. Actual results could differ from these estimates.

DEFERRED COMPENSATION AND BLACKROCK CLOSED-END SHARE EQUIVALENT INVESTMENT PLAN: Under the revised deferred compensation plan approved by each Trust's Board, non-interested Trustees may elect to defer receipt of all or a portion of their annual compensation. As of January 1, 2003, the Board elected to require its non-interested members to defer a portion of their annual complex compensation pursuant to the plan. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of other BlackRock closed-end funds selected by the Trustees. This has the same economic effect for the Trustees as if the Trustees had invested the deferred amounts in such Trusts.

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Trust. Each Trust may, however, elect to invest in common shares of those Trusts selected by the Trustees/Directors in order to match its deferred compensation obligations.

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RECLASSIFICATION OF CAPITAL ACCOUNTS: In order to present undistributed (distribution in excess of) net investment income ("UNII"), accumulated net realized gain ("Accumulated Gain") and paid-in capital ("PIC") more closely to its tax character the following accounts, for each Trust, were increased (decreased):

| TRUST                  | UNII       | ACCUMULATED GAIN | PIC            |
|------------------------|------------|------------------|----------------|
| -----                  | -----      | -----            | -----          |
| Broad Investment Grade | \$ 612,604 | \$ 443,366       | \$ (1,055,970) |
| Core Bond              | 4,872,347  | (4,861,017)      | (11,330)       |
| High Yield             | 350,184    |                  | (350,184)      |
| Income Opportunity     | (198,402)  | 198,402          |                |
| Income Trust           |            | 10,359,634       | (10,359,634)   |
| Limited Duration       | 15,000     |                  | (15,000)       |
| Strategic Bond         | 25,000     |                  | (25,000)       |

### NOTE 2. AGREEMENTS

Each Trust has an Investment Management Agreement with BlackRock Advisors, Inc. (the "Advisor"), which is a wholly owned subsidiary of BlackRock, Inc. BlackRock Financial Management, Inc., a wholly owned subsidiary of BlackRock, Inc., serves as sub-advisor to Core Bond, Limited Duration and Strategic Bond. BlackRock, Inc. is an indirect, majority owned subsidiary of The PNC Financial Services Group, Inc. The investment management agreement for Core Bond, Limited Duration and Strategic Bond covers both investment advisory and administration services. Broad Investment Grade had an Administration Agreement with Princeton Administrators, L.P. ("Princeton"), an indirect wholly owned affiliate of Merrill Lynch & Co., Inc. High Yield, Income Opportunity and Income Trust each had an Administration Agreement with Prudential Investments LLC ("Prudential"), an indirect wholly owned subsidiary of Prudential Financial, Inc.

Each Trust's investment advisory fee paid to the Advisor is computed weekly and payable monthly based on an annual rate, 0.55% for Broad Investment Grade, 0.60% for Income Opportunity and 0.65% for Income Trust, of each Trust's average net assets and 0.55% for Core Bond and Limited Duration, 1.05% for High Yield and 0.75% for Strategic Bond, of each Trust's average weekly managed assets. The Advisor has voluntarily agreed to waive a portion of the investment advisory fees or other expenses on Strategic Bond as a percentage of its average weekly managed assets as follows: 0.20% for the first 5 years of the Trust's

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operations, 0.15% in year 6, 0.10% in year 7 and 0.05% in year 8.

The administration fee paid to each Trust's respective administrator, on other than Core Bond, Limited Duration and Strategic Bond, is computed weekly and payable monthly based on an annual rate, 0.15% for Broad Investment Grade, 0.10% for Income Opportunity and 0.20% of the first \$500 million and 0.15% on any excess for Income Trust, of each Trust's average net assets and 0.10% for High Yield based on its average weekly managed assets.

On May 22, 2003, the Board approved the change of the Trusts' administrators to the Advisor. The new administration agreements became effective August 18, 2003. The administration fee structures for Broad Investment Grade, Income Opportunity and High Yield, as described above, remain unchanged under the new administration agreements. Income Trust's new administration fee is 0.15% of its average weekly net assets.

Pursuant to the agreements, the Advisor provides continuous supervision of the investment portfolio and pays the compensation of officers of each Trust who are affiliated persons of the Advisor. The Advisor pays occupancy and certain clerical and accounting costs for Core Bond, Limited Duration and Strategic Bond. Each Trust's respective administrator pays occupancy and certain clerical and accounting costs of their respective Trust(s). Each Trust bears all other costs and expenses, which include reimbursements to the Advisor for certain operational support services provided to each Trust.

Pursuant to the terms of their custody agreements, Core Bond, High Yield, Income Opportunity, Income Trust and Strategic Bond received earnings credits from its custodian for positive cash balances maintained, which are used to offset custody fees.

### NOTE 3. PORTFOLIO SECURITIES

Purchases and sales of investment securities, other than short-term investments, dollar rolls and U.S. government securities, for the year ended October 31, 2003, aggregated as follows:

| TRUST                  | PURCHASES     | SALES         |
|------------------------|---------------|---------------|
| Broad Investment Grade | \$ 9,518,939  | \$ 17,566,287 |
| Core Bond              | 1,802,685,560 | 447,259,526   |
| High Yield             | 17,429,401    | 21,150,056    |
| Income Opportunity     | 254,047,342   | 230,794,922   |
| Income Trust           | 191,331,458   | 124,033,582   |
| Limited Duration       | 2,374,989,704 | 554,303,341   |
| Strategic Bond         | 41,918,181    | 43,796,771    |

Purchases and sales of U.S. government securities for the year ended October 31, 2003, aggregated as follows:

| TRUST                  | PURCHASES     | SALES        |
|------------------------|---------------|--------------|
| Broad Investment Grade | \$ 10,556,264 | \$ 1,817,063 |
| Core Bond              | 590,274,891   | 594,380,609  |
| High Yield             | --            | --           |
| Income Opportunity     | 26,261,365    | 33,652,852   |
| Income Trust           | 421,835,640   | 269,779,710  |
| Limited Duration       | 155,160,852   | 76,878,768   |
| Strategic Bond         | 2,828,040     | 3,026,708    |

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Each Trust may from time to time purchase in the secondary market certain mortgage pass-through securities packaged or master serviced by affiliates or mortgage related securities containing loans or mortgages originated by PNCBank or its affiliates, including Midland Loan Services, Inc. It is possible under certain circumstances, that PNC Mortgage Securities Corp. or its affiliates, including Midland Loan Services, Inc., could have interests that are in conflict with the holders of these mortgage backed securities, and such holders could have rights against PNC Mortgage Securities Corp. or its affiliates, including Midland Loan Services, Inc.

At October 31, 2003, the total cost of securities for Federal income tax purposes and the aggregate gross unrealized appreciation and depreciation for securities held by each Trust were as follows:

| TRUST                  | COST          | APPRECIATION | DEPRECIATION | NET          |
|------------------------|---------------|--------------|--------------|--------------|
| Broad Investment Grade | \$ 64,723,574 | \$ 3,764,776 | \$ 2,842,648 | \$ 922,128   |
| Core Bond              | 536,291,164   | 12,242,474   | 4,468,920    | 7,773,554    |
| High Yield             | 75,461,110    | 5,124,302    | 19,127,466   | (14,003,164) |
| Income Opportunity     | 542,949,432   | 21,880,827   | 6,018,214    | 15,862,613   |
| Income Trust           | 717,455,177   | 26,541,762   | 34,584,117   | (8,042,355)  |
| Limited Duration       | 1,043,259,320 | 23,014,432   | 1,139,044    | 21,875,388   |
| Strategic Bond         | 140,787,210   | 8,071,541    | 2,498,716    | 5,572,825    |

For Federal income tax purposes, the following Trusts had capital loss carryforwards as of their last respective tax year end. These amounts may be used to offset future realized capital gains, if any:

| TRUST                  | CAPITAL LOSS<br>CARRYFORWARDS AMOUNT | EXPIRES | TRUST              | CAPITAL LOSS<br>CARRYFORWARDS A |
|------------------------|--------------------------------------|---------|--------------------|---------------------------------|
| Broad Investment Grade | \$ 85,817                            | 2008    | Income Opportunity | \$ 1,978,381                    |
|                        | 131,829                              | 2011    |                    | =====                           |
|                        | \$ 217,646                           |         | INCOME TRUST       | \$27,373,194                    |
|                        | =====                                |         |                    | 33,107,952                      |
| High Yield             | \$ 3,443,603                         | 2007    |                    | 1,352,206                       |
|                        | 3,270,311                            | 2008    |                    | 13,940,898                      |
|                        | 15,159,280                           | 2009    |                    | 21,960,613                      |
|                        | 8,468,860                            | 2010    |                    | -----                           |
|                        | 4,771,417                            | 2011    |                    | \$97,734,863                    |
|                        | -----                                |         | Strategic Bond     | =====                           |
|                        | \$35,113,471                         |         |                    | \$ 316,708                      |
|                        | =====                                |         |                    | 1,177,052                       |
|                        |                                      |         |                    | -----                           |
|                        |                                      |         |                    | \$ 1,493,760                    |
|                        |                                      |         |                    | =====                           |

Accordingly, no capital gain distributions are expected to be paid to shareholders of a Trust until that Trust has net realized capital gains in excess of its carryforward amounts.

Details of open financial futures contracts at October 31, 2003, were as follows:

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| TRUST                  | NUMBER OF CONTRACTS | TYPE               | EXPIRATION DATE | VALUE AT TRADE DATE | VALUE AT OCTOBER 31, 2003 |
|------------------------|---------------------|--------------------|-----------------|---------------------|---------------------------|
| LONG POSITION:         |                     |                    |                 |                     |                           |
| Broad Investment Grade | 60                  | 10 Yr. U.S. T-Note | Dec. '03        | \$ 6,628,781        | \$ 6,700,000              |
|                        | 50                  | 30 Yr. U.S. T-Bond | Dec. '03        | 5,246,876           | 5,400,000                 |
| Core Bond              | 422                 | 30 Yr. U.S. T-Bond | Dec. '03        | 44,332,486          | 45,800,000                |
| Income Opportunity     | 826                 | 10 Yr. U.S. T-Note | Dec. '03        | 91,388,531          | 92,700,000                |
|                        | 380                 | 30 Yr. U.S. T-Bond | Dec. '03        | 39,907,169          | 41,300,000                |
| Income Trust           | 350                 | 30 Yr. U.S. T-Bond | Dec. '03        | 36,723,694          | 38,000,000                |
| SHORT POSITION:        |                     |                    |                 |                     |                           |
| Core Bond              | 718                 | 5 Yr. U.S. T-Note  | Dec. '03        | \$ 79,256,986       | \$ 80,200,000             |
|                        | 177                 | 10 Yr. U.S. T-Note | Dec. '03        | 19,709,270          | 19,800,000                |
|                        | 49                  | 10 Yr. U.S. T-Note | Mar. '04        | 5,399,033           | 5,400,000                 |
| Income Opportunity     | 979                 | 5 Yr. U.S. T-Note  | Dec. '03        | 107,510,114         | 109,400,000               |

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| TRUST        | NUMBER OF CONTRACTS | TYPE               | EXPIRATION DATE | VALUE AT TRADE DATE | VALUE AT OCTOBER 31, 2003 |
|--------------|---------------------|--------------------|-----------------|---------------------|---------------------------|
| Income Trust | 436                 | 10 Yr. U.S. T-Note | Dec. '03        | 23,671,102          | 24,256,125                |
|              | 30                  | Euro Dollar        | Jun. '04        | 7,346,137           | 7,376,250                 |
|              | 30                  | Euro Dollar        | Sep. '04        | 7,316,513           | 7,345,875                 |
|              | 30                  | Euro Dollar        | Dec. '04        | 7,289,137           | 7,312,125                 |
|              | 30                  | Euro Dollar        | Mar. '05        | 7,266,638           | 7,281,750                 |
|              | 25                  | Euro Dollar        | Jun. '05        | 6,036,781           | 6,045,625                 |
|              | 25                  | Euro Dollar        | Sep. '05        | 6,021,156           | 6,025,625                 |
|              | 25                  | Euro Dollar        | Dec. '05        | 6,006,157           | 6,009,063                 |
|              | 25                  | Euro Dollar        | Mar. '06        | 5,992,406           | 5,994,063                 |

Core Bond had open forward currency contracts at October 31, 2003, were as



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follows:

| TRUST AND FOREIGN CURRENCY | SETTLEMENT DATE | CONTRACT TO RECEIVE | VALUE AT SETTLEMENT DATE | VALUE AT OCTOBER 31, 2003 | UNREALIZED APPRECIATION (DEPRECIATION) |
|----------------------------|-----------------|---------------------|--------------------------|---------------------------|--|
| SOLD:                      |                 |                     |                          |                           |  |
| Canadian Dollar            | 01/12/04        | 6,264,653 \$        | \$ 4,713,369             | \$ 4,733,640              | \$ (20,271)                            |
| Euro                       | 01/08/04        | 14,232,091 Euro     | 16,509,226               | 16,491,551                | 17,675                                 |
| Swedish Krona              | 01/07/04        | 39,660,864 kr       | 5,134,757                | 5,064,974                 | 69,783                                 |
|                            |                 |                     |                          |                           | -----                                  |
|                            |                 |                     |                          |                           | \$ 67,087                              |
|                            |                 |                     |                          |                           | =====                                  |

Income Trust held one interest rate floor. Under the agreement, Income Trust pays the excess, if any, of a fixed rate over a floating rate. Income Trust received a transaction fee for the floor. Transaction fees are amortized through the termination of the agreement. Details of the interest rate floor held at October 31, 2003, were as follows:

| NOTIONAL AMOUNT (000) | FIXED RATE | FLOATING RATE | TERMINATION DATE | AMORTIZED COST | UNREALIZED APPRECIATION (DEPRECIATION) |
|-----------------------|------------|---------------|------------------|----------------|--|
| \$23,000              | 6.00%      | 1-month LIBOR | 1/25/05          | \$417,375      | \$ (417,375)                           |
|                       |            |               |                  | =====          | -----                                  |

Details of open interest rate swaps at October 31, 2003, were as follows:

| TRUST              | NOTIONAL AMOUNT (000) | FIXED RATE | UNREALIZED FLOATING RATE | TERMINATION DATE | APPRECIATION (DEPRECIATION) |
|--------------------|-----------------------|------------|--------------------------|------------------|-----------------------------|
| Core Bond          | \$25,000              | 2.64% (a)  | 3-month LIBOR            | 8/14/06          | \$ (25,906)                 |
|                    | 21,800                | 3.52% (a)  | 3-month LIBOR            | 9/26/08          | (182,715)                   |
|                    | 5,700                 | 3.52% (a)  | 3-month LIBOR            | 9/26/08          | (31,848)                    |
|                    | 10,800                | 3.57% (b)  | 3-month LIBOR            | 10/31/08         | 52,162                      |
|                    | 4,400                 | 5.82% (b)  | 3-month LIBOR            | 11/27/24         | --                          |
|                    |                       |            |                          |                  |                             |
|                    |                       |            |                          |                  | \$ (188,307)                |
|                    |                       |            |                          |                  | =====                       |
| Income Opportunity | \$47,000              | 5.73% (a)  | 3-month LIBOR            | 5/4/06           | \$2,620,762                 |
|                    | 50,000                | 2.64% (a)  | 3-month LIBOR            | 8/14/06          | (54,951)                    |
|                    | 8,000                 | 3.52% (a)  | 3-month LIBOR            | 9/26/08          | (44,800)                    |
|                    | 11,500                | 3.57% (B)  | 3-MONTH LIBOR            | 10/31/08         | 55,543                      |
|                    | 7,000                 | 5.23% (b)  | 3-month LIBOR            | 11/4/21          | 77,741                      |
|                    | 4,800                 | 5.82% (b)  | 3-month LIBOR            | 11/27/24         | --                          |
|                    |                       |            |                          |                  | -----                       |
|                    |                       |            |                          |                  | \$2,654,295                 |
|                    |                       |            |                          |                  | =====                       |

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|              |          |           |               |          |             |
|--------------|----------|-----------|---------------|----------|-------------|
| Income Trust | \$50,000 | 2.64% (a) | 3-month LIBOR | 8/14/06  | \$ (54,951) |
|              | 24,000   | 3.55% (a) | 3-month LIBOR | 10/26/06 | 537,931     |
|              | 11,200   | 3.52% (a) | 3-month LIBOR | 9/26/08  | (62,720)    |
|              | 12,400   | 3.57% (b) | 3-month LIBOR | 10/31/08 | 59,892      |
|              | 25,000   | 5.23% (b) | 3-month LIBOR | 8/15/23  | 451,344     |
|              | 5,100    | 5.82% (b) | 3-month LIBOR | 11/27/24 | --          |
|              |          |           |               |          | -----       |
|              |          |           |               |          | \$ 931,496  |
|              |          |           |               |          | =====       |

- 
- (a) Trust pays floating interest rate and receives fixed rate.  
(b) Trust pays fixed interest rate and receives floating rate.

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Transactions in options written during the year ended October 31, 2003, were as follows:

| TRUST   | CONTRACTS/<br>NOTIONAL<br>AMOUNT<br>(000) | PREMIUM<br>RECEIVED |
|---|---|---------------------|
| -----   | -----                                     | -----               |
| CORE BOND   |   |                     |
| Options outstanding at October 31, 2002             | \$ 138                                    | \$ 199,639          |
| Options written                                     | 113,366                                   | 2,291,544           |
| Options expired                                     | (138)                                     | (199,639)           |
| Options terminated in closing purchase transactions | (7,658)                                   | (222,143)           |
|   | -----                                     | -----               |
| Options outstanding at October 31, 2003             | \$105,708                                 | \$2,069,401         |
|   | =====                                     | =====               |
| INCOME OPPORTUNITY                                  |   |                     |
| Options outstanding at October 31, 2002             | \$ 6,000                                  | \$ 124,460          |
| Options written                                     | 123,340                                   | 2,432,578           |
| Options expired                                     | (3,000)                                   | (56,660)            |
| Options terminated in closing purchase transactions | (3,000)                                   | (67,800)            |
|   | -----                                     | -----               |
| Options outstanding at October 31, 2003             | \$123,340                                 | \$2,432,578         |
|   | =====                                     | =====               |
| INCOME TRUST  |   |                     |
| Options outstanding at October 31, 2002             | \$ 22,000                                 | \$ 456,353          |
| Options written                                     | 150,485                                   | 3,054,224           |
| Options expired                                     | (11,000)                                  | (207,753)           |
| Options terminated in closing purchase transactions | (11,000)                                  | (248,600)           |
|   | -----                                     | -----               |
| Options outstanding at October 31, 2003             | \$150,485                                 | \$3,054,224         |
|   | =====                                     | =====               |

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### NOTE 4. BORROWINGS

REVERSE REPURCHASE AGREEMENTS: The Trusts may enter into reverse repurchase agreements with qualified, third-party broker-dealers as determined by and under the direction of the Trusts' Board. Interest on the value of reverse repurchase agreements issued and outstanding is based upon competitive market rates at the time of issuance. At the time a Trust enters into a reverse repurchase agreement, it will establish and maintain a segregated account with the lender, containing liquid investment grade securities having a value not less than the repurchase price, including accrued interest of the reverse repurchase agreement.

The average daily balance and weighted average interest rate of reverse repurchase agreements during the year ended October 31, 2003, were as follows:

| TRUST<br>-----         | AVERAGE DAILY<br>BALANCE<br>----- | WEIGHTED AVERAGE<br>INTEREST RATE<br>----- |
|------------------------|-----------------------------------|--|
| Broad Investment Grade | \$ 19,408,552                     | 1.21%                                      |
| Core Bond              | 67,591,003                        | 1.05%                                      |
| Income Opportunity     | 136,171,515                       | 1.22%                                      |
| Income Trust           | 135,804,028                       | 1.17%                                      |
| Limited Duration       | 26,590,763                        | 0.76%                                      |
| Strategic Bond         | 46,036,350                        | 1.51%                                      |

DOLLAR ROLLS: The Trusts may enter into dollar rolls in which a Trust sells securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities on a specified future date. During the roll period the Trusts forgo principal and interest paid on the securities. The Trusts will be compensated by the interest earned on the cash proceeds of the initial sale and/or by the lower repurchase price at the future date.

LOAN PAYABLE: High Yield has a \$32 million committed credit facility (the "facility"). Under the terms of the facility, the Trust borrows at the London Interbank Offered Rate ("LIBOR") plus facility and administrative fees. In addition, the Trust pays a liquidity fee on the unused portion of the facility. The Trust may borrow up to 33 1/3% of its total assets up to the committed amount. In accordance with the terms of the debt agreement, the Trust has pledged its portfolio assets as collateral for the borrowing.

For the year ended October 31, 2003, High Yield borrowed a daily weighted average balance of \$19,250,000 at a weighted average interest rate at 1.96%.

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### NOTE 5. CAPITAL

There are 200 million of \$0.01 par value common shares authorized for Broad Investment Grade, Income Opportunity and Income Trust. There are an unlimited number of \$0.001 par value common shares authorized for Core Bond, High Yield, Limited Duration and Strategic Bond. At October 31, 2003, the common shares outstanding and the shares owned by affiliates of the Advisor of each Trust were:

| TRUST<br>----- | COMMON SHARES<br>OUTSTANDING<br>----- | COMMON SHARES<br>OWNED<br>----- |
|----------------|---------------------------------------|---------------------------------|
|----------------|---------------------------------------|---------------------------------|

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|                        |            |       |
|------------------------|------------|-------|
| Broad Investment Grade | 2,957,093  | 7,093 |
| Core Bond              | 27,018,774 | 9,425 |
| High Yield             | 6,381,648  | --    |
| Income Opportunity     | 34,449,693 | --    |
| Income Trust           | 63,389,691 | --    |
| Limited Duration       | 36,706,021 | 8,029 |
| Strategic Bond         | 7,035,621  | 9,425 |

Transactions in common shares of beneficial interest for the periods ended October 31, 2003, were as follows:

| TRUST            | SHARES FROM                |                                 |                          | NET INCREASE<br>SHARES OUTSTANDING |                              |
|------------------|----------------------------|---------------------------------|--------------------------|------------------------------------|------------------------------|
|                  | INITIAL PUBLIC<br>OFFERING | UNDERWRITERS'<br>OVER-ALLOTMENT | EXERCISING THE<br>OPTION |                                    | REINVESTMENT<br>OF DIVIDENDS |
| High Yield       | --                         | --                              | --                       | 29,680                             | 56,720                       |
| Income Trust     | --                         | --                              | --                       | 514,874                            | 514,874                      |
| Limited Duration | 34,306,021                 | 2,400,000                       | --                       | --                                 | 36,706,021                   |
| Strategic Bond   | --                         | --                              | --                       | 19,467                             | 19,467                       |

Transactions in common shares of beneficial interest for the periods ended October 31, 2002, were as follows:

| TRUST          | SHARES FROM                |                                 |                          | NET INCREASE<br>SHARES OUTSTANDING |                              |
|----------------|----------------------------|---------------------------------|--------------------------|------------------------------------|------------------------------|
|                | INITIAL PUBLIC<br>OFFERING | UNDERWRITERS'<br>OVER-ALLOTMENT | EXERCISING THE<br>OPTION |                                    | REINVESTMENT<br>OF DIVIDENDS |
| Core Bond      | 25,009,425                 | 2,000,000                       | --                       | 9,349                              | 27,018,774                   |
| High Yield     | --                         | --                              | --                       | 27,048                             | 27,048                       |
| Strategic Bond | 7,009,425                  | --                              | --                       | 6,729                              | 7,016,154                    |

During the year ended October 31, 2002, Income Opportunity repurchased a total of 238,100 shares of its outstanding common shares at a cost of \$2,381,796, at an average discount of approximately 9.8% from its net asset value. These shares are being held in treasury.

Offering costs incurred in connection with Core Bond, Limited Duration and Strategic Bond offering of common shares have been charged to paid-in capital in excess of par of the common shares were \$765,000, \$1,222,110 and \$490,000, respectively.

### NOTE 6. DIVIDENDS

Subsequent to October 31, 2003, the Board of each of the Trusts declared dividends per common share payable November 28, 2003, to shareholders of record on November 14, 2003. The per share common dividends declared were as follows:

| TRUST                  | COMMON DIVIDEND<br>PER SHARE |
|------------------------|------------------------------|
| Broad Investment Grade | \$0.075000                   |
| Core Bond              | 0.087500                     |

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|                    |          |
|--------------------|----------|
| High Yield         | 0.084167 |
| Income Opportunity | 0.070000 |
| Income Trust       | 0.051042 |
| Limited Duration   | 0.125000 |
| Strategic Bond     | 0.130000 |

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### INDEPENDENT AUDITORS' REPORT

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To the Board of Directors/Trustees and Shareholders of:

BlackRock Broad Investment Grade 2009 Term Trust  
BlackRock Core Bond Trust  
BlackRock High Yield Trust  
BlackRock Income Opportunity Trust  
BlackRock Income Trust  
BlackRock Limited Duration Income Trust  
BlackRock Strategic Bond Trust

We have audited the accompanying statements of assets and liabilities of each of the above mentioned Trusts, including the portfolios of investments, as of October 31, 2003, and the related statements of operations and cash flows for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Trusts' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures, included confirmation of securities owned as of October 31, 2003, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the Trusts as of October 31, 2003, the results of their operations and their cash flows for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
December 18, 2003

DIVIDEND REINVESTMENT PLANS

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Pursuant to each Trust's respective Dividend Reinvestment Plan (the "Plan"), shareholders of Broad Investment Grade, Income Opportunity and Income Trust may elect, while shareholders of Core Bond, High Yield, Limited Duration and Strategic Bond are automatically enrolled, to have all distributions of dividends and capital gains reinvested by EquiServe Trust Company, N.A. (the "Plan Agent") in the respective Trust's shares pursuant to the Plan. Shareholders who do not participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholders of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, which serves as agent for the shareholders in administering the Plan.

After Broad Investment Grade and/or Income Opportunity Trust declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants' account, by the purchase of outstanding shares on the open market, on the Trust's primary exchange or elsewhere ("open market purchases"). The Trust will not issue any new shares under the Plan.

After Core Bond, High Yield, Income Trust, Limited Duration and/or Strategic Bond declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants' account, depending upon the circumstances described below, either (i) through receipt of unissued but authorized shares from the Trust ("newly issued shares") or (ii) by open market purchases. If, on the dividend payment date, the NAV is equal to or less than the market price per share plus estimated brokerage commissions (such condition being referred to herein as "market premium"), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participants. The number of newly issued shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the NAV on the date the shares are issued. However, if the NAV is less than 95% of the market price on the payment date, the dollar amount of the dividend will be divided by 95% of the market price on the payment date. If, on the dividend payment date, the NAV is greater than the market value per share plus estimated brokerage commissions (such condition being referred to herein as "market discount"), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open-market purchases.

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by each Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any Federal income tax that may be payable on such dividends or distributions.

Each Trust reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, each Trust reserves

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the right to amend the Plan to include a service charge payable by the participants. Participants that request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and a \$0.15 per share sold brokerage commission. All correspondence concerning the Plan should be directed to the Plan Agent at 150 Royall Street, Canton, MA 02021 or (800) 699-1BFM.

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### TRUSTEES INFORMATION

#### INDEPENDENT TRUSTEES

| Name, address, age                                     | Andrew F. Brimmer<br>P.O. Box 4546<br>New York, NY 10163-4546<br>Age: 77   | Richard E. Cavanagh<br>P.O. Box 4546<br>New York, NY 10163-4546<br>Age: 57   | K<br>P<br>N<br>A                     |
|--|--|--|--------------------------------------|
| Current positions held with the Trusts                 | Lead Trustee<br>Audit Committee Chairman(2)  | Trustee<br>Audit Committee Member  | T<br>A                               |
| Term of office and length of time served               | 3 years(4)/since inception   | 3 years(4)/since inception(5)  | 3                                    |
| Principal occupations during the past five years       | President of Brimmer & Company, Inc., a Washington, D.C.-based economic and financial consulting firm, also Wilmer D. Barrett Professor of Economics, University of Massachusetts - Amherst. Formerly member of the Board of Governors of the Federal Reserve System. Former Chairman, District of Columbia Financial Control Board. | President and Chief Executive Officer of The Conference Board, Inc., a leading global business membership organization, from 1995-present. Former Executive Dean of the John F. Kennedy School of Government at Harvard University from 1988-1995. Acting Director, Harvard Center for Business and Government (1991-1993). Formerly Partner (principal) of McKinsey & Company, Inc. (1980- 1988). Former Executive Director of Federal Cash Management, White House Office of Management and Budget (1977-1979). Co-author, THE WINNING PERFORMANCE (best selling management book published in 13 national editions). | C<br>P<br>O<br>S<br>B<br>f<br>P<br>O |
| Number of portfolios over-seen within the fund complex | 48   | 48   | 4                                    |

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 Other Directorships held  
 outside of the fund  
 complex

Director of CarrAmerica Realty Corporation and Borg-Warner Automotive. Formerly Director of Airborne Express, BankAmerica Corporation (Bank of America), Bell South Corporation, College Retirement Equities Fund (Trustee), Commodity Exchange, Inc. (Public Governor), Connecticut Mutual Life Insurance Company, E.I. du Pont de Nemours & Company, Equitable Life Assurance Society of the United States, Gannett Company, Mercedes-Benz of North America, MNC Financial Corporation (American Security Bank), NCM Capital Management, Navistar International Corporation, PHH Corp. and UAL Corporation (United Airlines).

Trustee: Airplanes Group, Aircraft Finance Trust (AFT) and Educational Testing Service (ETS). Director, Arch Chemicals, Fremont Group and The Guardian Life Insurance Company of America.

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 For "Interested Director/  
 Trustee" Relationships, events  
 or transactions by reason of  
 which the Trustee is an  
 interested person as defined  
 in Section 2(a) (19) (1940 Act)

- 
- (1) Interested Trustee as defined by Section 2(a) (19) of the Investment Company Act of 1940.
  - (2) The Board of each Trust has determined that each Trust has two Audit Committee financial experts serving on its Audit Committee, Dr. Brimmer and Mr. Dixon, both of whom are independent for the purpose of the definition of Audit Committee financial expert as applicable to the Trusts.
  - (3) Trustee since inception; appointed Chairman of the Board on August 22, 2002.
  - (4) The Board is classified into three classes of which one class is elected annually. Each Trustee serves a three year term concurrent with the class from which he is elected.
  - (5) For Broad Investment Grade, Income Opportunity and Income Trust appointed Director on 08/11/94.
  - (6) For Income Opportunity and Income Trust appointed Director on 06/19/92.
  - (7) Except during the periods 08/12/93 through 04/15/97 and 10/31/02 through 11/11/02.
  - (8) Effective 12/11/03.



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 INDEPENDENT TRUSTEES (CONTINUED)  
 -----

|   |   |  |
|---|---|--|
| Frank J. Fabozzi<br>P.O. Box 4546<br>New York, NY 10163-4546<br>Age: 55 | James Clayburn La Force, Jr.<br>P.O. Box 4546<br>New York, NY 10163-4546<br>Age: 74 | Walter F. Mondale<br>P.O. Box 4546<br>New York, NY 10163-4546<br>Age: 75 |
|---|---|--|

|                            |                               |                               |
|----------------------------|-------------------------------|-------------------------------|
| Trustee                    | Trustee                       | Trustee                       |
| -----                      | -----                         | -----                         |
| 3 years(4)/since inception | 3 years(4)/since inception(6) | 3 years(4)/since inception(7) |

|   |   |  |
|---|---|--|
| Consultant. Editor of THE JOURNAL OF PORTFOLIO MANAGEMENT and Frederick Frank Adjunct Professor of Finance at the School of Management at Yale University. Author and editor of several books on fixed income portfolio management. Visiting Professor of Finance and Accounting at the Sloan School of Management, Massachusetts Institute of Technology from 1986 to August 1992. | Dean Emeritus of the John E. Anderson Graduate School of Management, University of California since July 1, 1993. Acting Dean of the School of Business, Hong Kong University of Science and Technology 1990-1993. From 1978 to September 1993, Dean of the John E. Anderson Graduate School of Management, University of California. | Partner, Dorsey & Whitney, LLP., a law firm (December 1996-present, September 1987-August 1993). Formerly U.S. Ambassador to Japan (1993-1996). Formerly Vice President of the United States, U.S. Senator and Attorney General of the State of Minnesota. 1984 Democratic Nominee for President of the United States. |
|---|---|--|

|    |    |    |
|----|----|----|
| 48 | 48 | 48 |
|----|----|----|

|  |  |
|--|--|
| Director, Guardian Mutual Funds Group (18 portfolios). | Payden & Rygel Investment Trust, Provident Investment Counsel Funds, Advisors Series Trust, Arena Pharmaceuticals, Inc. and CancerVax Corporation. |
|--|--|

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 INTERESTED TRUSTEES (1)  
 -----

|                      |                  |
|----------------------|------------------|
| Ralph L. Schlosstein | Robert S. Kapito |
|----------------------|------------------|

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BlackRock, Inc.  
40 East 52nd Street  
New York, NY 10022  
Age: 52

BlackRock, Inc.  
40 East 52nd Street  
New York, NY 10022  
Age: 46

-----  
Chairman of the Board(3)

President and Trustee

-----  
3 years(4)/since inception

3 years(4)/since August 22, 2002(7)

-----  
Director since 1999 and President of BlackRock, Inc. since its formation in 1998 and of BlackRock, Inc.'s predecessor entities since 1988. Member of the Management Committee and Investment Strategy Group of BlackRock, Inc. Formerly, Managing Director of Lehman Brothers, Inc. and Co-head of its Mortgage and Savings Institutions Group. Currently, Chairman and a Trustee of each of the closed-end Trusts in which BlackRock Advisors, Inc. acts as investment advisor.

Vice Chairman of BlackRock, Inc. Head of the Portfolio Management Group. Also a member of the Management Committee, the Investment Strategy Group, the Fixed Income and Global Operating Committees and the Equity Investment Strategy Group. Responsible for the portfolio management of the Fixed Income, Domestic Equity and International Equity, Liquidity, and Alternative Investment Groups of BlackRock. Currently President and a Director/Trustee of each of the closed-end Trusts in which BlackRock Advisors, Inc. acts as investment advisor.

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Chairman and President of the BlackRock Provident Institutional Funds (10 portfolios), Director of Anthracite Capital, Inc.<sup>8</sup> and Director of several of BlackRock's alternative investment vehicles. Currently, a Member of the Visiting Board of Overseers of the John F. Kennedy School of Government at Harvard University, the Financial Institutions Center Board of the Wharton School of the University of Pennsylvania, a Trustee of Trinity School in New York City and a Trustee of New Visions for Public Education in New York City. Formerly, a Director of Pulte Corporation and a Member of Fannie Mae's Advisory Council.

Chairman of the Hope and Heroes Children's Cancer Fund. President of the Board of Directors of the Periwinkle National Theatre for Young Audiences. Director of icruise.com, Corp.

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Director and President of the Vice Chairman of the Advisor.  
Advisor.

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### ADDITIONAL INFORMATION

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#### PORTFOLIO MANAGEMENT

As of September 2003, Jeff Gary, Managing Director of BlackRock Financial Management ("BFM") since 2003, joined the portfolio management team for the following Trusts: BlackRock Strategic Bond Trust (BHD), BlackRock High Yield Trust (BHY), BlackRock Core Bond Trust (BHK), BlackRock Limited Duration Income Trust (BLW) and BlackRock Income Opportunity Trust (BNA). Prior to joining BFM, Mr. Gary was a Managing Director and high yield portfolio manager with AIG (American General) Investment Group. Dennis Schaney is no longer a member of the portfolio management team for the Trusts listed above.

#### TAX INFORMATION

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We wish to advise you as to the federal tax status of dividends paid by the Trusts during the fiscal year ended October 31, 2003.

During the fiscal year ended October 31, 2003, the Trusts paid dividends and distributions as follows:

| FUND                                   | ORDINARY INCOME<br>PER SHARE | NON-TAXABLE<br>RETURN OF CAPITAL<br>PER SHARE | LONG TERM<br>CAPITAL GAINS<br>PER SHARE |
|--|------------------------------|---|---|
| Broad Investment Grade 2009 Term (BCT) | \$1.18525                    | --  | --                                      |
| Core Bond (BHK)                        | 1.12106                      | --  | \$0.06644                               |
| High Yield (BHY)                       | 1.11796                      | \$0.05224                                     | --                                      |
| Income Opportunity (BNA)               | 0.81000                      | --  | 0.24280                                 |
| Income (BKT)                           | 1.01250                      | --  | --                                      |
| Limited Duration Income (BLW)          | 0.25000                      | --  | --                                      |
| Strategic Bond (BHD)                   | 1.49000                      | --  | --                                      |

Further, we wish to advise you that your income dividends do not qualify for the dividends received deduction.

For the purpose of preparing your 2003 annual federal income tax return, you should report the amounts as reflected on the appropriate Form 1099-DIV which will be mailed to you in January 2004.

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BlackRock Closed-End Funds

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### Director/Trustees

Ralph L. Schlosstein, CHAIRMAN  
Andrew F. Brimmer  
Richard E. Cavanagh  
Kent Dixon  
Frank J. Fabozzi  
Robert S. Kapito  
James Clayburn La Force, Jr.  
Walter F. Mondale

### Custodian

State Street Bank and Trust Company  
One Heritage Drive  
North Quincy, MA 02171

### Transfer Agent

EquiServe Trust Company, N.A.  
150 Royall Street  
Canton, MA 02021  
(800) 699-1BFM

### Officers

Robert S. Kapito, PRESIDENT  
Henry Gabbay, TREASURER  
Anne Ackerley, VICE PRESIDENT  
Jeff Gary, VICE PRESIDENT  
Michael Lustig, VICE PRESIDENT  
Richard M. Shea, VICE PRESIDENT/TAX  
James Kong, ASSISTANT TREASURER  
Vincent B. Tritto, SECRETARY  
Brian P. Kindelan, ASSISTANT SECRETARY

Independent Accountants  
Deloitte & Touche LLP  
200 Berkeley Street  
Boston, MA 02116

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, NY 10036

### Investment Advisor

BlackRock Advisors, Inc.  
100 Bellevue Parkway  
Wilmington, DE 19809  
(800) 227-7BFM

### Legal Counsel - Independent Trustees

Debevoise & Plimpton  
919 Third Avenue  
New York, NY 10022

### Sub-Advisor(1)

BlackRock Financial Management, Inc.  
40 East 52nd Street  
New York, NY 10022

This report is for shareholder information.  
This is not a prospectus intended for use in the  
purchase or sale of Trust shares. Statements and  
other information contained in this report are  
as dated and are subject to change.

BlackRock Advisors, Inc.(2)  
100 Bellevue Parkway  
Wilmington, DE 19809  
(800) 227-7BFM

BlackRock Core Bond Trust  
BlackRock Limited Duration  
Income Trust

BlackRock Strategic Bond Trust

Princeton Administrators, L.P.(2)  
P.O. Box 9095  
Princeton, NJ 08543-9095  
(800) 543-6217

BlackRock Broad Investment Grade  
2009 Term Trust

Prudential Investments LLO  
Gateway Center Three  
100 Mulberry Street  
Newark, NJ 07102-4077  
(800) 277-7BFM

BlackRock High Yield Tru  
BlackRock Income Opportu  
BlackRock Income Trust

Effective August 18, 2003, BlackRock Advisors, Inc. provides administrative services for all trusts.

- 
- (1) For Core Bond, Limited Duration and Strategic Bond only.
  - (2) Provided administrative services for the Trust(s) listed directly below its name.

The Trusts will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded

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indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Trusts at (800) 227-7BFM.

The Trusts have delegated to the Advisor the voting of proxies relating to their voting securities pursuant to the Advisor's proxy voting policies and procedures. You may obtain a copy of these proxy voting procedures, without charge, by calling (800) 699-1236. These policies and procedures are also available on the website of the Securities and Exchange Commission at <http://www.sec.gov>.

[BLACKROCK LOGO]

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### ITEM 2. CODE OF ETHICS.

(a) The Registrant has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

(b) Not applicable.

(c) The Registrant has not amended its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(d) The Registrant has not granted a waiver or an implicit waiver from a provision of its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(e) Not applicable.

(f) The Registrant's Code of Ethics is attached as an Exhibit hereto.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Registrant's Board of Trustees has determined that it has two audit

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committee financial experts serving on its audit committee, each of whom is an "independent" Trustee: Dr. Andrew F. Brimmer and Mr. Kent Dixon. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable until annual reports for fiscal years ending after December 15, 2003.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The Trust has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee of the Trust is comprised of: Dr. Andrew F. Brimmer; Richard E. Cavanagh; and Kent Dixon.

### ITEM 6. RESERVED.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Registrant has delegated the voting of proxies relating to its voting securities to its investment advisor, BlackRock Advisors, Inc. (the "Advisor") and its sub-advisor, BlackRock Financial Management, Inc. (the "Sub-Advisor"). The Proxy Voting Policies and Procedures of the Advisor and Sub-Advisor (the "Proxy Voting Policies") are included as an Exhibit hereto.

### ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

### ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

### ITEM 10. CONTROLS AND PROCEDURES.

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.

(b) The Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 11. EXHIBITS.

(a)(1) Code of Ethics.

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- (a) (2) Certifications of principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (b) Certification of principal executive officer and principal financial officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
- (c) Proxy Voting Policies.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) The BlackRock Income Trust Inc.

By: /s/ Henry Gabbay  
-----  
Name: Henry Gabbay  
Title: Treasurer  
Date: January 7, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert S. Kapito  
-----  
Name: Robert S. Kapito  
Title: Principal Executive Officer  
Date: January 7, 2004

By: /s/ Henry Gabbay  
-----  
Name: Henry Gabbay  
Title: Principal Financial Officer  
Date: January 7, 2004