

BLACKROCK INCOME TRUST INC  
Form N-30D  
December 27, 2002

BLACKROCK  
CLOSED-END FUNDS

Annual Report

October 31, 2002

BlackRock Income Trust

-----  
World class  
institutional  
asset management  
at a personal level  
-----

-----  
NOT FDIC    May Lose Value  
INSURED    No Bank Guarantee  
-----

TABLE OF CONTENTS

Letter to Shareholders .....	1
Portfolio Managers' Report .....	2
Trust Summary .....	4
Portfolio of Investments .....	5
Financial Statements	
Statement of Assets and Liabilities .....	10
Statement of Operations .....	11
Statement of Cash Flows .....	12
Statements of Changes in Net Assets .....	13
Financial Highlights .....	14

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Notes to Financial Statements .....	15
Independent Auditors' Report .....	20
Directors Information .....	21
Tax Information .....	23
Dividend Reinvestment Plan .....	23
Investment Summary .....	24
Additional Information .....	26
Glossary .....	26

---

### PRIVACY PRINCIPLES OF THE TRUST

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

Generally, the Trust does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of shareholders may become available to the Trust. The Trust does not disclose any non-public personal information about its 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 Trust restricts access to non-public personal information about its shareholders to BlackRock employees with a legitimate business need for the information. The Trust maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

---

### LETTER TO SHAREHOLDERS

November 30, 2002

Dear Shareholder:

We are pleased to report that during the fiscal year, the Trust continued to provide monthly income, as well as the opportunity to invest in a diversified portfolio of fixed income securities.

The Trust is actively managed, which means that the management team is continuously monitoring the fixed income markets and adjusting the portfolio to gain exposure to various issuers, revenue sources and security types. This strategy enables the Trust to move among different sectors, credits and coupons to capitalize on changing market conditions.

During the fiscal year, the fixed income markets showed strength as large

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

numbers of individual investors, concerned about the economic environment and substantial volatility in the stock market, pursued opportunities in bonds. For the year ended October 31, 2002, the LEHMAN AGGREGATE INDEX, a broad measure of the fixed income market, had a total return of 5.89%(1). Within the fixed income universe, mortgages and Treasuries were noteworthy performers. For the year ended October 31, 2002, the LEHMAN MORTGAGE INDEX returned 6.30% and the LEHMAN TREASURY INDEX returned 6.28%(2). Mortgages and Treasuries fared well over the year due to their strong credit profile. Many investors sought investments with higher quality ratings amidst volatile market conditions.

The following table shows the Trust's yield, closing market price per share and net asset value ("NAV") per share as of October 31, 2002.

TRUST	YIELD (3)	MARKET PRICE	NAV
BlackRock Income Trust (BKT)	7.59%	\$8.07	\$8.13

BlackRock, Inc. ("BlackRock"), a world leader in asset management, has a proven commitment to fixed income. As of September 30, 2002, BlackRock managed \$163 billion in bonds including 16 open-end and 40 closed-end funds. At BlackRock, we are recognized for our emphasis on risk management and proprietary analytics and for our reputation managing money for the world's largest institutional investors. Individual investors in our closed-end and open-end funds benefit from the same investment management skills and resources as the world's largest institutional investors. BlackRock Advisors, Inc., which manages the Trust, is a wholly-owned subsidiary of BlackRock, Inc.

This report contains a summary of market conditions for the year, a review of the strategy used by your Trust's managers, the Trust's audited financial statements and a listing of the portfolio's holdings.

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.

- (1) The LEHMAN AGGREGATE INDEX is designed to measure the performance of the U.S. investment grade fixed rate bond market. The index is unmanaged and cannot be purchased directly.
- (2) The LEHMAN MORTGAGE INDEX is designed to measure the mortgage-backed pass-through securities of Ginnie Mae ("GNMA"), Fannie Mae ("FNMA") and Freddie Mac ("FHLMC"). The LEHMAN TREASURY INDEX is designed to measure long-term public obligations of the U.S. Treasury. The indexes are unmanaged and cannot be purchased directly.
- (3) Yield is based on market price.

# Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

November 30, 2002

Dear Shareholder:

We are pleased to present the audited annual report for the following BlackRock closed-end Trust:

TRUST	PRIMARY EXCHANGE
BLACKROCK INCOME TRUST (BKT)	NYSE

The annual report reviews the Trust's market price and NAV performance, summarizes developments in the relevant fixed income markets and discusses recent portfolio management activity for the year ended October 31, 2002.

## THE FIXED INCOME MARKETS

Fixed income markets displayed considerable vigor during the fiscal year. For the year ended October 31, 2002, the LEHMAN AGGREGATE INDEX, a broad measure of the fixed income market, returned 5.89%. The Index returned an even more impressive 8.05% year-to-date, despite giving back some gains in October, when the equity markets posted one of the strongest monthly gains in 15 years.

Over the period (the Trust's fiscal year), several high profile corporate credit scandals, ongoing economic weakness, as well as continued geopolitical issues, most notably concerns over the possible war in the Middle East and the ongoing threats of terrorism, weighed on the markets. Accordingly, the bond market priced in various scenarios of potential action by the Federal Reserve (the "Fed"). These expectations ranged from a tightening of up to 175 basis points ("bps") by the end of 2002, to the conviction that the Fed's next move would be yet another easing. Indeed, a week after the conclusion of the fiscal year, the Federal Open Market Committee ("FOMC") elected to further reduce interest rates by 50 bps. In their decision, the FOMC cited the existence of greater uncertainty and geopolitical risks, which are, "currently inhibiting spending, production, and employment."

Uncertainty and volatility remain the primary themes in the U.S. markets, as the underlying economic data appears inconclusive of either a sustainable market recovery or a "double-dip" scenario. Many fundamental economic factors began the period with optimistic readings, but more recent data point towards an economic recovery that is far from certain. GDP growth began the first quarter of 2002 on a strong note (+5.0%), as inventory rebuilding was a major contributor. However, the barometer of the nation's total output of goods and services has noticeably dropped off since then. GDP growth rose marginally during the third quarter of 2002 and has lagged expectations over the past two quarters. In addition, manufacturing data, as measured by the Institute of Supply Managers Index, indicates that business confidence is weak and the prospects for growth remain sluggish. Consumer confidence, which remained strong through the summer months and reached historical highs, also significantly declined and stood at a nine-year low by the end of the period. The Consumer Confidence measure, which has suffered five consecutive months of declining numbers, suggests concern regarding the strength of the highly leveraged consumer. Job growth advanced from the initial drop-off seen post-September 11th, but remained mostly flat during the year. Jobless claims are also a noticeable source of interest as the unemployment rate peaked at 6% in April and remains at elevated levels. The U.S. trade balance is another topic of concern and the dollar has come under pressure, owing in part to a widening gap in the trade deficit. Some encouraging data has surfaced during the period, most

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

notably in the form of housing starts. Spurred on by historically low interest rates, new residential home building has persevered. Also, the Consumer Price Index has continued to emerge with statistics suggestive of a benign inflationary environment. Although this alleviated the impetus for the Fed to raise interest rates during the period, concern has surfaced surrounding a possible deflationary atmosphere. Indeed, with the conflicting and often negative economic data offered towards the end of the period, the markets had positioned themselves in anticipation of the next move by the FOMC to be their 12th consecutive rate reduction of the current easing cycle.

The uncertainty in the overall marketplace was evidenced by volatility in the Treasury market over the fiscal year. As we entered the period, the market was positioned for aggressive Federal Reserve easing. Expectations of a prolonged economic slowdown caused the yield curve to reach its steepest level in almost a decade. The market then reversed its expectations amid signs of an improving economy. As a result, Treasury bonds suffered, leading to a drop in prices and a corresponding rise in yields. When the prospects of a near-term economic recovery faded over the second half of the period, Treasuries rallied strongly. Year-to-date, the Treasury market returned 10.05%, as measured by the LEHMAN TREASURY INDEX. Yields of short and intermediate maturities, specifically in the two- to five-year range, have declined faster than those of longer maturity issues due to risk aversion and expectations for short-term rates to fall. However, rates have fallen across the curve in 2002 and the 10-year yield touched 3.5%, a low not seen since the early 1960s. The equity market rally in early October pushed yields back up and the 10-year note finished the period just under 4.0%. Over the final month of the fiscal year, volatility continued to remain high in the Treasury market given the apparent willingness of investors to assume more risk. As of October 31, 2002, the 10-year Treasury was yielding 3.89% versus 4.23% a year earlier.

2

For the year ended October 31, 2002, the LEHMAN MORTGAGE INDEX returned 6.30% versus 5.89% for the LEHMAN AGGREGATE INDEX. Two historically high levels of mortgage refinancing bound the period. As mortgage refinancing spiked in November 2001, lower coupon mortgages outperformed higher coupons, which were more sensitive to general market instability and high levels of refinancing. As the period progressed, higher coupon mortgages outperformed lower coupons, and 30-year mortgages outperformed 15-years. Lower coupons suffered amidst continued low interest rates, threats of supply and prepayments and rising volatility. In the final month of the period, lower coupons and 15-year mortgages returned to favor as the MBA REFINANCING INDEX again spiked to an all-time high. Mortgages outperformed Treasuries for the fiscal year on a duration-adjusted basis. Strong demand for mortgages has been sparked in part by the steepness of the yield curve and their high credit quality profile, as banks have been reluctant to assume credit risk in the corporate market.

### THE TRUST'S PORTFOLIO AND INVESTMENT STRATEGY

BlackRock actively manages the Trust's portfolio holdings consistent with BlackRock's overall market outlook and the Trust's investment objective. BlackRock's investment strategy emphasizes a relative value approach, which allows the Trust to capitalize upon changing market conditions by rotating sectors, credits and coupons.

During the course of the annual period, the Trust raised its monthly dividend payment. Effective with the dividend payable September 30, 2002, the Trust's new annualized dividend was raised to \$0.6125 from the previously annualized rate of \$0.5625.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Additionally, the Trust employs leverage to enhance its income by borrowing at short-term rates and investing the proceeds in longer maturity issues which typically have higher yields. As of October 31, 2002, the Trust was leveraged 29% of managed assets. The degree to which the Trust can benefit from its use of leverage may affect its ability to pay high monthly income.

We look forward to continuing to manage the Trust to benefit from the opportunities available to investors in the fixed income markets. We thank you for your investment and continued confidence in the Trust. Please feel free to call our marketing center at (800) 227-7BFM (7236) if you have any specific questions that were not addressed in this report.

Sincerely,

/s/ ROBERT S. KAPITO

-----  
Robert S. Kapito  
Vice Chairman and Portfolio Manager  
BlackRock Advisors, Inc.

/s/ KEITH T. ANDERSON

-----  
Keith T. Anderson  
Managing Director and  
Chief Investment Officer - Fixed Income  
BlackRock Advisors, Inc.

/s/ MICHAEL P. LUSTIG

-----  
Michael P. Lustig  
Portfolio Manager  
BlackRock Advisors, Inc.

3

TRUST SUMMARY AS OF OCTOBER 31, 2002

-----  
BLACKROCK INCOME TRUST  
-----

### TRUST INFORMATION

Symbol on New York Stock Exchange:	BKT
Initial Offering Date:	July 22, 1988
Closing Market Price as of 10/31/02:	\$8.07
Net Asset Value as of 10/31/02:	\$8.13
Yield on Closing Market Price as of 10/31/02 (\$8.07): (1)	7.59%
Current Monthly Distribution per Share: (2)	\$0.0510
Current Annualized Distribution per Share: (2)	\$0.6125

(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.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

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

	10/31/02	10/31/01	CHANGE	HIGH
MARKET PRICE	\$8.07	\$7.26	11.16%	\$8.31
NET ASSET VALUE (NAV)	\$8.13	\$8.06	0.87%	\$8.20
10-YEAR TREASURY NOTE	3.89%	4.23%	(8.04)%	5.43%

The following chart shows the Trust's asset composition:

### SECTOR BREAKDOWN

COMPOSITION	OCTOBER 31, 2002	OCTOBER 31, 2001
Mortgage Pass-Throughs	48%	6%
U.S. Government and Agency Securities	16	17
Inverse Floating Rate Mortgages	9	31
Interest Only Mortgage-Backed Securities	8	17
Principal Only Mortgage-Backed Securities	8	12
FHAProject Loans	5	7
Agency Multiple Class Mortgage Pass-Throughs	2	5
Commercial Mortgage-Backed Securities	2	3
Adjustable Rate Mortgages	1	--
Non-Agency Multiple Class Mortgage Pass-Throughs	1	2

4

### PORTFOLIO OF INVESTMENTS OCTOBER 31, 2002

#### BLACKROCK INCOME TRUST

RATING* (UNAUDITED)	PRINCIPAL AMOUNT (000)	DESCRIPTION
------------------------	------------------------------	-------------

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

	LONG-TERM INVESTMENTS--131.2%
	MORTGAGE PASS-THROUGHS--62.4%
	Federal Home Loan Mortgage Corp.,
\$ 48,899@	5.50%, 10/01/16 - 5/01/17, 15 Year .....
430	6.50%, 5/01/29 - 5/01/30 .....
102	7.50%, 2/01/23 .....
324	8.00%, 11/01/15 .....
317	8.50%, 10/01/06 - 3/01/08, 15 Year .....
700	9.00%, 9/01/20 .....
	Federal National Mortgage Association,
114,672@	5.50%, 12/01/13 - 9/01/17, 15 Year .....
39,996@	6.00%, 11/01/31 - 10/01/32 .....
43,467@	6.50%, 2/01/26 - 5/01/31 .....
46,160@	7.00%, 6/01/26 - 2/01/32 .....
5,350	7.50%, 11/01/14, 18 Year Multifamily .....
48	7.50%, 2/01/22 - 9/01/23 .....
1,461	8.00%, 5/01/08 - 5/01/22, Multifamily .....
651	9.497%, 6/01/24, Multifamily .....
16	9.50%, 1/01/19 - 6/01/20 .....
	Government National Mortgage Association,
338	7.00%, 10/15/17 .....
2,694	7.50%, 8/15/21 - 12/15/23 .....
1,984	8.00%, 10/15/22 - 2/15/29 .....
156	9.00%, 6/15/18 - 9/15/21 .....
	FEDERAL HOUSING ADMINISTRATION--6.5%
2,944	Beachtree, Series 87430, 10.25%, 6/01/32 .....
	GMAC,
2,029	Series 33, 7.43%, 9/01/21 .....
1,964	Series 46, 7.43%, 3/01/22 .....
1,105	Series 51, 7.43%, 2/01/23 .....
2,703	Series 56, 7.43%, 11/01/22 .....
617	Merrill, Series 54, 7.43%, 2/01/23 .....
937	Reilly, Series 41, 8.767%, 12/01/18 .....
2,780	Tuttle Grove, 7.25%, 10/01/35 .....
	USGI,
3,944	Polaris, Series 982, 7.43%, 11/01/21 .....
591	Series 87, 7.43%, 12/01/22 .....
2,892	Series 99, 7.43%, 10/01/23 .....
2,512	Series 6302, 7.43%, 12/01/21 .....
6,387	Yorkville, Series 6094, 7.43%, 6/01/21 .....
	AGENCY MULTIPLE CLASS MORTGAGE PASS-THROUGHS--3.2%
	Federal Home Loan Mortgage Corp., Multiclass Mortgage Participation Certi
11,300	Series T-11, Class A-9, 1/25/28 .....
970	Series 19, Class 19-F, 3/15/20 .....
192	Series 1347, Class 1347-HC, 12/15/21 .....
	Federal National Mortgage Association, REMIC Pass-Through Certificates,
1,146	Trust 1990-12, Class 12-G, 2/25/20 .....
1,638	Trust 1992-43, Class 43-E, 4/25/22 .....
2,500	Government National Mortgage Association, REMIC Pass-Through Certificates
	Trust 2001-33, Class 33-PB, 7/20/31 .....
	NON-AGENCY MULTIPLE CLASS MORTGAGE PASS-THROUGHS--1.7%



Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

AAA	5,585	Bank One Mortgage-Backed Pass-Through Certificates, Series 2000-1, Class
AAA	1,090	Countrywide Home Loan Mortgage Certificates, Series 1997-1, Class A6, 3/2
AAA	1,563	Summit Mortgage Trust, Series 2000-1, Class B1, 12/28/12** .....

See Notes to Financial Statements.

5

PORTFOLIO OF INVESTMENTS OCTOBER 31, 2002

BLACKROCK INCOME TRUST

RATING*	PRINCIPAL AMOUNT	DESCRIPTION
(UNAUDITED)	(000)	
		ADJUSTABLE RATE MORTGAGES--1.7%
	\$ 6,767	Federal Home Loan Mortgage Corp., Multiclass Mortgage Participation Certi Series 1584, Class 1584-FB, 9/15/23 .....
	558	Federal National Mortgage Association, REMIC Pass-Through Certificates, Trust 1991-38, Class 38-F, 4/25/21 .....
	1,223	Trust 1993-256, Class 256-F, 11/25/23 .....
		INVERSE FLOATING RATE MORTGAGES--12.6%
AAA	7,735	Countrywide Funding Corp., Mortgage Certificates, Series 1993-D, Class A- Federal Home Loan Mortgage Corp., Multiclass Mortgage Participation Certi
	202	Series 1160, Class 1160-F, 10/15/21 .....
	1,017	Series 1580, Class 1580-SD, 9/15/08 .....
	75	Series 1590, Class 1590-OA, 10/15/23 .....
	1,791	Series 1601, Class 1601-SE, 10/15/08 .....
	1,457@	Series 1616, Class 1616-SB, 11/15/08 .....
	4,500	Series 1688, Class 1688-S, 12/15/13 .....
	8,796	Series 2488, Class 2488-YS, 8/15/32 .....
		Federal National Mortgage Association, REMIC Pass-Through Certificates,
	565	Trust 1991-38, Class 38-SA, 4/25/21 .....
	563	Trust 1991-87, Class 87-S, 8/25/21 .....
	309	Trust 1991-145, Class 145-S, 10/25/06 .....
	5,000	Trust 1993-79, Class 79-SE, 1/25/22 .....
	1,959	Trust 1993-93, Class 93-S, 5/25/08 .....
	175	Trust 1993-116, Class 116-SB, 7/25/23 .....
	374	Trust 1993-129, Class 129-SE, 8/25/08 .....
	2,611	Trust 1993-170, Class 170-SC, 9/25/08 .....
	5,342	Trust 1993-196, Class 196-SC, 10/25/08 .....
	415	Trust 1993-201, Class 201-SA, 10/25/23 .....
	4,253	Trust 1993-214, Class 214-S, 12/25/08 .....
	1,494	Trust 1993-214, Class 214-SH, 12/25/08 .....
	985	Trust 1993-224, Class 224-SD, 11/25/23 .....
	2,859	Trust 1993-224, Class 224-SE, 11/25/23 .....
	2,562	Trust 1993-247, Class 247-SN, 12/25/23 .....
	524	Trust 1994-19, Class 19-SB, 1/25/24 .....
	195	Trust 2000-40, Class 40-FC, 6/25/29 .....
AAA	716	G. E. Capital Mortgage Services, Inc., REMIC Certificate 98-12, Class 4A-
Aaa	2,519	Kidder Peabody Acceptance Corp., Series 1993-1, Class A-6, 8/25/23 .....

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Aaa	743	Prudential Home Mortgage Securities Co., Mortgage Pass-Through Certificat Series 1993-43, Class A-16, 10/25/23 .....
AAA	1,158	Residential Funding Mortgage Securities Inc., Series 1993-S36, Class A-13
		INTEREST ONLY MORTGAGE-BACKED SECURITIES--10.0%
		American Housing Trust,
	560	Series III, Class 4, 3/25/19 .....
	129	Series VII, Class 2, 11/25/20 .....
		BA Mortgage Securities, Inc.,
	585	Series 1997-1, Class 1-X, 7/25/26 .....
	680	Series 1998-1, Class 1-2X, 5/28/13 .....
	105,722	Commercial Mortgage Acceptance Corp., Series 1997-ML1, Class IO, 12/15/30
	39,532	Credit Suisse First Boston Mortgage Securities Corp. Trust, Series 1997-C Class C1-AX, 6/20/29** .....
		Federal Home Loan Mortgage Corp., Multiclass Mortgage Participation Certi
	14,833	Series G-13, Class 13-PP, 5/25/21 .....
	52,288	Series G-60, Class 60-HS, 4/25/24 .....
	16,641	Series 204, Class 204-IO, 5/1/29 .....
	1	Series 1238, Class 1238-J, 1/15/07 .....
	84	Series 1494, Class 1494-PL, 3/15/22 .....
	174	Series 1632, Class 1632-S, 4/15/23 .....
	2,978	Series 1706, Class 1706-IA, 10/15/23 .....
	687	Series 1720, Class 1720-PK, 1/15/24 .....

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS OCTOBER 31, 2002

BLACKROCK INCOME TRUST

RATING*	PRINCIPAL	
(UNAUDITED)	AMOUNT	DESCRIPTION
	(000)	
		INTEREST ONLY MORTGAGE-BACKED SECURITIES--(CONT'D)
		Federal Home Loan Mortgage Corp., Multiclass Mortgage Participation Certi
	\$ 33,016	Series 1809, Class 1809-SC, 12/15/23 .....
	76	Series 1882, Class 1882-PJ, 4/15/22 .....
	28,278	Series 1914, Class 1914-PC, 12/15/11 .....
	22,106	Series 2002, Class 2002-HJ, 10/15/08 .....
	2,240	Series 2037, Class 2037-IB, 12/15/26 .....
	5,717	Series 2050, Class 2050-PI, 12/15/11 .....
	4,338	Series 2063, Class 2063-PI, 4/15/12 .....
	18,000	Series 2080, Class 2080-PL, 1/15/27 .....
	32	Series 2099, Class 2099-JB, 9/15/22 .....
	172	Series 2102, Class 2102-KI, 9/15/28 .....
	6,818	Series 2138, Class 2138-PI, 3/15/11 .....
	10,527	Series 2289, Class 2289-S, 2/15/31 .....
	5,523	Series 2296, Class 2296-IO, 8/15/27 .....
	11,714	Series 2296, Class 2296-SA, 3/15/16 .....
	7,768	Series 2315, Class 2315-CF, 7/15/20 .....
	7,359	Series 2358, Class 2358-IB, 7/15/21 .....
	9,277	Series 2444, Class 2444-ST, 9/15/29 .....

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

	Federal National Mortgage Association, REMIC Pass-Through Certificates,
3	Trust G-50, Class 50-G, 12/25/21 .....
978	Trust G92-5, Class 5-H, 1/25/22 .....
2	Trust G92-12, Class 12-C, 2/25/22 .....
3,480	Trust G92-60, Class 60-SB, 10/25/22 .....
10,005	Trust 301, Class 301-2, 4/1/29 .....
16,816	Trust 302, Class 302-2, 6/1/29 .....
9,442	Trust 1993-199, Class 199-SB, 10/25/23 .....
2,053	Trust 1993-201, Class 201-JC, 5/25/19 .....
186	Trust 1993-202, Class 202-QA, 6/25/19 .....
14,786	Trust 1994-33, Class 33-SG, 3/25/09 .....
12,371	Trust 1996-68, Class 68-SC, 1/25/24 .....
16,051	Trust 1997-37, Class 37-SE, 10/25/22 .....
4,600	Trust 1997-50, Class 50-SI, 4/25/23 .....
35,476	Trust 1997-65, Class 65-SB, 3/25/24 .....
9,003	Trust 1997-76, Class 76-SP, 12/25/23 .....
51,000	Trust 1997-90, Class 90-M, 1/25/28 .....
708	Trust 1998-25, Class 25-PG, 3/18/22 .....
3,976	Trust 1999-W4, Class W4-IO, 12/25/28 .....
25,991	Trust 2000-2, Class 2-ID, 3/25/23 .....
4,873	Trust 2002-19, Class 19-PI, 8/25/12 .....
5,806	Trust 2002-62, Class 62-IL, 3/25/24 .....
309	First Boston Mortgage Securities Corp., Series 1987-C, Class IO, 4/25/17
39,395	GMAC Commercial Mortgage Securities, Inc., Trust 1997-C1, Class C1-X, 7/1
33,297	Goldman Sachs Mortgage Securities Corp., Mortgage Participation Certifica
	Series 1998-5, Class 5-IO, 6/19/27** .....
3,796	Government National Mortgage Association, REMIC Pass-Through Certificates
	Trust 2001-7, Class 7-PS, 1/20/28 .....
20,626	Hanover Grantor Trust, Series 1999-A, Class A1-IO, 8/28/27** .....
13,693	Headlands Mortgage Securities, Inc., Mortgage Certificates, Series 1997-1
	Class 1-X1, 3/25/27 .....
355	Kidder Peabody Acceptance Corp., Series B, Class B-A2, 4/22/18 .....
9,352	Merrill Lynch Mortgage Investors, Inc., Mortgage Pass-Through Certificate
	Series 95-C2, Class C2-IO, 6/15/21 .....
14,989	Morgan Stanley Capital 1, Inc., Series 1997-HF1, Class HF1-X, 7/15/29** .
48,394	Prudential Home Mortgage Securities Co., Mortgage Pass-Through Certificat
	Series 1994-5, Class 5-A9, 2/25/24 .....
1	Prudential Securities, Inc., Trust 15, Class 15-1G, 5/20/21 .....
214	Residential Funding Mortgage Securities Inc., Series 2001-S5, Class A-9,
34,766	Small Business Administration, Series 2000-1, Class 1-IO, 4/1/15 .....
5	Structured Asset Securities Corp., Series 1991-2, Class 2-GA, 12/20/21 ..
329,815	Vendee Mortgage Trust, Trust 1999-2, Class 1-IO, 5/15/29 .....

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS OCTOBER 31, 2002

BLACKROCK INCOME TRUST

RATING*	PRINCIPAL	DESCRIPTION
(UNAUDITED)	AMOUNT	
	(000)	

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

		PRINCIPAL ONLY MORTGAGE-BACKED SECURITIES--10.3%
Aaa	\$ 434	Chase Mortgage Finance Corp., Mortgage Pass-Through Certificates, Series Class AP, 1/25/10 .....
AAA	286	Collateralized Mortgage Obligation Trust, Trust 29, Class A, 5/23/17 .... Drexel Burnham Lambert, Inc.,
AAA	105	Trust K, Class K-1, 9/23/17 .....
AAA	1,134	Trust V, Class V-1, 9/1/18 .....
		Federal Home Loan Mortgage Corp., Multiclass Mortgage Participation Certi
	1,291	Series T-8, Class A-10, 11/15/28 .....
	638	Series 1418, Class 1418-M, 11/15/22 .....
	3,077	Series 1571, Class 1571-G, 8/15/23 .....
	7,349	Series 1686, Class 1686-B, 2/15/24 .....
	8,423	Series 1691, Class 1691-B, 3/15/24 .....
	1,193	Series 1739, Class 1739-B, 2/15/24 .....
	553	Series 1750, Class 1750-PC, 3/15/24 .....
	734	Series 1857, Class 1857-PB, 12/15/08 .....
	1,777	Series 1896, Class 1896-PA, 11/15/23 .....
	3,273	Series 2009, Class 2009-HJ, 10/15/22 .....
	21	Series 2067, Class 2067-PO, 6/15/28 .....
	1,027	Series 2162, Class 2162-L, 6/15/29 .....
		Federal National Mortgage Association, REMIC Pass-Through Certificates,
	1,428	Trust G93-2, Class 2-KB, 1/25/23 .....
	2,534	Trust 273, Class 273-1, 7/1/26 .....
	932	Trust 279, Class 279-1, 7/1/26 .....
	209	Trust 1991-7, Class 7-J, 2/25/21 .....
	348	Trust 1996-5, Class 5-NH, 4/25/24 .....
	280	Trust 1996-5, Class 5-PV, 11/25/23 .....
	6,367	Trust 1998-26, Class 26-L, 3/25/23 .....
	1,797	Trust 1999-W4, Class W4-PO, 2/25/29 .....
	9,455	Trust 2002-13, Class 13-PR, 3/25/32 .....
AAA	815	First Union Residential, Mortgage Certificates, Series 1999-A, Class A-1A
AAA	12,744	Fund America Investors Corp., Series 1993-C, Class B, 4/29/30 .....
AAA	252	Housing Securities, Inc., Series 1993-D, Class D-8, 6/25/23 .....
AAA	237	Structured Mortgage Asset Trust, Series 1993-3C, Class CX, 4/25/24 .....
		COMMERCIAL MORTGAGE-BACKED SECURITIES--2.2%
AAA	10,250	New York City Mortgage Loan Trust, Multifamily, Series 1996, Class A-2, 6.75%, 6/25/11** .....
		U.S. GOVERNMENT AND AGENCY SECURITIES--20.5%
	12,666	Overseas Private Investment Corp., 4.30% - 7.35%, 5/29/12 .....
		Small Business Administration,
	3,175	Series 1996-20E-1, 7.60%, 5/01/16 .....
	3,932	Series 1996-20F-1, 7.55%, 6/01/16 .....
	2,452	Series 1996-20G-1, 7.70%, 7/01/16 .....
	3,093	Series 1996-20H-1, 7.25%, 8/01/16 .....
	4,851	Series 1996-20K-1, 6.95%, 11/01/16 .....
	1,973	Series 1997-20C-1, 7.15%, 3/01/17 .....
	2,105	Small Business Investment Companies, Series 1998-P10A-1, 6.12%, 2/01/08 .
		United States Treasury Bonds,
	155,700@	Zero Coupon, 11/15/24 .....
	15,250@	8.00%, 11/15/21 .....
		COLLATERALIZED MORTGAGE OBLIGATION RESIDUALS***--0.1%
	45	FBC Mortgage Securities Trust 16, CMO, Series A-1, 7/01/17 .....
	10	Federal National Mortgage Association, Trust 1988-10, Class 10-R, 5/25/03

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Total long-term investments (cost \$659,166,549) .....

See Notes to Financial Statements.

8

PORTFOLIO OF INVESTMENTS OCTOBER 31, 2002

BLACKROCK INCOME TRUST

PRINCIPAL AMOUNT (000)	DESCRIPTION
	SHORT-TERM INVESTMENT--3.4%
	DISCOUNT NOTE
\$ 17,500	Federal Home Loan Bank, 1.65%, 11/01/02 (cost \$17,500,000) .....
	TOTAL INVESTMENTS BEFORE OUTSTANDING OPTIONS WRITTEN--134.6% (COST \$676,6
NOTIONAL AMOUNT (000)	
	OUTSTANDING OPTIONS WRITTEN--(0.2)%
	CALL OPTION--(0.2)%
\$ 11,000	Interest Rate Swap, 5.50%, over 3 month LIBOR, expires 5/06/03 .....
	PUT OPTION
11,000	Interest Rate Swap, 6.50%, over 3 month LIBOR, expires 5/06/03 .....
	Total outstanding options written (premium received \$456,353) .....
	Total investments net, of outstanding options written--134.4% .....
	Other liabilities in excess of other assets--(34.4)% .....
	NET ASSETS--100% .....

\* Using the higher of Standard & Poor's, Moody's or Fitch's rating.

\*\* Security is not registered under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. As of October 31, 2002, the Trust held 3.3% of its net assets with a current market value of \$17,082,930 in securities restricted as to resale.

\*\*\* Illiquid security representing 0.08% of net assets.

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

# Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

## KEY TO ABBREVIATIONS:

CMO--Collateralized Mortgage Obligation.

REMIC-- Real Estate Mortgage Investment Conduit.

See Notes to Financial Statements.

9

## STATEMENT OF ASSETS AND LIABILITIES OCTOBER 31, 2002

### BLACKROCK INCOME TRUST

#### ASSETS

Investments, at value (cost \$676,666,549) (Note 1) .....	\$688,19
Cash .....	36
Receivable for investments sold .....	19,68
Deposit with broker as collateral for securities borrowed .....	17,23
Interest receivable .....	6,82
Due from broker-variation margin (Notes 1 & 3) .....	29
Interest rate caps, at value (amortized cost \$356,526) (Notes 1 & 3) .....	8
Other assets .....	8
	732,68

#### LIABILITIES

Reverse repurchase agreements (Note 4) .....	205,79
Unrealized depreciation on interest rate swaps (Notes 1 & 3) .....	8,02
Interest payable .....	2,28
Interest rate floor, at value (proceeds \$775,125) (Notes 1 & 3) .....	2,18
Payable for investments purchased .....	1,46
Outstanding options written, at value (premium received \$456,353) (Notes 1 & 3) .....	85
Investment advisory fee payable (Note 2) .....	27
Administration fee payable (Note 2) .....	8
Deferred directors fees (Note 1) .....	7
Other accrued expenses .....	24
	221,29

#### NET ASSETS

Net assets were comprised of:

Par value (Note 5) .....	\$ 62
Paid-in capital in excess of par .....	560,25
Undistributed net investment income .....	35,33
Accumulated net realized loss .....	(86,72)
Net unrealized appreciation .....	1,88
	\$511,38

Net assets, October 31, 2002 .....

#### NET ASSET VALUE PER SHARE:

(\$511,385,140 / 62,874,817 shares of common stock issued and outstanding) .....

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

See Notes to Financial Statements.

10

STATEMENT OF OPERATIONS YEAR ENDED OCTOBER 31, 2002

BLACKROCK INCOME TRUST

NET INVESTMENT INCOME

Interest income (net of interest expense of \$5,135,812) .....

\$67,410,

EXPENSES

Investment advisory ..... 3,292,  
Administration ..... 1,009,  
Transfer Agent ..... 108,  
Custodian ..... 171,  
Reports to shareholders ..... 170,  
Directors Fees ..... 71,  
Registration ..... 46,  
Independent accountants ..... 105,  
Legal ..... 56,  
Miscellaneous ..... 202,

3,292,  
1,009,  
108,  
171,  
170,  
71,  
46,  
105,  
56,  
202,

Total expenses .....

5,232,

Less fees paid indirectly (Note 2) .....

(6,

Net expenses .....

5,226,

Net investment income .....

62,183,

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS Net realized gain (loss) on:

Investments ..... 45,814,  
Interest rate swaps ..... 5,317,  
Options written ..... 3,078,  
Short sales ..... 690,  
Futures ..... (26,502,

45,814,  
5,317,  
3,078,  
690,  
(26,502,

28,398,

Net change in unrealized appreciation (depreciation) on:

Investments ..... (42,464,  
Interest rate caps ..... 1,130,  
Interest rate floor ..... 1,102,  
Futures ..... 551,  
Options written ..... (400,  
Interest rate swaps ..... (10,204,

(42,464,  
1,130,  
1,102,  
551,  
(400,  
(10,204,

(50,286,

Net loss on investments .....

(21,888,

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....

\$40,295,

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

See Notes to Financial Statements.

11

STATEMENT OF CASH FLOWS YEAR ENDED OCTOBER 31, 2002

BLACKROCK INCOME TRUST

RECONCILIATION OF NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO	
NET CASH FLOWS USED FOR OPERATING ACTIVITIES	
Net increase in net assets resulting from operations .....	\$40,295,603
Increase in investments .....	(88,270,687)
Net realized gain .....	(28,398,002)
Decrease in unrealized appreciation .....	50,286,165
Decrease in interest rate caps .....	2,315
Decrease in interest rate floor .....	(1,460,283)
Increase in deposits with brokers as collateral for securities borrowed .....	(17,234,375)
Decrease in interest receivable .....	1,967,960
Decrease in due from broker-variation margin .....	57,348
Decrease in other assets .....	3,912
Increase in receivable for investments sold .....	(19,476,045)
Increase in options written .....	856,966
Decrease in interest rate swaps .....	10,157,844
Increase in interest payable .....	2,209,466
Increase in payable for investments purchased .....	1,460,612
Decrease in due to broker--collateral on interest rate swaps .....	(3,929,000)
Increase in other accrued expenses and liabilities .....	39,578
Total adjustments .....	(91,726,226)
Net cash flows used for operating activities .....	(51,430,623)
INCREASE (DECREASE) IN CASH	
Net cash flows used for operating activities (51,430,623) Cash flows	
provided by financing activities:	
Increase in reverse repurchase agreements .....	87,158,014
Cash dividends paid .....	(35,674,911)
Net cash flows provided by financing activities .....	51,483,103
Net increase in cash .....	52,480
Cash at beginning of year .....	315,125
Cash at end of year .....	\$ 367,605

See Notes to Financial Statements.

12

STATEMENTS OF CHANGES IN NET ASSETS



Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

BLACKROCK INCOME TRUST  
-----

INCREASE (DECREASE) IN NET ASSETS

OPERATIONS:

Net investment income .....  
 Net realized gain (loss) .....  
 Net change in unrealized appreciation (depreciation) .....  
  
 Net increase in net assets resulting from operations .....  
 Dividends from net investment income .....  
 Net proceeds from Trust shares issued in reinvestment of dividends .....  
  
 Total increase .....

NET ASSETS

Beginning of year .....  
 End of year .....  
 End of year undistributed net investment income .....

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS  
-----

BLACKROCK INCOME TRUST  
-----

	YEAR ENDED OCTOBER		
	2002	2001	2000
	----	-----	----
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of year .....	\$ 8.06	\$ 7.23	\$ 7.31
Investment operations:			
Net investment income (net of interest expense of \$0.08, \$0.11, \$0.12, \$0.16 and \$0.19,			

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

respectively) .....	0.99	0.56	0.50
Net realized and unrealized gain (loss) .....	(0.35)	0.83	(0.02)
	-----	-----	-----
Net increase (decrease) from investment operations ....	0.64	1.39	0.48
	-----	-----	-----
Dividends from net investment income .....	(0.57)	(0.56)	(0.56)
	-----	-----	-----
Net asset value, end of year(1).....	\$ 8.13	\$ 8.06	\$ 7.23
	=====	=====	=====
Market value, end of year(1).....	\$ 8.07	\$ 7.26	\$ 6.38
	=====	=====	=====
TOTAL INVESTMENT RETURN(2).....	15.35%	23.23%	14.01%
	=====	=====	=====
RATIOS TO AVERAGE NET ASSETS:			
Operating expenses .....	1.03%	1.03%	1.05%
Operating expenses and interest expense .....	2.05%	2.54%	2.78%
Net investment income .....	12.28%	7.43%	7.11%
SUPPLEMENTAL DATA:			
Average net assets (000) .....	\$506,533	\$470,185	\$448,027
Portfolio turnover .....	125%	32%	114%
Net assets, end of year (000) .....	\$511,385	\$506,764	\$454,510
Reverse repurchase agreements outstanding, end of year (000) .....	\$205,792	\$118,634	\$ 64,460
Asset coverage(3) .....	\$ 3,485	\$ 5,272	\$ 8,095

-----  
 (1) Net asset value and market value are published in BARRON'S on Saturday and THE WALL STREET JOURNAL on Monday.

(2) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the current market price on the last day of the 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. Past performance is no guarantee of future results.

(3) Per \$1,000 of reverse repurchase agreement outstanding.

The information above represents the audited operating performance data for a share of common stock outstanding, total investment return, ratios to average net assets and other supplemental data for the years 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.

NOTES TO FINANCIAL STATEMENTS

-----  
 BLACKROCK INCOME TRUST  
 -----

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

NOTE 1. ORGANIZATION & ACCOUNTING POLICIES BlackRock Income Trust (the "Trust"), a Maryland corporation, is a diversified closed-end management investment company. The investment objective of the Trust is to achieve high monthly income consistent with preservation of capital. The ability of issuers of debt securities held by the Trust to meet their obligations may be affected by economic developments in a specific industry or region. No assurance can be given that the Trust's investment objective will be achieved.

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

**SECURITIES VALUATION:** The Trust values most of its securities on the basis of current market quotations provided by dealers or pricing services selected under the supervision of the Trust's Board of Directors. 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 the 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. Any 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 the Trust's Board of Directors.

**SECURITIES TRANSACTIONS AND NET INVESTMENT INCOME:** Securities transactions are recorded on the trade date. Realized and unrealized gains and losses are calculated on the identified cost basis. Interest income is recorded on the accrual basis, and the Trust accretes discount and amortizes premium on securities purchased using the interest method.

**REPURCHASE AGREEMENTS:** In connection with transactions in repurchase agreements, the 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 the Trust may be delayed or limited.

**OPTION SELLING/PURCHASING:** When the Trust sells 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 the Trust has realized a gain or a loss on investment transactions. The 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.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Options, when used by the Trust, 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.

Option selling and purchasing may be used by the Trust 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 the 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 the 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 a simple 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 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, the 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.

15

The Trust is exposed to credit loss in the event of non-performance by the other party to the swap. However, BlackRock Advisors, Inc. closely monitors swaps and does 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 expires 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

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

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 the Trust has realized a gain or loss on investment transactions.

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 Trust to manage the duration of the Trust's portfolio 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 Trust's portfolio and its exposure to changes in short-term rates. Owning interest rate caps reduces the portfolio's duration, making it 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 Trust experiences primarily in the form of leverage.

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

Transactions fees paid or received by the Trust 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 excess, if any, of a floating rate under a specified fixed or floating rate.

Interest rate floors are used by the Trust to both manage the duration of the portfolio and its exposure to changes in short-term interest rates. Selling interest rate floors reduces the portfolio's duration, making it less sensitive to changes in interest rates from a market value perspective. The Trust's 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 Trust receives.

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

Transaction fees paid or received by the Trust 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.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

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 made or received, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the 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 Trust, 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 Trust may attempt to manage duration of positions so that changes in interest rates do not change the duration of the portfolio unexpectedly.

**SHORT SALES:** The Trust may make short sales of securities as a method of managing potential price declines in similar securities owned. When the 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 Trust 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.

**SECURITIES LENDING:** The Trust may lend its 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 Trust 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 Trust receives compensation for lending its securities in the form

16

of interest on the loan. The Trust also continues 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 account of the Trust.

The Trust did not enter into any security lending transactions during the year ended October 31, 2002.

**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 the Trust segregate assets in connection with certain Trust investments (e.g., when issued securities, reverse repurchase agreements or futures contracts), the 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 the Trust's intention to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute sufficient amounts of its taxable income to shareholders. Therefore, no Federal income tax provision is required.

**DIVIDENDS AND DISTRIBUTIONS:** The Trust declares and pays dividends and

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

distributions monthly; first from net investment income, then from realized short-term capital gains and other sources, if necessary. Net long-term capital gains, if any, in excess of loss carryforwards are distributed at least 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 expenses during the reporting period. Actual results could differ from those estimates.

DEFERRED COMPENSATION PLAN: Under a deferred compensation plan approved by the Board of Directors on September 20, 2002, non-interested Directors may elect to defer receipt of all, or a portion of their annual compensation and beginning on January 1, 2003 will be required to defer a portion of their annual compensation pursuant to the plan.

Deferred amounts earn a return as though equivalent dollar amounts had been invested in common shares of other BlackRock funds selected by the Directors. This has the same economic effect as if the Directors had invested the deferred amounts in such other BlackRock funds.

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

NOTE 2. AGREEMENTS The Trust has an Investment Advisory Agreement with BlackRock Advisors, Inc. (the "Advisor"), which is a wholly owned subsidiary of BlackRock, Inc., which in turn is an indirect, majority-owned subsidiary of the PNC Financial Services Group, Inc. The Trust has an Administration Agreement with Prudential Investments LLC ("PI"), an indirect, wholly owned subsidiary of Prudential Financial, Inc.

The investment advisory fee paid to the Advisor is computed weekly and payable monthly at an annual rate of 0.65% of the Trust's average weekly net assets. The total dollar amounts paid to the Advisor by the Trust under the Investment Advisory Agreement for the years ended October 31, 2002, 2001 and 2000 were \$3,292,465, \$3,064,600 and \$2,928,176, respectively. The administration fee paid to PI is also computed weekly and payable monthly at an annual rate of 0.20% of the first \$500 million of the Trust's average weekly net assets and 0.15% of any excess. The total dollar amounts paid to PI by the Trust under the Administration Agreement for the years ended October 31, 2002, 2001 and 2000 were \$1,009,800, \$942,954 and \$900,977, respectively.

Pursuant to the agreements, the Advisor provides continuous supervision of the investment portfolio and pays the compensation of officers of the Trust who are affiliated persons of the Advisor. PI pays occupancy and certain clerical and accounting costs of the Trust. The Trust bears all other costs and expenses which include reimbursement to the Advisor for certain operational support services provided to the Trust.

Pursuant to the terms of its custody agreement, BlackRock Income Trust received an earnings credit from its custodian for positive cash balance maintained, which is used to offset custody fees in the amount of \$6,194.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

NOTE 3. PORTFOLIO PURCHASES AND SALES OF INVESTMENT SECURITIES, OTHER THAN SHORT-TERM INVESTMENTS AND U.S. GOVERNMENT SECURITIES, FOR THE YEAR ENDED OCTOBER 31, 2002 AGGREGATED \$379,256,162 AND \$184,213,519, RESPECTIVELY. PURCHASES AND SALES OF U.S. GOVERNMENT SECURITIES FOR THE YEAR ENDED OCTOBER 31, 2002 AGGREGATED \$625,774,301 AND \$643,330,424, RESPECTIVELY.

The 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 PNC Bank or its affiliates, including Midland Loan Services, Inc. It is possible under certain circumstances, an affiliate of PNC 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 an affiliate of PNC or its affiliates, including Midland Loan Services, Inc.

The federal income tax basis of the Trust's investments at October 31, 2002 was \$676,705,370 and, accordingly, net unrealized appreciation for federal income tax purposes was \$11,493,081 (gross unrealized appreciation \$31,551,621; gross unrealized depreciation \$20,058,540).

17

For federal income tax purposes, the Trust had a capital loss carryforward at October 31, 2002 of approximately \$86,133,900 of which approximately \$10,359,600 will expire in 2003, approximately \$27,373,200 will expire in 2004, approximately \$33,108,000 will expire in 2007, approximately \$1,352,200 will expire in 2008 and approximately \$13,940,900 will expire in 2009. Accordingly, no capital gains distribution is expected to be paid to shareholders until net gains have been realized in excess of such amounts.

Details of open financial futures contracts at October 31, 2002 were as follows:

NUMBER OF CONTRACTS	TYPE	EXPIRATION DATE	VALUE AT TRADE DATE	VALUE AT OCTOBER 31 2002
Long positions:				
215	5 Yr. U.S. T-Bond	Dec. '02	\$24,224,139	\$24,452,891
323	10 Yr. U.S. T-Bond	Dec. '02	36,727,826	37,054,156
212	30 Yr. U.S. T-Bond	Dec. '02	23,462,687	23,459,126

The Trust held two interest rate caps. Under all agreements, the Trust receives the excess, if any, of a floating rate over a fixed rate. The Trust paid a transaction fee for each cap. Transaction fees are amortized through the termination of the agreement. Details of the caps at October 31, 2002 were as follows:

NOTIONAL AMOUNT (000)	FIXED RATE	FLOATING RATE	TERMINATION DATE	AMORTIZED COST
-----	-----	-----	-----	-----



Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

\$100,000	7.25%	3-month LIBOR	4/23/03	\$227,606
100,000	7.75%	3-month LIBOR	5/4/03	128,920
				-----
				\$356,526
				=====

The Trust held one interest rate floor. Under the agreement, the Trust pays the excess, if any, of a fixed rate over a floating rate. The Trust received a transaction fee for the floor. Transaction fee is amortized through the termination of the agreement. Details of the interest rate floor held at October 31, 2002 were as follows:

NOTIONAL AMOUNT (000)	FIXED RATE	FLOATING RATE	TERMINATION DATE	AMORTIZED COST	V OC
-----	-----	-----	-----	-----	---
\$47,000	6.00%	1-month LIBOR	1/25/05	\$(775,125)	\$(2
				=====	====

Details of open interest rate swaps at October 31, 2002 were as follows:

NOTIONAL AMOUNT (000)	FIXED RATE	FLOATING RATE	TERMINATION DATE	UNREALIZED APPRECIATION (DEPRECIATION)
-----	-----	-----	-----	-----
\$ 24,000	3.55% (a)	3-month LIBOR	10/24/06	\$524,098
100,000	3.91% (a)	3-month LIBOR	8/09/07	2,797,533
162,000	4.22% (a)	3-month LIBOR	5/04/06	1,868,994
32,000	5.46% (b)	3-month LIBOR	10/17/12	(2,649,287)
24,000	6.04% (b)	3-month LIBOR	11/15/21	(2,400,617)
80,300	6.07% (b)	3-month LIBOR	8/28/22	(8,166,050)
				-----
				\$(8,025,329)
				=====

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

Transactions in options written during the year ended October 31, 2002, were as follows:

	NOTIONAL AMOUNT (000)	PREMIUM RECEIVED
	-----	-----
Options outstanding at October 31, 2001	--	--

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Options written	\$483,100	\$ 5,016,738
Options terminated in closing purchase transactions	(380,800)	(4,291,585)
Options expired	(80,300)	(268,800)
	-----	-----
Options outstanding at October 31, 2002	\$ 22,000	\$ 456,353
	=====	=====

NOTE 4. BORROWINGS      REVERSE REPURCHASE AGREEMENTS: The Trust may enter into reverse repurchase agreements with qualified, third party broker-dealers as determined by and under the direction of the Trust's Board of Directors. 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 the Trust enters into a reverse repurchase agreement, it establishes and maintains 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 of reverse repurchase agreements outstanding during the year ended October 31, 2002 was approximately \$173,501,000 at a weighted average interest rate of approximately 1.81%.

DOLLAR ROLLS: The Trust may enter into dollar rolls in which the 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 Trust forgoes principal and interest paid on the securities. The Trust will be compensated by the interest earned on the cash proceeds of the initial sale and by the lower repurchase price at the future date.

The Trust did not enter into any dollar roll transactions during the year ended October 31, 2002.

NOTE 5. CAPITAL            There are 200 million shares of \$.01 par value common stock authorized. Of the 62,874,817 shares outstanding at October 31, 2002, affiliates of the Advisor owned 10,753 shares.

During the year ended October 31, 2002, the Trust issued 24,939 common shares under the terms of its Dividend Reinvestment Plan.

NOTE 6. DIVIDENDS        Subsequent to October 31, 2002, the Board of Directors of the Trust declared dividends from undistributed earnings of \$0.0510 per share payable November 29, 2002 to shareholders of record on November 15, 2002.

NOTE 7. COMMITMENT      On October 9, 1997, the Trust entered into a commitment to purchase an aggregate of up to \$20,000,000 of Overseas Private Investment Corp. securities prior to the commitment expiration on September 30, 2003. To date, the Trust has purchased such securities with a market value of \$13,837,367 at October 31, 2002.

### INDEPENDENT AUDITORS' REPORT

-----

To the Directors and Shareholders of The BlackRock Income Trust Inc.

We have audited the accompanying statement of assets and liabilities of The

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

BlackRock Income Trust Inc. (the "Trust"), including the portfolio of investments, as of October 31, 2002, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's 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 and financial highlights 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, 2002, 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 and financial highlights referred to above present fairly, in all material respects, the financial position of The BlackRock Income Trust Inc. as of October 31, 2002, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

December 6, 2002

20

### DIRECTORS INFORMATION

#### INDEPENDENT DIRECTORS

Name, address, age	Andrew F. Brimmer P.O. Box 4546 New York, NY 10163-4546 Age: 76	Richard E. Cavanagh P.O. Box 4546 New York, NY 10163-4546 Age: 56
Current positions held with the Funds	Lead Director Audit Committee Chairman	Director Audit Committee Member



Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

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

- (1) Interested Director as defined by Section 2(a)(19) of the Investment Company Act of 1940.
- (2) The Board of Directors is classified into three classes of which one class is elected annually. Each Director serves a three-year term concurrent with the class from which he is elected.
- (3) Commencement of investment operations July 29, 1988.
- (4) The fund complex currently consists of 44 separate closed-end funds, each with one investment portfolio.
- (5) Except during the period 8/12/93 through 4/15/97, and except during the period 10/31/02 through 11/02/02.

21

INDEPENDENT DIRECTORS (CONTINUED)

Frank J. Fabozzi  
P.O. Box 4546  
New York, NY 10163-4546  
Age: 54

James Clayburn La Force, Jr.  
P.O. Box 4546  
New York, NY 10163-4546  
Age: 73

Walter F. Mondale  
P.O. Box 4546  
New York, NY 10163-4546  
Age: 74

Ralph L. Sch...  
40 East 52nd  
New York, NY  
Age: 51

Director

Director

Director

Chairman of

3 years(2) /  
since inception(3)

3 years(2) /  
since inception(3)

3 years(2) / since  
inception(3,5)

3 years(2) /  
since incept

Consultant. Editor of THE JOURNAL OF PORTFOLIO MANAGEMENT and Adjunct Professor of Finance at the School of Management at Yale University. Author and editor of several books on fixed income portfolio

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

Partner, Dorsey & Whitney, 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.

Director since and President BlackRock, I since its fo in 1998 and BlackRock, I predecessor since 1988. of the Manag Committee an Investment S Group of Bla

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

management. Visiting Professor of Finance and Accounting at the Sloan School of Management, Massachusetts Institute of Technology from 1986 to August 1992.

1990-1993. From 1978 to September 1993, Dean of The John E. Anderson Graduate School of Management, University of California.

Senator and Attorney General of the State of Minnesota. 1984 Democratic Nominee for President of the United States.

Inc. Formerly Managing Director of Lehman Brothers Inc. and Co-Chairman of its Mortgage Savings Institute. Current Chairman of the closed-end Trusts in which BlackRock Advisors Inc. acts as investment advisor.

44 (4)

44 (4)

44 (4)

44 (4)

Director, Guardian Mutual Funds Group. (18 portfolios)

Director, Jacobs Engineering Group, Inc., Payden & Rygel Investment Trust, Provident Investment Counsel Funds.

Chairman and President of BlackRock Private Institutional (10 portfolios). Director of Anthracite Coal Inc. and several 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 Board of the School of the University of Pennsylvania, Trustee of The School in New York City and a Trustee of New Vision Public Education New York City. Formerly, a member of Pulte Corporation and a Member of Fannie Mae's Advisory Council.

-----

22

TAX INFORMATION

-----

We wish to advise you as to the federal tax status of dividends paid by the Trust during its fiscal year ended October 31, 2002.

During the fiscal year ended October 31, 2002, the Trust paid dividends of \$0.5708 per share from net investment income. For federal income tax purposes, the dividends you received are reportable in your 2002 federal income tax return as ordinary income. Further, we wish to advise you that your income dividends do not qualify for the dividends received deduction.

For the purpose of preparing your 2002 annual federal income tax return, however, you should report the amounts as reflected on the appropriate Form 1099 DIV which will be mailed to you in January 2003.

DIVIDEND REINVESTMENT PLAN

-----

Pursuant to the Trust's Dividend Reinvestment Plan (the "Plan"), shareholders may elect to have all distributions of dividends and capital gains reinvested by EquiServe Trust Company, N.A. (the "Plan Agent") in Trust shares pursuant to the Plan. Shareholders who do not participate in the Plan will receive all distributions in cash paid by check in United States dollars 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 transfer agent, as dividend disbursing agent.

The Plan Agent serves as agent for the shareholders in administering the Plan. After the Trust declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of unissued but authorized shares from the Trust ("newly issued shares") or (ii) by purchase of outstanding shares on the open market, on the New York Stock Exchange or elsewhere ("open-market purchases"). If, on the dividend payment date, the net asset value per share 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 transfer 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 net asset value per share (but in no event less than 95% of the then current market price per share) on the date the shares are issued. If, on the dividend payment date, the net asset value per share is greater than the market value per share (such condition being referred to herein as "market discount"), the transfer agent will invest the dividend amount in shares acquired on behalf of the participants in open-market purchases.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent and will receive certificates for whole Trust shares and a cash

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

payment will be made for any fraction of a Trust share.

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the 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, state or local income taxes that may be payable on such dividends or distributions.

The Trust reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to all shareholders of the Trust at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent upon at least 90 days' written notice to all shareholders of the Trust. All correspondence concerning the Plan should be directed to the Plan Agent at (800) 699-1BFM or 150 Royall Street, Canton, MA 02021.

23

### INVESTMENT SUMMARY

---

#### INVESTMENT OBJECTIVE

BlackRock Income Trust's investment objective is to manage a portfolio of high quality securities to achieve high monthly income consistent with preservation of capital. The Trust will seek to distribute monthly income that is greater than that obtainable on an annualized basis by investment in United States Treasury securities having the same maturity as the average dollar weighted maturity of the Trust's investments.

#### WHO MANAGES THE TRUST?

BlackRock Advisors, Inc. (the "Advisor") manages the Trust. The Advisor is a wholly owned subsidiary of BlackRock, Inc. ("BlackRock"), which is one of the largest publicly traded investment management firms in the United States with \$246 billion of assets under management as of September 30, 2002. BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of equity, fixed income, liquidity and alternative investment products. In addition, BlackRock provides risk management and investment system services to a growing number of institutional investors under the BLACKROCK SOLUTIONS name. Clients are served from the Company's headquarters in New York City, as well as offices in Boston, Edinburgh, Hong Kong, San Francisco, Tokyo and Wilmington. BlackRock is majority-owned by The PNC Financial Services Group, Inc. (NYSE:PNC) and by BlackRock employees.

#### WHAT CAN THE TRUST INVEST IN?

The Trust will invest at least 65% of its assets in mortgage-backed securities. At least 85% of the Trust's assets must be rated at least "AAA" by Standard & Poor's or "Aaa" by Moody's at the time of purchase (up to 5% can be unrated but deemed by the Advisor to be of comparable quality). Additionally, 15% of the Trust's assets can be invested in securities rated at least "AA" by Standard & Poor's or "Aa" by Moody's at time of purchase. Under current market conditions, BlackRock expects that the primary investments of the Trust will be U.S. Government securities, securities backed by government agencies (such as mortgage-backed securities), privately issued mortgage-backed securities,



## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

commercial mortgage-backed securities and asset-backed securities.

### WHAT IS THE ADVISOR'S INVESTMENT STRATEGY?

The Advisor will seek to meet the Trust's investment objective by managing the assets of the Trust so as to provide high monthly income consistent with the preservation of capital. The Trust will seek to provide monthly income that is greater than that which could be obtained by investing in U.S. Treasury securities with an average life similar to that of the Trust's assets. Under current market conditions, the average life of the Trust's assets is expected to be in the range of seven to ten years. Under other market conditions, the Trust's average life may vary and may not be predictable using any formula. In seeking the investment objective, the Advisor may actively manage among various types of securities in different interest rate environments.

Traditional mortgage pass-through securities make interest and principal payments on a monthly basis and can be a source of attractive levels of income to the Trust. While mortgage-backed securities in the Trust are of high credit quality, they typically offer a yield spread above Treasuries due to the uncertainty of the timing of their cash flows as they are subject to changes in the rate of prepayments when interest rates change and either a larger or smaller proportion of mortgage holders refinance their mortgages or move. While mortgage-backed securities offer the opportunity for attractive yields, they subject a portfolio to interest rate risk and prepayment exposure which result in reinvestment risk when prepaid principal must be reinvested.

Multiple-class mortgage pass-through securities, or collateralized mortgage obligations (CMOs), are also an investment that may be used in the Trust's portfolio. These securities are issued in multiple classes each of which has a different coupon rate, stated maturity and prioritization on the timing of receipt of cash flows coming from interest and principal payments on the underlying mortgages. Principal prepayments can be allocated among the different classes of a CMO in a number of ways; for instance, they can be applied to each of the classes in the order of their respective stated maturities. This feature allows an investor to better plan the average life of their investment.

Additionally, in order to protect the portfolio from interest rate risk, the Advisor will attempt to locate securities with call protection, such as commercial mortgage-backed securities with prepayment penalties or lockouts. Securities with call protection should provide the portfolio with some degree of protection against reinvestment risk during times of lower prevailing interest rates.

### HOW ARE THE TRUST'S SHARES PURCHASED AND SOLD? DOES THE TRUST PAY DIVIDENDS REGULARLY?

The Trust's shares are traded on the New York Stock Exchange which provides investors with liquidity on a daily basis. Orders to buy or sell shares of the Trust must be placed through a registered broker or financial advisor. The Trust pays monthly dividends which are typically paid on the last business day of the month. For shares held in the shareholder's name, dividends may be reinvested in additional shares of the Trust through its transfer agent, EquiServe Trust Company, N.A. Investors who wish to hold shares in a brokerage account should check with their financial advisor to determine whether their brokerage firm offers dividend reinvestment services.

### LEVERAGE CONSIDERATIONS IN THE TRUST

The Trust employs leverage primarily through the use of reverse repurchase agreements and dollar rolls. Leverage permits the Trust to borrow money at short-term rates and reinvest that money in longer-term assets which typically offer higher interest rates. The difference between the cost of the borrowed

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

funds and the income earned on the proceeds that are invested in longer-term assets is the benefit to the Trust from leverage.

Leverage also increases the duration (or price volatility of the net assets with respect to changes in interest rates) of the Trust, which can improve the performance of the Trust in a declining rate environment, but can cause net assets to decline faster in a rapidly rising interest rate environment. The Advisor's portfolio managers continuously monitor and regularly review the Trust's use of

24

leverage and the Trust may reduce, or unwind, the amount of leverage employed should the Advisor consider that reduction to be in the best interests of the shareholders.

### SPECIAL CONSIDERATIONS AND RISK FACTORS RELEVANT TO THE TRUST

The trust is intended to be a long-term investment and is not a short-term trading vehicle.

**DIVIDEND CONSIDERATIONS.** Dividends paid by the Trust are likely to vary over time as fixed income market conditions change. Future dividends may be higher or lower than the dividend the Trust is currently paying.

**INTEREST-ONLY SECURITIES (IO).** The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying Mortgage Assets, and a rapid rate of principal payments may have a material adverse effect on such security's yield to maturity. If the underlying Mortgage Assets experience greater than anticipated prepayments of principal, the Trust may fail to recoup fully its initial investment in these securities even if the securities are rated AAA by S&P or Aaa by Moody's.

**INVERSE FLOATING RATE MORTGAGE-BACKED SECURITIES.** ARMs with interest rates that adjust at periodic intervals in the opposite direction from the market rate of interest to which they are indexed. An inverse floater may be considered to be leveraged to the extent that its interest rate may vary by a magnitude that exceeds the magnitude of the change in the index rate of interest.

**LEVERAGE.** The Trust utilizes leverage through reverse repurchase agreements and dollar rolls, which involves special risks. The Trust's net asset value and market value may be more volatile due to its use of leverage.

**MARKET PRICE OF SHARES.** The shares of closed-end investment companies such as the Trust trade on the New York Stock Exchange (NYSE symbol: BKT) and as such are subject to supply and demand influences. As a result, shares may trade at a discount or a premium to their NAV.

**MORTGAGE-BACKED AND ASSET-BACKED SECURITIES.** The cash flow and yield characteristics of these securities differ from traditional debt securities. The major differences typically include more frequent payments and the possibility of prepayments which will change the yield to maturity of the security.

**CORPORATE DEBT SECURITIES.** The value of corporate debt securities generally varies inversely with changes in prevailing market interest rates. The Trust may be subject to certain reinvestment risks in environments of declining interest rates.

**ZERO COUPON SECURITIES.** Such securities receive no cash flows prior to maturity; therefore, interim price movement on the securities are generally more sensitive to interest rate movements than securities that make periodic coupon payments.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

These securities appreciate in value over time and can play an important role in helping the Trust achieve its primary objective.

ILLIQUID SECURITIES. The Trust may invest in securities that are illiquid, although under current market conditions the Trust expects to do so to only a limited extent. These securities involve special risks.

ANTITAKEOVER PROVISIONS. Certain antitakeover provisions will make a change in the Trust's business or management more difficult without the approval of the Trust's Board of Directors and may have the effect of depriving shareholders of an opportunity to sell their shares at a premium above the prevailing market price.

25

### ADDITIONAL INFORMATION

---

There have been no material changes in the Trust's investment objective or policies that have not been approved by the shareholders or to its charter or by-laws or in the principal risk factors associated with investment in the Trust. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Trust's portfolio.

Quarterly performance and other information regarding the Trust may be found on BlackRock's website, which can be accessed at <http://www.blackrock.com/funds/cefunds.html>. This reference to BlackRock's website is intended to allow investors public access to quarterly information regarding the Trust and is not intended to incorporate BlackRock's website into this report.

Certain of the officers of the Trust listed on the inside back cover of the Report to Shareholders are also officers of the Advisor. They serve in the following capacities for the Advisor: Robert S. Kapito--Director and Vice Chairman, Henry Gabbay and Anne Ackerley--Managing Directors.

### GLOSSARY

---

ADJUSTABLE RATE MORTGAGE-BACKED SECURITIES (ARMS):	Mortgage instruments with interest rates that adjust at periodic intervals at a fixed amount over the market levels of interest rates as reflected in specified indexes. ARMs are backed by mortgage loans secured by real property.
ASSET-BACKED SECURITIES:	Securities backed by various types of receivables such as automobile and credit card receivables.
CLOSED-END FUND:	Investment vehicle which initially offers a fixed number of shares and trades on a stock exchange. The fund invests in a portfolio of securities in accordance with its stated investment objectives and policies.
COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS):	Mortgage-backed securities which separate mortgage pools into short-, medium-, and long-term securities with different priorities

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

for receipt of principal and interest. Each class is paid a fixed or floating rate of interest at regular intervals. Also known as multiple-class mortgage pass-throughs.

COMMERCIAL MORTGAGE  
BACKED SECURITIES (CMBS):

Mortgage-backed securities secured or backed by mortgage loans on commercial properties.

DISCOUNT:

When a fund's net asset value is greater than its stock price the fund is said to be trading at a discount.

DIVIDEND:

Income generated by securities in a portfolio and distributed to shareholders after the deduction of expenses. This Trust declares and pays dividends on a monthly basis.

DIVIDEND REINVESTMENT:

Shareholders may elect to have all dividends and distributions of capital gains automatically reinvested into additional shares of the Trust.

FHA:

Federal Housing Administration, a government agency that facilitates a secondary mortgage market by providing an agency that guarantees timely payment of interest and principal on mortgages.

FHLMC:

Federal Home Loan Mortgage Corporation, a publicly owned, federally chartered corporation that facilitates a secondary mortgage market by purchasing mortgages from lenders such as savings institutions and reselling them to investors by means of mortgage-backed securities. Obligations of FHLMC are not guaranteed by the U.S. Government, however; they are backed by FHLMC's authority to borrow from the U.S. Government. Also known as Freddie Mac.

FNMA:

Federal National Mortgage Administration, a publicly owned, federally chartered corporation that facilitates a secondary mortgage market by purchasing mortgages from lenders such as savings institutions and reselling them to investors by means of mortgage-backed securities. Obligations of FNMA are not guaranteed by the U.S. Government, however; they are backed by FNMA's authority to borrow from the U.S. Government. Also known as Fannie Mae.

GNMA:

Government National Mortgage Association, a U.S. Government agency that facilitates a secondary mortgage market by providing an agency that guarantees timely payment of interest and principal on mortgages. GNMA's obligations are supported by the full faith and credit of the U.S. Treasury. Also known as Ginnie Mae.

GOVERNMENT SECURITIES:

Securities issued or guaranteed by the U.S.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Government, or one of its agencies or instrumentalities, such as GNMA, FNMA and FHLMC.

**INTEREST-ONLY SECURITIES:** Mortgage securities including CMBS that receive only the interest cash flows from an underlying pool of mortgage loans or underlying pass-through securities. Also known as a strip.

**INVERSE-FLOATING RATE MORTGAGE:** Mortgage instruments with coupons that adjust at periodic intervals according to a formula which sets inversely with a market level interest rate index.

26

**MARKET PRICE:** Price per share of a security trading in the secondary market. For a closed-end fund, this is the price at which one share of the fund trades on the stock exchange. If you were to buy or sell shares, you would pay or receive the market price.

**MORTGAGE DOLLAR ROLLS:** A mortgage dollar roll is a transaction in which the Trust sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (although not the same) securities on a specified future date. During the "roll" period, the Trust does not receive principal and interest payments on the securities, but is compensated for giving up these payments by the difference in the current sales price (for which the security is sold) and lower price that the Trust pays for the similar security at the end date as well as the interest earned on the cash proceeds of the initial sale.

**MORTGAGE PASS-THROUGHS:** Mortgage-backed securities issued by Fannie Mae, Freddie Mac or Ginnie Mae.

**NET ASSET VALUE (NAV):** Net asset value is the total market value of all securities and other assets held by the Trust, plus income accrued on its investments, minus any liabilities including accrued expenses, divided by the total number of outstanding shares. It is the underlying value of a single share on a given day. Net asset value for the Trust is calculated weekly and published in BARRON'S on Saturday and THE WALL STREET JOURNAL on Monday.

**PRINCIPAL-ONLY SECURITIES:** Mortgage securities that receive only the principal cash flows from an underlying pool of mortgage loans or underlying pass-through securities. Also known as strips.

**PROJECT LOANS:** Mortgages for multi-family, low- to middle-income housing.

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

**PREMIUM:** When a fund's stock price is greater than its net asset value, the fund is said to be trading at a premium.

**REMIC:** A real estate mortgage investment conduit is a multiple-class security backed by mortgage-backed securities or whole mortgage loans and formed as a trust, corporation, partnership, or segregated pool of assets that elects to be treated as a REMIC for Federal tax purposes. Generally, FNMA REMICs are formed as trusts and are backed by mortgage-backed securities.

**RESIDUALS:** Securities issued in connection with collateralized mortgage obligations that generally represent the excess cash flow from the mortgage assets underlying the CMO after payment of principal and interest on the other CMO securities and related administrative expenses.

**REVERSE REPURCHASE AGREEMENTS:** In a reverse repurchase agreement, the Trust sells securities and agrees to repurchase them at a mutually agreed date and price. During this time, the Trust continues to receive the principal and interest payments from that security. At the end of the term, the Trust receives the same securities that were sold for the same initial dollar amount plus interest on the cash proceeds of the initial sale.

**STRIPPED MORTGAGE-BACKED SECURITIES:** Arrangements in which a pool of assets is separated into two classes that receive different proportions of the interest and principal distributions from underlying mortgage-backed securities. IO's and PO's are examples of strips.

27

### BlackRock Income Trust

#### Directors

Ralph L. Schlosstein, CHAIRMAN(1)  
Andrew F. Brimmer  
Richard E. Cavanagh  
Kent Dixon  
Frank J. Fabozzi  
Robert S. Kapitol  
James Clayburn La Force, Jr.  
Walter F. Mondale

#### Officers

Robert S. Kapito, PRESIDENT(1)  
Richard M. Shea, VICE PRESIDENT/TAX  
Henry Gabbay, TREASURER  
James Kong, ASSISTANT TREASURER

## Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

Anne Ackerley, SECRETARY

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

Administrator  
Prudential Investments LLC  
Gateway Center Three  
100 Mulberry Street  
Newark, NJ 07102-4077

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

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

Legal Counsel - Independent Directors  
Debevoise & Plimpton  
919 Third Avenue  
New York, NY 10022

BlackRock Income Trust  
c/o Prudential Investments LLC  
Gateway Center Three  
100 Mulberry Street  
Newark, NJ 07102-4077  
(800) 227-7BFM

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.

- (1) Laurence D. Fink has resigned his positions as Director and Chairman of the Board effective August 22, 2002 and will continue as Chairman and Chief Executive Officer of BlackRock, Inc. and Chief Executive Officer of BlackRock Advisors, Inc. The Board of Directors elected Ralph L. Schlosstein as the new Chairman of the Board, elected Robert S. Kapito as the new President of the Trust and appointed Robert S. Kapito as a new Director of the Board effective August 22, 2002.

The Trust will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts

Edgar Filing: BLACKROCK INCOME TRUST INC - Form N-30D

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 househanded 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 Trust at (800) 227-7BFM.

=====

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 [LOGO]